



Economic crisis, European Welfare State Models and Inequality

Carlos Ochando Claramunt
Department of Applied Economics,
University of Valencia (Spain)

Carlos.Ochando@uv.es

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Aims of the study

- 1. To analyse the relationship between the European Welfare State Models and inequality.**
- 2. To analyse the relationship between Welfare State systems and the redistribution index: the Spanish case**

1. European welfare state systems and inequality.

An analysis of inequality in six European welfare state systems or models :

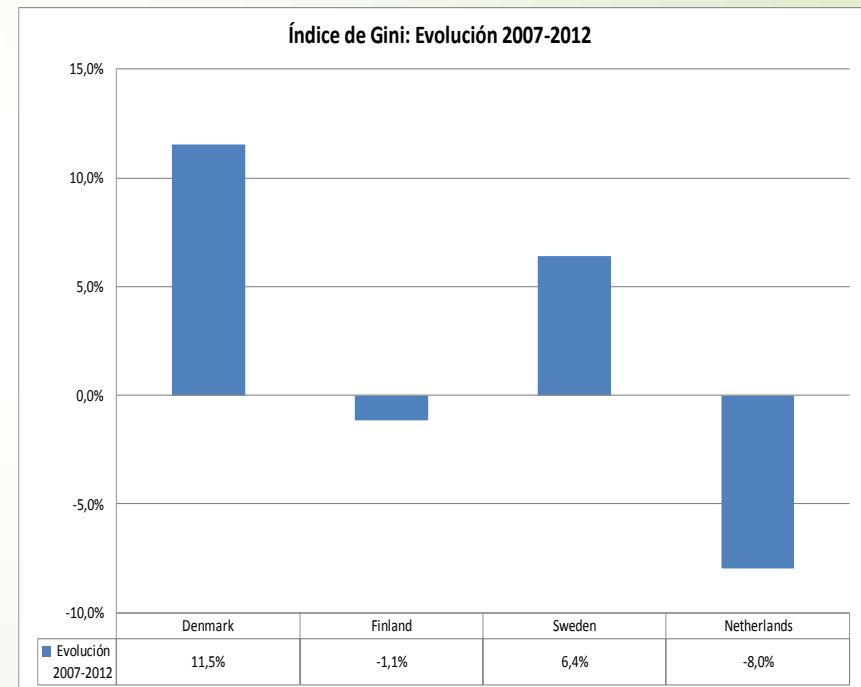
- 1- ***Nordic model*** (Denmark, Finland, Sweden and the Netherlands);
- 2- ***Continental model*** (Austria, Belgium, France, Germany and Luxembourg);
- 3- ***Mediterranean model*** (Greece, Italy, Portugal and Spain) ;
- 4- ***Anglosaxon model*** (United Kingdom and Ireland);
- 5- ***Central and Eastern European model*** (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Croatia and Slovenia) and
- 6- ***Baltic model*** (Estonia, Lithuania and Latvia).

Nordic model

Gini Index

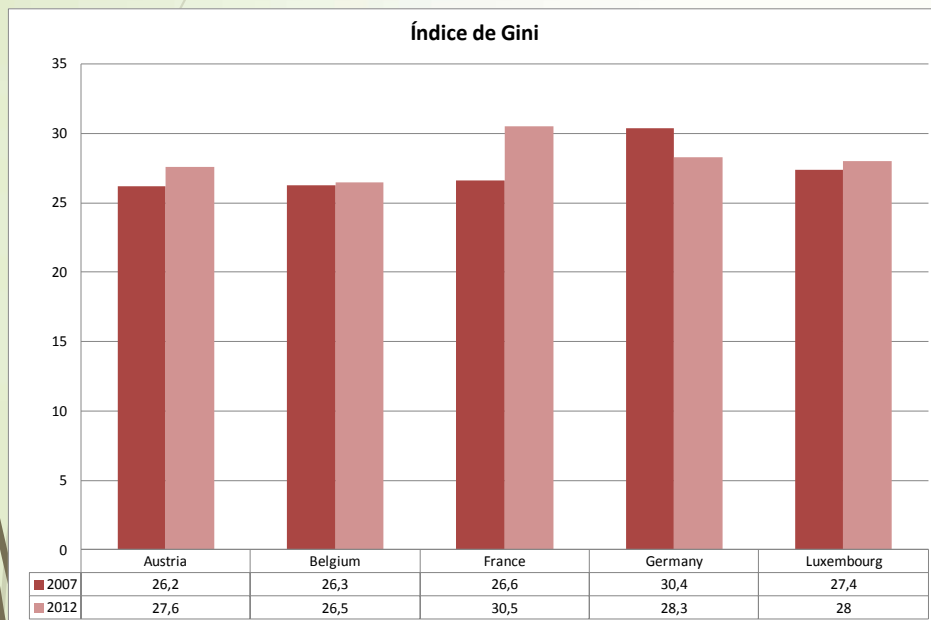


Gini Index: Trend 2007-2012

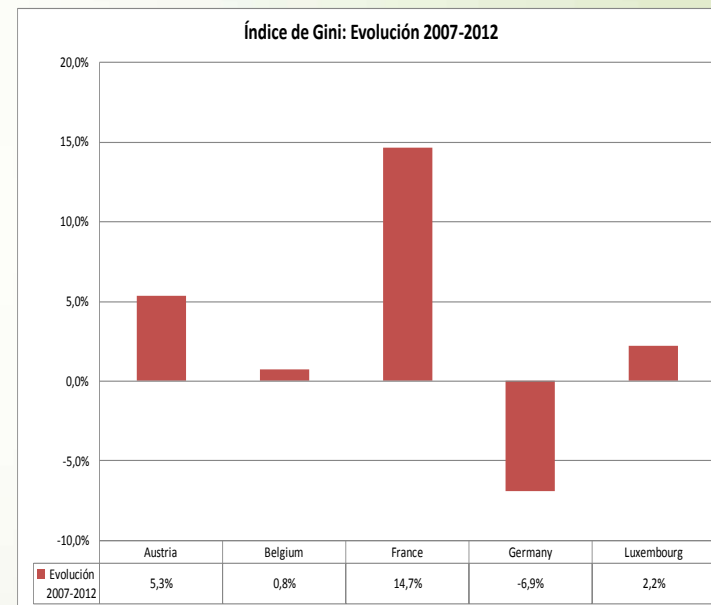


Continental model

Gini Index

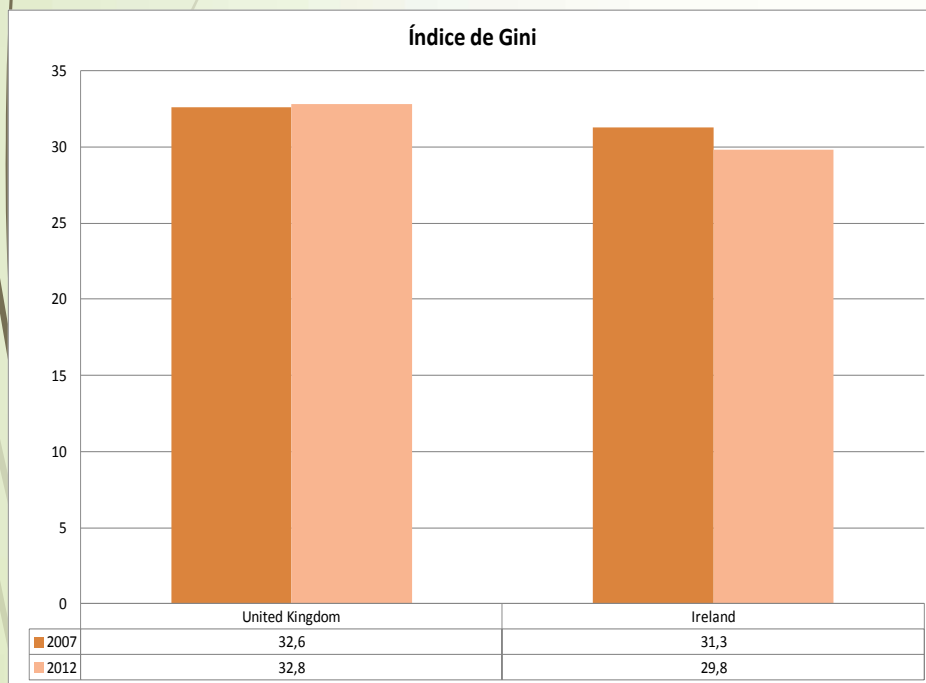


Gini Index: Trend 2007-2012

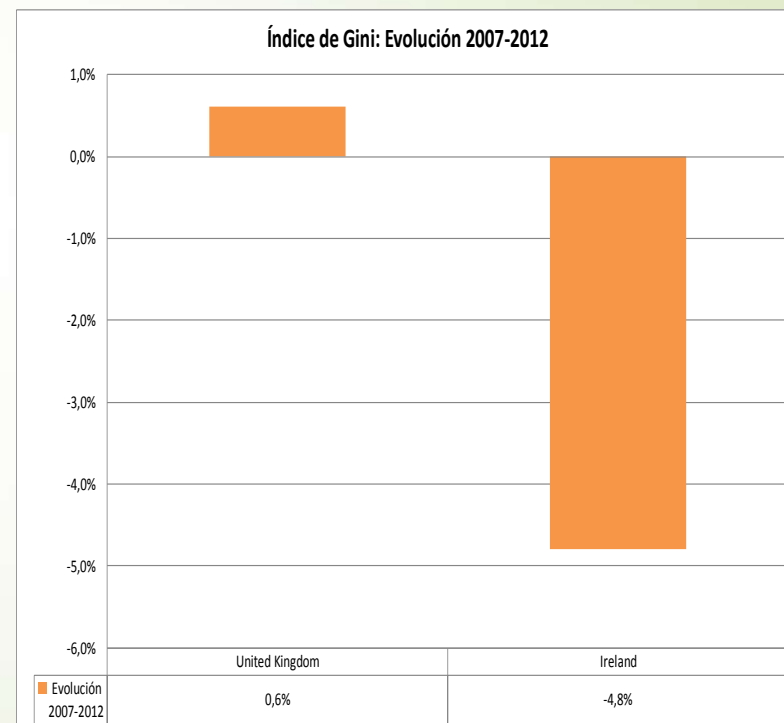


Anglosaxon model

Gini Index

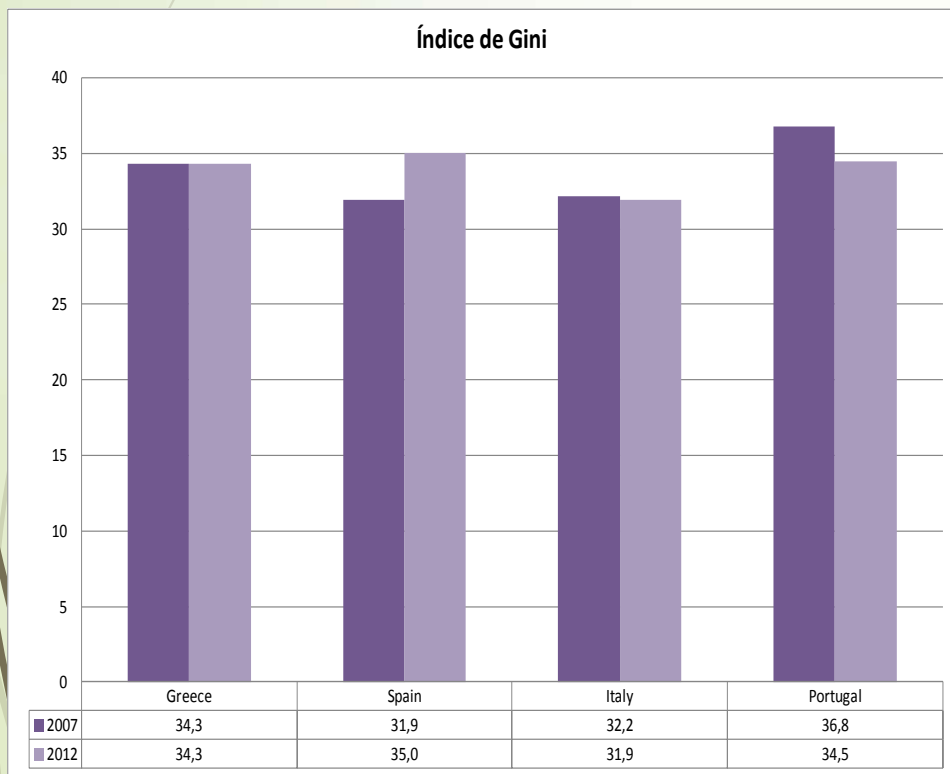


Gini Index: Trend 2007-2012

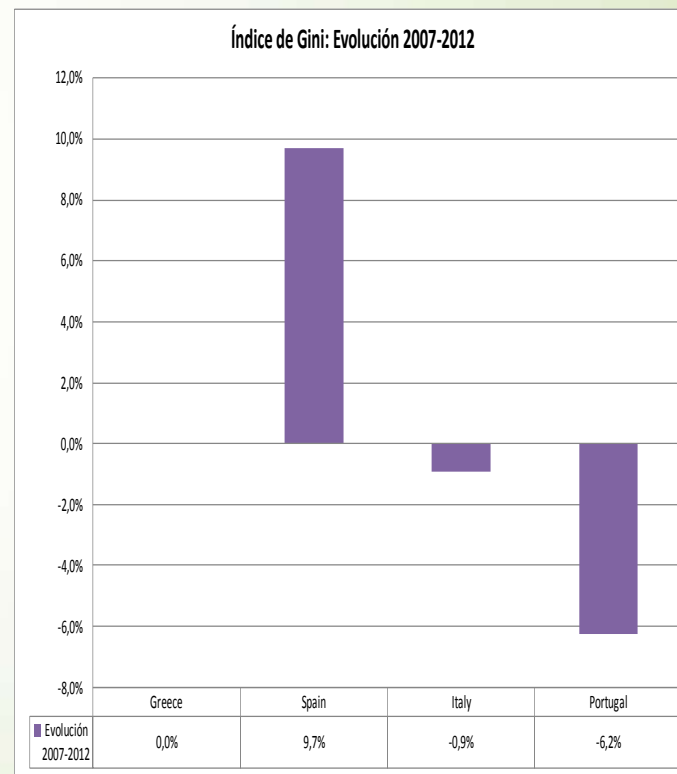


Mediterranean model

Gini Index

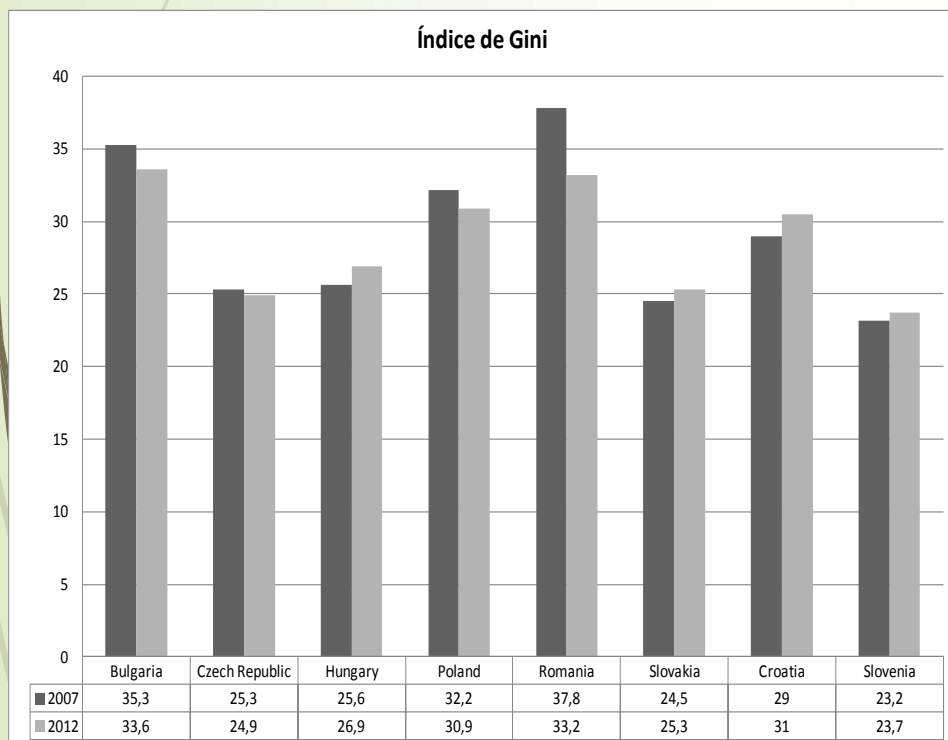


Gini Index: Trend 2007-2012

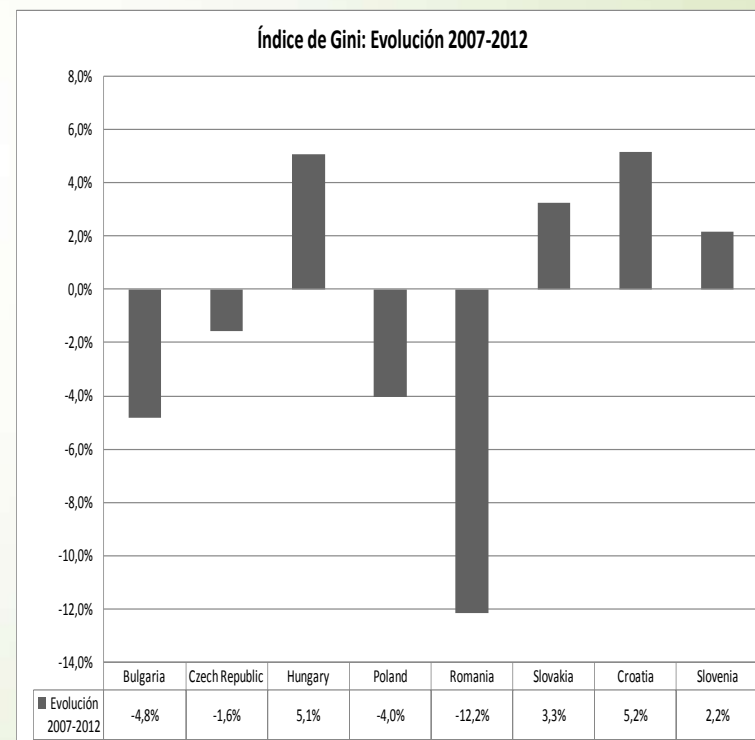


Central and Eastern European model

Gini Index

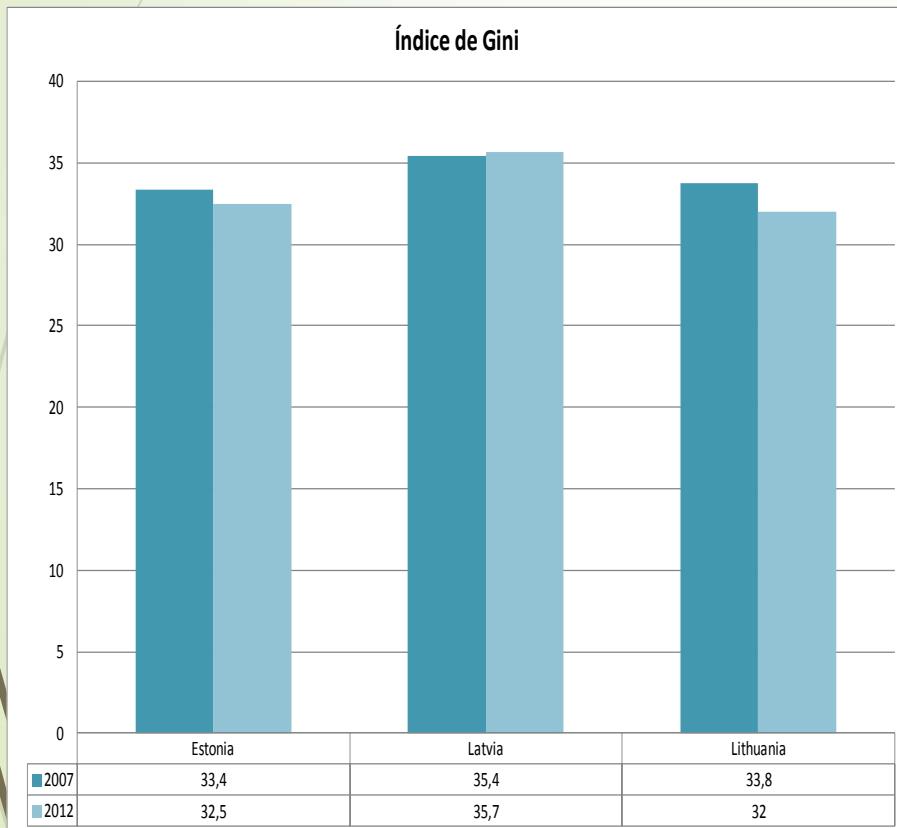


Gini Index: Trend 2007-2012

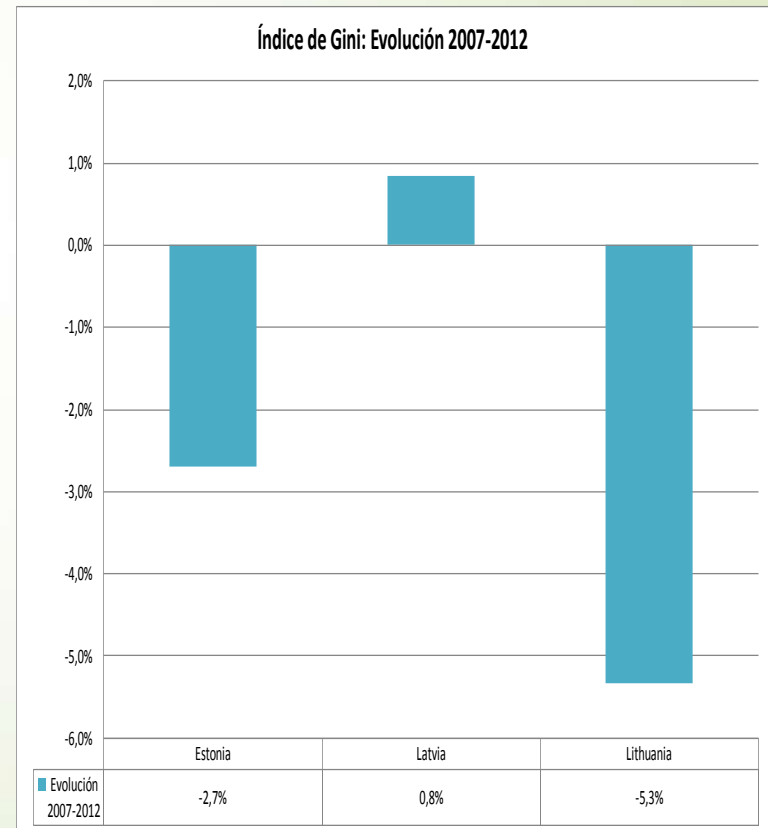


Baltic model

Gini Index



Gini Index: Trend 2007-2012

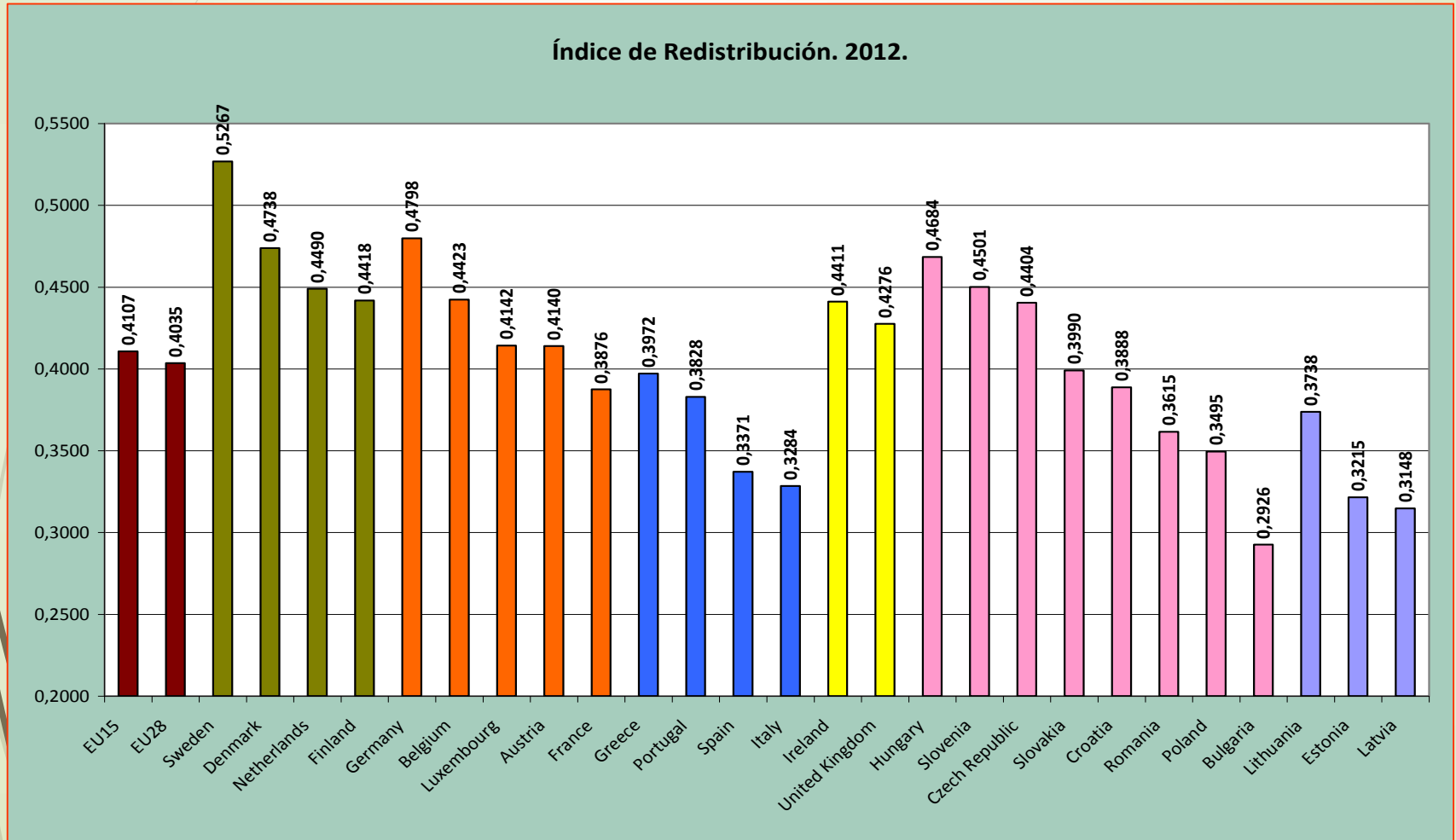


Main results

- **The welfare state model correctly explains the initial levels of inequality in the countries (prior to the crisis) and continues to explain the absolute levels of inequality that exist between the different countries (the levels of inequality existing in countries with a Nordic or Scandinavian welfare state system are lower than, for example, those countries with Anglosaxon or Mediterranean models).**
- **However, as a consequence of the current economic crisis, it can be seen that simply belonging to one particular welfare state system or another does not explain the different ways in which inequality has evolved in each one of the European countries. That is to say that, even in countries with the same welfare state model, inequality has not evolved in the same way; this seems to indicate that it is not only the welfare state system of each country which explains the changes in inequality, but that other factors (economic, political and/or social) also play their part.**

2- Welfare state systems and redistribution

Redistribution Index, 2012

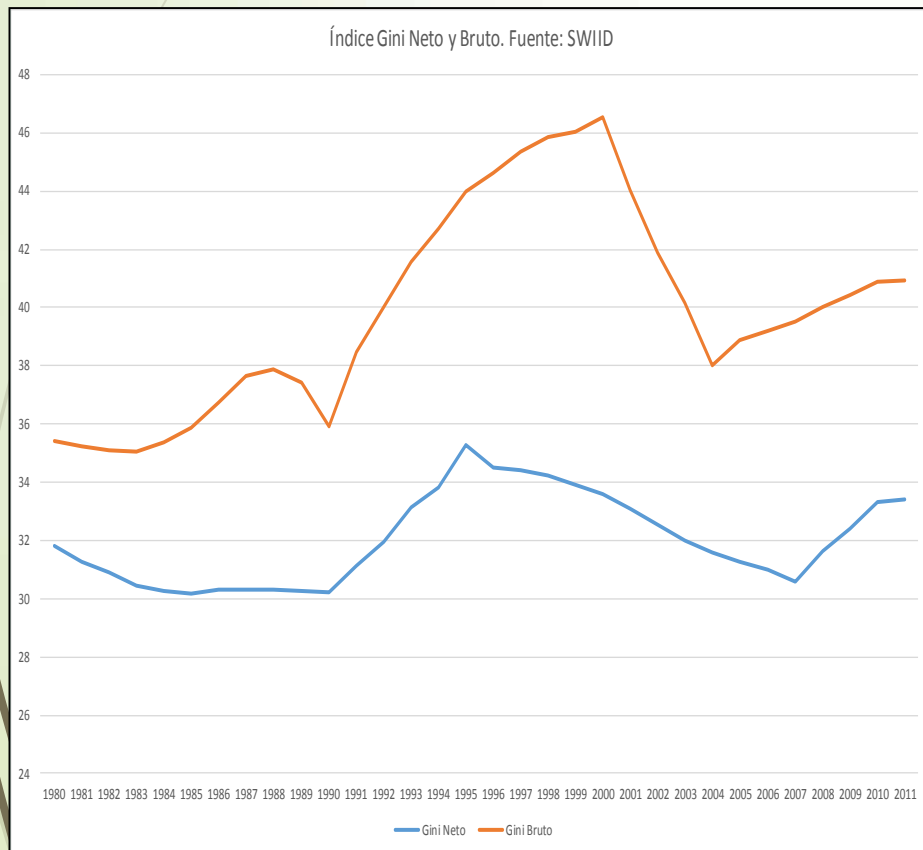


2- Welfare state systems and redistribution

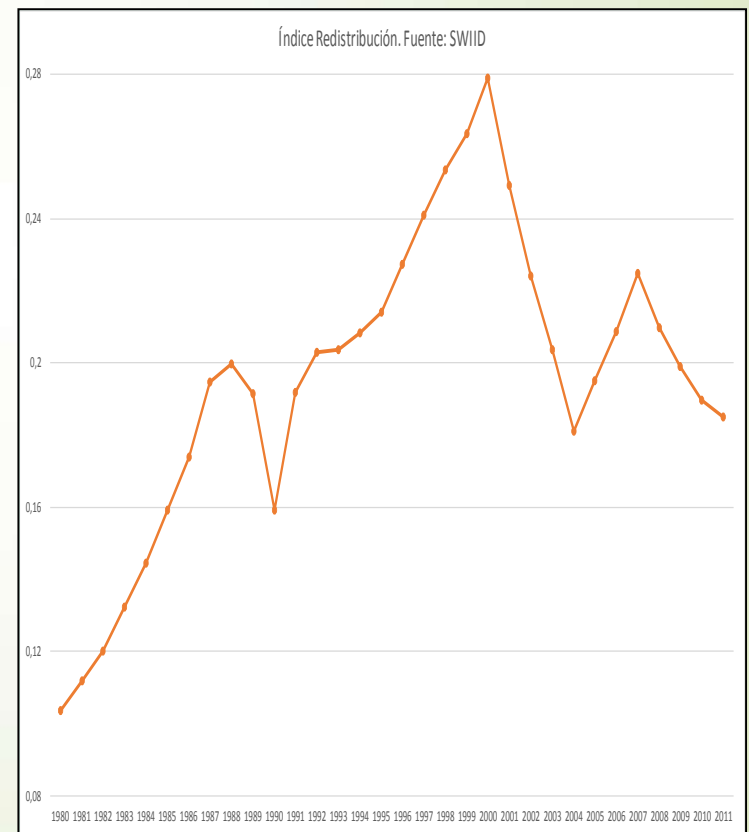
The welfare model or system accurately explains the different degree or index of redistribution reached by each country. So, we can see that, in terms of their social policies, the highest levels of redistribution are to be found in the Nordic, Anglosaxon and Continental models; on the other hand, the Mediterranean countries, the Baltic countries and some Central and Eastern European countries redistribute less.

Redistribution index: the Spanish case

Net and Gross Gini Index



Redistribution Index



Source: SWIID

CONCLUSIONS

► **The welfare state model continues to explain the levels of inequality between different countries. Namely countries with a Nordic or Scandinavian welfare State have lower levels of inequality than, for example, the Anglo-Saxon countries or Mediterranean model.**

► **However, since the current economic crisis started, we find that just belonging to a particular Welfare State Model does not explain the different evolution of inequality in each of the European countries.**

Inequality has not moved in the same direction in all countries of the same model. This seems to prove that, besides belonging to a certain welfare state model, other factors (economic, political and/or social) occurring in a country explain changes in inequality.

► **The current austerity and fiscal consolidation policies are increasing inequality in most European countries. Fiscal consolidation policy is not only decreasing domestic demand but it is contributing to generate a more regressive distribution of income and wealth.**