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HOW DO EUROPEAN WELFARE STATES PERFORM?

Abstract:

It is well known that European welfare states are characterized by a different effectiveness degree in various social policies' sectors.

We construct a composite index with OECD data (2013) to assess the relative performance of welfare policies of 22 European countries. While the analysis shows a positive correlation between performance and gross social expenditure, when the net social public expenditure is considered, a greater variability of performances characterizes emerges. What might account for such a variability in performance?

The empirical analysis with the efficiency frontier points out that countries with higher shares of public social expenditure devoted to reduce the income inequality, obtain better results in the social sector. As a policy implication, the paper shows that greater efficiency can require a rationalisation of spending policies with an internal reallocation of resources rather than higher levels of expenditure

Keywords:

welfare policies, social performance index, production possibility frontier

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