



*South European Welfare  
States Under Crisis*

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# *Presentation outline*

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- The South European model of welfare
- Social protection in South Europe by function, before and after the start of the crisis:
  - Health care
  - Pensions
  - Unemployment protection
  - Social exclusion
- Conclusions



# *Maurizio Ferrera's Southern Model of Welfare (source: Ferrera 1996)*

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- Highly fragmented, corporatist income maintenance system
- Low extent of penetration of welfare
- Strong influence of Catholic Church
- Clientelism and cash subsidies
- State-run, universalist health coverage
- Inefficient, unprofessional welfare services administration



## *Clientelist provision of welfare*

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- In Greece and Italy proliferation of insurance funds; occupational group-based pension contributions, benefit levels, and requirements for pension awards; and state subsidies to selected schemes.
- About 40% of Greek private sector workers classified as working under arduous and unhealthy employment conditions.
- Clientelism only in some sectors (e.g., invalidity pensions) and a few regions of Portugal and Spain.



# *Welfare policy formulation*

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- Social pact-based in Portugal and Spain
- Conflict-ridden in Greece
- In Italy, mode of policy formulation falling in - between the above cases

# *Regional differences within South European states*



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- Regional differences primarily visible in Italy and Spain
- The Italian North vs. the South; also divergence among Spanish regions.
- Less pronounced regional differences in centralized states of Greece and Portugal, but poorer Greek and Portuguese regions remain comparatively under-resourced.

*Table 1: Total social expenditure as % of GDP*

	<b>2008</b>	<b>2012</b>
<b>Greece</b>	26.2	31.2
<b>Italy</b>	27.7	30.3
<b>Portugal</b>	24.3	26.9
<b>Spain</b>	22.1	25.9
<b>EU-27</b>	26.8	29.5

**Source:** Eurostat

*Table 2: Expenditure on sickness and health as % of total social expenditure*

	<b>2008</b>	<b>2012</b>
<b>Greece</b>	29.0	21.4
<b>Italy</b>	26.2	24.1
<b>Portugal</b>	28.0	25.0
<b>Spain</b>	31.5	26.3
<b>EU-27</b>	29.5	29.6

**Source:** Eurostat





## *Health systems in Southern Europe*

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- Spain's and Portugal's health systems covering the majority of the population, but special, occupation-based, health schemes surviving in Greece and Italy.
- Funding of health systems based on general taxation, but in Greece and Italy also on contributory insurance.
- After the start of the crisis, deep spending cuts in Greece and Spain. Shifting boundary between public and private health care. Re-deployment of public health care resources.

*Table 3: Expenditure on old age as % of total social expenditure*

	<b>2008</b>	<b>2012</b>
<b>Greece</b>	42.3	51.3
<b>Italy</b>	51.6	52.9
<b>Portugal</b>	44.4	47.2
<b>Spain</b>	33.9	36.3
<b>EU-27</b>	39.8	40.6

**Source:** Eurostat



## *Pensions in Southern Europe (I)*

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- Pensioners protected more any than other category of welfare state beneficiaries.
- Sharp distinction between insiders and outsiders (although in Spain one-third of wage earners on fixed-term contracts).
- Compared to private sector workers, in Greece and Italy more generous pensions for government employees, based on different contribution periods and replacement rates.
- Before the onset of the crisis: generous pensions for insiders; also gender gap: women pensioned off easier and earlier than men.



## *Pensions in Southern Europe (II)*

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- After the onset of the crisis, large-scale reforms in South European pension systems.
- Increasing age of retirement and decreasing size of benefits.
- Shift to a combination of state-funded pensions and supplementary schemes.



*Table 4: Expenditure on unemployment benefits as % of total social expenditure*

	<b>2008</b>	<b>2012</b>
<b>Greece</b>	5.1	6.3
<b>Italy</b>	1.9	3.2
<b>Portugal</b>	4.5	6.8
<b>Spain</b>	10.8	14.0
<b>EU-27</b>	5.0	5.4

**Source:** Eurostat



# *Social protection of the unemployed in Southern Europe*

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- After the onset of the crisis in Greece, Portugal and Spain new means-tested or targeted measures for specific age-groups.
- Variable protection intensity: salary replacement levels at 50-60% in Portugal and Spain, 25% in Greece and 10% in Italy.
- Inefficient coverage of unemployment: 4 out of 10 unemployed Spaniards do not receive unemployment benefits; the same holds for 8 out 10 unemployed Greeks.
- Priority to protect the labour market insiders and pensioners rather than the unemployed. Curbing youth unemployment is a secondary priority.



*Table 5: Expenditure on social exclusion as % of total social expenditure*

	<b>2008</b>	<b>2012</b>
<b>Greece</b>	2.2	2.1
<b>Italy</b>	0.2	0.3
<b>Portugal</b>	1.2	1.1
<b>Spain</b>	1.1	0.8
<b>EU-27</b>	1.4	1.5

**Source:** Eurostat



# *Policies to fight poverty and social exclusion in Southern Europe*

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- After the onset of the crisis, despite increased welfare spending (primarily on pensions), the needs of the old poor (outsiders of the labour market, pensioners living on minimum pension) and the new poor (working poor, long- and very-long term unemployed et al.) were not met.
- Unsafe social safety nets.
- Priority to protect the labour market insiders and pensioners rather than the poor and the socially excluded. Generally, priority to competitiveness over social cohesion.





# *The Church's and Civil Society's Role*

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- Extensive tradition of Catholic Church's provision of welfare services in health and social assistance in Italy, Portugal and Spain.
- Less pronounced trend of Greek Orthodox Church's involvement in welfare provision; primary focus on charity aid to the elderly and the extremely poor.
- After the start of the crisis, mobilization of NGOs and emergence of new, informal self-help groups and solidarity networks.



# *Tensions in health care and pension reform in Southern Europe*

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- After the onset of the crisis, tensions between two trends.
- First, curbing fragmentation of insurance schemes, equalizing coverage of the population, and achieving efficiency in funding, organization and delivery of health care and pensions. Reform aim: improve coverage, quality and equity (Guillen and Petmesidou 2014)
- Second, dramatic spending cuts in pensions and rapid health care and rolling back healthcare services. Aim: fiscal consolidation of the state finances. Possible outcome: from welfare retrenchment to the hollowing-out of welfare.



# *Conclusions*

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- The economic crisis has provoked a curtailment of social protection, leaving social groups which already before the crisis were the least protected, i.e., the outsiders and the low-income groups, in a worse position than before; the crisis has also adversely affected public health care.
- The crisis has also precipitated long-awaited reforms in the coverage, quality and equity of social protection. However, rationalization of social protection is probably undermined by dramatic and rapid spending cuts.