

PhD Dissertation Summary

GENEROSITY TRENDS OF WELFARE STATE REGIMES BEFORE AND AFTER THE CRISIS

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Debrecen
2014

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Acknowledgements

Many people have been involved in various ways in the process of writing this dissertation. Beyond the enormous support of my family and friends, in particular my warm thanks goes to three persons without whom I would have not been able to write this dissertation.

First of all, my sincere thanks go to my supervisor Miklós Szanyi, for his support, encouragement and advice during the entire period of work.

I would also like to thank István Mustó, who has been following my scientific attempts to for more than eight years. I also would like to express my gratitude to him for encouraging me to start working in the academic sphere.

Finally, I thank my previous supervisor, László Csaba for supporting me during the initial phase of my PhD studies. Without his support, I would have not been able to start writing any scientific papers, without him constantly encourage me to find a puzzling topic.

I sincerely thank the official reviewers of the first version of the dissertation, István Körösi and Balázs Ferkelt, for their time, careful work and valuable comments and suggestions on the work.

Further my thanks go to my fellow PhD students Ágnes Halász and Anett Hodosi, with whom we share our experiences and supported each other. Furthermore I would like to thank to my previous colleagues at the University of Debrecen – especially Eszter Láng, Fruzsina Sigér and Zsuzsanna Trón for the practical advice and creative discussions – and to my colleagues at the Institute of World Economics at the Centre for Economic and Regional Studies of the Hungarian Academy of Sciences – especially to Zsuzsánna Biedermann for her unlimited support and encouragement, even during that time when I felt that this mission of finishing the dissertation is totally impossible.

I would also like to thank all the people who have been involved anyhow in the process of writing this dissertation.

1. Antecedents and motivation

The dissertation focuses on the welfare state, the most important systemic element of capitalist models according to SAPIR (2006).

However my interest in comparative welfare state research dates back to several years ago, it started to intensify in 2012. Since April 2012 I have been involved in a four year research project, WWWfor Europe, which is funded by the European Commission within the 7th Framework Programme. This research tends to develop a new European growth and development strategy, which enables a socio-ecological transition to high levels of employment, well-being of its citizens, social inclusion, resilience of ecological systems and a significant contribution to the global common goods like climate stability. Research on the welfare states is an important area within the whole project, since social welfare issues are currently the largest public expenditure category in the countries of the European Union. My research has explored topics such as the institutional development of welfare state models in Europe (convergence vs. divergence) and the process of a large-scale institutional transformation of socio-economic institutions over the past 25 years, with a special focus on East Central European countries.

The classification and the distinctiveness of welfare states in East Central Europe (ECE) are of great interest in contemporary welfare state literature. The dissertation is aimed at providing explanation of welfare state generosity trends of the welfare state regimes and highlighting the commonalities and differences of the ECE model.

2. Overall Aim of the Dissertation

The overall aim of this dissertation is to provide a comprehensive analysis of the generosity trends of the different welfare state regimes in order to assess whether there is convergence between the distinct regimes.

The financial and economic crisis, has led to an ongoing legacy of turbulence in the euro zone (OBSTFELD, 2013: 1). The severe indebtedness problem in parts of the European Union and the lack of economic growth that has followed in the years since, combined with the already existing challenges of ageing population, has the inevitable consequence or assumption that the universalist and generous welfare states are no longer sustainable. In light of these processes the dissertation questions and analyses the

reactions of the distinct welfare state regimes to these challenges, especially to the current financial and economic crisis.

Therefore, the thesis is three-folded in its purpose:

1. to investigate the convergence of the distinct welfare state regimes,
2. to analyse the effects of the financial crisis on the evolution of the welfare state regimes,
3. and to summarize the common features of the welfare state model in East Central Europe.

3. Key Research Questions

Following the core research aims outlined above, the dissertation seeks to address and answer the following research questions.

The main research questions of the paper are thus:

1. *Have the welfare state regimes converged across the European Union¹ over the last two and a half decades?*

Starting with the article of O'CONNOR (1988), the analysis of welfare state convergence has become subject of growing number of publications in different areas, such as political science, economics or sociology. The assessment of welfare state convergence might lead to different results according to the applied method or dimension of welfare state operation. Therefore the dissertation analyses only the generosity trends of the distinct welfare state regimes in order to highlight the existing converging or diverging trends.

Since the end of the 20th century welfare states in general, and in the European Union in particular, have been constantly challenged by three interlinking factors, namely globalization, demographic changes, and new social risks² (PIERSON, C., 2007). Moreover, individuals and the society face a new set of risks which is result of changes in external and internal conditions, encompassing technological shifts, international competition, demographic ageing, migration and the break-up of traditional family structures. Global economy of the twenty-first century is characterised by rapid changes putting the European welfare states under constant pressure to adapt.

¹ Not all EU countries are analysed due to data availability, only those EU member states which are members of the Organisation for Economic Co-Operation and Development (OECD) as well (EU21).

² For detailed analysis on the topic see: ARMINGEON and BONOLI (2006).

These challenges are accompanied with the harmful effects of the current financial and economic crisis. The challenges the welfare states have to face are the same; however the welfare states or the welfare state regimes react differently. These different reactions have led us to the second research question.

2. *How have the European welfare models reacted to the current financial and economic crisis? What kind of changes, welfare reforms have been induced due to the crisis?*

To answer this question, research is leading to the following sub-questions:

- 2.1 *How have the patterns of general government spending, especially public social spending changed during the last two and a half decades within the EU?*
- 2.2 *Which welfare states/welfare state regimes have been able to work as automatic stabilisers in times of the current crisis and why?*
- 2.3 *What is the difference between the effects of planned welfare state reforms (carried out before the crisis) and crisis-induced welfare state reforms?*

In the dissertation the welfare states in East Central Europe consist a distinct welfare state regime, the common and distinct features of the ECE countries display an important part of the research.

3. *What are the distinct features of the welfare state model in East Central Europe³ (ECE)? Have the countries of the ECE model become more similar over time?*

In comparative welfare state literature there is disagreement about the characteristics, commonalities and differences of the post-communist/CEE or ECE welfare model. The dissertation aims to summarize the distinct features of the ECE model based on the evolution of welfare state generosity ratios before and after the outbreak of the financial and economic crisis.

By addressing and answering these core research questions, the dissertation hopes to make a comprehensive contribution to the academic debate on comparative welfare state research.

³ In the dissertation ECE is referred to as the examined six new EU member states which are members of the OECD as well, namely: the Czech Republic, Estonia, Hungary, Poland, the Slovak Republic and Slovenia. CEECs are referred to as the whole Central and Eastern European region (broader term).

The relevance of the thesis is two-folded. First, the already existing challenges of the welfare state, the new social risks and aging population is coupled with the new phenomena of financial crisis, euro-crisis, debt crisis and the lack of economic growth that has followed in recent years since which might lead to converging or diverging welfare outcomes. These processes affect the sustainability of the welfare state, even a second period of retrenchment (VIS ET AL., 2011) was predicted⁴. Welfare state retrenchment dominates politics today, strict austerity policies have been widely adopted in Europe since 2008. However fiscal consolidation has been mainly aimed at welfare services (CARREIRA DA SILVA ET AL., 2013), even significant increase of social spending can be observed. Moreover, there are good theoretical arguments both for and against welfare state convergence, and existing empirical studies found only limited evidence. The European examples (decreasing and increasing public social expenditures as well in many welfare states) contradicts this prediction of one-way development of public social spending. The financial and economic crisis served as a stress test of the welfare states which led to different solutions, different social policy reforms. These challenges, pressures are similar for all European countries; however it is possible that country-specific peculiarities may provide different welfare outcomes or the welfare regimes may develop into the same direction. The argument on the existence of convergence between welfare state regimes depends on testing. One method for testing the convergence hypothesis is the analysis of generosity trends.

Second relevance of the dissertation is linked to the commonalities and differences of the welfare state model in the East Central European region. Since the form and existence of the distinct ECE welfare state regime is so debated, the dissertation is aimed at collecting the common characteristics. Furthermore, the specific features of the ECE welfare model is analysed on a more detailed way, since the New EU member states not really presented in any major comparative social policy studies (for instance see: SAPIR, 2006; ESPING-ANDERSEN, 1990⁵), consequently they are typically left out of theoretical or empirical studies on issues like welfare state developments or reforms. Welfare reforms among the post-communist states have been on the agenda for long time, since the regime change, therefore it is important to shed light on the welfare

⁴ The first phase of retrenchment followed the first oil crisis in 1973.

⁵ ESPING-ANDERSEN (1996) rejected to add a fourth, Central Eastern European welfare type to his classification, arguing that these countries were in transition and later they will develop into one of the existing category.

regime formation in the region. To analyse the welfare states of the East Central European (ECE) region, they are presented as a fifth European social model.

4. Structure and applied methodology

The thesis is composed of 10 main sections. After the introductory part, the second chapter consists of the theoretical framework, literature review and definitions of concepts used in this research. Taking into account the theoretical framework, the hypotheses are proposed at the end of the second chapter.

The concept of welfare state is highly debated and discussed in economic literature, moreover, there is no universally accepted definition, nor is there one that suits all purposes (including the measurement issues and the compilation of statistics). NICHOLAS BARR (1987:5) emphasized that the concept of welfare state can be understood as a mosaic, “with diversity both in its source and in the manner of its delivery”. The use of the expression welfare has always been inexact, that is why a clear description is necessary regarding the object of this dissertation. The dissertation collects the major definitions of welfare itself. The problem of defining welfare arises from the fact that it is used in several disciplines as well. Ignoring all definition problems in the following the term welfare is used as GREVE (2008) suggested: “Welfare is the highest possible access to economic resources, a high level of well-being, including happiness of the citizens, a guaranteed minimum of income to avoid living in poverty, and finally, having the capabilities to ensure the individual a good life” (p. 58).

Like for welfare itself, there is no generally accepted definition of the welfare state. This theoretical debate can be concluded with Richard Titmuss’ words: “I am no more enamoured of the indefinable abstraction of the ‘Welfare State’ than I was some twenty years ago [...]. Generalized slogans rarely induce concentration of thought: more often they prevent us from asking significant questions about reality” (TITMUSS, 1987: 141). However, in order to answer the research questions, a working definition is crucial.

The concept of “The Welfare State”, which appeared in the 1940’s, is generally accepted as a wider definition of the role of the State in the field of social and economic policy. Most scholars of the subject, whether on the right or left politically, take it to mean a more positive and purposeful commitment by government (TITMUSS, 1958). There is a wide range of definitions of the welfare state, among others MYRDAL’S

(1960), BRIGGS' (1961), ESPING-ANDERSEN'S (1990), GOODIN'S (1988) and BARR'S (2012), just to name a few. VEIT-WILSON (2000) concluded that "theoreticians of the welfare state have failed to develop a dynamically discriminating criterion of a "welfare state" (p. 22), consequently each author dealing with the given subject has to stick himself, herself to a chosen, favourable definition which fits the purpose of the research. Throughout the thesis, welfare state refers to the social welfare provision through the agency of the state (PIERSON, C., 1991: 6-7.). Broadly, the welfare state is considered to be "a particular form of state, a distinctive form of polity or a specific type of society" (PIERSON C., 1998: 7). The primary focus of the study is on the welfare state as a form of social insurance guaranteed by the state with a special focus on welfare efforts measured by aggregated public social spending.

Social policy is another significant term in the context of welfare state and its service provisions. Social policy is not an easy discipline to define. "Social policy is an academic field of study is one of those curious items, rather like an elephant, which we recognise when we see it, but which is notoriously difficult to describe" (ALCOCK ET AL., 2004: 1). Firstly, it can be understood as a set of policies and practices concerned with promoting social welfare. Secondly, social policy can be defined as a broad research area, a distinctive field of study (COFFREY, 2004). Social policies are governmental acts undertaken for a variety of political reasons, to provide services for the population in need. The reason for this social service provision is that they are not or cannot be satisfied by the market (HILLS, 2001:104). MARSHALL (1964) explained social policy with regard to state actions having a direct effect on the welfare of people through social services and income benefits. Throughout the thesis social policy is understood as the first definition states, a government policy tool, a set of policies. This definition has been mostly associated with the provision of welfare through state institutions. Any social policies which are enacted and implemented outside the aegis of the state are out of the scope of the dissertation. In the dissertation, social policy equals to social policy programs measured by the level of aggregated public social spending. OECD (2007) defined two main criteria which have to be simultaneously satisfied for an expenditure item to be classified as social. First, the benefits have to be intended to address one or more social purposes. Second, programs regulating the provision of benefits have to involve either inter-personal redistribution, or compulsory participation. 9 social policy areas are described as benefits with social purpose (OECD, 2007): Old-

age, survivors, incapacity-related benefits, health, family, active labour market policies, unemployment, housing, and other social policy areas.

The research design and the applied methodology are presented in the third chapter. Testing the hypotheses, welfare state regimes are employed in order to highlight the different social policy patterns. To understand the complex phenomena of welfare state developments welfare state typologies are used which allow us to summarize the commonalities and differences among the cases.

With the use of regime typologies of the welfare state generalisation across the advanced welfare states becomes possible. Comparative welfare state research is usually based on macro-typologies of institutional configurations, by using “regime” approach it is possible to conceptualize distinct typologies and to classify empirical similarities and differences. While welfare state theory provides us the main features of ideal-type regimes, comparative analyses of the welfare states use real cases (EBBINGHAUS, 2012). Welfare state typology provides comparable cases, which are matched on many variables, and differ in the key variables that are the focus of the study (LIPHART, 1971).

Typologies are widely used in social sciences to analyse complex phenomena (MIDGLEY, 1997). They are method of comparative welfare state research in order to summarize the commonalities and differences among cases. Regime typologies of the welfare state are major tools of generalising across the advanced welfare states (FERRAGINA – SEELEIB-KAISER, 2011).

Since the analysed economies are European, the typology formulated by SAPIR (2006) is applied. SAPIR (2006) who in order to highlight the differences among the social policy models made the following four different clusters for Europe. (1) The Nordic countries: Denmark, Finland, Sweden and the Netherlands represent the highest levels of social protection expenditures and universal welfare provision with active labour market policy instruments (social democratic model in Esping-Andersen typology). (2) Anglo-Saxon countries: Ireland and the United Kingdom feature relatively large social assistance of the last resort and salient activation measures (liberal model in Esping-Andersen typology). (3) Continental countries: Austria, Belgium, France, Germany and Luxembourg rely extensively on insurance-based, non-employment benefits and old-age pensions (corporatist-statist or conservative model in Esping-Andersen’s typology). (4)

Mediterranean countries: Greece, Italy, Portugal and Spain concentrate mainly on old-age pension and allow high segmentation of welfare entitlements.

East Central Europe constitutes a separate cluster, because the countries of this region have been in a transitional state with a wide diversity of situations, whose definitive characteristics are not yet clearly specified (ANDRÉ, 2006). However AIDUKAITE (2004, 2011) argues that post-communist European countries form a singular welfare state type because of their distinct institutional similarities. The debate on the emergence of the post-communist (or CEE, ECE) type of welfare state has been inconclusive (ADASCALITEI, 2012). In the following, six post-communist countries are grouped together as a first step, and they constitute the fifth welfare state regime. FARKAS (2011: 419) concluded that it is relevant to treat the ECE countries as a distinct welfare state regime, because their distinctness from the other models are stronger, than the differences within the ECE model.

Using the five different models (Nordic, Continental, Anglo-Saxon, Mediterranean, Post-Communist), the thesis analyses the social spending patterns and the direction and scale of welfare state reforms.

After detailed comparative analysis of the welfare regimes, case study method is used in order to understand a real-life phenomenon in depth. Case study method is an empirical inquiry which highlights the specific features of the chosen cases based on the initial assumptions of the analysis of the theory and the results of the comparison. Case study method allows the deeper understanding of the processes. Descriptive case study method is employed to answer the research questions. Multiple-case study design is applied, because the cases “predict contrasting results but for anticipatable reasons” (YIN, 2009, p. 54).

In order to understand the real social policy developments of the different welfare state regimes, the illustrative case study method is applied. Five illustrative cases are chosen for each welfare state regime to describe the background factors of social policy expenditure patterns. The focus is on the European Union, as such, the countries analysed are EU member states, even if data for aggregate public social spending is available only for those EU member states which are members of the OECD⁶ as well (hereinafter referred to as EU21). Time frame is varying, for the old EU member states

⁶ EU21 consists of Belgium, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Luxembourg, Hungary, Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden, the United Kingdom.

almost all data are available for the time period of 1992 and 2013, but for the new EU member states, a lot of data are not available for the 90s. In order to make the most of the limited data available for the Central and Eastern European countries, the main emphasis of the thesis is put on the analysis of the developments mainly after 2000 with special attention to how the current financial and economic crisis has affected the welfare state within the EU21.

Analysing quantitative data is also an applied approach of the thesis. The dissertation is based on secondary data. Welfare efforts are measured with aggregate public social expenditures and welfare state generosity ratios. Most comparative studies of social protection use social expenditures to measure the level of social protection in different countries. We use data from the most recent OECD Social Expenditure Database and provided by Eurostat. Using aggregated data of social expenditure has its limits (KÜHNER, 2007). There is need for standardizing social expenditure indicators, because the changes in expenditure ratio may not be caused by policy changes, but simply by the changing number of beneficiaries as a result of an ageing population or changes in unemployment levels due to cyclical factors (CAMINADA ET AL., 2010). There are several methods to standardize total social expenditures to control for changes. In the dissertation I exclusively examine welfare state generosity ratios as a method of standardizing.

Based on the method of dividing the aggregates of social expenditures by the share of population being dependent on the welfare state (population aged sixty-five and over and unemployed persons as a percentage of the labour force based on the EU Labour Force Survey) a simple ratio can be computed, measuring the generosity of welfare. Theoretically it can be interpreted as the percentage of GDP received in welfare spending for every 1 per cent of the population in need (CASTLES, 2004: 36). Main advantage of the method is that the use of welfare state generosity ratios enables us to put the post-communist EU member states on the map of the world's welfare states and allow us to compare welfare state policies of the country groups over time.

$$\text{Generosity ratio} = \frac{SOCX}{\frac{POP_{65+} + POP_{UNEMP}}{POP_{ACTIVE}}}$$

SOCX = aggregated public social expenditures as a percentage of GDP (source of data: OECD *SOCX* database)

*POP*₆₅₊ = population aged sixty-five and over (source of data: Eurostat Population database)

*POP*_{ACTIVE} = total active population – annual averages (source of data: Eurostat Population database)

*POP*_{UNEMP} = unemployed population – for calculation using unemployment rate (source of data: Eurostat database)

There are two obvious deficiencies with this measurement. First, an average figure for each country can be calculated without taking into account the different sections of the population in need. Second, expenditures are delivered to only two categories of welfare recipients (CASTLES, 2004).

In his original analysis CASTLES (2004) calculated generosity ratios for 21 OECD countries⁷ and the welfare state families (group means) in 1980 and 1998 and the changes over time. His method provides us a snapshot of generosity performance, but it does not allow us to track long run processes. Added value of the dissertation is the annual calculation of generosity ratios for the period of 1992 and 2013, and the inclusion of East Central European into the analysis. Even though the described method is a really simplistic way to measure the performance of the welfare state by neglecting several other important factors; it is possible to draw general trends to compare different models.

The interpreted data is collected and compared in a table or chart format which allows us to have a better comparative approach. A positivist approach is applied in order to enable generalization and quantifiable observations, and evaluate the result. The research topic determinates the collection of facts and figures that are associated with the research topic through general sources (SAUNDERS ET AL., 2007). The collected data are evaluated and finally support the results in order to achieve research aims and objectives. Beside the verbal description of the different expenditure patterns of welfare state regimes, the analyses are accompanied with graphical representations of the variables. Aggregated public social expenditures (nominal and real), as well as welfare

⁷ 14 EU countries: EU15 (“old EU member states”) excluding Luxembourg, plus 2 non-EU European countries: Norway and Switzerland, and 5 non-European OECD member states: Australia, Canada, New Zealand, United States, and Japan.

state generosity ratios and major macroeconomic indicators are analysed in depth in order to shed light on whether there is convergence between the distinct welfare state regimes.

Trends of general government expenditures and aggregated public social spending are the basis of the comparison and analysis carried out in Chapter 4. Chapter 5 consists of detailed examination of the Nordic model and the illustrative case study of Denmark. Chapter 6 deals with the analysis of the general features and generosity trends of the Anglo-Saxon model and the case study of the United Kingdom. The model-specific factors of the Continental model and its generosity trends are introduced in Chapter 7, and the illustrative case study of Germany. Chapter 8 scrutinizes the distinct features of the Mediterranean model and explores the characteristics of the Spanish welfare state. Chapter 9 collects the commonalities and differences within the welfare model of the East Central European countries and the ECE model is illustrated by the case study of Hungary. The analysis of the distinct welfare state regimes with the help of the illustrative case studies have led to conclusions, new scientific results and theses which are proposed in Chapter 10.

5. Conclusions and theses of the dissertation

The dissertation analyses the evolution of welfare state regimes since the early 1990s. The topic is relevant as welfare states have been considerably reformed over the last two and half decades throughout the world. Retrenchment has been accompanied with comprehensive reforms, which is labelled in comparative welfare state literature: recalibration phase. Beside recalibration, the effects of the crises are of great importance. Most countries experienced (especially the Nordic) a deep crisis during the early 1990s, while the countries of the ECE region suffered from the transformational recession during that time. In the late 2000s all examined welfare states of the European Union experienced severe crisis which has affected the welfare systems, as well.

The main questions of my dissertation were whether the welfare state regimes converged across the European Union over the last two and a half decades; how have the European welfare models reacted to the current financial and economic crisis; and what are the distinct features of the welfare state model in East Central Europe. In order to answer these questions, I reviewed the theories of comparative welfare state literature, as well as the different typologies and ways how welfare states evolve.

In order to answer the first research question I reviewed the trends of general government expenditures linking to the level of economic development. Analysing the performance of EU21 in 1995 welfare state regimes can be differentiated and clustered, with one outlier, Luxembourg. As a ratio to GDP, the highest levels of general government expenditure among the examined welfare regimes were recorded in case of the Nordic model (approximately 60 per cent on average), approximately 10 percentage points higher than in the Continental countries and even higher than in case of the other models. Low levels of within model variation for the distinct welfare models suggest that welfare state models function well, countries within the model are relatively similar in their patterns of general government expenditure.

The peak of general government expenditures in 1995 was followed by a progressive decrease until 2007, when the distinct welfare state regimes with the exception of the Anglo-Saxon model can be differentiated and grouped again, however the level of general government spending of the distinct regimes became relatively similar (44% on average with low standard variation). Noteworthy is the reduction of general government spending in the Nordic countries, largely due to drop of public social expenditures. Looking at the temporal evolution of general government expenditures of the models, it can be concluded that until 2009 a significant convergence process took place between the models as well as within the models.

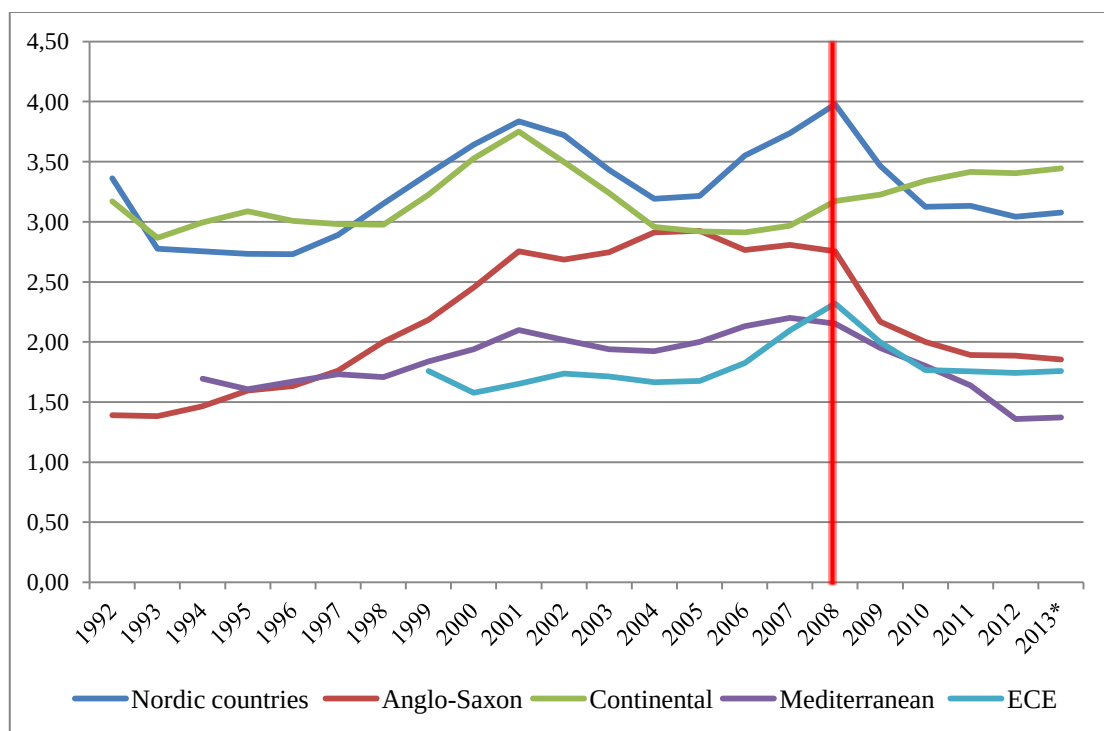
In a recession, government expenditures tend to stay stable or increase because of the rising number of the population in need, being unemployed and relying on social security payments. As a consequence of the crisis, general government expenditures as share of GDP increased significantly in all models accompanied by growing deficits and debts. The Continental and Anglo-Saxon countries do not fit into the regimes in 2012. It is remarkable that the Mediterranean and Nordic levels of general government expenditures are really close to each other. The increase for the ECE countries was lower than for the other models, and a catch-up process within the ECE model can be observed.

The evolution of general government expenditures serves as a framework in order to understand how welfare states of the European Union might change. In the dissertation the main criteria for analysing welfare state performance was the evolution of welfare state generosity ratios. In the following the results on the convergence of welfare state models are summarized.

On the one hand there is a theoretical argument that welfare states might become more similar, on the other hand the European Union promotes closer social policy coordination, the need to reinforce, improve and preserve the European Social Model. Similar trends are observed for social policy spending as for the general government expenditures.

Analysing generosity patterns of the different welfare state models (*Figure 1*), it can be concluded that before 2008 all models were converging towards the mean. Coefficient variation of group means slightly decreased from 1992 to 2000. This convergence process was intensified especially during the early years of 2000s, coefficient variation of group means reached 24% in 2007.

Figure 1 Welfare state generosity ratios of the different welfare state models (1992-2013)



Source of data: Eurostat Labour Force Survey, OECD SOCX database

Note: Models represent mean values.

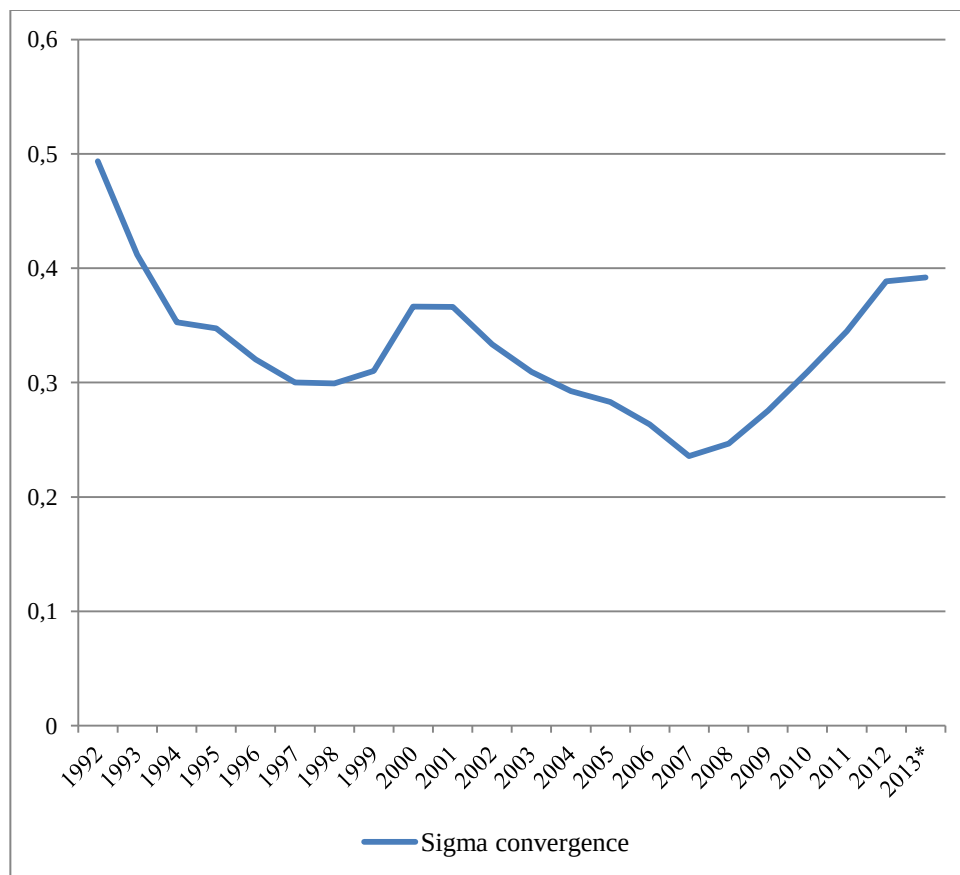
* Figure composed by using share of population being dependent on the welfare state (unemployed and aged 65 and over) from year 2012.

In this period, the countries of the Nordic and Continental models cut back social spending, while the Anglo-Saxon model extended social policy expenditures as a reaction to favourable economic circumstances. The global economic crisis has had an extensive impact on the performance and service provision of the welfare states.

In general, it can be observed for all welfare state models that the convergence of the generosity trends turned into a divergence in 2008, coefficient variation of group means started to grow again, reaching 40% in 2013.

Sigma-convergence, which refers to the reduction of disparities among welfare state models in time, can be used for the graphical interpretation of convergence in terms of generosity of the distinct welfare state regimes. Let δ_t be the time t standard variation of log of generosity ratio of the given welfare state model, then “a group of economies are converging in the sense of δ if the dispersion of their” (SALA-I-MARTIN, 1996: 1020) generosity levels tends to decrease over time. That is, if $\delta_{t+T} < \delta_t$. *Figure 51* illustrates the convergence process of the welfare state regimes until 2008.

Figure 2 Convergence process of the five welfare state regimes (1992-2013)



Source: Based on own calculation of welfare state generosity ratios of the distinct regimes.

After the crisis of the early 1990s, the Nordic countries started to become more similar. Special feature of the Nordic models is that countries of the model continuously and gradually have become more similar in their generosity patterns. Coefficient variation within the model amounted to 31% in 1992, until 2007 the decrease of variation was

moderate, reaching 22%. This convergence process has been intensified by the effects of the crisis, in 2013 generosity levels of the Nordic countries were relatively similar, and coefficient variation amounted to 8%.

During the two decades prior to the current financial and economic crisis, the Anglo-Saxon economies evolved in similar ways, both the real GDP growth and generosity ratios followed the same trend. During the whole examined period, the Irish generosity level was below the British, however until 2006 Ireland converged to the UK in its generosity. Until the outbreak of the financial crisis in 2007, generosity ratios in the United Kingdom and Ireland were converging, coefficient variation within the model decreased from 30% (in 1992) to 1.6% in 2006. In 2007, the convergence of generosity ratios turned into a divergence due to the financial crisis. As the crisis deepened, the divergence intensified. The divergence can be indicated by the growth of within model coefficient variation of the generosity ratios from 1.57 per cent in 2006 to 41 per cent in 2013.

The current crisis affected the similarity of the generosity trends within the Continental model, the countries started to become more similar. Coefficient variation within the Continental model remained stable around 35% during the period between 1992 and 2001. Within model variation started to decrease after 2002, however the generosity features of the countries have become considerably similar only after 2010. In 2012 and 2013, coefficient variation of the generosity ratios was approximately 19 per cent.

The initial within model variation was highest in the Mediterranean model compared to the other models, the coefficient variation of generosity ratios amounted to 50% in 1994 which started to decrease until 2007. The coefficient variation of generosity ratios within the Mediterranean model reached 15% in 2006. The convergence process has turned into a remarkable divergence after 2007, skyrocketing to 43% in 2013.

Within model convergence took place in case of the ECE model as well during the 2000s, coefficient variation of the generosity ratios of the ECE model decreased from 45% in 2000 to 25% in 2008. Due to the effects of the financial and economic crisis, after 2008 coefficient variation slightly increased in 2009 and 2010 but then returned the 25% level in 2012 and 2013.

Thesis₁ There is convergence of welfare efforts between welfare state regimes and between countries within regimes, as well. Welfare regimes are converging towards the mean values. Any economic crisis influences the convergence process due to the introduction of different social policy mixes.

Preceding the financial and economic crisis, countries within the distinct models became more and more similar. The crisis can be treated as a real turning points in generosity trends. Welfare state generosity started to decrease in 2008 in all models with the exception of the Continental. The reduction of generosity has been modest relatively modest in case of the ECE and the Nordic model, but the Mediterranean and Anglo-Saxon models have experienced a salient drop of their generosity levels. In terms of generosity trends, the Continental model is unique, because as a reaction to the crisis, generosity ratios started to increase from 2008 onwards in all countries⁸. This reaction to the crisis verifies the special feature of the model, that it is possible to sustain employment and stabilise public finances simultaneously, so the drop in generosity is not an indispensable part of crisis management.

Any crisis has a significant influence on the operation of the welfare states, welfare regimes. Well-functioning systems of social protection increase spending in times of recession, and scale it back as the economy recovers, therefor the welfare state can operate as an effective “automatic stabiliser”. To test the automatic stabiliser function *Table 1* collects data on change of GDP and real public social expenditures in 2012 compared to the level of 2007.

Data show that Nordic, Continental and even the Anglo-Saxon model performed the automatic stabilising function well, expenditure on social protection went up in order to mitigate the negative consequences of the financial and economic crisis. Social spending in the countries of the Mediterranean model increased only in the early years, however in 2012 the level of real public social expenditures was significantly lower than in Greece, gently lower in Portugal, the increase was modest in Italy and average in Spain compared to the reference year of 2007. There is a need for cutting back social expenditures in the Mediterranean countries, even as unemployment still remains a dramatic problem in these countries.

⁸ Only France witnessed a slight drop in generosity after 2008.

The Mediterranean countries have been subject to an austerity regime, at varying degree and harshness. In Greece and Portugal fiscal adjustment is being supervised by the EU, ECB and the IMF. The governments have lost much control over national budgetary decisions. Spain's request for financial assistance was approved by the EU in July 2012, whose "conditionality" is less strict, while in Italy fiscal adjustment has been enforced by the market (large spreads on Italian bonds). The welfare states cannot perform as automatic stabilisers if budgetary decisions are subordinated to the harsh need for fiscal consolidation.

Table 1 Cumulative change in GDP and real public social expenditures of welfare state regimes

	GDP change 2012/2007*	Change of real public social expenditures (2012/2007)~
Nordic countries		
Denmark	-4.44%	10%
Finland	-3.49%	14%
Netherlands	-0.74%	10%
Sweden	4.49%	8%
Anglo-Saxon		
Ireland	-7.27%	11%
United Kingdom	-3.00%	9%
Continental		
Austria	2.99%	7%
Belgium	2.07%	13%
France	0.45%	7%
Germany	3.76%	4%
Luxembourg	-1.67%	17%
Mediterranean		
Greece	-20.60%	-17%
Italy	-6.81%	3%
Portugal	-5.43%	-3%
Spain	-4.71%	10%
ECE		
Czech Republic	1.67%	4%
Estonia	-3.84%	21%
Hungary	-5.06%	-14%
Poland	18.24%	18%
Slovak Republic	10.06%	15%
Slovenia	-5.42%	11%

Source: ~ OECD Statistics, OECD SOCX database, * GDP (US \$) at constant prices, constant PPPs, reference year 2005.

Within the ECE model, welfare states have been able to function as an automatic stabiliser with the exception of Hungary. In Hungary, as in case of the Mediterranean model, economic recession was accompanied by chronic and increasing current account deficit. Indebtedness and current deficits became unsustainable in 2008, when the country signed stand-by agreements with the IMF, being the first joint EU/IMF programme. The automatic stabilising function of the welfare state has been tied by the implemented harsh austerity measures.

Thesis₂ In times of a crisis welfare state works primarily via the so-called automatic stabilisers if budgetary decisions are not subordinated to fiscal austerity.

Crisis in general enforces welfare state retrenchment in those countries in which economic recession has been dramatic and recovery has been slow and unsteady. In general, there is need for recalibration of the welfare state towards new social risks and in favour of less protected groups. Due to the current financial and economic crisis, in many cases deep and systematic cuts of social protection were made, these reforms were aimed at restoring financial stability. Reforms that restore equity as well as efficiency of welfare systems have been pursued less consistently and only in those cases where recalibration, rationalisation of the welfare state was conducted before the outbreak of the financial and economic crisis.

Thesis₃ Countries conducting welfare state reforms, recalibration before the crisis have been able to reach recovery faster than those welfare states where reforms have been enforced only by the crisis.

6. Potential future research directions

The dissertation offers many ways for further research. On the one hand, with the introduction of gender aspects social policy developments can address new social risk on a better way. One wave of welfare state literature deals with the relationship between gender and the welfare state, which has become an important new research area for feminist writing. The detailed analysis of gender dimensions in case of the distinct welfare state regimes would lead to interesting results. The gender approach requires a rethinking of the welfare state literature which makes broad future research potential.

On the other hand, the analysis of generosity ratios serves as a reference point, and it allows us for more detailed examination of welfare state regimes and countries, as well. Using the generosity trends as a framework I am planning to publish all the illustrative case studies as journal articles, since all of them offer hindsight into the operation of the given welfare state regimes.

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