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# Inequality, the Welfare State – and What the People Think

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Connecting ECHP Users

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## Basic Question:

- How does the welfare state work with reference to empirical social justice preferences ?

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- How does the welfare state work with reference to empirical social justice preferences ?
  - ▷ Analysis of welfare state performance
  - ▷ Analysis of social justice preferences
  - ▷ Contrasting welfare state performance with social justice preferences

# 'Lebenslagenansatz'

## Dimensions of Living Approach

- *Otto Neurath* (1882–1945)
- Income
- Employment
- Education
- Health
- ...

# Social Justice and the Welfare State

- Esping-Andersen

- ▷ Liberal → principle of performance

- 👉 *UK*

- ▷ Scandinavian → principle of need

- 👉 *Finland (Norway, Sweden)*

- ▷ Conservative → performance/needs

- 👉 *Germany*

- 👉 *Italy (Southern European Model)*

## Dimensions of Distributive Justice

- *W. Merkel 2001*
- Avoidance of poverty
- Education
- Inclusion in the labor market
- Social security standards
- Reduction of income inequality

## Determinants of Social Justice

- Rational
- Normative
- Differential socialization
- National welfare culture

## Indicators of Welfare State Activity

- *Edeltraut Roller 1992*
- Extensity: amount of responsibility
- Intensity: amount of redistribution

## Poverty – Public Social Expenditures

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (% of GDP)							
Finland	33.1	31.1	30.9	28.7	26.5	26.1	24.5	24.8
Germany	26.9	27.5	28.1	27.6	27.4	27.4	27.2	27.4
Italy	24.4	23.0	23.5	24.2	23.7	24.1	24.1	24.4
UK	23.2	23.0	22.8	22.0	21.5	21.2	21.7	21.8

Source: OECD. <sup>a</sup> BMAS: Materialband zum Sozialbudget 2001, % of GNP.



## Poverty: 60 %/Median Income<sup>a</sup>

<i>Country</i>	1996	1997	1998	1999	2000	2001
Finland	12.3	12.3	14.4	14.2	14.6	14.0
Germany	11.3	11.1	10.9	9.4	10.5	9.8
E-Germany	13.6	13.4	12.9	11.7	13.9	13.5
W-Germany	10.9	10.7	10.5	9.0	9.8	9.1
Italy	17.4	17.3	16.4	17.6	18.0	16.9
UK	16.3	17.2	17.9	17.3	18.2	15.9

*Source:* ECHP UDB, version April 2004, own calculations. Relative frequencies (%), all individuals

<sup>a</sup> 60%/median net equivalised household income.

# Determinants of Income Poverty

	Finn- land	Italy	Germany	UK
East Germany			0.45** (0.10)	
Unemployed	0.91** (0.12)	1.63** (0.07)	1.50** (0.11)	2.00** (0.14)
Retired	-0.49* (0.23)	0.06 (0.11)	0.33* (0.17)	1.31** (0.19)
Lone mothers	-1.13** (0.41)	1.23** (0.22)	0.89** (0.21)	0.67** (0.19)
Couples	-0.16 (0.14)	0.15 (0.08)	-0.34** (0.13)	-0.25 (0.15)
Married	-0.78** (0.13)	-0.12 (0.08)	-0.52** (0.11)	-0.71** (0.10)
Divorced	-0.24 (0.25)	0.11 (0.26)	0.25 (0.17)	0.18 (0.16)
ISCED $\leq$ 3	0.41** (0.10)	1.02** (0.06)	0.63** (0.09)	0.47** (0.09)
Age $\leq$ 29	0.27* (0.13)	0.04 (0.08)	0.19 (0.11)	0.58** (0.12)
Age $\geq$ 65	-0.54 (0.28)	-0.05 (0.13)	-0.24 (0.19)	0.00 (0.19)
HHsize $\geq$ 4	0.61** (0.13)	1.08** (0.06)	-1.12** (0.18)	-0.04 (0.15)
Sick/disabled	0.61** (0.17)	0.53** (0.13)	0.40** (0.13)	0.08 (0.12)
No. of children	0.19** (0.05)	0.41** (0.04)	0.32** (0.05)	0.58** (0.05)
Foreign nat.	0.83* (0.36)	-0.83 (0.74)	0.70** (0.11)	
Constant	-2.62** (0.14)	-3.83** (0.10)	-3.37** (0.13)	-3.28** (0.14)
$N$	7 521	16 165	11 784	8 318
$\chi^2$	253.08**	1405.63**	505.93**	612.54**

## Redistribute Wealth/Control Wages ?

	Wealth		Wages	
	Model 1	Model 2	Model 1	Model 2
<i>Determinants of cultural integration</i>				
West Germany	-0.25** (0.07)	-0.21** (0.08)	-0.60** (0.07)	-0.55** (0.08)
East Germany	0.85** (0.08)	0.71** (0.09)	1.42** (0.08)	1.42** (0.09)
Italy	0.52** (0.08)	0.88** (0.09)	0.97** (0.08)	1.22** (0.09)
Norway	0.07 (0.08)	0.20* (0.09)	0.12 (0.07)	0.26** (0.08)
Sweden	0.35** (0.08)	0.38** (0.09)	-0.47** (0.08)	-0.48** (0.09)
<i>Determinants of self-interest:</i>				
Unemployed		0.08 (0.11)		0.18 (0.11)
Retired		0.20** (0.06)		0.17** (0.06)
Lower Class		0.75** (0.06)		0.41** (0.06)
Low income		0.12 (0.08)		0.24** (0.08)
High income		-0.75** (0.07)		-0.61** (0.07)
<i>Determinants of differential socialisation:</i>				
ISCED 0–2		0.33** (0.05)		0.24** (0.05)
Age < 30		0.05 (0.06)		0.18** (0.06)
Female		0.20** (0.05)		0.47** (0.05)
<i>LR</i> $\chi^2$	322.75**	798.67**	1 160.04**	1 354.77**

## Unemployment – Public Expenditures

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (% of GDP)							
Finland	4.5	3.9	3.6	3.1	2.5	2.3	2.1	2.0
Germany	1.8	1.5	1.6	1.5	1.3	1.3	1.2	1.2
Italy	1.2	1.0	1.0	0.9	0.8	0.7	0.6	0.6
UK	1.0	0.9	0.7	0.6	0.4	0.4	0.3	0.3

Source: OECD. <sup>a</sup> BMAS: Materialband zum Sozialbudget 2001, % of GNP.

# Unemployment

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (%)							
Finland	16.8	15.2	14.6	12.7	11.3	10.2	9.8	9.1
Germany	8.2	8.0	8.7	9.7	9.1	8.4	7.8	7.8
East <sup>a</sup>	20.6	16.8	16.9	18.5	21.9	17.3	16.8	19.4
West <sup>a</sup>	8.2	9.0	8.7	9.4	9.0	8.1	7.2	7.2
Italy	11.0	11.5	11.5	11.6	11.7	11.3	10.4	9.5
UK	9.2	8.5	8.0	6.9	6.2	5.9	5.4	5.0

*Source:* OECD Employment Outlook 2003;  
Standardized unemployment rates, ILO-Definition.

<sup>a</sup> calculated with ECHP-data.

# Determinants of Unemployment

	2001			
	Italy	Finland	Germany	UK
East Germany	–	–	1.14** (0.09)	–
Lone mothers	0.39 (0.29)	0.07 (0.41)	0.22 (0.26)	0.36 (0.33)
ISCED $\leq 2$	0.36** (0.08)	0.90** (0.15)	0.70** (0.11)	0.55** (0.15)
HH size <sup>a</sup> $\geq 4$	0.32** (0.08)	0.15 (0.29)	-0.17 (0.14)	0.53** (0.19)
No. of children	0.14* (0.06)	-0.13 (0.07)	-0.04 (0.05)	0.08 (0.07)
Married	-1.15** (0.10)	-0.58** (0.17)	0.14 (0.14)	-0.60** (0.19)
Divorced	-0.66* (0.28)	-0.03 (0.26)	0.59** (0.21)	-0.06 (0.33)
Age $\leq 29$	0.91** (0.09)	0.05 (0.16)	-0.07 (0.13)	0.82** (0.18)
Sick/disabled	0.83* (0.34)	0.29 (0.37)	1.38** (0.15)	1.21** (0.22)
Constant	-1.74** (0.05)	-2.02** (0.17)	-2.95** (0.15)	-3.49** (0.22)
<i>Observations</i>	5 536	2 879	6 048	4 585
$\chi^2$	638.27**	65.70**	249.86**	110.19**

Source: ECHP UDB, version April 2004, own calculations.

Logit model, Significance: \*\* p<0.01; \* p<0.05; standard error in parentheses.

## Unemployment: Extensity and Intensity

	Extensity		Intensity	
	Model 1	Model 2	Model 1	Model 2
<i>Determinants of cultural integration</i>				
West Germany	-0.30** (0.08)	-0.17* (0.09)	-0.17* (0.07)	-0.06 (0.08)
East Germany	0.68** (0.09)	0.58** (0.10)	1.05** (0.08)	0.95** (0.10)
Italy	-0.04 (0.09)	0.27** (0.10)	0.42** (0.09)	0.82** (0.10)
Norway	0.80** (0.07)	1.01** (0.10)	-0.40** (0.08)	-0.22* (0.09)
Sweden	0.65** (0.09)	0.67** (0.10)	0.29** (0.09)	0.35** (0.09)
<i>Determinants of self-interest:</i>				
Unemployed		0.77** (0.12)		0.94** (0.12)
Lower Class		0.55** (0.06)		0.72** (0.06)
Low income		0.12 (0.09)		0.20* (0.08)
High income		-0.42** (0.08)		-0.40** (0.08)
<i>Determinants of differential socialisation:</i>				
ISCED 0–2		0.06 (0.06)		0.30** (0.06)
Age < 30		-0.12 (0.07)		0.04 (0.06)
Age > 60		0.24** (0.06)		0.03 (0.06)
Female		0.36** (0.05)		0.37** (0.05)
<i>LR</i> $\chi^2$	401.27**	596.34**	451.71**	906.80**

## Education – Public Expenditures

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (% of GDP)							
Finland	6.7	6.8	7.0	6.5	6.3	6.3	6.1	6.2
Germany	–	4.6	–	4.6	–	4.6	4.5	4.6
Italy	5.0	4.8	4.8	4.5	4.7	4.8	4.6	5.0
UK	5.4	5.2	5.1	4.9	4.8	4.6	4.6	4.7

Source: Eurostat.



## Education: $\leq$ ISCED 2

<i>Country</i>	1991	1995	1998	1999	2000	2001
	Relative frequencies					
Finland	40	35	31	28	27	26
Germany	18	16	16	19	18	17
Italy	72	65	58	56	56	55
UK	35	23	19	18	17	17

*Source:* OECD, relative frequencies (%).  
All individuals aged 16–65.

## Education: Extensivity and Intensity

	Extensivity		Intensity	
	Model 1	Model 2	Model 1	Model 2
<i>Determinants of cultural integration</i>				
West Germany	-0.41** (0.08)	-0.37** (0.09)	-1.30** (0.07)	-1.30** (0.08)
East Germany	0.31** (0.09)	0.26** (0.10)	-0.89** (0.08)	-0.86** (0.09)
Italy	0.84** (0.09)	0.98** (0.09)	-0.51** (0.08)	-0.59** (0.09)
Norway	-0.38** (0.08)	-0.38** (0.09)	-1.34** (0.08)	-1.52** (0.09)
Sweden	-0.34** (0.09)	-0.38** (0.10)	-1.01** (0.08)	-1.08** (0.09)
<i>Determinants of self-interest:</i>				
Unemployed		0.22 (0.12)		0.21 (0.11)
Retired		0.09 (0.07)		-0.12 (0.07)
Lower Class		0.25** (0.06)		0.01 (0.06)
Low income		0.11 (0.09)		-0.06 (0.08)
High income		-0.32** (0.08)		0.15* (0.08)
<i>Determinants of differential socialisation:</i>				
ISCED 0–2		-0.02 (0.06)		-0.34** (0.06)
Age < 30		-0.05 (0.07)		0.04 (0.06)
Female		0.14** (0.05)		0.10* (0.05)
<i>LR</i> $\chi^2$	387.56**	439.68**	428.71**	460.17**

## Health – Public Expenditures (% of GDP)

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (% of GDP)							
Finland	5.8	5.7	5.8	5.5	5.3	5.2	5.0	5.3
Germany	7.8	8.1	8.4	8.1	7.9	8.0	7.9	8.0
Italy	5.9	5.3	5.4	5.6	5.6	5.6	6.0	6.3
UK	5.8	5.8	5.7	5.4	5.5	5.7	5.8	6.1

*Source:* OECD. <sup>a</sup> BMAS: Materialband zum Sozialbudget 2001, % of GNP.

## Health

<i>Country</i>	1994	1995	1996	1997	1998	1999	2000	2001
	Relative frequencies (%)							
Finland	–	–	11.4	10.1	9.9	10.0	10.0	10.4
Germany	–	11.3	11.2	10.4	11.5	11.3	10.0	10.8
East	–	9.6	10.3	9.5	10.7	10.6	9.1	9.7
West	–	11.7	11.4	10.6	11.7	11.5	10.2	11.0
Italy	8.2	7.7	5.6	5.6	5.6	5.5	5.3	4.8
UK	15.5	13.9	14.3	15.6	14.9	9.1	16.1	16.8

*Source:* ECHP-UDB, version April 2004, own calculations.

## Health: Extensivity and Intensity

	Extensivity		Intensity	
	Model 1	Model 2	Model 1	Model 2
<i>Determinants of cultural integration</i>				
West Germany	-1.44** (0.09)	-1.38** (0.11)	-1.67** (0.07)	-1.72** (0.09)
East Germany	-0.78** (0.11)	-0.88** (0.12)	-0.84** (0.08)	-1.14** (0.10)
Italy	-0.03 (0.11)	0.22 (0.12)	-0.74** (0.08)	-0.49** (0.09)
Norway	0.46** (0.12)	0.65** (0.13)	-0.59** (0.08)	-0.44** (0.09)
Sweden	-0.60** (0.11)	-0.54** (0.12)	-0.81** (0.08)	-0.82** (0.09)
<i>Determinants of self-interest:</i>				
Unemployed		0.11 (0.14)		0.36** (0.12)
Retired		0.15 (0.08)		0.18** (0.07)
Lower Class		0.48** (0.07)		0.55** (0.06)
Low income		0.00 (0.10)		-0.09 (0.08)
High income		-0.38** (0.09)		-0.27** (0.08)
<i>Determinants of differential socialisation:</i>				
ISCED 0–2		0.11 (0.07)		0.41** (0.06)
Age < 30		-0.05 (0.08)		-0.00 (0.06)
Female		0.28** (0.06)		0.39** (0.05)
<i>LR</i> $\chi^2$	702.71**	669.68**	591.34**	789.61**

## Preliminary Conclusion

- The liberal model is most successful in terms of employment & education, but reveals a high social justice gap with reference to poverty and health
- The social-democratic model is successful (low poverty rates, low unemployment, medium performance in the education area) → comes closest to justice preferences
- The conservative model is less successful (moderate poverty rates, high unemployment, medium performance in the education area) → considerable social justice gap
- The southern model shows weak performance with reference to poverty and education, but high health standards & intermediate unemployment rates → high social justice gap (exception: health/employment)