Chapter 5

Welfare systems

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5.1 Introduction

As already underlined in the Introduction and Chapter 1, the welfare state represents a key topic in our research.

The organisational characteristics of social policies and their relevance in terms of expenditure significantly influence the redistributive capacities of a given country and, consequently, affects the level of social inequalities. Yet, social policies also condition the development path, depending on their greater or lesser financial sustainability, besides their effects on the labour market.

The three welfare regimes – liberal, conservative-corporative, and social-democratic – have a long and well-established tradition in the comparative welfare state literature. They were initially introduced by Richard Titmuss (1974) and subsequently developed by Gøsta Esping-Andersen (1990), using the concepts of de-commodification and de-stratification.[1] The effectiveness of modifying the distribution of life opportunities produced by the market and the family sphere varies considerably among these three regimes (Ferrera, 2019). This effectiveness is greatest in the social-democratic regime, average in the conservative-corporatist cluster, and at a minimum in the liberal one.[2]

Following the criticism by feminist scholars on the lack of a gender perspective in conceptualising the welfare state, a further differentiating aspect between welfare regimes was introduced, namely, de-familialism (see Lewis, 1992; Leitner, 2003; Esping-Andersen, 2009).[3] Since the 1960s, the social-democratic regime has pursued de-familialising policies that promote a family model based on both women and men at work and on men's greater involvement in caregiving tasks. The other two regimes, notably the conservative-corporative one (except France), have historically been exemplified by a high degree of familialism. The resulting "male breadwinner family model" is thus based on a solid differentiation of men's and women's roles, with the latter being relegated to caring tasks (Lewis, 1992).

The Mediterranean model has come into play as a fourth regime, following a more extensive in-depth analysis of southern European countries.

Notwithstanding a Bismarckian imprint and hence traits similar to the conservative-corporatist regime, the Mediterranean regime differs from the latter for at least three reasons.[4] First, historically speaking, the protection system is more dualised than in those countries belongining to the conservative-corporative regime. The level of decommodification is particularly disproportionate, with excessive protection of the *insiders* – i.e. the labour market'core workers – while the more peripheral worker group – the *outsider*s – has weaker coverage. Second, the Catholic Church's strong influence accentuates the family's role as a "social buffer". Lastly, with state structures open to manipulation by organised interests, especially political parties, the Mediterranean-regime welfare states typically feature high levels of *particularism* and a low degree of *stateness*.

The concept of four welfare regimes has been consolidated with time in comparative welfare analysis and, more generally, the *comparative political economy* (Beramendi et al., 2015; Manow et al., 2018).

An analysis of how our development paths differ regarding welfare policies has disclosed a distinct overlapping of the relatively dynamic and inclusive development types and the welfare regimes. The non-inclusive growth (NIG) countries present the typical features of a liberal regime. The egalitarian inclusive growth (EIG) countries are similar to social-democratic regimes with universalistic, new social risk-oriented welfare states. In contrast, the continental DIG countries shows the features of the corporatist-conservative regime. Lastly, the non-inclusive low growth (NILG) countries manifest characteristics typical of the Mediterranean welfare regime.

The following pages focus on the correlation between welfare models and types of development, examining more closely cross-type differences in terms of expenditure and organisational characteristics and discussing the most recent change trends.

5.2 An overview

This chapter provides an overview of the welfare systems in the four growth models. Despite the methodological limitations,[5] general indicators (mainly *public* and *social expenditure*) provide a preliminary outline of the "macro" differences between the four *ideal growth* models.

Figure 5.1 shows the total public expenditure in 2017. The NIG countries display the lowest average value, with Ireland recording the minimum at ten percentage points (*pp*) below the average. In the other three growth models, the data are more homogeneous. The EIG countries have the highest expenditures, followed by the DIG first and the NILG countries next. Historically, the state's role in the economies of the Anglo-Saxon countries is more contained. Therefore, the low value of public spending is not surprising as the neo-liberal paradigm has strongly influenced economic and financial choices, including the state budget, since the 1980s. Similarly, the expenditure
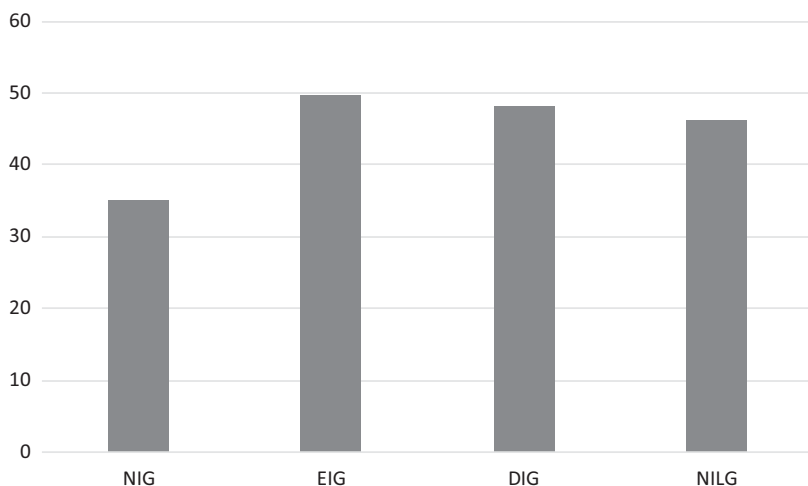
Figure 5.1 Total public expenditure as % of GDP (2017).

Source: Elaboration of IMF Data.

amount for the Scandinavian countries, where the state has always played a significant role,[6] is consistent with their social-democratic tradition.

Figure 5.2 shows total social expenditure and social expenditure per capita data in 2015. Regarding the percentage of GDP, the NIG countries indicate the lowest value of social-policy spending, while the EIG countries record the highest, followed closely by the DIG and NILG countries. Among the continental countries, social expenditure is significantly higher than the group average in France (32%) and considerably lower than in the Netherlands (17.7%).

Comparing these results with the social expenditure per capita data reveals an interesting picture. Indeed, measuring the resources invested for each individual citizen enables us to highlight the differences between the various growth models concerning total social spending more effectively. The highest per capita social expenditure is recorded in the EIG countries, followed by the DIG countries. In contrast, spending in the NIG and NILG models is lower. The Mediterranean countries show a lower value than the Anglo-Saxon countries, albeit with higher social spending of GDP. It can be inferred that in the NILG countries, notwithstanding the relatively high level of overall public expenditure on social policies, the impact of welfare policies on single individuals is moderate.

To conclude this general overview of the "macro" characteristics of welfare states in the four growth models, Figure 5.3 shows the composition of social expenditure in 2015 by type of function.
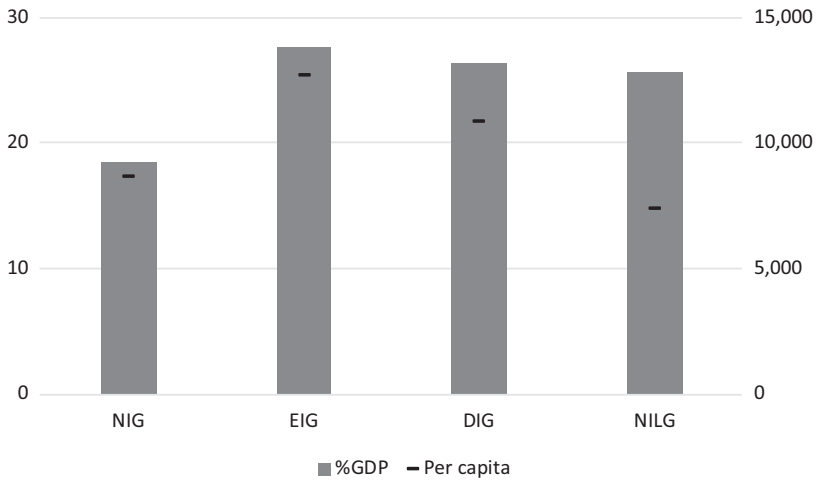
Figure 5.2 Public expenditure for social policies by growth model as % of GDP (2015) and public expenditure *per capita* for social policies by growth model at constant prices, PPP, 2010 dollars (2015).
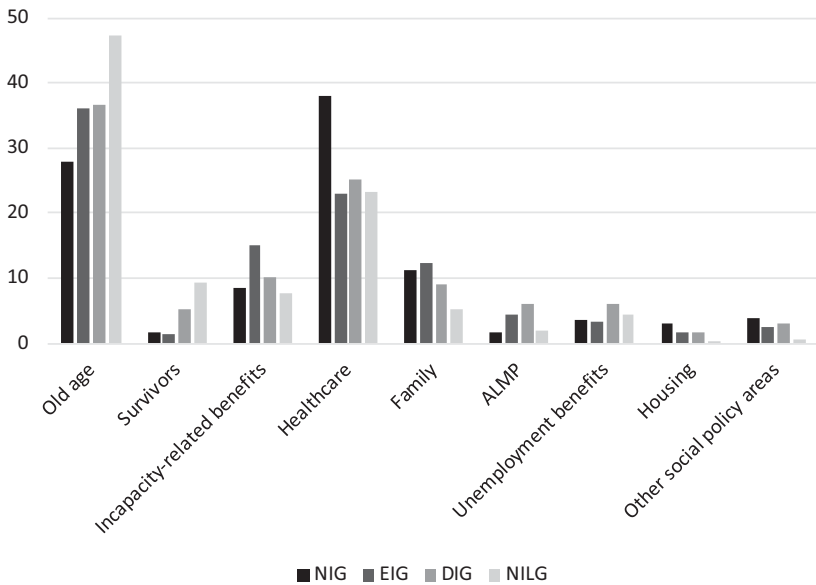
Source: Elaboration of OECD-SOC data.

Figure 5.3 Expenditure on social benefits by type of function as % of total social expenditure (2015).

Source: Elaboration of OECD-SOC data.

The largest share of social spending is pension expenditure, except for the NIG countries where more is spent on health. However, the proportion of spending devoted to *old-age* risk varies considerably across models. For the EIG and DIG countries, the value is around 36% of total expenditure, while in the NILG countries, it accounts for almost half of all social spending. This latter value is not surprising, given that historically the Mediterranean countries – Italy first of all – have over-protected the old age risk while disregarding the *new social risks*.[7] As pointed out in the literature, these latter ones are mainly covered by the *family* function,[8] *Labour Market Policies* (ALMPs), and *housing*.

In this respect, the EIG countries have the highest expenditure on family policies and ALMPs. The DIG group's expenditure for these two functions is also high, though less than the Scandinavian countries (except for ALMP expenditures in the Netherlands, which is 4.3%). Continental countries indeed allocate a relatively high percentage of the social expenditure on the "unemployment" risk, thus preferring monetary transfers (mainly unemployment benefits) to activation. The NIG countries, on the other hand, devote a large share of social spending to the family function and housing policies, while ALMPs account for only 1.5%. Finally, as already mentioned, public spending on family policy, ALMPs, and housing for the NILG countries is particularly low – though both Spain and Portugal display higher values than Italy and Greece.

In short, in the Scandinavian countries, the *new social risks* have become a new priority. Moreover, since the end of the 1970s, they have begun to absorb a significant share of social expenditure. In contrast, social spending in the Mediterranean countries continues to be directed almost exclusively to the *old social risks*, in particular the old-age risk, thus leaving few resources available to cover the *new social risks*.[9] In an intermediate position, we find the continental and Anglo-Saxon countries, which have begun to reorient public spending, albeit with different spending priorities.

5.3 Pensions

Pension policies constitute one of the most critical areas for all advanced economies. As already noted, old-age risk accounts for a large share of social spending in Western countries. However, differences persist between the four growth models.

Figure 5.4 shows pension expenditure as a percentage of GDP in 2015. The lowest values are shown by the NIG countries, followed by the EIG group. Pension expenditure in the DIG countries is higher, with the Netherlands below average (5.1%) and France above average (13.9%). As already noted, the share of expenditure for pensions in the NILG countries is particularly high. Comparatively, both continental and Mediterranean countries have the highest values, which can be explained by considering that their pension
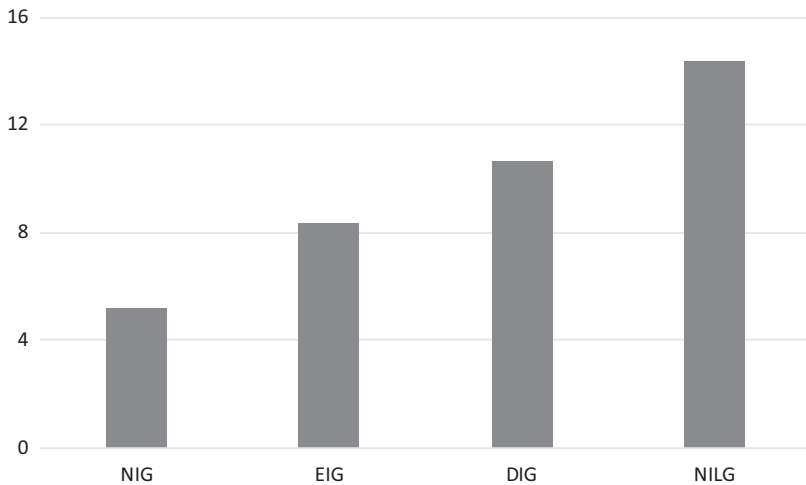
Figure 5.4 Pension expenditure as a percentage of GDP (2015).

Source: Elaboration of OECD-SOC data.

systems are historically built around the social insurance model. Indeed, the public pillar (and therefore the state) in these countries guarantees that a pensioner's income is (often) maintained through benefits linked to past earnings and financed through the social contributions of workers and employers.[10] Given the public pillar's central role, pension expenditure in the DIG and NILG groups has remained historically high, while supplementary pensions (occupational and private) have been established relatively recently.[11] From the 1990s onwards, extensive reforms of pension systems in the continental and Mediterranean countries have been carried out to cope with demographic changes, particularly the aging population and changes in the labour market. However, the DIG countries have managed to offset pension expenditure more efficiently than the NILG[12] countries.

Switching the focus to more qualitative data, Figure 5.5 shows the net replacement rate of mandatory public and private pensions.[13]

Once again, differences between growth patterns are evident.

Replacement rates in the NIG countries are the lowest, especially in the United Kingdom (29%).

The EIG countries follow, but with a gap of about 20 points, and the DIG group is at a marked distance from them. Within this model, the Netherlands demonstrates itself to be particularly generous (100%), whereas Germany guarantees a more limited replacement rate (50%). German governments, since the 1990s, have implemented a series of institutional cuts to the public pillar – in parallel with the development of the complementary pillars.[14]
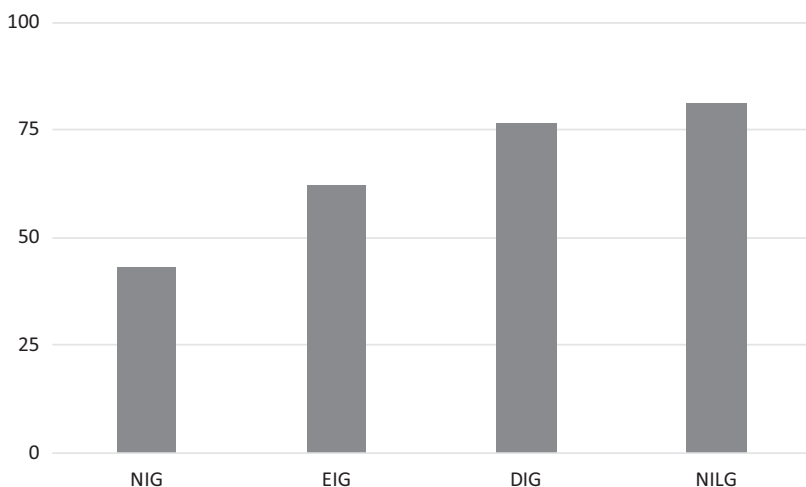
Figure 5.5 Net replacement rate of mandatory pensions (public and private) as a percentage of average income (2017).

Source: Elaboration of OECD data.

Finally, the NILG countries still offer the highest replacement rates (80%) – with Italy and Portugal recording values above 90%. For many years, the generosity of the pension system in these countries has been accompanied by large budget deficits, countervailed directly by public finance.[15].

Lastly, Table 5.1 shows the percentage of citizens covered by non-compulsory supplementary pensions (occupational and/or private).[16]

In the NIG countries, this percentage turns out to be particularly high, approximately over 40%, excluding Australia, for which the value is not available. The data suggest that, in these countries, the *voluntary* complementary pillar is essential for maintaining income in old age, given the low replacement rate provided by the compulsory pillar (both public and private).

In contrast, in the EIG countries, values for the voluntary supplementary provision are much lower (around 25%). This relatively small percentage may be explained by the fact that the supplementary pillars in these countries are compulsory.

The picture for DIG countries is more heterogeneous. Voluntary supplementary pension provision plays a powerful role in Germany and Belgium – following reforms initiated in the 1990s – while it is more limited in Austria, France, and the Netherlands. In general, however, it appears that all the continental countries have relinquished (or are relinquishing) the classic single-pillar system that distinguished them during the expansionary phase of the welfare state.

Table 5.1 Voluntary supplementary pensions, percentage of workers involved (2017)

	Voluntary –occupational	Voluntary –personal	Voluntary total
NIG			
Australia	X	ND	ND
Canada	26.3	25.2	ND
UK	38.3	12.6	46.7
Ireland	ND	ND	43
United States	40.8	19.3	ND
EIG			
Denmark	X	18	18
Finland	6.6	19	25.6
Sweden	X	24.2	24.2
Norway	ND	26.7	ND
DIG			
Austria	13.9	18	ND
Belgium	59.6	ND	ND
Germany	57	33.8	70.4
France	24.5	5.7	ND
The Netherlands	X	28.3	28.3
NILG			
Spain	3.3	15.7	18.6
Greece	1.3	ND	ND
Italy	9.2	11.5	20
Portugal	3.7	4.5	ND

Source: Elaboration of OECD data.

Finally, in the NILG countries, voluntary supplementary pension provision has very low coverage rates, especially in Greece and Portugal. In these countries, resources for boosting the implementation of these supporting structures have dwindled. Furthermore, pension systems are still based almost exclusively on the first public pillar, despite its ever-diminishing capacity to provide an adequate replacement rate in the future, especially for those with interrupted working careers.

5.4 Poverty

In parallel with the change in the economic structure of advanced economies and the consequent emergence of new social risks, citizens have increased their demand for policies to reduce poverty. However, the ability of Western countries to effectively implement such policies varies considerably (Figure 5.6).

Mediterranean countries show the highest poverty rates among the four growth models before and after transfers. However, the welfare state in these countries proves to be more effective in lowering the poverty rate than in the NIG countries.[17] Irish welfare is the most effective (-73.9%, after transfers)
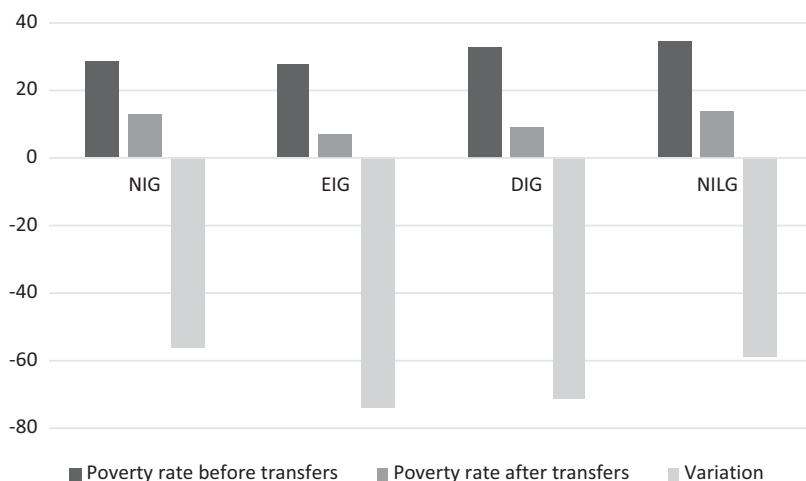
Figure 5.6 Poverty rate before and after taxes and transfers (2016).

Source: Elaboration of OECD-SOC data.

compared to the US (-33.1%). The situation in the EIG and DIG groups is different. The Scandinavian countries are the most successful in reducing poverty (-73.9%). Among them, Finland has the highest poverty rate (35%) but has the most success in reducing it (-83%). Welfare policies in the continental countries also effectively lower the poverty level (-71%), from 32% to 9.3% after transfers.

Finally, regarding new social risks and social investment, Hemerijck (2017) has stressed the importance of guaranteeing a minimum income in a historical period characterised by interrupted careers and periods of long-term unemployment. The adequacy of this measure, i.e. its replacement rate, varies across growth models (Figure 5.7).

In the NILG countries, the minimum income turns out to be the least generous, and the measure was introduced nationally much later compared to the other growth models. Higher but still moderate replacement rates have been provided by the NIG countries. Data are nevertheless somewhat disparate within the group. The US offers a meagre minimum income replacement rate of 6% of median income, while replacement rates in the UK and Ireland are above the group average (55% and 65%, respectively). Minimum income is more generous in the EIG and DIG countries than in the others. The Scandinavian countries provide the highest replacement rates, with Denmark having the highest (63%) and Norway the lowest (35%). The replacement rate in the EIG countries, on the other hand, stands at 45.6%, with the Netherlands showing an above-average value (60%).
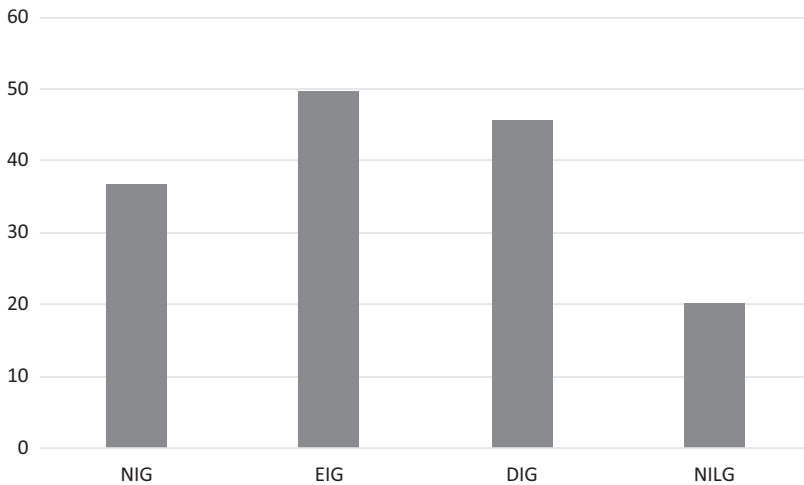
Figure 5.7 Minimum income adequacy, % of median income (2017).

Source: Elaboration of OECD-SOC data.

5.5 Family

In recent decades, in parallel with the social change in Western countries, the family policy[18] has played an increasingly essential role in the transition from the *male breadwinner family model*, with women relegated to the caregiver role, to the *dual-earner family model*, which promotes women's full-time participation in the labour market. However, the transition to this new model is still in the making in many countries, and the "family revolution" is far from accomplished (Esping-Andersen, 2009). The marked differences in the family policies of the four growth models demonstrate this unfinished revolution.

Figure 5.8 shows the social expenditure on the family function as a percentage of GDP. Total spending has been disaggregated into expenditure on services and monetary transfers.

The EIG countries are the most generous in total expenditure (3.4%), while the NILG countries are the least generous (1.4%). The NIG and DIG countries show intermediate values (2.1% and 2.4%, respectively).

If we analyse the disaggregated expenditure data,[19] only the EIG countries spend more on services (2%) than on monetary transfers (1.4%). Moreover, the percentage of expenditure devoted to services is the highest among the four growth models. The other models show inverse values, with a higher weight for monetary transfers than services. In the NIG countries, the imbalance of expenditure favouring monetary transfers is particularly evident (1.4%, twice as much as that for services, which stands at 0.7% of GDP). Family policy
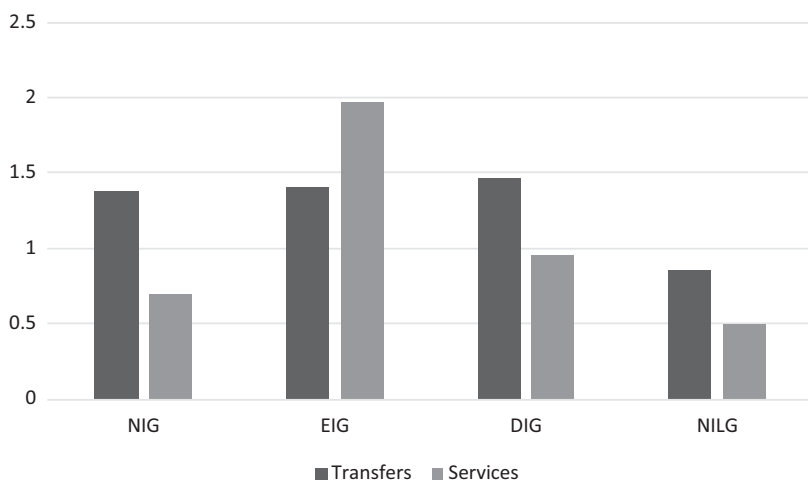
Figure 5.8 Expenditure on family policies as a percentage of GDP, monetary transfers, and services (2015).

Source: Elaboration of OECD-SOC data.

expenditures are the more balanced in the CID group (1.5% of GDP devoted to monetary transfers and 1% to services). Nevertheless, in these countries, expenditure on services is precisely half that of the Scandinavian countries. Only France spends almost equally on services and monetary transfers (1.5% and 1.4%, respectively). Finally, the NILG countries show very low values for spending on monetary transfers (0.9%) and services (0.5%).

Differences emerge in public spending on early childhood education care (ECDC) among all four growth models[20] (Figure 5.9).

The EIG countries devote the highest proportion of expenditure, significantly distancing themselves from the other three models. The NIG countries spend the least as childcare care has historically been left in the hands of the private sector. Next are the NILG countries. Compared to these two groups, the DIG countries spend a slightly higher amount but still much less than the Scandinavian countries.

Figure 5.9 also highlights the impact of social spending on the enrolment rate of children aged 0–2 in early childhood services. The data show that the enrolment rates are also low in the face of low expenditure. Indeed, the EIG countries show the highest enrolment rate (48.5%), followed by the DIG countries (46%). The NILG (29.5%) and NIG (28.8%) countries have low rates.

Finally, Figures 5.10 and 5.11 show, respectively, data on maternity and parental leave and paternity leave (including the quota of parental leave reserved for fathers).
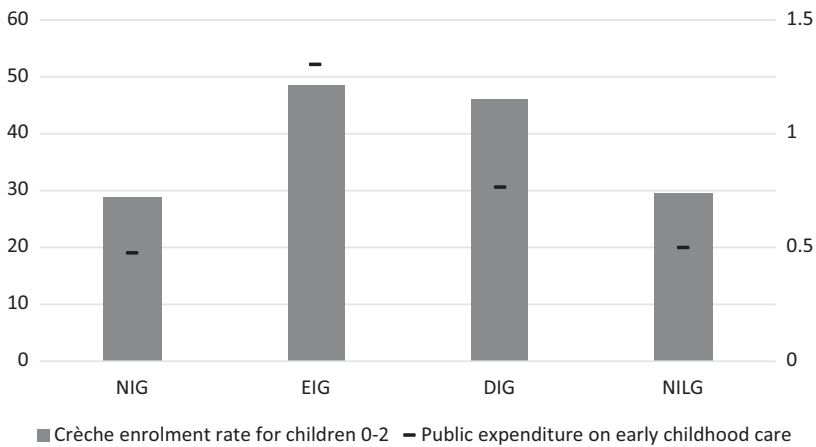
Crèche enrolment rate for children 0-2   Public expenditure on early childhood care

Figure 5.9 Public expenditure on early childhood care, crèches and nursery schools (2015), and crèche enrolment rate for children 0–2 (2016).

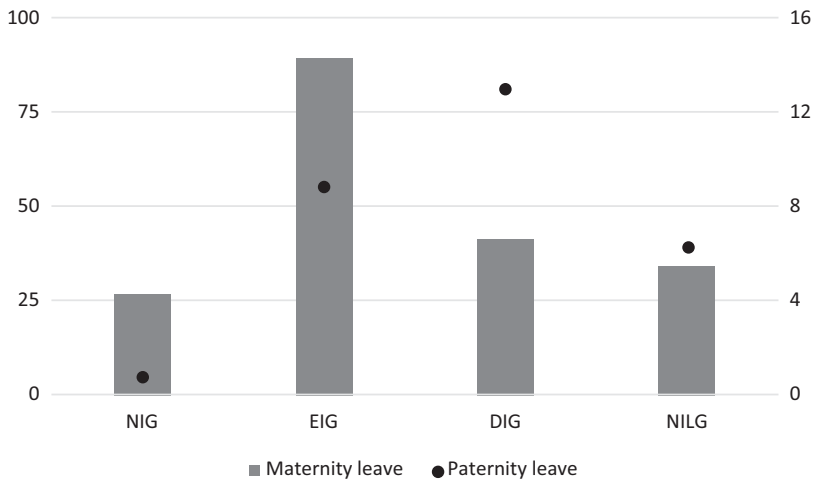Source: Elaboration of OECD-SOC data.

Maternity leave   Paternity leave

Figure 5.10 Duration of maternity and paternity leave, number of weeks (2016).

Note: OECD-SOC data are aggregated. Weeks of paid maternity leave are added to weeks of (paid) parental leave. Weeks of paid paternity are added to weeks of parental leave for fathers (if any). As regards the replacement rate, the data refer to the maternity leave (thus excluding parental leave) and paternity leave, i.e. the weeks of parental leave reserved for fathers, if any, are included).
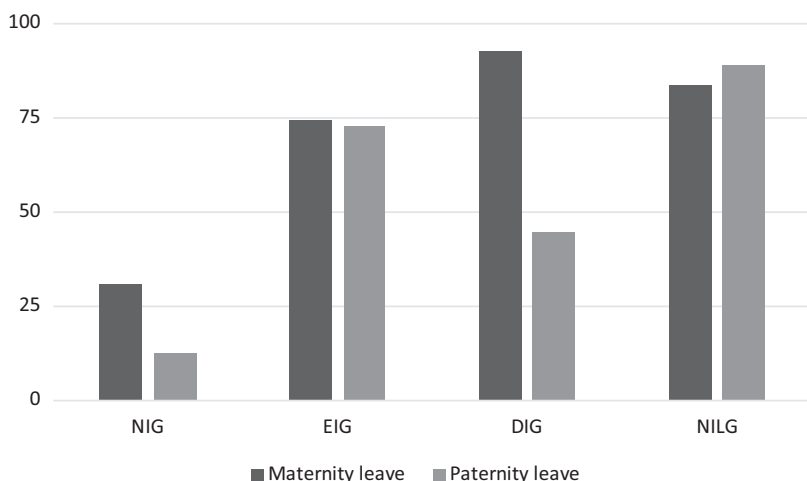
Source: OECD-SOC data.

Figure 5.11 Replacement rate, maternity and paternity leave, as a percentage of gross average salary (2014).

Note: see note, Figure. 5.10.

Source: Elaboration of OECD-SOC data.

The NIG countries are the least generous, offering only 27 weeks of paid maternity and parental leave and less than one week of paternity leave. The replacement rates for maternity leave[21] are the lowest of the four growth models. The same applies to paternity leave, which is only paid in Australia (with a 40% substitution rate) and the UK, while Canada, Ireland, and the United States offer no monetary compensation. There is no mandatory paid maternity or paternity leave at the federal level in the United States. The EIG countries offer the longest paid maternity and parental leave – almost 90 weeks – with a high replacement rate (74%). However, in terms of generosity, there is a considerable difference within this area, with the replacement rates of Denmark (53%) and Norway (91%) at the two extremes. In terms of paternity leave, these countries provide, on average, almost nine weeks of leave, with the highest replacement rate among the four growth models (72.5%). The redistribution of caregiving tasks within the family is thus promoted by these policies, encouraging fathers to take paternity leave. The DIG countries provide for a much shorter duration of maternity leave compared to the EIG (41.3 weeks), but with an exceptionally high replacement rate (92.6%), except Belgium (63%). On average, paternity leave is the longest (13.2 weeks), but its replacement rate is low (around 44% of the gross salary). Finally, in the NILG, maternity and parental leaves are a combined 43 weeks, slightly longer than the average for the EIG countries, and a high replacement rate (83%). On

the other hand, paternity leave is very short (6 weeks). The value is influenced by Portugal, which provides 22 weeks of paid leave. The other countries in this group are less generous by far, with values well below the average (Spain offers 2.1 weeks of paid paternity leave, Greece and Italy only 0.4). The replacement rate is the highest among the four growth models (89%), but this value must be analysed in relation with the short leave duration. As the literature points out, such short paternity leaves, even if paid, have no effect on the redistribution of caregiving tasks within the household.

5.6 Healthcare

Healthcare is one of the main items of expenditure in advanced Western economies. In terms of social spending on GDP (Figure 5.12), the NILG countries show the lowest expenditure (6%), while the three other growth models record similar values, around or above 8%. As for the NIG countries, the average value is affected by the very high health expenditure in the United States (14%).

Universal, or near-universal, coverage has been achieved in all the countries of the four models, with the exception of the United States, where only 35.9% of the population is automatically covered by the free public healthcare system (means-tested), whereas 54.9% is covered by private insurance. A total of 9% of the population remains uninsured (OECD, 2019).[22]
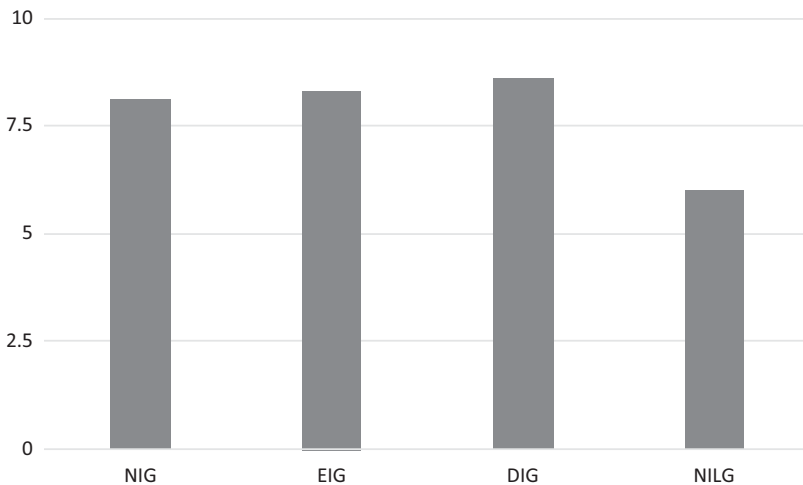

Figure 5.12 Government/mandatory health expenditure, as a percentage of GDP (2017).
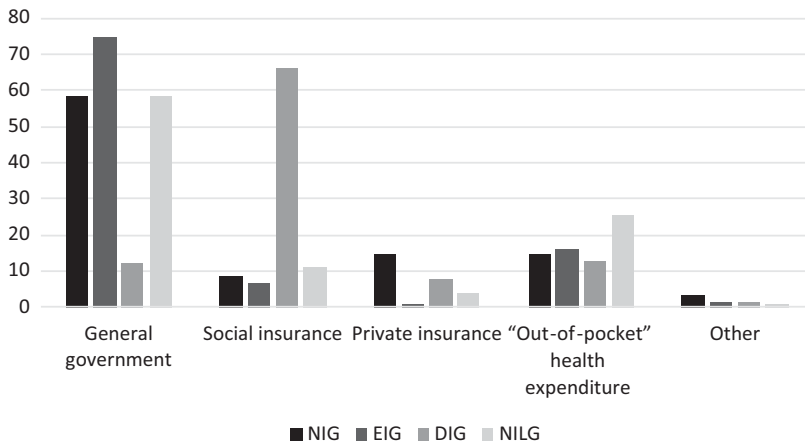
Source: Processing of OECD data.

Figure 5.13 Distribution of health expenditure among sources of financing as a percentage of the total (2012).

Source: Processing of OECD data.

Finally, Figure 5.13 shows the distribution of current health expenditure among the sources of financing, including private insurance and the "out-of-pocket" spending.

The general government is the first source of financing for health expenditure in NIG, EIG, and NILG countries, although the percentages vary considerably. The government's role in financing health expenditure is particularly robust in the Scandinavian countries (around 75%), while the values are about 58% in the NIG and NILG countries. Concerning the Anglo-Saxon countries, the percentage of expenditure financed directly by the central government in the United States is very low (6%). On the opposite side, the government's role is well above the group's average (84%) in the United Kingdom. Public expenditure among the NILG countries is below average in Greece (29%), while the levels in Italy reflect those reported in the Scandinavian countries (77%). In the continental countries, where the health system has historically developed around the principle of social insurance, the role of the central government as a funder of health expenditure is minimal (12.2%). However, it has been growing since the 1990s. In contrast, social insurance funds in these countries make up the primary source of financing. These funds play a marginal role in the other three growth models, except in the United States (44%) and Greece (39.3%).

Regarding the role of private insurance, the percentage of expenditure financed by the latter is modest in the EIG and NILG countries. At the same time, it is higher in the DIG countries (7.6%) and relatively high in the NIG

countries, by a comparative standard. Within this group, the US shows the highest value (around 35%) and the UK the lowest (2.1%). Among the DIG countries, in Belgium and Austria private sector is a key sources of financing (16.7% and 20.4%, respectively).

Finally, it is interesting to highlight the "out-of-pocket" health expenditure, i.e. that paid directly by the families. The lowest value is recorded in DIG (12.6%) and NIG (14.72%) countries, where the private sector manages to compensate sufficiently for the public sector's shortcomings. The expenditure in EIG countries is relatively higher (16.2%). Among these countries, Finland is above average (around 19%). Finally, the NILG countries have the highest level of "out-of-pocket" health expenditure (25%), with Portugal and Greece well above average (28.8% and 31.7%, respectively).

5.7 Concluding remarks

In this chapter, the main features of the welfare systems in the four growth models have been analysed quantitatively, with the analysis revealing substantial differences between the groups in all the policy areas investigated.

The EIG countries have the highest public and social expenditure values at the macro level, while we find the NIG countries on the opposite end. High values are also found among the DIG and NILG countries. The latter, however, display a comparatively lower per capita social expenditure, with the actual impact of welfare policies on citizens in these countries more limited. Moreover, while the Scandinavian countries have long devoted a significant share of their spending to the protection against new social risks and needs, the priorities of the Mediterranean countries continue to be the old social risks typical of the Fordist economy (especially old age and pensions).

Regarding pension policy, the NILG countries show the highest share of social spending on old-age risk and guarantee very generous replacement rates in the first public pillar, followed by the DIG countries. The values displayed by the EIG countries, where there are mandatory supplementary pillars, and in the NIG are more limited in terms of both expenditure and generosity. In the latter, a voluntary supplementary pension provision is particularly widespread, unlike in the NILG countries. The reforms of the 1990s in the continental countries are gradually encouraging the spread of voluntary supplementary pensions.

Concerning anti-poverty policies, the welfare systems most effective in lowering poverty rates are those of the EIG countries, followed by the DIG countries. In contrast, the NIG and NILG countries show high poverty rates before and after transfers. A similar picture can be seen when analysing minimum income adequacy. Again, the most generous are the Scandinavian countries, followed by the continental ones, with a very low replacement rate

in the Anglo-Saxon and Mediterranean countries. Long-term unemployment in the Southern countries has not been a government priority for many years, and adequate policy responses are still lacking.

Shifting the focus to family policy, Scandinavian countries are the only ones that spend more on services than on monetary transfers, in contrast to the other three growth models. Expenditure on family policies is particularly low in the NILG countries. With regard to maternity leave, the most generous in terms of duration are those provided by the EIG countries. In contrast, the highest replacement rate is for leave in the DIG countries, followed by the NILG countries. The Anglo-Saxon countries have short, not very generous leaves. Finally, the Scandinavian countries' transition from the male breadwinner model to the dual-earner family one has (almost) been completed. Although shorter than in the DIG, they offer relatively long paternity leaves (although shorter than in the EIG) and high replacement rates. In contrast, paternity leave in the NIG and NILG countries is extremely short and, in the case of Anglo-Saxon countries, with little or no paid compensation.

Finally, healthcare policy coverage in almost all the three models is universal or nearly universal, except for the United States. However, the sources of funding for health expenditure are different. The state continues to be the primary funder in the EIG, NIG, and NILG countries, i.e. those with a tradition of universalism in health (again, except for the USA). In contrast, social insurance and, therefore, workers'contributions in the DIG countries are the main funding sources following the Bismarckian tradition. Private insurance plays a significant role only in the DIG and NIG countries, but the data for the latter are biased by the US. Lastly, as far as out-of-pocket expenditure is concerned, this is relatively high in the NILG countries, despite *de jure* universal coverage.

In conclusion, a careful analysis of the welfare policies of these 18 countries has corroborated the existence of four well-defined and discrete welfare state profiles, which imply equally distinct redistributive capacities.[23] Figure 5.14 shows the variation of the Gini index before and after transfers.

The NILG countries show the highest inequality value before and after transfers. It is worth noting that the values are slightly higher than those of the NIG countries, commonly acknowledged as the most unequal. This would seem to result from the economic crisis, whose consequences have had a more significant impact than in the other growth models. However, the capacity to reduce inequalities after transfers in these countries is slightly higher than in NIG countries. The situations in the EIG and DIG countries are different. The Scandinavian countries show lower Gini index values before and after transfers. Inequality reduction capacity is also high. Compared to the Scandinavian countries, the continental countries have a higher Gini index before transfers, but welfare policies drastically reduce the figure. Generally speaking, it may be argued that, considering all four growth models, the

Figure 5.14 Gini index before and after transfers and percentage variation (2016).

Source: processing of OECD data.

continental countries have managed to reduce inequality more effectively. However, inequality remains higher than in the Scandinavian countries even after transfers.

Notes

1 The concept of de-commodification refers to the degree to which individuals can freely and, without potential loss of job, income, or general, welfare, opt out of work when they consider it necessary. The concept of de-stratification connotes the degree to which the structure of social benefits provided by the state absorbs, employment status, or social class differentials, to the point of nullifying, employment status, or social class differentials.
2 Clearly, there has been an evolution over time in the characteristics of these schemes.
3 The concept of de-familialism refers to the extent to which a country's welfare state reduces women's dependence on the family, maximising their access to and management of economic resources regardless of family or marital reciprocity. For more detailed discussions, see Lewis (1992) and Leitner (2003).
4 For a more in-depth analysis of the Mediterranean regime, see Ferrera (1996; 2005).
5 Using social expenditure as the only variable to measure a welfare system's generosity has often been criticized in the literature (see Esping-Andersen, 1990). Moreover, studies based exclusively on public expenditure data very often fail to correctly assess the impact of reforms involving institutional cuts (see Pierson, 2001 and Green-Pedersen, 2002).

6 For an overview of the liberal and social-democratic welfare regimes, particularly the reforms introduced between the 1980s and 1990s, see Pierson (2001).

7 For more on social risks, see Armingeon and Bonoli (2006) and Bonoli and Natali (2012).

8 The family function includes direct and indirect financial support measures for families (monetary transfers and tax relief), work-life balance measures (e.g. parental leave), and measures that support children's cognitive development (childcare). The literature on new social risks only considers the last two measures as policy instruments aimed at covering the new social risks (see Häusermann, 2012; 2018).

9 Among the Mediterranean countries, in the last few decades, Spain and Portugal have started an institutional recalibration of their welfare states, allocating more resources to childcare and ALMPs. However, the expenditure remains low by a comparative standard.

10 The Netherlands represents an exception. Its pension system has historically been a multi-pillar system.

11 For a more detailed discussion of the pension system classification and their historical evolution, see Natali (2008).

12 Pension system reforms in countries similar to the Bismarckian model have been discussed extensively by Bonoli and Shinkawa (2005), Häusermann (2010), and Palier (2010).

13 The replacement rate is defined as the percentage ratio between the first pension annuity and the last annual income immediately prior to retirement.

14 Concerning the evolution of the pension system in Germany, see Hinrichs (2010).

15 For an in-depth look at pension reforms in the NILG countries, see Jessoula and Alti (2010) for the Italian case, Maylonas and de la Maisonneuve (1999) for the Greek case, Ferreira (2003) for the Portuguese case, and Guillen (2010) for the Spanish case.

16 It is methodologically problematic to present average values for the four growth models, as data are either not available in some countries or the complementary pillars are not provided *de jure*. Therefore, we only provide individual values for each country and comment on them in aggregate.

17 The *welfare effectiveness* in reducing poverty is measured as percentage variation and not as simple difference in percentage points.

18 The definition of family policy is much debated in the literature (see Eydal and Rostgaard, 2018, for a discussion). In this chapter, we consider three different policy instruments as family policies: (a) financial support measures to families (e.g. family allowances and child benefits), (b) parental leave, and (c) childcare.

19 The choice of spending more on cash transfers rather than services (or vice versa) has substantial implications for family policy. Monetary transfers tend to reinforce dependency among family members. On the other hand, services play a key role in the de-familialising process. See Leitner (2003) and Knijn and Saraceno (2010) for a more detailed discussion.

20 Feminist literature and research on social investment have highlighted that access to early childhood services has a positive influence on female employment rates (consequently incentivizing the de-familialisation of care) and children's cognitive development (Hemerijck, 2013; 2017).

21 The replacement rate indicates the ratio between the amount of maternity leave benefit and the amount of the worker's last gross salary or wage (taking into account the average salary).

22 In this respect, it should be noted that Barack Obama's 2010 health reform had the effect of increasing the rate of health insurance coverage.

23 The Gini index was chosen as the instrument to measure the capacity to reduce inequalities and thus indirectly redistribute wealth.

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