

# POLITICAL SOCIOLOGY

(Hilary Term 2024) Stephen Fisher, with thanks to Michael Biggs

# Welfare states and public support for welfare spending

http://users.ox.ac.uk/~nuff0084/polsoc

# Outline

- Comparative and historical development of state spending
- Inequality reduction
- Structure of welfare states
- Explanations for welfare state generosity and support for redistribution
- Nature of attitudes towards welfare spending

### Government spending, 2010

Total government spending, including interest government expenditures, as share of national GDP





Source: IMF Fiscal Affairs Departmental Data, based on Mauro et al. (2015)

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### Government spending, 1880 to 2011

Total government spending, including interest government expenditures, as share of national GDP



Source: IMF Fiscal Affairs Departmental Data, based on Mauro et al. (2015)

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Our World in Data

### Public spending (% GDP), selected OECD countries, 1900 to 2015



Total central government expenditure as share of GDP





Source: Tanzi & Schuktnecht (2000)

OurWorldInData.org/global-rise-of-education • CC BY



### Public social spending as a share of GDP, 1880 to 2016

Social spending includes, among others, the following areas: health, old age, incapacity-related benefits, family, active labor market programmes, unemployment, and housing.



Source: Our World in Data based on OECD and Lindert (2004)

Our World in Data

OurWorldInData.org/public-spending/ • CC BY

# Functions of a welfare state

- Insurance and life-cycle smoothing: shift from family to state
- Redistribution: income highly unequal => median voter gains from equalization
- NEXT FEW SLIDES LOOKS AT INEQUALITY AND EFFECTS OF REDISTRIBUTION ON REDUCTION OF INEQUALITY

### Inequality of incomes before and after redistribution



Inequality of incomes, as measured by the Gini Coefficient. Higher values reflect more inequality.

The red bar shows the level of 'market income' inequality (gross wages and salaries + self-employment income + capital and property income).

The blue bar shows the level of disposable income' inequality (disposable income = market income + social security cash transfers + private transfers - income tax). Shown is the latest available data, which depending on the country is from 2012 to 2014.



Data source: OECD

The data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic.

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### Taxation of top incomes (Atkinson 2007)



Figure 4.8 Percentage reduction in after tax shares compared with before tax shares, UK 1937-2000

### Tax reduction in income inequality (%)

Our World in Data

Percentage reduction in Gini coefficients before and after taxes and transfers.



### Income inequality, 1979 to 2013

Shown is the Gini – higher values indicate higher level of inequality – for equivalised household income.



Our Worl in Data

# Summary of trends

- Welfare states substantially reduce inequality in many, especially European, countries.
- UK and other Western welfare states reduced inequality much more in 1950s-1970s than since 1990s.
- Extent to which welfare states reduce inequality has been largely stable since 2000.
- So increases in market income inequality since 2000 have led to rises in inequality in disposable income.

# How do welfare states achieve inequality reduction?

In different ways...

# Three types of welfare state? (Esping-Andersen 1990)

- Method fails to replicate (Scruggs & Allan 2008)!
- I. <u>Liberal</u> (e.g. U.K.) reducing poverty
  - Beveridge report, 1942: 'In establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family'
- 2. <u>Corporatist</u> (e.g. France) maintaining stability
- 3. <u>Social democratic</u> (e.g. Sweden) achieving equality



# **Explaining variation**

- I. Economic development
- 2. Left-wing parties
  - female legislators
- 3. Political institutions
  - political input—representativeness
  - state capacity—veto points
- 4. Social homogeneity, especially racial or ethnic
- 5. Distributions of income and unemployment risk
- 6. Beliefs
- 7. Endogenous: type of welfare state

### Government spending vs GDP per capita, 2011

Total government expenditure includes interest payments on debt. To allow comparisons between countries and over time, GDP per capita is adjusted for price differences between countries and adjusted for inflation - it is measured in international-\$.



Our World in Data

Source: IMF Fiscal Affairs Departmental Data, based on Mauro et al. (2015), World Bank, Population (Gapminder, HYDE(2016) & UN (2019)), Our World In Data

OurWorldInData.org/public-spending/ · CC BY

### Baldwin & Huber (APSR, 2010)





# Wlezien and Soroka (BJPS 2019) – Trends in welfare spending and attitudes to welfare spending in the USA

- Welfare spending has been going up in the USA as elsewhere
- But preferences for relative spending suggests US public always want same or less
- How to reconcile the two?



Figure 1. Relative preferences for welfare spending

	Relative preferences for spending: B (s.e.)							
	Column 1	Column 2	Column 3					
Spending (100s, per capita) <sub>t</sub>	-0.055*** (0.007)	-0.068*** (0.007)	-0.075*** (0.005)					
Time trend	0.011*** (0.001)	-0.026*** (0.006)	-0.004 (0.005)					
Unemployment <sub>t</sub>		0.062*** (0.011)	0.044*** (0.007)					
GDP (1,000s, per capita) <sub>t</sub>		0.069*** (0.011)	0.061*** (0.008)					
Gini (*100) <sub>t</sub>			-0.080*** (0.011)					
Female	0.007 (0.009)	0.008 (0.009)	0.007 (0.009)					
Age	-0.003*** (0.000)	-0.003*** (0.000)	-0.003*** (0.000)					
Education (HS)	-0.091*** (0.013)	-0.091*** (0.013)	-0.090*** (0.013)					
Education (HS + )	0.012 (0.015)	0.012 (0.015)	0.014 (0.015)					
Work: Unemployed	0.201*** (0.026)	0.199*** (0.026)	0.198*** (0.026)					
Work: Student/home/retired	0.113*** (0.012)	0.113*** (0.012)	0.112*** (0.012)					
Family income: 2nd Quartile	-0.178*** (0.013)	-0.178*** (0.013)	-0.178*** (0.013)					
Family income: 3rd Quartile	-0.237*** (0.014)	-0.238*** (0.014)	-0.238*** (0.014)					
Family income: 4th Quartile	-0.258*** (0.015)	-0.258*** (0.015)	-0.260*** (0.015)					
Race: Black	0.374*** (0.014)	0.374*** (0.014)	0.374*** (0.014)					
Race: Hispanic/other	0.128*** (0.022)	0.127*** (0.022)	0.128*** (0.022)					
Region: Mid Atlantic	-0.077** (0.024)	-0.079** (0.024)	-0.077** (0.024)					
Region: EN Central	-0.054* (0.024)	-0.056* (0.024)	-0.055* (0.024)					
Region: WN Central	-0.055* (0.027)	-0.056* (0.027)	-0.056* (0.027)					
Region: S Atlantic	-0.093*** (0.024)	-0.095*** (0.024)	-0.094*** (0.024)					
Region: ES Central	-0.104*** (0.028)	-0.105*** (0.028)	-0.104*** (0.028)					
Region: WE Central	-0.101*** (0.026)	-0.102*** (0.026)	-0.100*** (0.026)					
Region: Mountain	-0.055* (0.028)	-0.056* (0.028)	-0.056* (0.028)					
Region: Pacific	-0.045 (0.025)	-0.047 (0.024)	-0.045 (0.024)					
Constant	2.151*** (0.044)	-0.056 (0.354)	3.467*** (0.539)					
Ν	26,290	26,290	26,290					
N (groups)	27	27	27					

 Table 1. Modeling relative preferences, across individuals and time

Cells contain coefficients and standard errors from an GLS regression estimated with random effects for years. Ordered logit models are included in Appendix Table A2. \*p < 0.05; \*\*p < 0.01; \*\*\*p < 0.001.

"the [US] economy has powerful, pro-cyclical effects on preferences for redistribution [as a result of GDP growth]. That upward trend in preferences is partly offset by growing income inequality, which dampens support for redistribution... There also are counter-cyclical economic effects owing specifically to unemployment, which produce short-term ebbs and flows in support for welfare around the upward trend driven by long-term economic growth." Wlezien and Soroka (BJPS 2019)



Note: Based on an OLS model of Net Support including all variables except trend. In all cases, excluded variables are held at their mean values.

Figure 2. Estimated absolute preferences for welfare spending

Party politics and welfare spending, c. 1980 (Huber & Stephens 2001, table 4.1)





(Alesina & Glaeser 2004, p. 86)

• estimate this accounts for half the difference between USA and Europe

Political structure and welfare spending, c. 1980 (Huber & Stephens 2001, table 4.1)



Veto points: federal[0-2] + presidential[0-1] + bicameral[0-2] + referenda[0-1]



Probability that two randomly chosen people will be from different groups

Income distribution and risk structure

Structure of income distribution (Lupu & Pontusson 2011)

- compressed upper half => middle-earners feel closer to rich => oppose redistribution
- compressed lower half => middle-earners feel closer to poor => support redistribution
- Compare with the, "we are the 99%" slogan.



### Rehm, Hacker and Schlesinger; APSR 2012

### FIGURE 1. How the Relationship between Risk and Income Shapes Popular Cleavages





Corr(market income, unemployment risk)

All these countries have negative corr(market inc, unemp risk), so degrees of labour market polarisation.

Where the correlation most negative (left hand side of graph):

<- Bigger group strongly opposing generous unemployment benefits

<- More polarisation in attitudes to unemployment benefits

<- Less average support for unemployment benefits



FIGURE 3. Correlation between Average Support and Unemployment Replacement Rates

*Notes*: Unemployment replacement rates are from the OECD (Benefits and Wages Database. Dataset: Going for Growth). These are the averages of net replacement rates for unemployed persons who earned 67% and 100% of average worker earnings at the time of losing their job.

Consistent with general hypothesis: inequality reduces welfare support and that leads to less generous welfare

**Burgoon et al (CPS, 2023)** "those whose income growth is outpaced by the average and/or richest members of their country are more likely to support redistribution. We also find that the objective and subjective measures of positional deprivation are significantly correlated, and that positional deprivation's fostering of support for redistribution holds above-and-beyond static and/or absolute measures of economic experience."



Figure 1. The dynamic and relative dimensions of income.



**Figure 3.** Positional deprivation versus income/education and support for government redistribution. (a) Positional deprivation (b) Subjective income (c) Education. Note. Bars represent 95% confidence intervals.



In the long run, hard work generally brings a better life *versus* Hard work doesn't generally bring success—it's more a matter of luck and connections

WVS (Alesina & Glaeser 2004; also Fong, Bowles, Gintis 2005)

Class divisions in government's responsibility to "reduce differences in incomes between rich and poor" and "provide a job for everyone who wants one." (Lindh & McCall, AnRevSoc 2020)



### Figure 1

Support for economic redistribution by class and country. The figure shows an additive index with scale 0–100, where higher scores indicate more support. Data are from the 2016 Role of Government module of the International Social Survey Programme (ISSP 2018). (Data for CA, IE, and NL are from 2006.)

Class differences in government's responsibility to "provide health care for the sick" and "provide a decent standard of living for the old." (Lindh & McCall, AnRevSoc 2020)



#### Figure 2

Support for universal social protection by class and country. The figure shows an additive index with scale 0–100, where higher scores indicate more support. Data are from the 2016 Role of Government module of the International Social Survey Programme (ISSP 2018). (Data for CA, IE, and NL are from 2006.) Numbers are predicted values for each class segment based on country-specific ordinary least squares

# **Retrenchment?**

- Crisis trope is enduring:
  - fiscal crisis of 1970s—OECD, Welfare States in Crisis (1981)
  - ageing
  - fiscal crisis of 2000s
  - Changing public support

As % of GDP, public spending continues to increase **BUT** 

- <u>Generosity</u> stops growing
   c. 1980 (Castles 2004)
- <u>Replacement</u> falls (Korpi & Palme 2003)
  - esp UK



# Baumol's cost "disease"

- productivity grows rapidly in some sectors (e.g. vehicles), slowly in others (education, health)
- output in stagnant sectors becomes *relatively* more costly over time
- government spending should increase as % of GDP



# Different kinds of attitudes to welfare state spending in Britain

### Taylor-Gooby and Taylor, British Social Attitudes 32, 2014

Figure 4. Poverty and inequality statistics, 1983–2012 (poverty, millions)



Source: Institute for Fiscal Studies (2014)

The data on which Figure 4 is based can be found in Table A.4 in the appendix to this paper. The figures shown are based on the numbers below 50% of national household median income after housing costs

Table 1 Attitudes to government spending on different benefits, 1998–2015									
	1998	2002	2004	2006	2008	2011	2013	2015	
% would like to see more government spending on benefits for	%	%	%	%	%	%	%	%	
people who care for those who are sick or disabled	82	82	81	82	83	74	73	75	
parents who work on very low incomes	68	69	62	66	67	58	59	61	
disabled people who cannot work	72	69	63	62	61	53	54	61	
retired people	71	73	73	72	72	57	48	49	
single parents	34	39	35	38	37	29	31	36	
unemployed people	22	21	15	16	14	15	15	17	
	1998	2002	2004	2006	2008	2011	2013	2015	
% would like to see less government spending on benefits for	<b>1998</b> %	<b>2002</b> %	<b>2004</b> %	<b>2006</b> %	<b>2008</b> %	<b>2011</b> %	<b>2013</b> %	<b>2015</b> %	
% would like to see less government spending on benefits for people who care for those who are sick or disabled	<b>1998</b> % 1	<b>2002</b> %	<b>2004</b> % 1	<b>2006</b> %	<b>2008</b> %	<b>2011</b> %	<b>2013</b> % 1	<b>2015</b> % 2	
% would like to see less government spending on benefits for people who care for those who are sick or disabled parents who work on very low incomes	<b>1998</b> % 1 3	2002 % 1 4	<b>2004</b> % 1 4	2006 % 1 4	2008 % 1 4	<b>2011</b> % 1 5	<b>2013</b> % 1 5	<b>2015</b> % 2 5	
% would like to see less government spending on benefits for people who care for those who are sick or disabled parents who work on very low incomes disabled people who cannot work	1998 % 1 3 2	2002 % 1 4 2	2004 % 1 4 3	2006 % 1 4 3	2008 % 1 4 4	<b>2011</b> % 1 5 5	<b>2013</b> % 1 5 4	<b>2015</b> % 2 5 3	
% would like to see less government spending on benefits for people who care for those who are sick or disabled parents who work on very low incomes disabled people who cannot work retired people	1998 % 1 3 2 2	2002 % 1 4 2 2	2004 % 1 4 3 2	2006 % 1 4 3 2	2008 % 1 4 4 2	2011 % 1 5 5 3	2013 % 1 5 4 7	2015 % 2 5 3 7	
% would like to see less government spending on benefits for people who care for those who are sick or disabled parents who work on very low incomes disabled people who cannot work retired people single parents	1998 % 1 3 2 2 21	2002 % 1 4 2 2 18	2004 % 1 4 3 2 18	2006 % 1 4 3 2 19	2008 % 1 4 4 2 17	2011 % 1 5 5 3 21	2013 % 1 5 4 7 19	2015 % 2 5 3 7 16	

1.00 C .... 1000 0015

BSA, Clery (2016)

### Curtice, British Social Attitudes 39, 2022

Figure 3 Proportion who agree that "ordinary working people do not get their fair share of the nation's wealth", 1986-2021



Source: British Social Attitudes apart from additional data points in 2020 and 2021 from NatCen Panel

### Figure 4 Proportion who agree that "Government should redistribute income from the better-off to those who are less well off", 1986-2021



Source: British Social Attitudes apart from additional data points in 2020 and 2021 from NatCen Panel

Drop from 1994 maybe due to Blair's influence on Labour supporters, shifting them to the right (O'Grady, Tom. 2022. *The Transformation of British Welfare Policy*)

Figure 6 Proportion who agree/disagree that "many people who get social security don't really deserve any help", 1987-2021



Source: British Social Attitudes apart from additional data points in 2020 and 2021 from NatCen Panel

Figure 5 Proportion who agree/disagree that "if welfare benefits weren't so generous, people would learn to stand on their own two feet", 1987-2021



Source: British Social Attitudes apart from additional data points in 2020 and 2021 from NatCen Panel

### Curtice, British Social Attitudes 39, 2022

Attitudes towards taxation and spending on health, education and social benefits, 1983-2021



Source: British Social Attitudes apart from additional data points in 2020 and 2021 from NatCen Panel

#### Kellner (PQ, 2017), The valence option % support for... 'Left' Status 'Right' 'Valence' data from 2012 view view quo view Economic and social agenda Overall level of tax and spend 8 4 24 54 'What matters most is not ('Left' view: higher taxes, more the overall level of spending Most people take spending; 'right' view: and taxes, but whether the lower taxes, less spending) government of the day "valence" view on taxes fairly and spends efficiently.' Redistribution 13 6 29 43 'What matters is not welfare (Higher taxes, higher benefits whether taxes and benefits for poor/lower taxes, go up or down, but But different people • reduced benefits) whether the government distributes welfare benefits have different views on fairly and sensibly.' 7 'I don't mind what the mix Health service reform 28 10 47 fairness, efficiency and of private and public (End private provision/ more private provision) provision is, providing that what is sensible. the people who run NHS services act in the interests but on the right for EU, of patients and the • general public.' immigration and crime Nationalist agenda 46 Relations with EU 10 6 27 'What matters most is not (Closer relations with EU/ the balance of national and EU powers, but the way EU should hand more powers back to UK) those powers are used." Immigration 6 54 33 'What matters most is not 1 (More immigrants good for UK/ the number of immigrants end or sharply entering this country, but reduce immigration) whether the government has a policy that is good for Britain's economy and society.' Punishing criminals 24 2 42 23 'I don't mind whether more (Tackle social causes, use prison or fewer people are sent to prison, as long as the less/more prisoners, longer sentences) government, courts and prisons take practical measures to keep crime to a minimum.'

#### Table 7: Positional versus valence views

# Conclusion

- Enduring variation in welfare states, from 'social-democratic' Scandinavia to 'liberal' U.S.
- Variation explained by:
  - left parties in power
  - openness of political institutions, centralization of power
  - social homogeneity
  - endogenous: welfare institutions
- Social expenditure typically continues to increase as % of GDP, but ...
  - lags increase in need (ageing, unemployment)
  - inequality has increased markedly, esp. in anglophone societies
- Issues are complex; public sometimes specific about who is deserving but generally care about fair and competent administration more than level of redistribution

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