PUBLIC SERVICES FROM THE EFFECTIVENESS OF SOCIAL SECURITY POLICIES PERSPECTIVE IN THE EUROPEAN UNION

Burz, Răzvan-Dorin
Assistant PhD
Faculty of Economics and Business Administration, West University of Timisoara, Romania
burz.razvan@yahoo.com

Abstract

In this paper we propose to investigate the social security policy effectiveness. For the assessment we take into consideration a sample of 27 countries (EU27) for an observation time span between 2005 and 2010. Inequality and poverty are taken as criteria for analysis. As related indicators we consider the GINI coefficient for inequality and disposable income below 60% of the national average for poverty. As tools of analysis we propose the use of matrixes that reflects both the static and the dynamic perspective of the existing situation. At the European Union level the matrixes of analysis reveals a heterogeneous situation.

Key words: public services, social security, poverty, inequality, welfare state.

JEL Classification: H5, I3

Introduction

Hypothetically an increase of social security should lead to a decrease in inequality and poverty (Dobelstein, 2011; Dercon, 2011; Holmes et. Al., 2011; Cook, 2011; Cuong, 2010). In this paper we propose to investigate the social security policies in terms of their effectiveness in reducing inequality and poverty. To achieve this we propose two conceptual matrices of analysis, one that provides a static perspective of the studied phenomenon and one a dynamic one (Table no. 1).

Table no. 1

Theoretical matrices of analysis of social security policy efficiency (static and dynamic perspective)

	SSE	GINI	PR		SSE	GINI	PR
1	high	high	high	**1**	increase	increase	increase
2	high	high	low	**2**	increase	increase	decrease
3	high	low	high	**3**	increase	decrease	increase
4	high	medium	high	**4**	increase	maintenance	increase
5	high	medium	low	**5**	increase	maintenance	decrease
6	high	medium	medium	**6**	increase	maintenance	maintenance
7	high	low	medium	**7**	increase	decrease	maintenance
8	high	high	medium	**8**	increase	increase	maintenance
9	low	high	high	**9**	decrease	increase	increase
10	low	high	low	**10**	decrease	increase	decrease
11	low	low	high	**11**	decrease	decrease	increase
12	low	medium	high	**12**	decrease	maintenance	increase
13	low	medium	low	**13**	decrease	maintenance	decrease
14	low	medium	medium	**14**	decrease	maintenance	maintenance
15	low	low	medium	**15**	decrease	decrease	maintenance
16	low	high	medium	**16**	decrease	increase	maintenance
17	medium	high	high	**17**	maintenance	increase	increase
18	medium	high	low	**18**	maintenance	increase	decrease

19	medium	low	high		19	maintenance	decrease	increase
20	medium	medium	high		20	maintenance	maintenance	increase
21	medium	medium	low		21	maintenance	maintenance	decrease
22	medium	medium	medium		22	maintenance	maintenance	maintenance
23	medium	low	medium		23	maintenance	decrease	maintenance
24	medium	high	medium		24	maintenance	increase	maintenance

(SSE – social security expenditure; GINI – GINI coefficient values; PR – poverty rate)

The hypotheses are verified taking into consideration the European Union member states (EU27) for an observation time span between 2005 and 2010. As indicators we use the social security expenditure, the Gini coefficient for inequality and the disposable income below 60% of the national average for poverty. The data used are those provided by Eurostat (Eurostat statistics).

The effectiveness of social security policies in the European Union

In the European Union as a whole (EU 27), social security spending (per capita) increased and inequality and poverty have remained relatively constant. A more detailed analysis of the status of these components can be found in several previous papers (Burz, 2012).
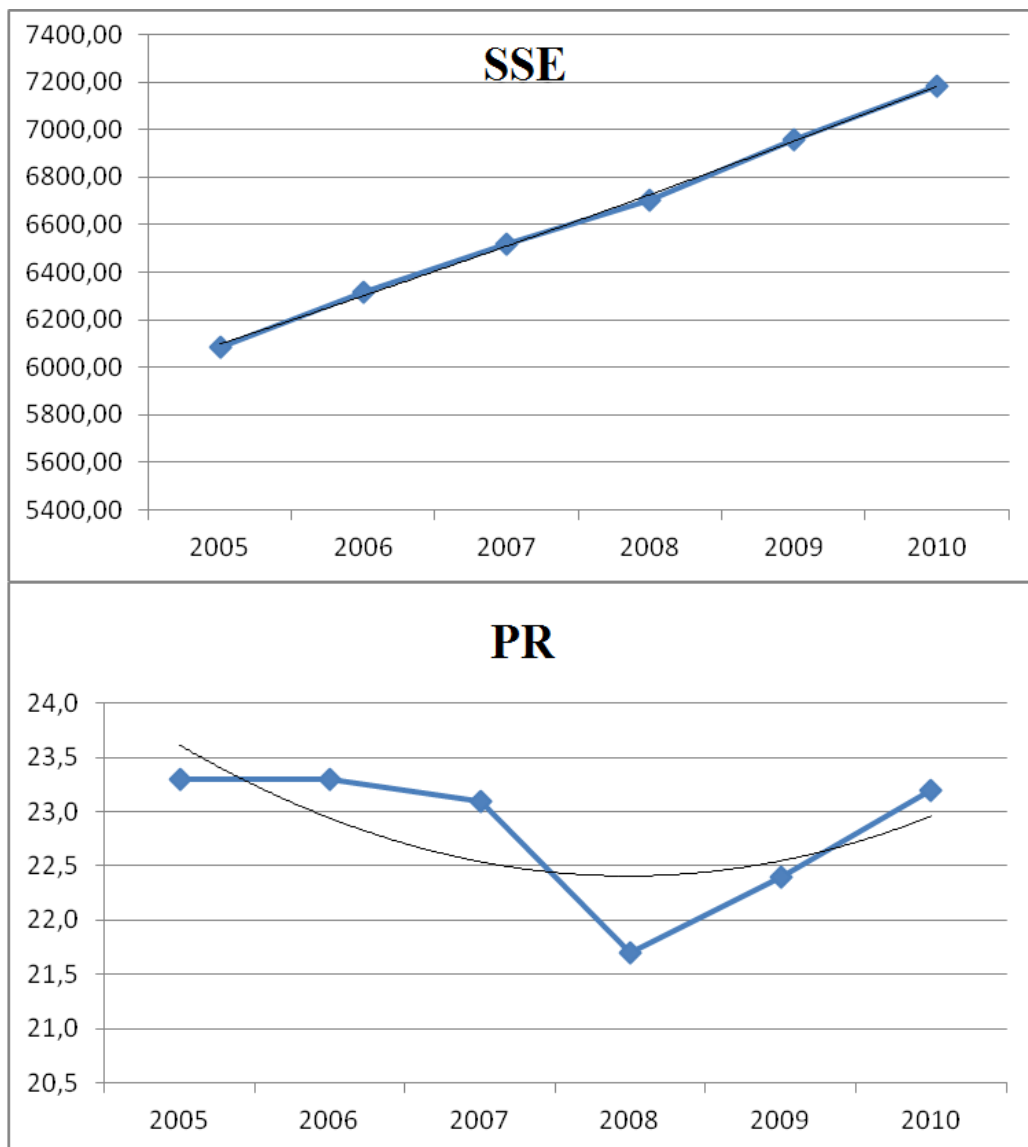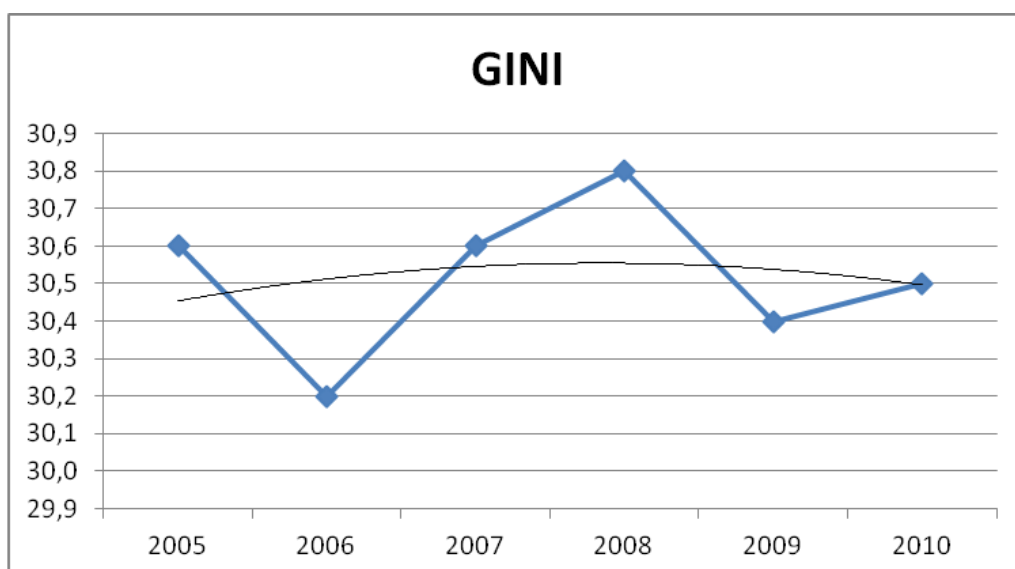
Figure no. 1. The evolution of social security expenditure, inequality and poverty in the EU27
Source: Own calculation and representation based on Eurostat data

A complete scan of the state of each of the three indicators for the EU27 counties is found in the following tables – presented with the help of the social security effectiveness matrix analysis (Tables no. 2 and 3).

Table no. 2

Matrix of analysis in terms of the level of social security, poverty and inequality in the EU27

Countries	Reference EU27 2010			Symbol			State			
	SSE	GINI	PR	SSE	GINI	PR	favourable	medium	problems	catastrophe
Belgium	136%	78%	87%	+	+	+	▓			
Bulgaria	12%	128%	109%	-	-	-				▓
Czech Republic	40%	91%	82%	-	+	+		▓		
Denmark	197%	93%	88%	+	+	+	▓			
Germany	130%	89%	96%	+	+	+	▓			
Estonia	27%	100%	103%	-	-	-				▓
Ireland	144%	66%	109%	+	+	-		▓		
Greece	80%	101%	108%	-	-	-				▓
Spain	82%	132%	111%	-	-	-				▓
France	140%	87%	98%	+	+	+	▓			
Italy	107%	106%	102%	+	-	-			▓	
Cyprus	63%	77%	96%	-	+	+		▓		
Latvia	20%	127%	118%	-	-	-				▓
Lithuania	22%	141%	121%	-	-	-				▓
Luxembourg	249%	80%	91%	+	+	+	▓			
Hungary	31%	71%	79%	-	+	+		▓		
Malta	41%	74%	93%	-	+	+		▓		
Netherlands	158%	70%	84%	+	+	+	▓			
Austria	144%	74%	86%	+	+	+	▓			
Poland	24%	96%	102%	-	+	-			▓	
Portugal	61%	98%	110%	-	+	-			▓	

Romania	14%	132%	109%	-	-	-				
Slovenia	60%	87%	78%	-	+	+				
Slovakia	31%	111%	85%	-	-	+				
Finland	142%	59%	83%	+	+	+				
Sweden	158%	85%	79%	+	+	+				
United King.	107%	92%	108%	+	+	-				

Source: Own calculation and representation based on Eurostat data

For data comparability, the values are expected as percentage of the European Union average.

Table no. 3

Matrix of analysis in terms of the social security policies effectiveness in the EU27

Countries	Period 2005-2010			State
	SSE	GINI	PR	
EU	118%	100%	100%	?
Belgium	124%	95%	101%	?√
Bulgaria	190%	133%	148%	??
Czech Republic	153%	96%	116%	?√
Denmark	122%	113%	138%	??
Germany	115%	112%	110%	??
Estonia	185%	92%	97%	√
Ireland	147%	104%	75%	√?
Greece	132%	99%	98%	√
Spain	136%	107%	120%	??
France	117%	108%	122%	??
Italy	119%	95%	101%	?√
Cyprus	138%	102%	92%	√?
Latvia	200%	100%	108%	??
Lithuania	197%	102%	115%	??
Luxembourg	127%	105%	100%	?
Hungary	116%	87%	90%	√
Malta	135%	106%	98%	√?
Netherlands	130%	95%	78%	√
Austria	121%	100%	112%	?
Poland	139%	87%	74%	√
Portugal	122%	88%	87%	√
Romania	205%	107%	88%	√?
Slovenia	130%	100%	106%	?
Slovakia	191%	99%	109%	?√
Finland	127%	98%	100%	?√
Sweden	110%	103%	110%	?
United Kingdom	96%	95%	96%	?

Source: Own calculation and representation based on Eurostat data

Comments:

- At European Union level although social security expenditure increased inequality and poverty have remained at the same level;
- Social security expenditures have increased in all EU countries except United Kingdom;
- In United Kingdom, contrary to assumptions, although social security expenditure fell, inequality and poverty also fell, with a similar value of about 5% (?);
- Social security expenditure growth was accompanied by a decrease in inequality and poverty, confirming the general hypothesis, in 6 of the cases (√);
- Social security expenditure growth was accompanied by a decrease in inequality and a maintenance or slight increase in poverty, at a much lower rate than the growth of social expenditure in 5 of situations (?√);
- Social security expenditure growth was accompanied by maintenance of inequality and a slight increase in poverty, at a much lower rate than the growth of social expenditure in 3 of situations (?√);
- Social security expenditure growth was accompanied by a slight increase in inequality and a decrease of poverty in 4 of the cases (√?);
- Moderate increase in social security expenditure was accompanied by a constant or a slight increase in inequality and poverty, in 4 of situations (?);
- Considerable increase in social security expenditure has not generated positive effects, on the contrary, in 3 of the cases (??);
- Social security expenditure growth was accompanied by rising inequality and a similar increase in poverty, in 4 of situations (??).

Legend:
√ – hypotheses confirmation;
?√ – the hypothesis is confirmed only as a result of further investigation;
√? – further investigation could confirm assumptions;
? – further investigation are necessary;
?? – high probability that the formulation and application of the social security policy is
     inappropriate.

Conclusions:

The social security policies effectiveness matrices of analysis can be very useful tools in assessing the situation of a country – favourable, problems, catastrophe etc., especially for developing countries.

At the European Union level the matrixes of analysis reveal a heterogeneous situation. Social security expenditure growth was accompanied by a decrease in inequality and poverty, confirming the general hypothesis, in 6 of the 27 cases. Social security expenditure growth was accompanied by a decrease in inequality and a maintenance or slight increase in poverty, at a much lower rate than the growth of social expenditure in 5 of situations. Social security expenditure growth was accompanied by maintenance of inequality and a slight increase in poverty, at a much lower rate than the growth of social expenditure. Social security expenditure growth was accompanied by a slight increase in inequality and a decrease of poverty in four of the cases. Moderate increase in social security expenditure was accompanied by a constant or a slight increase in inequality and poverty, in 4 of situations. Considerable increase in social security expenditure has not generated positive effects, on the contrary, in 3 of the cases. Social security expenditure growth was accompanied by rising inequality and a similar increase in poverty, in 4 of situations.

References:

[1]. Burz, R., 2012, *A comparative analysis of social protection expenditure across Europe*, Annals of the „Constantin Brâncuşi" University of Târgu Jiu - Economy Series, Issue 4 / Vol I / 2012, pp. 83;

[2]. Burz, R., 2012, *A comparative analysis of inequality and social protection expenditure across Europe*, Ovidius University Annals, Economic Sciences Series, Volume XII, Special Issue, 2012, pp. 120;

[3]. Cook, S., 2011, *Combating Poverty and Inequality: The role of social protection*, 49th Session of Commission for Social Development, New York (14th February), Available at: http://www.un.org/esa/socdev/csocd/2011/Cook.pdf;

[4]. Dercon, S., 2011, *Social Protection, Efficiency and Growth*, CSAE Working Paper WPS, 2011-17 (sptember 2011). Available at: http://economics.ouls.ox.ac.uk/15273/1/csae-wps-2011-17.pdf;

[5]. Dobelstein, A. W., 2011, *Social Security: A New Paradigm for Reducing American Poverty* (August 15, 2011), Available at SSRN: http://ssrn.com/abstract=1909982 or http://dx.doi.org/10.2139/ssrn.1909982;

[6]. Cuong, N. V., 2010, *The Impact of Social Security on Household Welfare: Evidence from a Transition Country*, Available at: http://mpra.ub.uni-muenchen.de/40777/;

[7]. ESSPROS, 2011, *The European System of integrated Social Protection Statistics*, Luxembourg: Publications Office of the European Union, Available at: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-11-014/EN/KS-RA-11-014-EN.PDF;

[8]. Holmes et. al., 2011, *Social Protection in Brazil: Inpacts on poverty, inequality and growth*, Available at: http://www.developmentprogress.org/sites/developmentprogress.org/files/resource_report/brazil_report_-_master_0_0.pdf;

[9]. Lazăr, F., 2010, *Introducere în politici sociale comparate*, Iaşi: Ed. Polirom;

[10]. *** Eurostat statistics, Available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/ search_database.