The political costs of austerity and the welfare States in Europe

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Welfare states have been a central part of the institutional framework of European economies since World War II
Dépenses sociales des pays membres, 2011 (en pourcentage du PIB)

Source : Eurostat, 2014
Carte réalisée par Nicolas LAMBERT
Public social expenditure, %GDP
Public & private social expenditure, %GDP
Global competitiveness and levels of social spending
The Vulnerability of the Welfare State during an economic crisis
The Vulnerability of the Welfare State during an economic crisis

- Sometimes social protection welfare services are almost considered to be economic luxuries, which justifies calls to reduce the WS and SP budget during periods of crisis.

- This is aggravated by the fact that Welfare State expenditures tend to increase during an economic crisis, e.g. unemployment.

- High Welfare State spending is often considered to be a threat to the competitiveness of European economies.

- Old age spending (pensions, health, elderly care) is increasing rapidly as a result of population ageing (post-war baby boom) & longevity.
Welfare State and Social protection during an economic crisis

- Welfare State is important for income redistribution and social stability, particularly during times of crisis.

- Social protection acts as economic stabilizer, stabilizing consumer demand and human capital.

- Welfare State spending represents an investment in (the employability of) future generations.

- Welfare State services play a crucial role in allowing female labour market participation.
Social protection increasingly constrained since 2010 – EU 27
Social protection increasingly constrained since 2010

- Unemployment expenditure increased initially, but stabilised since 2010, partially because of benefit cuts

- Increases in old-age spending, due to population ageing

- Drop in expenditures on health, education and child-care
Contributors to real growth in social expenditures – EU 27
Social Impact of the Crisis
Employment Rate, Change 2004-12

[Bar chart showing employment rate change for various countries from 2004 to 2012.]
Household Income per Head, Change 2004-12
Materially Deprived Population, Change 2005-12

The graph displays the material deprivation rates for different countries from 2005 to 2012. The x-axis represents countries: EU27, BE, FR, GE, GR, SP, UK, while the y-axis shows the change in deprivation rates ranging from -6 to 12. The bars indicate the change in deprivation from 2005-08 (blue) and 2008-12 (red). The graph highlights significant increases and decreases across various countries during the specified period.
Social Impact of the Crisis

- Lower employment, increasing employment gap north vs south
- High *youth* unemployment, particularly in the South
- Fall in real *household income* per head
- Increases in *material deprivation*
- Diverging *child poverty rates*
Rapport entre la part du revenu total perçu par les 20 % de la population ayant le revenu le plus élevé et la part du revenu total perçu par les 20 % de la population ayant le revenu le plus bas. (Moyenne 2005-2012)

Source : Eurostat, 2014
Carte réalisée par Nicolas LAMBERT
Political support

PROTECT OUR WELFARE STATE AND PUBLIC SERVICES
Political support

• Crisis leads to conservative attitude towards the WS and SP:
  – Citizens and interest groups backing status quo against retrenchment of popular programmes
  – Reduced support for programmes for vulnerable groups (activation, education, child-care)
## Areas selected by public for budget cuts

<table>
<thead>
<tr>
<th>Area</th>
<th>Britain</th>
<th>France</th>
<th>Denmark</th>
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<tbody>
<tr>
<td>Unemployment benefit</td>
<td>26</td>
<td>15</td>
<td>12</td>
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<tr>
<td>Maternity/paternity leave</td>
<td>26</td>
<td>12</td>
<td>19</td>
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<tr>
<td>Child benefit</td>
<td>23</td>
<td>19</td>
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<tr>
<td>Defence</td>
<td>21</td>
<td>36</td>
<td>52</td>
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<td>Pre-school childcare</td>
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<td>8</td>
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<tr>
<td>Social housing</td>
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<td>11</td>
<td>21</td>
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<tr>
<td>Universities/colleges</td>
<td>17</td>
<td>6</td>
<td>7</td>
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<tr>
<td>Sickness/disability benefit</td>
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<td>12</td>
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<tr>
<td>Housing/community services</td>
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<td>Public transport</td>
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<td>Health service</td>
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<tr>
<td>Policing</td>
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<td>State pension</td>
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<tr>
<td>Primary/secondary education</td>
<td>3</td>
<td>5</td>
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<tr>
<td>Other</td>
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<tr>
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<td>13</td>
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<tr>
<td>Don’t know</td>
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Role of the European Union
Social Investment ?
Thank You!

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