

The Welfare State, Equality and Social Capital

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Emanuele Ferragina

Aim

We will revisit the debate on the relation between the welfare state, equality and social capital

(1) Does an extensive welfare state create or reduce social capital?

(2) Do different welfare state configurations contribute to the creation/destruction of social networks, shared norms, and (institutional and interpersonal) trust?

Agenda

Welfare Regime Debate

Welfare State Change

Social Capital

The Welfare State and Social Capital

Applied Case

Agenda

Welfare Regime Debate

Esping-Andersen's classification

Welfare Regimes Ideal-Types

The Relevance of Esping-Andersen

Author/book	Number of citations
TH Marshall 'Social Citizenship and Social Class'	6965
RM Titmuss 'Essays on the Welfare State'	1149
HL Wilensky 'The Welfare State and Equality'	900
T Skocpol 'Protecting Soldiers and Mothers'	1628
P Pierson 'Dismantling the Welfare State'	1501
PA Hall and DW Soskice 'Varieties of Capitalism'	2773
G. Esping-Andersen 'The Three Worlds of Welfare Capitalism'	11958

Deductive Reasoning and Ideal Types (1/3)

“The construction of a system of abstract reasoning is the only means of analysing and intellectually mastering the complexity of social life” (Weber, 1904)

The Three Worlds of Capitalism and Political Economy

Definition according to 'decommodification' and 'stratification'

Additions (Castles, 1993; Leibfried, 1992; Goodman/Peng, 1996) & other worlds: Education (Busemeyer/Nikolai, 2010), Health (Wendt, 2009; Reibling, 2010)

TTWC is part of a long sociological tradition rooted in deductive reasoning

Deductive Reasoning and Ideal Types (2/3)

Hostility to classification and nominalist approaches (typologies seen as an academic construction)

Social Policy dominated by idiosyncratic case studies

After Esping-Andersen comparative research has largely accepted the benefits of using ideal types and typologies as heuristic devices

At Times the concept of ideal types was confused with real types, (impurity of real types)

Deductive Reasoning and Ideal Types (3/3)

“We show that welfare state cluster, but we must recognize that there is no single pure case. The Scandinavian countries may be predominantly social democratic, but they are not free of crucial Liberal elements. Neither are the Liberal regimes pure types. The American social-security system is redistributive, compulsory and far from actuarial. At least in its early formulation, the New Deal was as social democratic as was contemporary Scandinavian social democracy. And European conservative regimes have incorporated both Liberal and social democratic impulses. Over the decades, they have become less corporatist and less authoritarian” (Esping-Andersen, 1990: 28-29).

Esping-Andersen and Political Economy

Esping-Andersen's theory established a connection between 'classical political economy' and the study of social security programs

He captured the influence of Liberal, Conservative and Marxist political economists on the affirmation of different types of institutional arrangements to deal with conflict and redistribution

Classification of regime types according to decommodification and social stratification

Decommodification (1/2)

Decommodification is the extent to which individuals and families can afford an acceptable standard of living independently of market participation

Decommodification (2/2)

Decommodification is measured considering the eligibility rules and restrictions of entitlements, levels of income replacement, and the range of cash benefit provided to deal with traditional social risks (unemployment, sickness and old age)

Attribution to each indicator of a score ranging from 1 to 3 (1=low decommodification, 3=high decommodification)

The Scores are weighted by the percentage of the population covered

The level of income replacement is factored with a double weight in the final index

Social Stratification (1/2)

Social stratification is captured through a wide range of indicators of how welfare state key institutions operate in structuring class and social order (Esping-Andersen 1990: 55).

Social Stratification (2/2)

Social Stratification is captured considering seven indicators directly related to three political movements that dominated the Western World in the 20th century:

1. Liberal principle measured through the spending for: (1) means-tested poor relief, (2) private pension and (3) private health care
2. Conservative principle measured through: (4) the level of corporatism, (5) the level of etatism
3. Socialist principles measured through: (6) the degree of universalism, (7) the equality of benefits among citizens

Political Economy, Decommodification and Stratification

Regimes are connected to the outcome of the power struggle between the elite and the working class

(1) Where the trade unions managed to support the interest of the working class, social democracy developed under the influence of Socialist Principles (low Social Stratification and high Decommodification)

Where the elites established their power over the working class, Liberalism and Christian Democracy prevailed:

(2) Liberalism and minimal interference of the state
(High Social Stratification, low Decommodification)

(3) Christian Democracy and Perpetuation of Paternalism
(medium Social Stratification and Decommodification)

Esping-Andersen's Classification

Decommodification			Social Stratification		Esping Andersen prototypes
Country	Scores		Country	Degrees of liberalism, conservatism and socialism	
Australia	13*		United States	High liberalism	United States
United States	14.2 [13.8]		Canada	High liberalism	
New Zealand	17.1*	Mean-one standard deviation = 19.5	Switzerland	High liberalism	
Canada	22		Australia	Medium-high liberalism	
Ireland	23.3		Japan	Medium-high liberalism	
United Kingdom	23.4		United Kingdom	Medium liberalism	
Italy	24.1		Ireland	Low liberalism	
Japan	27.1*		New Zealand	Low Liberalism	
France	27.5	27.2 (Mean)	France	High Conservatism	France
Germany	27.7		Germany	High Conservatism	Germany
Finland	29.2		Austria	High Conservatism	
Switzerland	29.8		Belgium	High Conservatism	
Austria	31.1		Italy	High Conservatism	
Belgium	32.4		Netherlands	Medium-high socialism	
Netherlands	32.4		Finland	Medium high socialism	
Denmark	38.1	Mean + one standard deviation (34.9)	Denmark	High socialism	Denmark
Norway	38.3		Norway	High socialism	Norway
Sweden	39.1		Sweden	High socialism	Sweden
Mean	27.2				
	7.7				

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Welfare Regime Debate

Esping-Andersen's classification

Welfare Regimes Ideal-Types

The Empirical Work on the Typology Business

The Selection of 23 studies for our review of the regime literature is based on the following criteria:

- (1) The Use of Quantitative Models
- (2) The Focus on a Minimum of 10 OECD Countries
- (3) The Presence of a Final Classification
- (4) Six Types

The Six Types

Social Democratic, Christian Democratic and Liberal (EA 1990)

Radical (Castles 1992)

Mediterranean (Leibfried 1992; Ferrera 1993)

Hybrids (Ragin 1994)

Criteria of Classification

Pure Countries: Classified more than 80% of the time in the same regime type

Medium-High Internal Consistency Countries: classified between 61% and 80% of the time in the same regime type

Medium Internal Consistency Countries: classified between 51% and 60% of the time in the same regime type

The Netherlands and Switzerland have been excluded

Literature Review

Descriptive

- EA 1990
- Castles 1993
- Bonoli, 1997
- Korpi/Palme 1998
- Gallie/Paugam 2000
- Goodin 2001
- Bambra, 2004
- Gal, 2004
- Bambra, 2005a,b
- Scruggs/Allan 2006
- Bambra 2006

Cluster

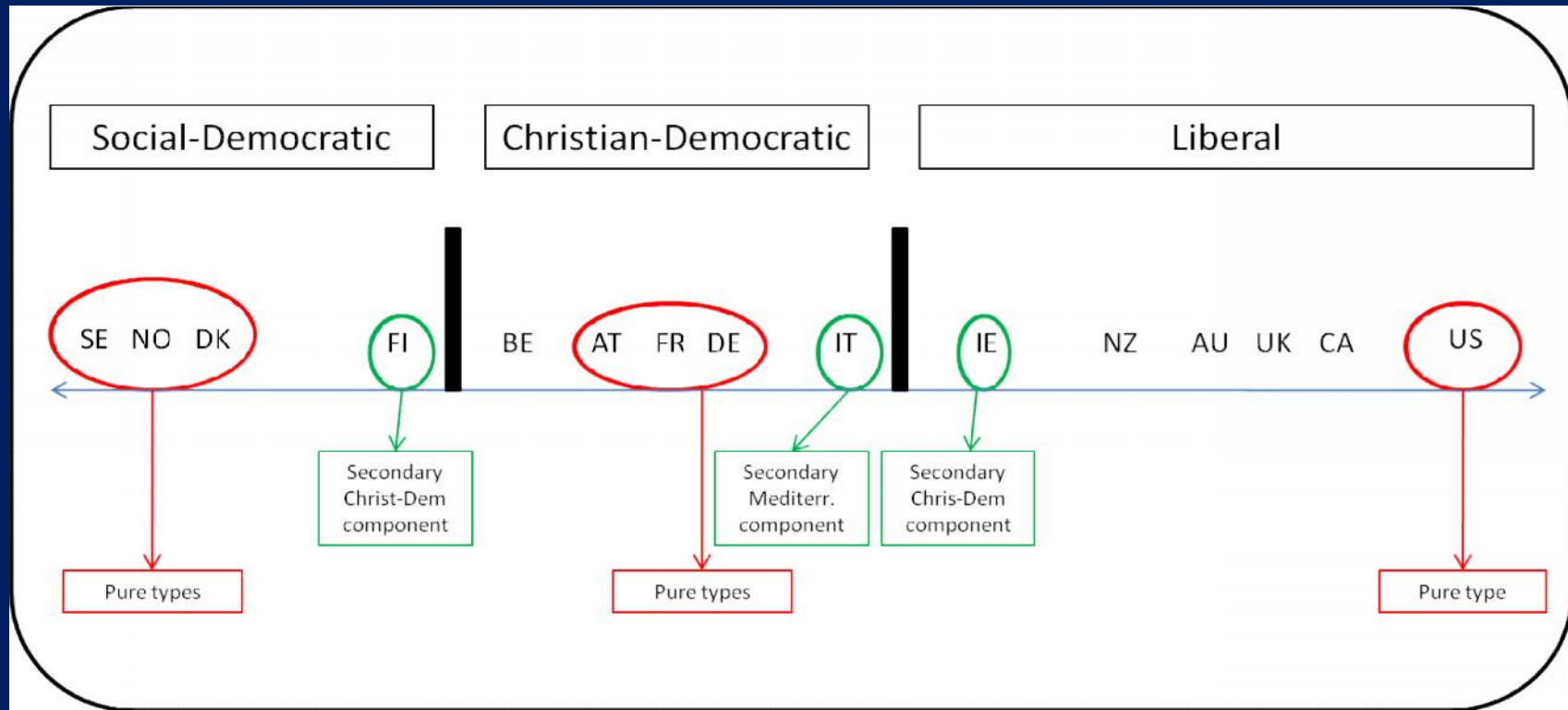
- Kangas, 1994
- Obinger/Wagschal, 1998, 2001
- Gough, 2001
- Kautto, 2002
- Saint Arnaud/Bernand, 2003
- Powell/Barrientos, 2004
- Bambra, 2007
- Castles and Obinger, 2008

PCA

- Shalev, 1996, 2007
- Wildeboer Schut, 2001
- Soede et al. 2004
- Shalev, 2007
- Schröder, 2008
- Vrooman, 2009

Country	Social	Christ	Lib	Med	Rad	Hyb	Total	Type
Social-Democratic								
SE	[22] 100%	[0] 0%	[0] 0%	[0] 0%	[0] 0%	[0] 0%	22	Pure
NO	[20] 95%	[0] 0%	[1] 5%	[0] 0%	[0] 0%	[0] 0%	21	Pure
DK	[20] 91%	[1] 5%	[1] 5%	[0] 0%	[0] 0%	[0] 0%	22	Pure
FI	[12] 67%	[5] 28%	[0] 0%	[0] 0%	[0] 0%	[1] 6%	18	Medium-high consistency
Average	88%							
Christian-Democratic								
FR	[1] 5%	[21] 95%	[0] 0%	[0] 0%	[0] 0%	[0] 0%	22	Pure
DE	[0] 0%	[21] 91%	[0] 0%	[0] 0%	[0] 0%	[2] 9%	23	Pure
AT	[2] 12%	[14] 82%	[1] 6%	[0] 0%	[0] 0%	[0] 0%	17	Pure
BE	[4] 18%	[16] 73%	[1] 5%	[0] 0%	[0] 0%	[1] 5%	22	Medium-high consistency
IT	[0] 0%	[12] 63%	[1] 5%	[6] 32%	[0] 0%	[0] 0%	19	Medium-high consistency
Average		81%						
Liberal								
US	[0] 0%	[0] 0%	[20] 100%	[0] 0%	[0] 0%	[0] 0%	20	Pure
CA	[1] 5%	[3] 16%	[15] 79%	[0] 0%	[0] 0%	[0] 0%	19	Medium-high consistency
UK	[1] 4%	[1] 4%	[18] 78%	[0] 0%	[1] 4%	[2] 9%	23	Medium-high consistency
AU	[0] 0%	[2] 10%	[15] 71%	[0] 0%	[4] 20%	[0] 0%	21	Medium-high consistency
JP	[0] 0%	[3] 21%	[9] 64%	[0] 0%	[0] 0%	[2] 14%	14	Medium-high consistency
NZ	[1] 7%	[1] 7%	[9] 60%	[0] 0%	[3] 20%	[1] 7%	15	Medium consistency
IE	[0] 0%	[6] 32%	[10] 53%	[1] 5%	[0] 0%	[2] 11%	19	Medium consistency
Average			72%					
Hybrid								
CH	[2] 13%	[3] 19%	[8] 50%	[1] 6%	[0] 0%	[2] 13%	16	Unclassified
NL	[3] 13%	[11] 48%	[2] 9%	[1] 4%	[0] 0%	[6] 26%	23	Unclassified

Literature Review



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Welfare Regime Debate

Welfare State Change

Social Capital

The Welfare State and Social Capital

Applied Case

Multiple Correspondence Analysis (1/3)

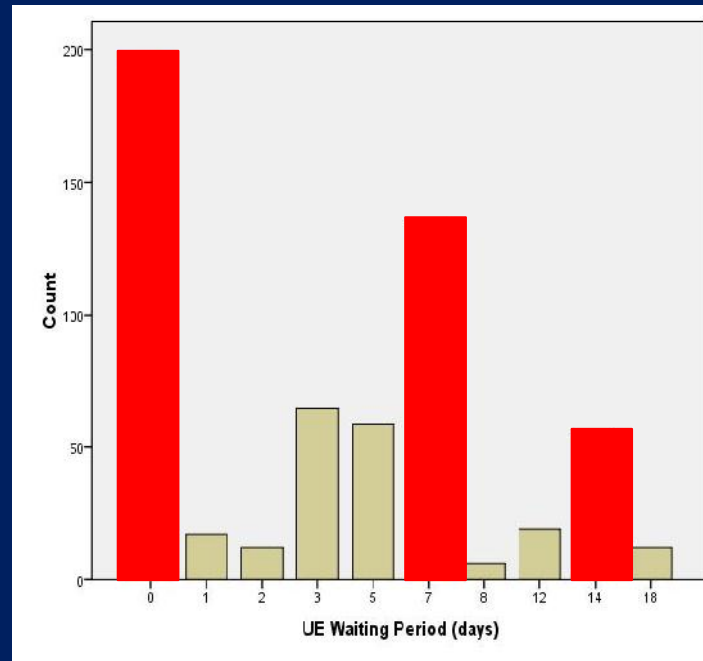
MCA was pioneered by Bourdieu (1979) to map individual consumption preferences within a continuous space

MCA can be applied to Welfare Regimes because:

- (1) Differently from Descriptive statistics can exploit all indicators contained in the decommodification index without increasing the measurement error and forcing the existence of a certain number of typologies (as in certain types of Cluster Analysis)
- (2) It is parsimonious like PCA, fitting a large number of indicators within two dimensions generating a 'geographical' space (Bourdieu 1979)
- (3) Counter to PCA it allows to transform poorly distributed data or continuous variables into consistently defined categories (such as quartiles) which can be realistically compared across time and space

Multiple Correspondence Analysis (2/3)

Spiky distributions
converted to
quartiles



Spikes at 0, 7
and 14 days

Multiple Correspondence Analysis (3/3)

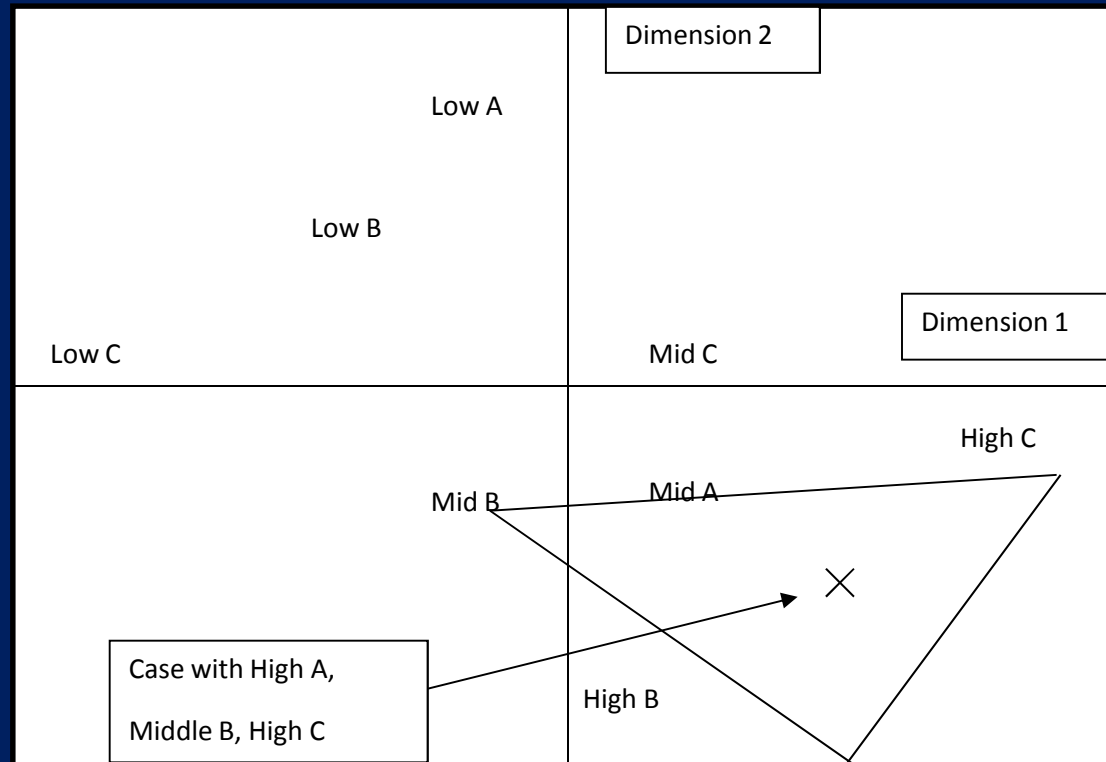
Adaptation of MCA to Welfare regime theory by:

- (1) Recoding all continuous, count and ordinal variables in the models into quartiles in order to avoid the problems associated with poorly distributed variables
- (2) Interpreting the 'geographical' spaces emerging from the cloud of indicators and the position of each country by relating them to welfare regime theory
- (3) Identifying welfare regime stability and change, and analyzing unemployment protection and family policies in greater detail
- (4) We run the average scores in different time periods and for different countries in order to identify the movement of each country across the space and different regime types over three decades

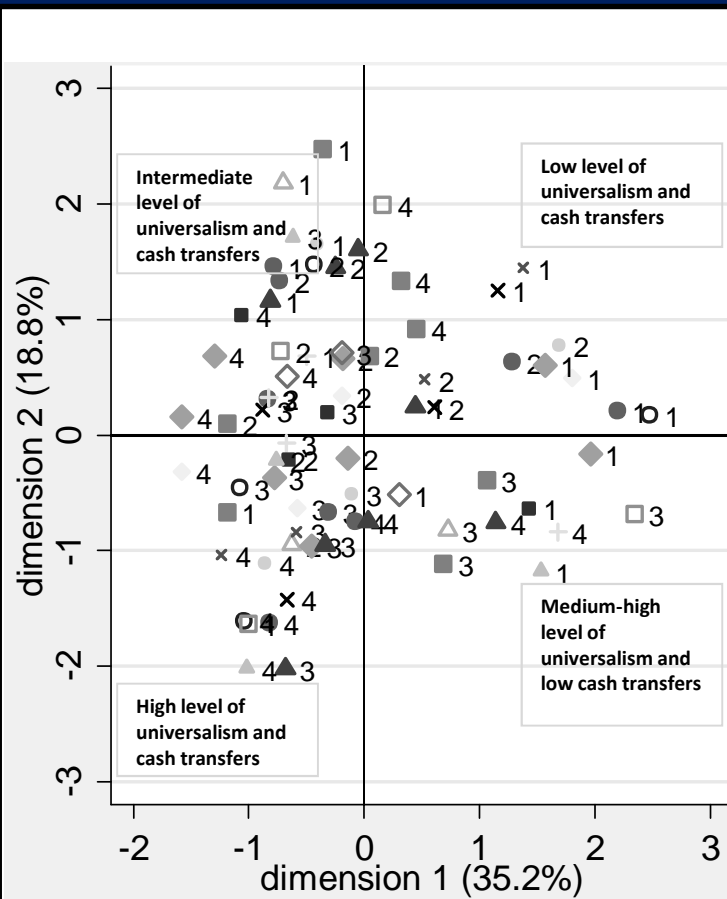
Data & Models

Policy Domains	Model 1 Pension, Unemployment protection, Sickness	Model 2, Unemployment protection, Family Policy	Model 3, Family policy	Model 4, Unemployment protection
Indicators	Unemployment (Scruggs, 2004) <ul style="list-style-type: none"> Coverage Replacement rate (single APW) Replacement rate (family) Qualifying period Waiting period Duration Sickness (Scruggs, 2004) <ul style="list-style-type: none"> Coverage Replacement rate (single APW) Replacement rate (family) Qualifying period Waiting period Duration Pension (Scruggs, 2004) <ul style="list-style-type: none"> Coverage Minimum/standard pension single person/couple replacement rate Qualifying period Pension funding (employee to employer ratio) 	Unemployment (Scruggs, 2004 and updating) <ul style="list-style-type: none"> Replacement rate (single APW) Replacement rate (family) Qualifying period Duration Family (Gauthier 2011 and updating) <ul style="list-style-type: none"> Total weeks leave (maternity, parental, childcare) Average replacement rate (maternity, parental, childcare) Allowance first child Expenditure for family services per child aged five and below (as a percentage of the GDP per capita; OECD, 2010) 	Family (Gauthier 2011 and updating) <ul style="list-style-type: none"> Total weeks leave (maternity, parental, childcare) Average replacement rate (maternity, parental, childcare) Allowance first child Expenditure for family services per child aged five and below (as a percentage of the GDP per capita; OECD 2010) 	Unemployment (Scruggs, 2004 and updating) <ul style="list-style-type: none"> Replacement rate (single APW) Replacement rate (family) Qualifying period Duration
Dimension 1	35.2%	48.70%	75.85%	46.24%
Dimension 2	18.8%	14.45%	9.77%	28.43%
Total variance explained	54%	63.15%	85.63%	74.68%
Observations	300	459	510	470

How MCA Works (1/2)



How MCA Works (2/2)



Note: 1= Lowest quartile; 4= top quartile.

Source: authors' elaboration

- | | |
|-------------------|----------------|
| ● nue/nmpc | ◆ nuequal/nspc |
| ■ newait/nsickcov | ▲ nuedur/npcov |
| × nuef | + nuecov |
| ○ nsick | ◇ nsickqual |
| □ nsickwait | △ nsickdur |
| ● nmp | ● nsp |
| ■ npqual | ▲ npfund |
| × nsickf | |

Employment

Nue: replacement rate unemployment (APW)

Nuef: replacement rate unemployment (family)

Nuewait: waiting period unemployment

Nuequal: qualifying period (unemployment insurance)

Nuedur: duration period (unemployment insurance)

Nuecov: coverage (unemployment)

Sickness

Nsick: replacement rate sickness (APW)

Nsickf: replacement rate sickness (family)

Nsickwait: waiting period sickness

Nsickqual: qualifying period sickness

Nsickdur: duration period (sickness)

Nsickcov: sickness (coverage)

Pension

Nmpc: Minimum pension couple replacement rate

Nmp: Minimum pension single person replacement rate

Nsp: Standard pension single replacement rate

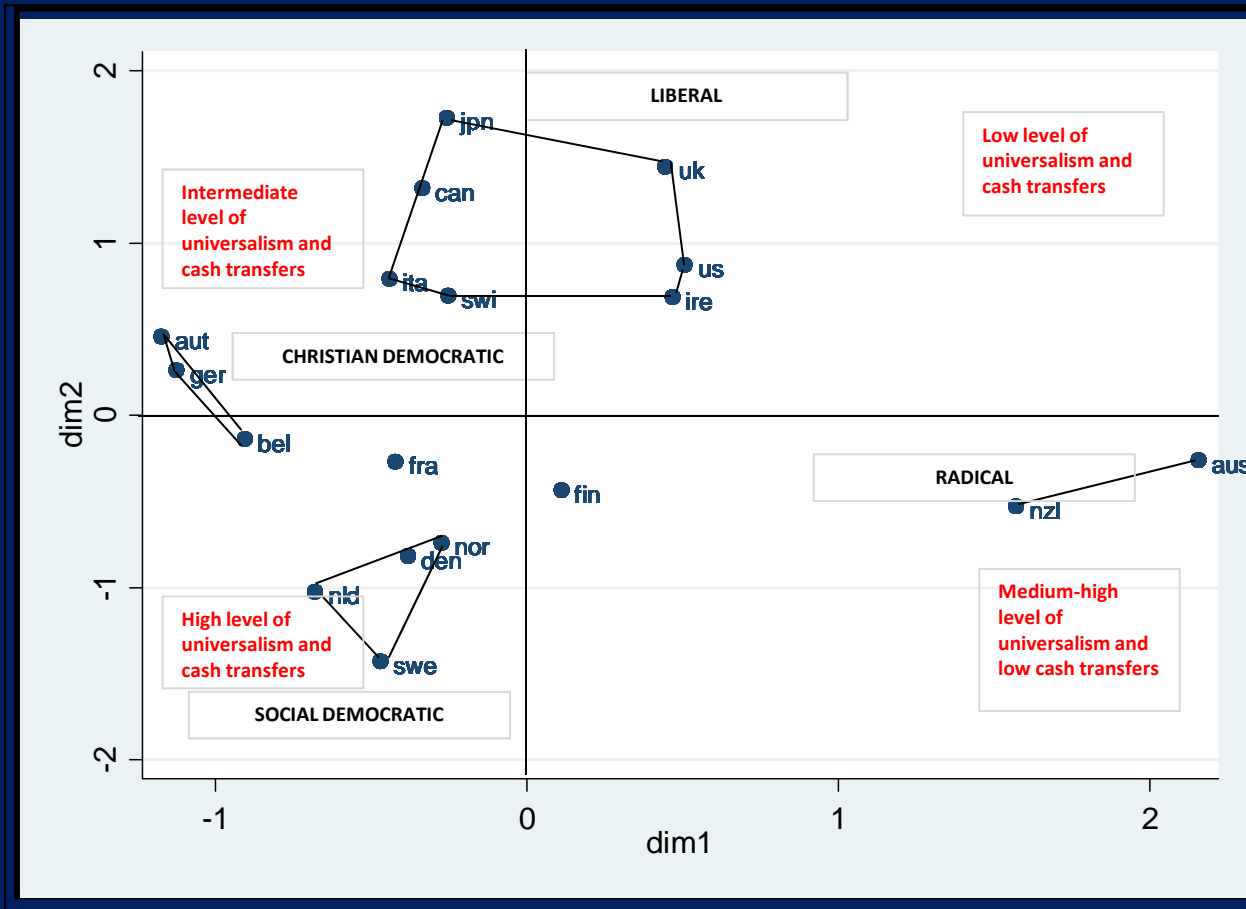
Nspc: Standard pension couple replacement rate

Npqual: Pension qualifying period

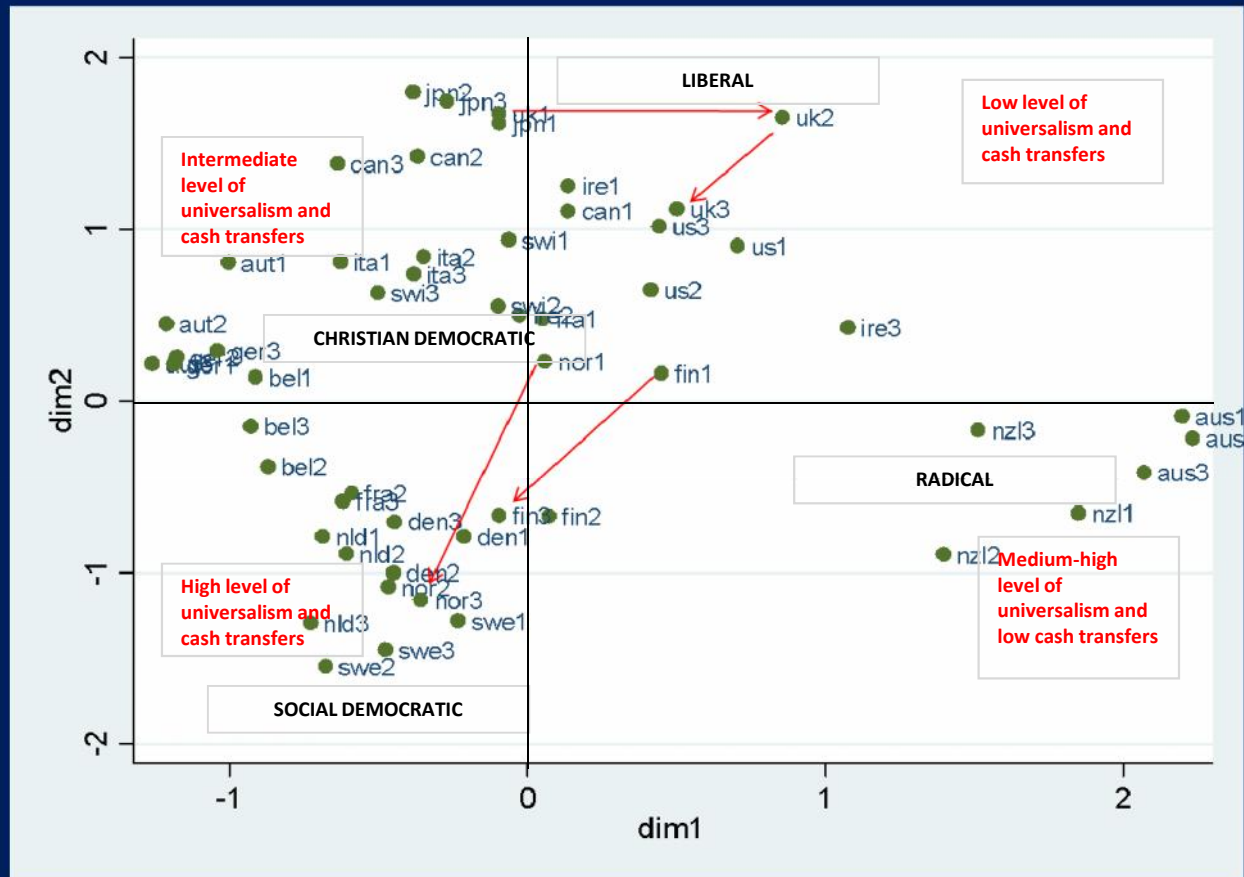
Npfund: Pension funding (employee to employer ratio)

Npcov: coverage (pension)

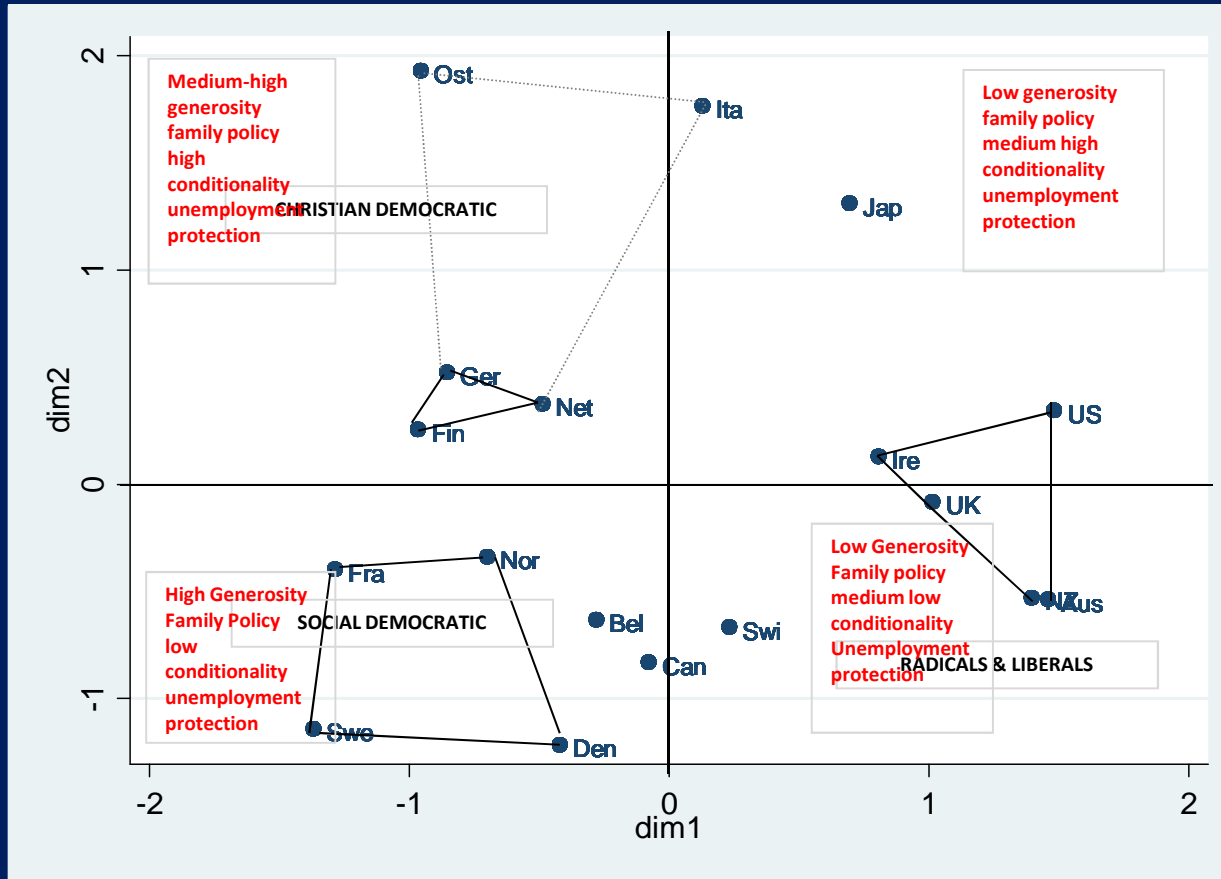
Model 1 Decommodification 1971-1999 (1/2)



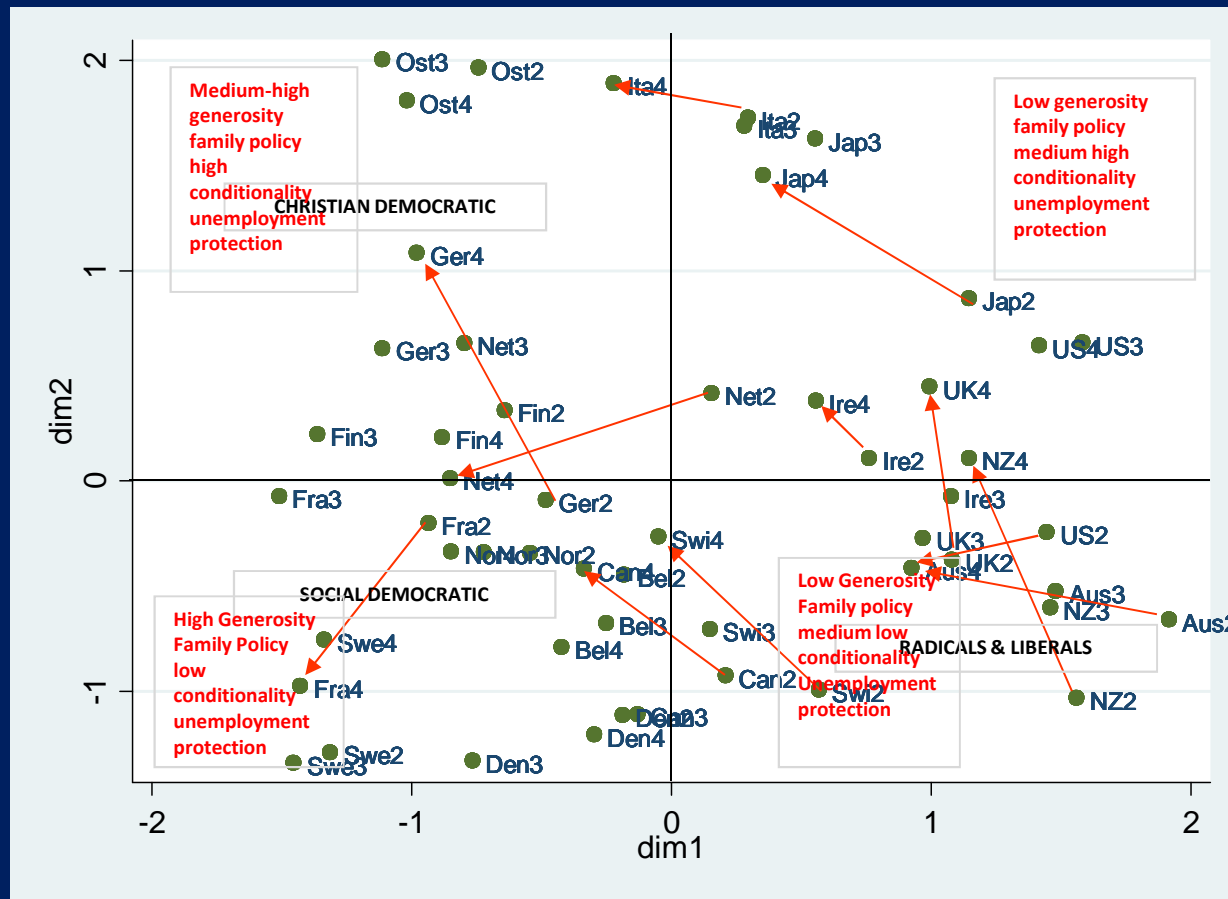
Model 1 Decommodification 1971-1999 (2/2)



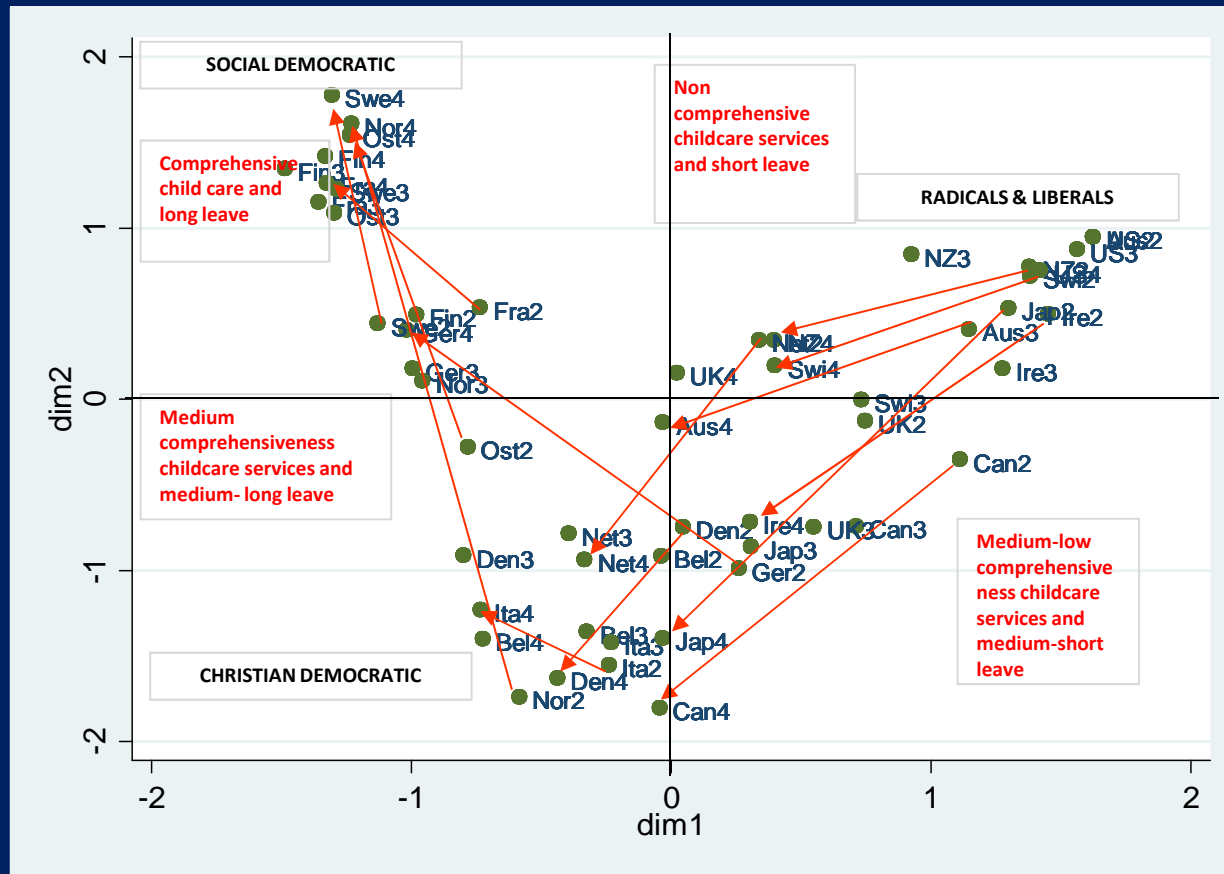
Model 2 Unemployment Protection and Family Policy 1980-2008



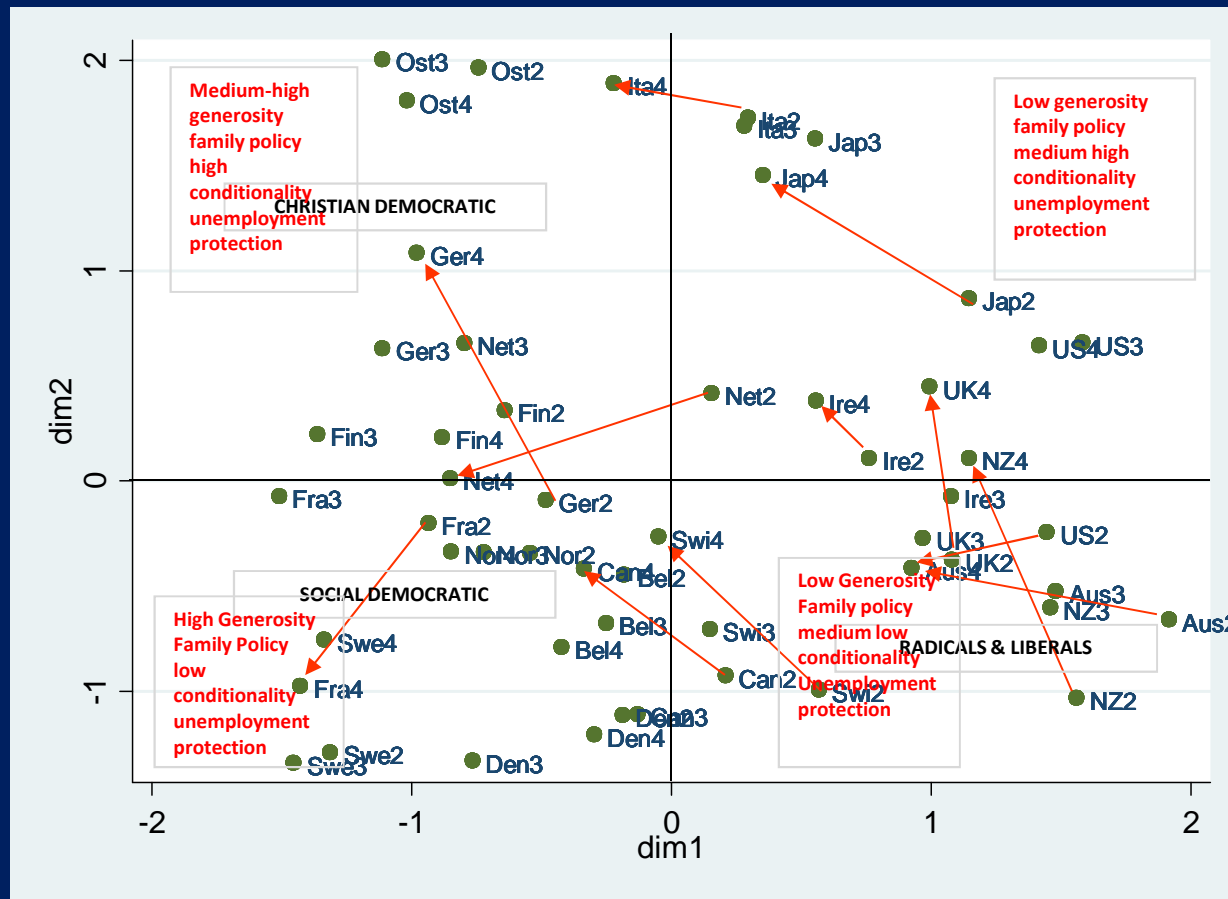
Model 2 Unemployment Protection and Family Policy 1980-2008 (over three decades)



Model 3 Family Policy 1980-2008 (over three decades)



Model 4 Unemployment Protection 1980-2008 (over three decades)



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Applied Case

Social Capital: a new concept for an old idea

- Social Capital different definitions in sociology and economics
- Putnam as critical juncture :
 - (1) Reconciled individualism and communitarianism
 - (1) Tocqueville + Funding fathers of sociology
 - (2) Community building (Hanifan and Jacobs)
 - (3) Integration between Macro and Micro (Coleman + Granovetter)
 - (4) From socio-economic to cultural explanations
 - (5) Internalising social science within the economic discourse

Social Capital & the political debate

- Elisir vs. Poison
- Third way and colonisation of the political debate
- Contradictions:
 - Level of analysis
 - Equality and Tocqueville

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Applied Case

Introducing RQ

Does an Extensive WS contribute to foster SC ?

Neoclassical & Communitarian Theory Vs. Institutionalism

Substantive and methodological contribution:

- (1) Measurement of welfare state generosity
- (2) Social Capital as a multi-dimensional concept
- (3) Individual level predictors

Literature Review

Social Capital (importance & definition)

Empirical response to theoretical debate:

(1) Economics: experimental design & micro tax data

(2) Sociology: case studies & Large N Comparative Design

Eckel: 'Crowd out' dependent on perception & information

(link with institutional theory)

Gap in the Literature

WS generosity equated with spending, universalism vs. Residual?

- Social Spending: concern for the effect of large WS on SC
- Decommmodification: universal vs. residual social security

Example: Denmark vs. France

Hypothesis

- high degrees of decommmodification should crowd in SC (institutional Theory)
- high levels of social spending, not accompanied by increased degree of universalism, should crowd out SC (neoclassical & communitarian Theorists)

Method

SEM to test if SC dimensions (Putnam's theory) do indeed combine

SC scores used in regression analysis as dependent variable



Six Configurations

- 1. 19 Countries, individual level predictors**
- 2. 1 + Macro Predictors**
- 3. 2 + Country-Effects**
- 4. 11 Countries, All Predictors 3 + decommodification**
- 5. Same 4, but social spending rather than decommodification**
- 6. Same 4, but decommodification rather than social spending**

Limits

Direction of causality and feedback effects

Comparability of survey data

'Phantom menace' omitted predictors bias

Number of contextual variables

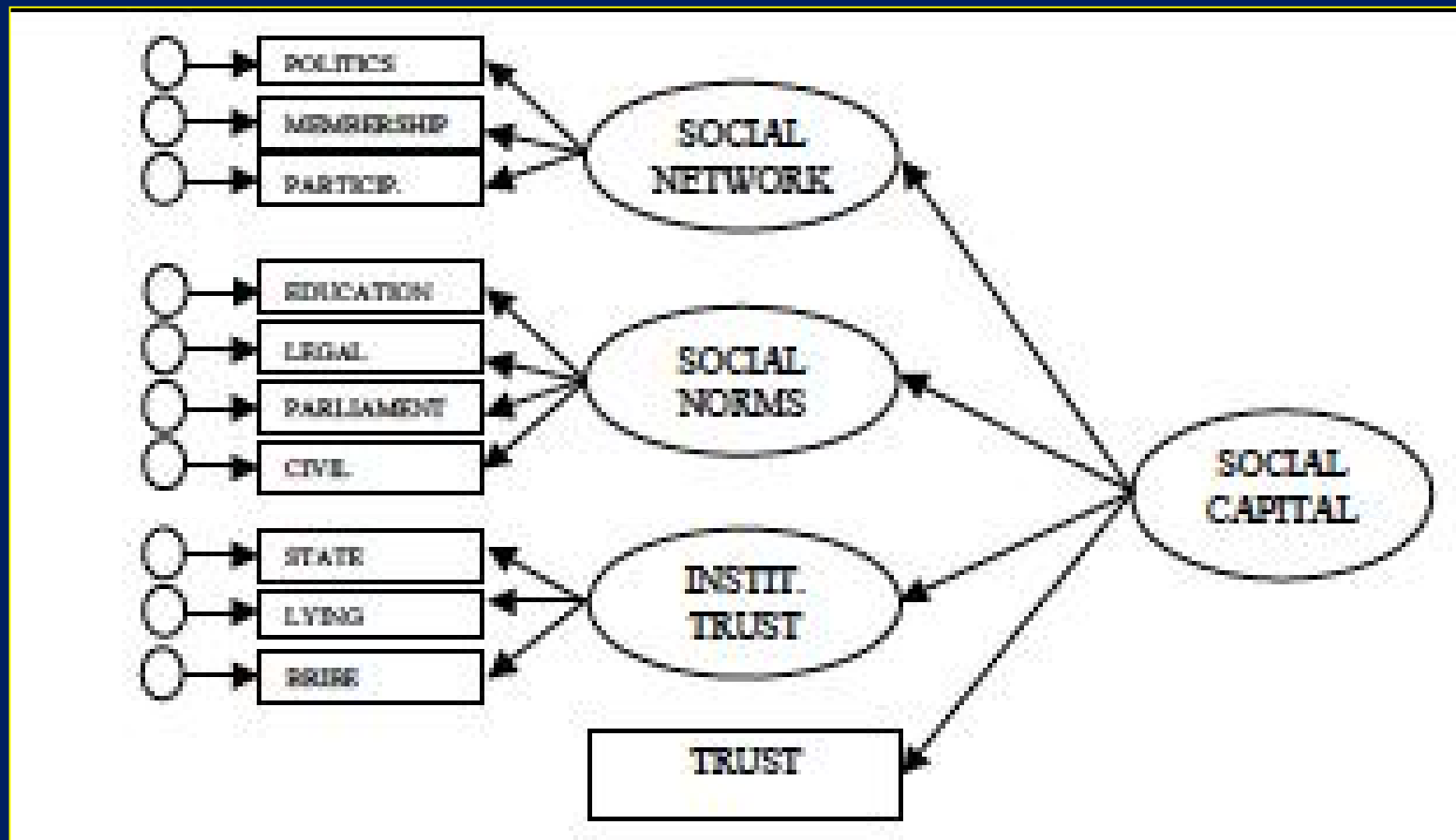
Shortcomings of the decommodification score

Data

EVS (1999; 2008) Micro Level

Macro: OECD Socex, Scruggs, Eurostat, UNU-Wider

Dependent Variable(s)



Independent Variables

Macro

Welfare State : Spending, Decommodification & Country effects

Others: GDP, Gini, Labour Market Participation

Micro

Usual suspects: income, education, gender, age, Religion, size of the city, employment status

Amoral Familism related: concern immediate family, neighborhood, human kind, importance family, stick to own affairs

Results: Model Fit

Data support the contention that dimensions of social network, social norm, institutional and interpersonal trust form a single trait (high fit)

All dimensions co-vary such that a high score on one is likely to be associated with a high score on another

Importance of voluntarism as highlighted by Putnam

Summary Macro-Variables (1/2)

Decommodification crowds in, social spending crowds out

- Decommodification most important structural factor
- Living in a country with a universal ws has roughly the same impact on social capital variation as having a disposable income in the top 20% of the income distribution (vs. being in the bottom 20%)
- High density of social capital is correlated with the absence of a poor and culturally distinct under-class. The absence of such cultural distinction is strongly related to high decommodification scores
- Feedback effect: Universalism > SC > Universalism ?

Summary Macro-Variables (1/2)

Low income inequalities and high labour market participation do positively impact on social capital (interaction with de commodification),

Argument in favour of redistribution?

The effect of economic development is much less clear

Summary Welfare Regimes & Country-effects

Scandinavian countries and the Netherlands highest levels

Conservative and Liberal in the middle of the ranking

- Austria, Belgium and Ireland higher than UK, Germany and France

Mediterranean and Eastern European Low

The Slovenian exception & the Swedish case

Summary Individual level

Income, education and religious confession main predictors

Amoral familism confirmed: high concern for the immediate family does effectively crowd out social capital.

On the contrary valuing family as important tends to positively contribute to social capital

- Detrimental effect of strong ties?

Conclusive Remarks

- Universal welfare states crowd in SC, and more so where high decommodification scores go hand in hand with the containment of social spending
- Welfare states that guarantee universal social citizenship do not only prevent social exclusion but also largely contribute to crowd in SC
- Future analysis:
 - Qualitative work to get a better grasp of mechanisms (EU project)

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Applied Case

Decommodification vs. Spending? The Italian Case

Pensions 57% of Social Spending

For Labour Market and Family Policy, Italy invests half of the EU average

Increasing decommodification and universalism keeping spending constant

- (1) minimum income guarantee (7bn 400 euros)
- (2) universal unemployment benefit (9bn two years 67%)
- (3) family services (especially childcare) (2/3 bn)

Who pays?



Double redistributive process?

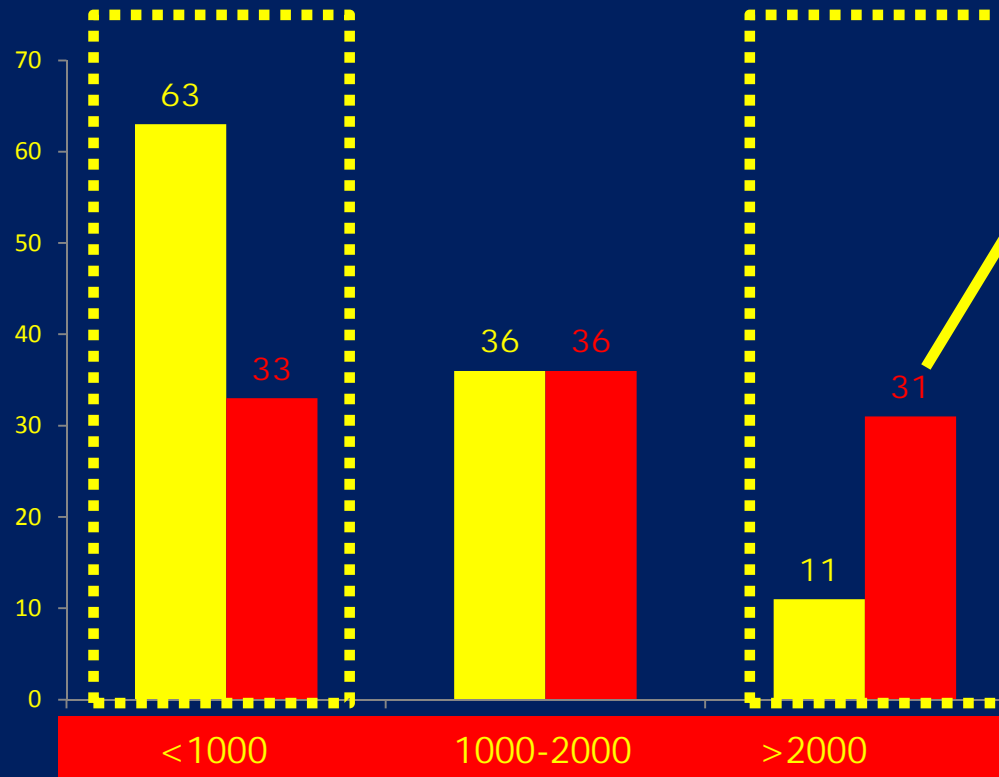
(1) Re-balance social spending from 'the past' to 'the future'

(1) From wealth to work?

Italian Pension Spending

Percentage of pensioners according to income and relative spending

 % over total pensioners
 % over total pension spending

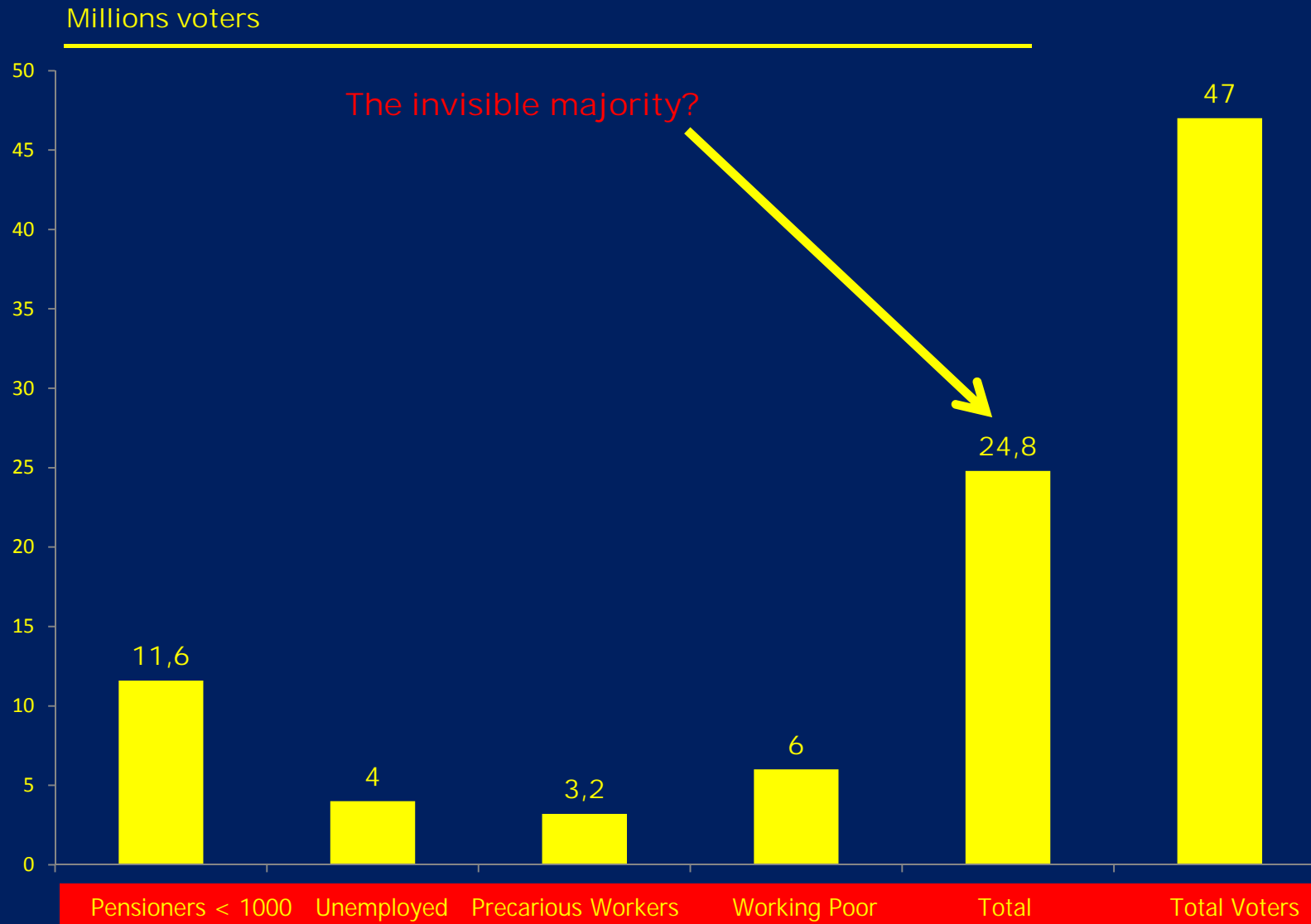


Unfair system

- 11,6 M receive less than 1000 Euros (533 in average)
- 2 M receive more than 2000 euros (2909 in average)

Unfair DB system, because pensioners above 2000 euros have contributed only for half of their current pension

Political support: the invisible majority?



Recap

The WS and its evolution as an independent variable

The Importance of Social Capital as a dependent variable

The Welfare State, Equality and Social Capital

The importance of this relation for public policy

Applying analytical reasoning to idealism

"If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions" (Einstein)