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WHO IS MORE PRONE TO THE RISK OF POVERTY AND SOCIAL EXCLUSION: INHABITANTS OF FAMILY-CENTERED OR UNIVERSAL WELFARE REGIMES? A COMPARISON: SPAIN & NORWAY

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Abstract

This article provides a comprehensive picture of welfare regimes in Spain and Norway during the last two decades. Both welfare states are compared via economic and social variables, but especially taking into account its methods of financing, the service intensity and its family policy. As the result, the paper explores why inhabitants in family-centered welfare regimes like Spain, are more prone to falling into a risk of poverty and social exclusion than those in a universal welfare regime as Norway. It also shows that while manifestly both countries have managed in a different way the international economic recession driving them into dissimilar economic and social situations, they mostly converge in the trend of those indicators which are used to describe welfare state models.

Key words: welfare regimes, financing, service intensity, family, convergence
Palabras clave: Estado del Bienestar, financiación, servicios sociales, familia y convergencia

Introduction

Europe is experiencing several economic, legal and cultural factors bringing about different welfare regimes, resulting from the economic crisis of 2008 putting States under severe pressure (Achterberg & Yerkes, 2009). However degrees of severity have varied. Our main research explores whether inhabitants of family-centered welfare regimes are more prone to poverty and social exclusion than those in universal welfare regimes. By “prone”, we do not imply a welfare regime causes these conditions in a deterministic sense, but rather that there are mechanisms which emphasize policy responses, driving citizens towards poverty and social isolation, or protecting them. We aim to provide insights into what we regard as a gap in knowledge in existing studies.

We also investigate whether there is movement towards merging the two regimes, represented by Spain and Norway, regarding risk of poverty and social exclusion over the last two decades. We define convergence as an increasing similarity of policy outputs over time. Studies of convergence cover areas (Castles, 2004; Clasen, 2005; Esping-Andersen, et al., 2002; Plümber & Schneider, 2009) while others focus on whether different policies are merging, e.g. home care (Burau, et al., 2007). Hemerijck (Esping-Andersen, et al., 2002: 187) sums up the research done by claiming European welfare states do not develop convergent policy responses, whereas after examining 27 studies encompassing several policy areas, Thomas Plümper and Cristhina Schneider (Plümber & Schneider, 2009: 1) stated that most were unable to conclude whether convergence occurred or not. However, they did find 4 out of the 27 related to social expenditure and social security where the primary findings were that of convergence. In contrast, Peter Achteberg and Mara Yerkes (Achterberg & Yerkes, 2009: 199) dealing with convergence versus divergence in 16 Western countries concluded that convergence increased. These opposing results triggered our contribution to the ongoing debate.

We base our study on the models outlined by Gosta Esping-Andersen (Esping-Andersen, 1990), Spain being an archetype of the Mediterranean model with a high influence of family protection tradition, and Norway being a typical representative of the Nordic universal model. According to Esping-Andersen, the level of decommodification within the Spanish system is low due to being both employment- and family based, while Norway differs because of its high degree of decommodification as well as being individual centered. Decommodification means, "The degree to which individual or families can uphold a socially acceptable standard of living independent of market participation" (Esping Andersen, cited by Cochrane, Clarke, & Gewirtz, 2001: 13

This paper reports outcomes within three dimensions of policy design in both regimes from the late 1990s to the latest data available. Reviewing welfare models by considering three of the seven dimensions sets out by Anton Hemirijck (Esping-Andersen, et al., 2002: 178): methods of financing, service intensity and family policy, also discussing social indicators selected from Eurostat.

Method and Data

A comparative study of just two countries demands an in-depth knowledge of policy areas, plus sufficient understanding of each country's historical context. Such knowledge is often missing in cross-country studies; however, our backgrounds as scholars coupled with our respective social science publications ensure no shortage occurs.

Data was collected from Eurostat, thereby enabling comparisons. Information is grouped into three sections: the first gives an overall picture of the general economic situation, the second, regarding three dimensions of both welfare states, while the third, our discussion, puts forward statistics we consider reflect ideas inherent in the two regimes.

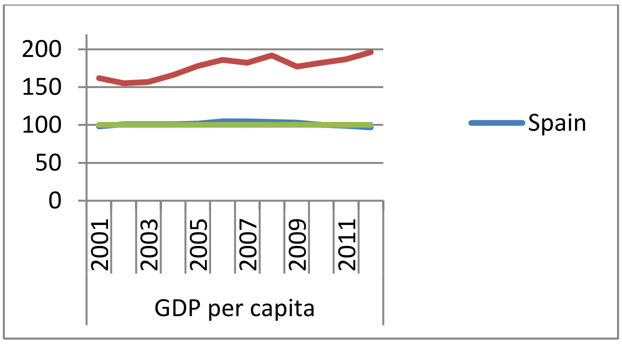
Descriptive statistics has the advantage of allowing us to identify broad trends and draw equally ample conclusions, with Allan Cochrane, John Clarke and Sharon Gewirtz stating in *Comparing Welfare States* (2002), "The gaps they leave remain frustratingly large" (Cochrane, et al., 2001: 9)

Therefore, we focus our comparison on dimensions that define the welfare state in these countries. Anton Hemerijk (Esping-Andersen, et al., 2002: 178) lists seven dimensions to describe a welfare state: eligibility and risk coverage; benefit structure and generosity; methods of financing; service intensity; family policy; employment regulations and lastly, logic of government. This determines whether the management of health services and employment policy falls within the jurisdiction of national public administration, local administration and the institutional integration of social partners (representatives of employers and employees and private, "third sector" parties and industrial relations), ranging from fragmented uncoordinated systems to sectorial pattern bargaining and centralized coordination. Due to limited space, our study is confined to highlighting three of the seven dimensions. Nonetheless, because these dimensions are systematically related we argue that those selected render a fairly balanced picture of both regimes, with focus on methods of financing, service intensity and family policy.

Economic development during the last two decades

Here we present four charts reflecting economic situations during recent years. Indicators are GDP per capita (Figure 1), Median Equivalized Net Income in PPS (Figure 2), Gini Coefficient[23] (Figure 3) and Unemployment (Figure 4).

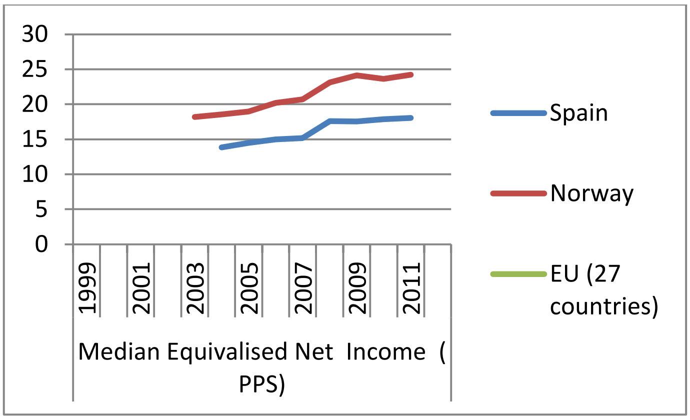
Figure 1 - GDP per capita



Source: (Eurostat, 2013)

The equivalized disposable income is the total after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalized adults; household members are equalized or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale (OECD equivalence scale).

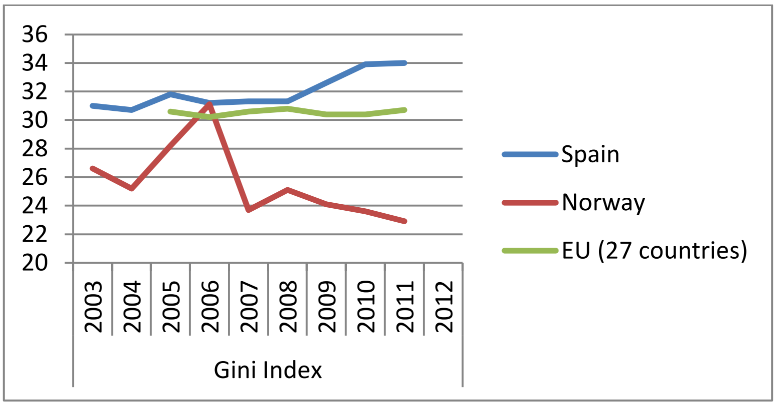
Figure 2 - Median Equivalized net income (PPS)



Source: (Eurostat, 2013)

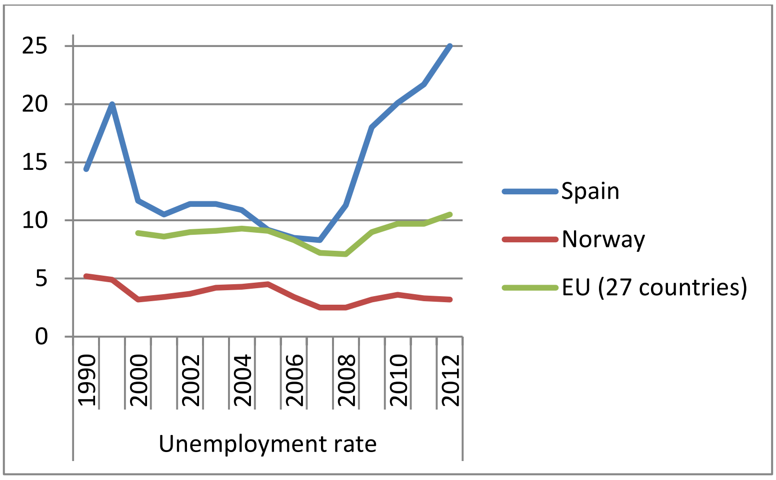
The Gini Coefficient is defined as the relationship of cumulative shares of the population arranged according to the level of equivalized disposable income to the cumulative share of the equivalized total disposable income received by them (Gini Coefficient).

Figure 3 - Gini Coefficient



Source: (Eurostat, 2013)

Figure 4 - Unemployment rate

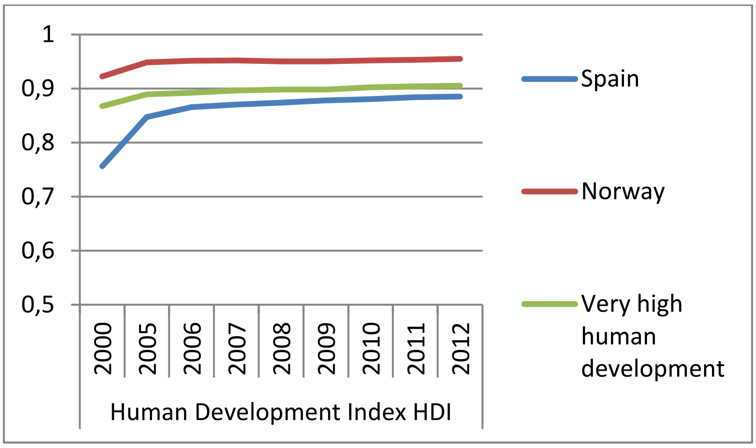


Source: (Eurostat, 2013)

All these indicators express very different trends, also when compared to the EU. According to GDP per capita, Spain is in line with the EU, except for a brief decline from 2010 onwards. This decrease is consistent with the stagnation and negative growth of GDP at market prices from 2008, along with the significant impact from the international financial recession. Meanwhile, Norway has enjoyed steady growth, which at the end of the period was almost double the EU average. A major reason for Norway's GDP having constant growth is government revenue from oil and gas production (Regjeringen, 2013). Consequently, the Median Net Income available is obviously above that of Spain on a yearly basis. Although both countries follow a general trend of increasing incomes, the differences were 4.7 and 6.2 in 2004 and 2012, respectively. Altogether, this demonstrates inhabitants in Spain are far worse off than their counterparts in Norway.

A peculiarity of the Spanish labor market is its high structural unemployment, visible even during periods of economic growth. The recession of 2008 has aggravated unemployment in recent years and many are dependent on welfare benefits, whereas the unemployment rate in Norway is the lowest seen in Europe since 1990.

Figure 5 - Human Development Index



Source: (United Nations, 2013)

Figure 5 shows both countries exhibit a positive HDI pattern, with Norway stable at the top, and Spain constantly below the UN considered high development. Norway and Spain were ranked 1 and 23, respectively, out of 183 countries in 2012.

Compared via Three Dimensions

Here, we investigate Spain and Norway through: (1) methods of financing, (2) service intensity and, (3) family policy, as described by Hemerijck (Esping-Andersen, et al., 2002: 178):

(1). Financing can range from general taxation, payroll contributions, and user charges, or some combination thereof.

(2). Social services can be provided for through professional (public) services, markets, or, informally, by the (extended) family.

(3). Can be passive, with a strong emphasis on cash transfers in support of single breadwinner family patterns, or very active in its support for gender equality inside and outside households, with importance on services through public day-care and generous paternal leave provisions.
Social protection schemes are classified by type and origin according to Eurostat, now we address methods of financing.

Methods of Financing

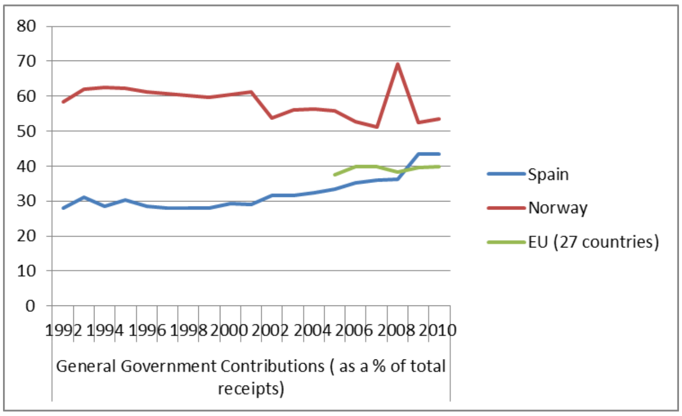
In Spain, the main financing source of the Welfare State has been payroll contributions (Eurostat, 2013). Like several countries in the EU, Spain is strongly attached to the "Bismarckian" tradition, which is based on the insurance concept. Thus, the Welfare State is primarily centered on the labor institution of Social Security, which has developed an intergenerational reallocation mechanism: the workforce nurtures a fund transfer to the population outside the labor market comprised of both the unemployed and retired, which is why this pattern is called a "solidarity model". To ensure that Social Security is adequately funded, it is essential to have a large active and busy labor force. Nevertheless, its economic situation reflected high unemployment prior to the international recession. As a result, when the central government is most in need of income, such as now, transfers to the weakest groups are severely depleted. Meanwhile, central government is only responsible for protecting the elderly or the young. In this context, the role of care developed has been very relevant, however within the time period our study is based on, the responsibility of social welfare has transferred to the Autonomous Regions.

Norway, an archetype of the Nordic model, whose main aspects are: work for everybody, security for income, taxation according to income, equal rights to education, gender equality and living standards (Dølvik, 2013: 46). The main source being tax revenues, whereas doctors, medical prescriptions, home-help and even kindergarten are part financed by users., The state still finances a service even where NGOs or private enterprise run them like those solely provided by national or local government.

Our three financing indicators: General Government Contributions, Employers' Social Contributions and Employee Contributions, are expressed by percentage of total receipts.

As Figure 6 indicates, there are different patterns. Norway finances its social protection largely from government funding, which accounted for over 60% of total receipts compared to approximately 30% in Spain. The data illustrates large differences between 1992 to circa 2010, although the trend clearly heads towards convergence in terms of the proportion of general government contributions. This takes place due to two diverging developments; Spain's general government contribution increases, whereas it decreases in Norway. Taking the EU -27 statistics from 2005, the overall trend in Europe is similar, while a considerable change occurs from 2008/2009 when all three lines express a sharp increase. This demonstrates the burdens that European governments have imposed on public budgets to help deal with the global economic recession. The last two years in the figure confirm the convergence trend.

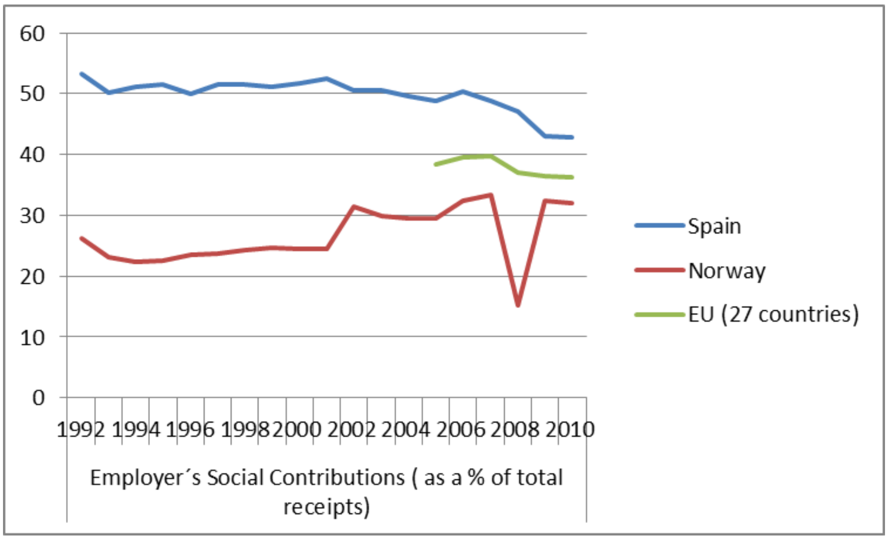
Figure 6 - General Government Contributions as a % of total receipts



Source: Self-elaborated from Eurostat (Eurostat, 2013)

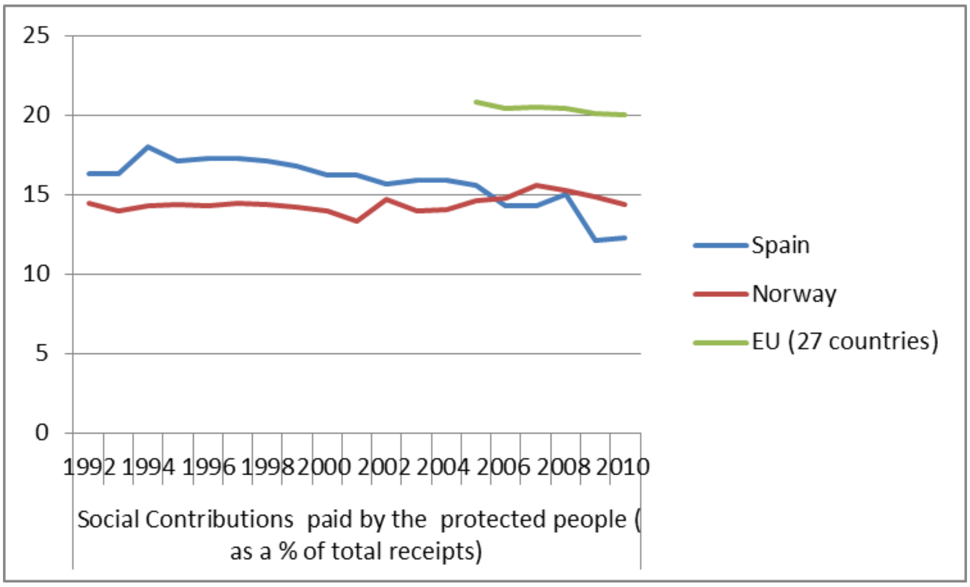
The Spanish government contributions compared to those of Norway (Figure 6) are reduced when one looks at Figure 7, where Spain is at the top. Social protection in Spain is primarily financed by means outside the government (over 60% of total receipts). Spanish employer social contributions decrease steadily while increasing in Norway (sharp decreases and increases 2007/09 regarding Norway is not considered relevant). In 2009/10, the gap between the two in this regard is much smaller than 1992/07. With the exception 2007/09, the figure indicates a trend of convergence, with Spain moving towards the level of Norway and Norway climbing towards that of Spain.

Figure 7 - Employers' Social Contributions as a % of total receipts



Source: Self-elaborated from Eurostat (Eurostat, 2013)

Figure 8 - Social Contributions paid by the protected people as a % of total receipts



Source: Self-elaborated from Eurostat (Eurostat, 2013)

There is little difference in employee contributions. The EU 27 general trend is considerably higher. Prior to the recession, the trend in Figure 8 shows minor convergence. 2005 marks a break where Norway moves above Spain, while two years later, we see a steady decrease in Spain. Recently the trend is ambiguous, but still that of a minor convergence until 2005, with Spain falling and Norway maintaining a steady path. After 2005, Spain actually moves below Norway.

These three figures provide a picture of two countries which differ greatly in the role of both government and employers (Figures 6 and 7). However, despite some irregular patterns, both display a converging trend. The two are fairly similar in the role they assign protected people (Figure 8), but in this indicator they shift.

Other receipts account for only 2% financing, so insignificant it isn´t included

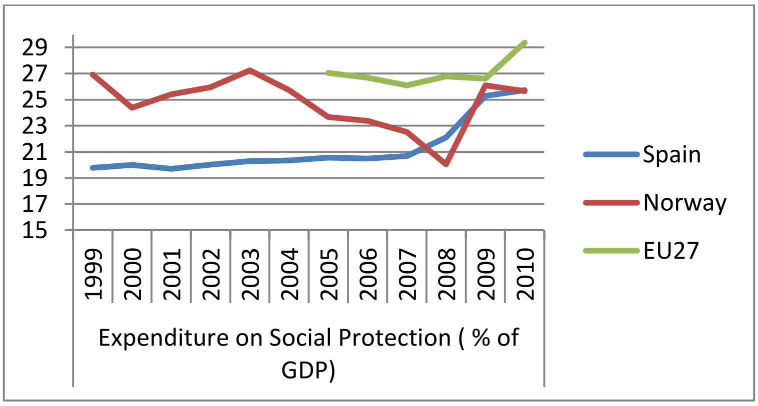
Service Intensity

Two indicators have been selected: expenditure on social protection[24] as % of GDP and as PPS per inhabitant.

The belated development of the Spanish welfare state in the 1980s, means it not only has less resources, but the service intensity is even lower in comparative terms. Therefore, a recent statement from the Social Observatory of Spain (OSE, 2013) claims that government (central and regional) is constantly reducing its residual social function due to a decrease in general public spending. This statement claims, that the substitution hands the responsibility to the third sector (i.e. private services, nonprofit and volunteers) so government involvement is clearly lacking.

In Norway, welfare services are mainly provided through public spending. Over the past two decades, both non-profit and profit-based institutions and firms (the "third sector") have been allowed to participate in many traditional welfare services, e.g. home help, the running of nursing homes and patient rehabilitation, while the extended family doesn´t play a visible role.
Social protection expenditure shows a remarkably different pattern, although the two countries have always been below the European average. With Spain, the positive evolution is the result of growth rate for social protection (in nominal terms) combined with a decrease in GDP, particularly from 2007 onwards, plus steady expenditure (see ine.es). In contrast, Norway displays great shifts, largely due to changes in government. A center-left government ruled from 2000/1, when social protection expenditure started to rise, while the center-right that followed continued this trend until 2003 when it started to fall again. The new center-left government in 2005 continued with cutbacks until 2008 when it started to rise again. The overall trend is convergence, Spain ascending and Norway falling, with Spain demonstrating stronger movement and Norwegian expenditure on social protection % of GDP dropped to 1.29 in the period.

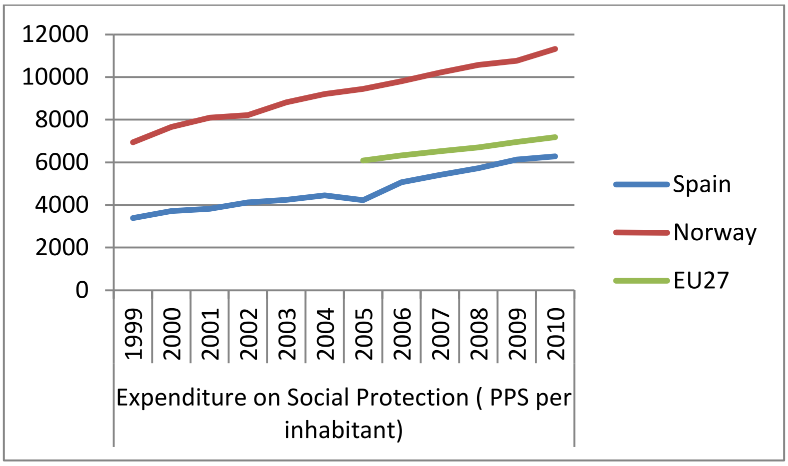
Figure 9 - Expenditure on Social Protection (% GDP)



Source: (Eurostat, 2013)

That is why, we elected to finish the analysis using the comparison of social protection per person.

Figure 10 - Expenditure on Social Protection (PPS per inhabitant) in Euro per inhabitant



Source: (Eurostat, 2013)

Expenditures on social protection contain social benefits, which consist of transfers in cash or in kind to households and individuals to help relieve them of the burden of a defined set of risks or needs; administration costs, which represent the costs charged to the scheme for its management and administration and other expenditures, which consist of miscellaneous expenditures by social protection schemes (the payment of property income and other) (social protection definition).Overall public social expenditure has increased in both cases, however in 2010, Norway was almost double that of Spain, who coped by increasing its expenditure on social protection per inhabitant, whereas the Norwegian expenditure rose 1.5 times more. According to the European average, the Mediterranean country's expenditure is lower, hence implying slight divergence.

Family Policy

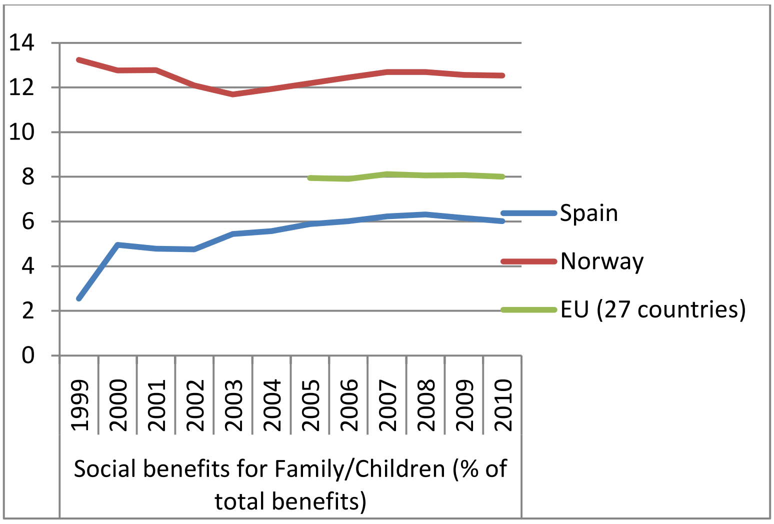
According to some scholars (Salido & Moreno, 2007: 103), there is no active family policy in Spain due to it being an ideological point of disagreement, carried over from the authoritarian period. That is why situations have been dealt with by the family itself, rather than the state. The sharp decline in the birth rate, particularly during the late 1990s, forced the state to pay attention to the dimension of family. In fact, certain strategies were not developed until quite recently: paternity leave, financial benefits, local childcare facilities and elderly care. Legal reforms, Conciliation, Dependency and Equality laws came later. Despite women being encouraged to work, there is an ideology that seems to determine the position of the family role as a welfare provider, maintaining the pattern of breadwinner/carer in the family, a fact demonstrated in most policy making measures.

The Norwegian model aims to benefit everyone, therefore welfare rights are not related to the family. Even so, it undertakes and socializes several traditional family responsibilities (Cochrane, et al., 2001: 11). The state is rather active in family policy, with strong emphasis on its support for equality both at home and elsewhere. Furthermore, importance is placed on services i.e public daycare and generous provisions for parental leave.

The indicator chosen is social benefits for Family/Children as a percentage of total benefits.[25] As shown, social benefits in Norway are considerably higher than the rest of Europe. Nevertheless, the pattern in Norway is immobile, while in Spain it is increasing slightly. As a family welfare model, Spain assigns funds towards the maintenance of a family policy, whereas the Norwegian system applies far more effort.

Social benefits consist of transfers, whether in cash or in kind, by social protection schemes to households and individuals to help relieve them of the burden of a defined set of risks or needs. These functions (or risks) are: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified (n.e.c). In particular, family/children include support in cash or kind (except for health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members (ESSPROS, 2013)

Figure 11 - Social benefits for Family/Children (% of total benefits)



Source: (Eurostat, 2013)

Of the six indicators, five display convergence while only one demonstrates divergence. Spain constantly moves towards Norway's trend, whereas in the single case of divergence (PPS), Norway heads away from Spain.

Hence, our study has clarified Spanish employers and the Norwegian state as the principle contributors to financing the welfare state.

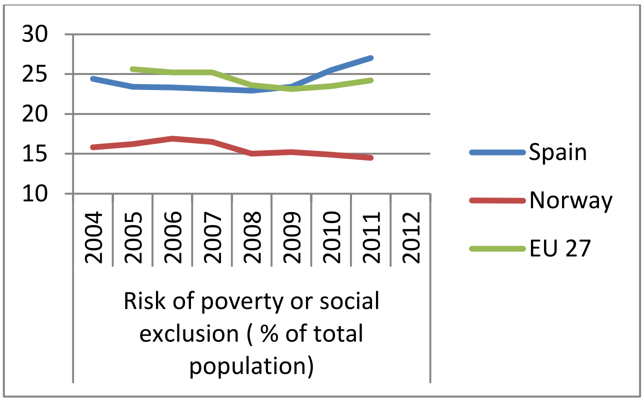
The following section debates whether family-centered regimes bring about more poverty and social exclusion.

Discussion

As far as we know, existing research has not helped to gain conclusions. We have selected two indicators reflecting both countries.

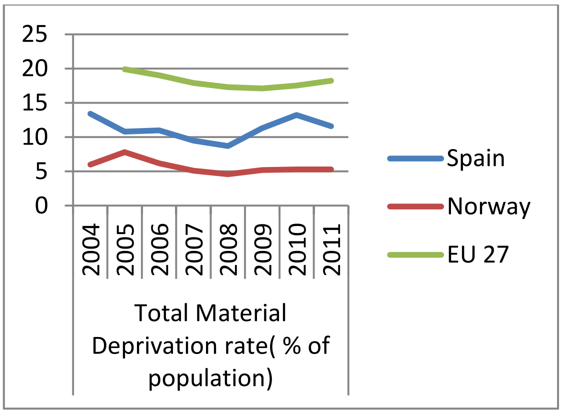
Firstly, the population is closely linked to the labor market, i.e. stable work and sufficient income. Secondly, a weaker position in the labor market, e.g., temporary, part-time, non-regulated (black economy) jobs and unemployment. Thirdly, citizens outside the market (retired, disabled and non-workers). In all three cases, in Spain the principle of family subsidy appears.

Figure 12 - Risk of poverty or social exclusion



Source: (Eurostat, 2013)

Figure 13 - Total Material Deprivation Rate (% of population)



Source: (Eurostat, 2013)

In the first instance, Spanish citizens believe they have guaranteed their living conditions and future pensions. Welfare is provided by the state in the sense of workers and social rights, while family can be seen as strengthening well-being or improving living conditions as a cultural matter.

With the second, if the citizen's labor position is weak, the family aided by welfare appears, that´s why there is a family safety net in Spain (Moreno, 2011). However, families adopt various forms, so it is essential to differentiate whether the safety net is solid or not. Where the safety net is robust, people are provided for, not only economically but in assistance care, providing members can afford this option.

The female role within family as providers of informal welfare has always been, fundamental (Aznar & Belmonte, 2013). With recent trends such as single parenting, women entering the labor market, and particularly the lack of a proactive family policy, the safety net has been weakened. Hence, the weaker the safety net, the more susceptible their members are to a lack of provision. We define weak as being unable to support family members, and even if they are supported, they cannot provide assistance. In this sense, a fragile family safety net is fostered by single parents and the elderly. The state hardly appears to correct the balance when employment is insecure because the essence of the system considers the family first and foremost with the state last. Actually, the state does nothing until all the family members are at risk, but as we have demonstrated, the acts of the state hardly suffice, as lower wages and a more sporadic working life inevitably result in a lower retirement pension.

The third scenario includes citizens outside the labor market, for retired people, the jobs they used to hold is a decisive factor. If their career was strong and stable, their pensions could provide an appropriate lifestyle. The role of the family is still fundamental in providing welfare when the income is inadequate.

In conclusion, poverty or social exclusion is characterized by weak collectives in the labor market particularly women and their dependents (Aznar & Belmonte, 2013), youngsters and retired people (Moreno, 2011). In the end, the responsibility of managing the situation lies in the hands of the family.

These instances can also be seen in Norway. The principle of universalism guarantees an acceptable living condition to everyone, where inhabitants need not be connected to the labor market (Cochrane, et al., 2001: 11). When the citizen only has a weak relationship, the welfare system responds by compensating through the system’s ability to not (Esping-Andersen, et al., 2002: 11). Finally, in the third circumstance, citizens outside the labor market are taken care of because the state has taken on many aspects of traditional family responsibilities (Cochrane, et al., 2001: 11)

Conclusions

Our material demonstrates that inhabitants in family-centered welfare regimes (Spain) are more prone to falling into a risk of poverty and social exclusion than those in a universal welfare regime (Norway). Furthermore, the article puts forward a perspective that sees regime-specific characteristics as key driving forces behind the differences in the social situations.

What´s more we also display trends of convergence in five indicators connected to welfare regimes. This result is in line with the body of research, which states that countries increasingly converge. In addition, we show that Spain’s welfare regime is moving towards that of Norway, from a family - centered welfare regime towards a universal one.

Drawbacks

Studies often use indicators that may not be representative as measures of the welfare state (Vliet, 2011). One can question how well the three dimensions listed by Hemerijck (Esping-Andersen, et al., 2002: 178), as well as the selection of indicators in our study, give a sufficiently balanced picture. We argue that our choices do render a fairly balanced picture because they are systematically related to the other four dimensions.

Further research might expand our study design by describing Spain and Norway in other dimensions, and possibly by adding a study of government documents concerning economic politics.

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