Journal of Urban and Regional Analysis,
vol. XIII, 1, 2021, p. 5 - 18
https://doi.org/10.37043/JURA.2021.13.1.1

UNRAVELING THE (INTRINSIC) LINKAGE BETWEEN SOCIAL SPENDING AND REGIONAL DEVELOPMENT: AN EMPIRICAL ANALYSIS FOR EUROPEAN UNION COUNTRIES

Kostas **RONTOS**[1], *Maria-Eleni* **SYRMALI**[1], *Luca* **SALVATI**[2]
[1]University of the Aegean, Lesvos, Greece, [2]University of Macerata, Macerata, Italy

Abstract: Theoretical approaches and place-specific solutions are required to face with the intrinsic linkage between social welfare and macroeconomic stability in advanced economies, especially in Europe. In this regard, the 2007 recession has influenced extensively the wide spectrum of social policies applicable in the European Community. New socioeconomic divides emerged and fiscal austerity urged Member States to resettle policy discourses, advancing social needs in a more effective way. In line with this evidence, our commentary discusses recent literature and it outlines policy implications of different political, institutional and socioeconomic settings. By analyzing cross-country variations in the shape and extent of welfare policies at the European level, our study evaluates apparent (and latent) performances of welfare systems in a comparative perspective, with a specific focus on Southern European countries. The existence of a latent relationship between social policy expenditures (SPE) and per-capita GDP was demonstrated. However, social expenditures may differ for a given level of income: for instance, Latvia had a lower level of social expenditures given its income level. Italy, Greece, Spain and Portugal were clustered together displaying a lower share of social spending in the total GDP in respect with the remaining European countries. This comparison suggests how Mediterranean countries are institutionally fragile and with a moderately higher level of corruption in respect with North-western countries. The results of this work contribute to bridge the semantic dichotomy between theoretical approaches and empirical findings in socioeconomic policy impact analysis.

Key Words: *social policy, welfare systems, indicators, recession, Southern Europe*.

Introduction

Although in a provisional form, strategies toward a pan-European social policy have been envisaged since the Treaty of Rome (1957), and the need for “harmonization” of social regimes emerged as a pre-requisite for a truly effective and integrated European Union (Baldwin 1990). At the same time, territorial cohesion among Member States was pursued during the long process of convergence among countries, assuming economic growth as a dimension integrating social cohesion and sustainable development (Ciommi et al. 2018).

In this line of thinking, since the early 2000s, the Lisbon Treaty indicates the basic objectives for the European Union common developmental policies (Salvati et al. 2017). Economic and institutional development, employment, environmental security, social protection, inclusion, justice, and equality – in addition to cross-generation solidarity and safeguard of children’s rights – have been the main goals of a truly European-based strategy for social development and wellbeing (Salvati and Carlucci 2011, Bruun et al. 2012, Chelli et al. 2016, Salvati et al. 2016). A (more or less evident) crisis has affected the national welfare systems in Europe because of scarce economic resources and stringent budgetary constraints resulting from the 2007 recession and the consequent austerity policies (Consoli 2015, Salvati 2016, Ciommi et al. 2017). Emergence (and consolidation) of global challenges including aging and low fertility, new family patterns, immigration, globalization and youth unemployment, contributed to the inherent crisis of social policies in Europe (Gavalas et al. 2014, Rontos et al. 2016, Carlucci et al. 2017).

The expansion of the European Community southwards, especially in the 1980s, fueled concerns of social dumping in affluent economies of Northwestern Europe, since Mediterranean countries were frequently seen as locked traditional economies – and sometimes depicted as 'lazy' societies or even 'pigs' – featuring lower institutional, political and socioeconomic standards (Guillen and Matsaganis 2000, Carlucci et al. 2017, Rontos et al. 2017). Consequently, the increasing integration of peripheral countries and the convergence pressure towards core economies (Castles 1995) have intensified and formalized the vision for a unique social policy in the European Union (Pavolini and Ranci 2008). Apart from Italy, one of the founders of the European Community in 1957, a relatively fast and homogeneous socioeconomic development in Spain, Portugal and Greece, coincided with the collapse of dictatorial regimes in the mid-1970s, fostering a huge increase in social expenditures (Saraceno 2008). This happened especially when these countries tried to adapt their national welfare system to the dominant 'North-Western' experiences, likely delineating the most recognized welfare system in Europe (De Simone et al. 2012).

While member states have distinctive welfare, defining similarities among countries in social security systems has been a common research issue since the late-1980s (Bonoli et al. 2000, Ebbinghaus and Manow 2004, Taylor-Gooby 2004). Grounding the social contract between state and citizens in the domain of market economy, welfare states have been investigated considering the (intrinsically) historical dimension of social development (Esping-Andersen 1996). In this perspective, Esping-Andersen (1990) identified three types of welfare states in Europe: (i) the liberal type (United Kingdom, Ireland), (ii) the social-democratic type (Scandinavian countries, especially Denmark, Sweden, Finland), and (iii) the 'corporatism' type, characteristic of Germany, Austria, France and, partly, Italy. Assuming the relation between state, family and market as an analytical dimension explaining the intrinsic differences between welfare systems, these typologies were derived considering the distinctive political and cultural development of each country (Deacon 2000, Pascall and Manning 2000, Fritzell et al. 2001, Armingeon and Beyeler 2004).

While encouraging the development of a free market, provisions to combat poverty in the liberal type of welfare state are limited to those who cannot meet their own needs in other ways (Kuhnle 2003). Reducing income differentials is the main objective of the social-democratic welfare, organized as a universal social security system (Majone 1993). In such a context, inhabitants are fully entitled to collective benefits for a wide spectrum of social risks, reflecting high labor participation rates, especially of women – although part-time jobs are very common (Rhodes and Mény 1998). Being oriented toward maintenance of long-lasting living standards, 'corporativistic' schemes of welfare aimed more specifically at different occupational groups and civil servants are sometimes privileged because of their intrinsic role in state's functioning (Taylor-Gooby et al. 2017, van Berkel et al. 2017, Pascall and Lewis 2020).

With the exception of Italy, Mediterranean countries (and, more recently, the new European Union member states, e.g. in Eastern Europe) have been excluded from the classification illustrated above (Petmesidou and Guillén 2017). The supposed distinctiveness of Mediterranean countries from Western, Northern and Central European counterparts has been highlighted widely in earlier studies (Taylor-Gooby and Leruth 2018). Despite distinctive social traits, Greece, Spain and Portugal present common characteristics and a sort of shared identity (Williams 1984). Ferrera (1996) argues that social security systems in Greece, Spain and Portugal should be considered as a sort of separate type of welfare state from the wealthiest countries in Europe, having no clear social safety net in the form of a subsistence benefit (Steinebach et al. 2019). Up to the last economic crisis, pensions in Mediterranean countries have been relatively high also because of clientele since politicians pursued to attract votes by promising enlarged pension provisions (Arts and Gelissen 2001).

Mediterranean European countries constitute a separate cluster with a distinctive welfare regime from other European countries (Saraceno 2016). This regime was characterized by a sort of 'Latin Rim' welfare model with a rudimental system of social protection, a strong influence of religion and secularism, family ties as a key welfare provider (i.e. playing the role of a primary safety net), as well as economic structures in which agriculture is still important – at least in rural areas (Papadopoulos 2015, Branco et al. 2019, Moury and Afonso 2019). Additional studies took account of other factors, like capitalist development, class formation and the role of the state, the multifaceted inter-linkage between state, family and welfare budgeting (Petmesidou 1996), and the dominance of clientele practices (Ferrera 1996, Ferrera 2005).

Inclusive growth featured high on the Commission's social agenda (Obermaier 2016). In these regards, Greece, Spain, Portugal, and Italy form a distinct group of "lagging" countries in Europe with regard to social spending (Carlucci et al. 2017). In particular, based on Eurostat data, the aforementioned countries expanded their social protection expenditures by nearly 70% in the 1980s, whereas the EU average approximated 41%. The expansion of these welfare structures has been mostly realized in a period of economic stagnation, in contrast with Western and Northern European countries – which benefited from the massive economic expansion of the 1960s and early 1970s (Schubert et al. 2016, Antonelli and De Bonis 2017, Pennings and Seeleib-Kaiser 2018). The exceptional expansion of social expenditure in Mediterranean countries was not sustainable on a long-run base, evolving in an economic environment of retrenchment (Katrougalos and Lazaridis 2003, Ferreiro at al. 2010, Baute et al. 2019). In this regard, persistent, wide-ranging poverty has been frequently seen as a symptom of the low effectiveness of social protection schemes in Southern Europe (Saraceno 2016).

Assuming welfare systems as a composite research dimension (Titmuss 1950, Myrdal 1960), the investigation of social security systems requires a refined analysis of economic patterns, social structures, political settings, welfare state characteristics, together with an exploration of long-term expenditure trends (Esping-Andersen 1993). With regard to social expenditures efficiency, it was demonstrated how public spending is less effective in countries with high levels of corruption. Corruption tends to finance investment practices that generate the highest bribes, reducing social advantages of universal welfare systems (Shleifer and Vishny 1993). Moreover, corruption introduces distortions in both the amount and composition of social expenditures and the efficiency of measures directed towards poverty reduction. This confirms that welfare ineffectiveness may reflect the outcomes of a generalized state of corruption (Popova and Podolyakina 2014).

A significant containment of corruption would enable to improve human development through the reduction of infant mortality and the improvement of primary school rates (Menz 2019). Thus, social expenditures leverage human development. The state ability to produce well-being depends on political choices and government effectiveness, which is in turn related to the ability of the state to consistently design and apply policies (Abed and Gupta 2002). Increased political rights and extended civil liberties are also assumed to positively impact social spending (Faricy 2011). Rising personal incomes result in increased social expenditures. At the same time, these expenditures are closely linked to economic structure and performances, delineating the quantity and quality of monetary resources and the way a given society contributes to guaranteeing social protection to its members (Peacock 1960).

Based on these premises, our study provides an empirical verification of Esping-Andersen categories in light of a 'Mediterranean' typology of welfare state. More specifically, an interpretative model was developed considering the social expenditure in the total gross domestic product as a function of economic performances and socio-cultural, political and institutional factors. This model was aimed at providing an integrated vision of the distinctive functioning of welfare systems in Southern Europe, considering specific – and sometimes novel

– dimensions (in respect with 'mainstream' European studies of welfare systems), such as corruption, political rights and freedom level. With this perspective in mind, the results of our work provide guidance concerning the fundamental determinants of between-country variations in the shape of European welfare policies – with a peculiar emphasis on peripheral countries in Europe – and the corresponding performance of welfare systems under a comparative perspective.

Methodology

Study area

The present study focused on the 28 European Union countries and the related analysis covered the time interval between 2009 and 2017. The initial year of study (2009) reflects the outbreak of the financial crisis in Europe, being intertwined with downward budget pressures on welfare programs especially for Mediterranean countries (Steinebach et al. 2019).

Data and indicators

A number of indicators were collected and elaborated in this study. Data on welfare systems have been derived from official statistics and other well-known international data sources. Social protection statistics have been derived from Eurostat and consider all the formal (public) measures covering households and individuals from the burden of a set of risks or needs that include sickness and healthcare, disability, elderly, unemployment, parental responsibilities, the loss of a spouse or parent, housing and social exclusion. The corruption level was estimated, for each country, through the Corruption Perception Index (CPI) released by Transparency International (TI) and available at the website: https://www.transparency.org. The values of this indicator range between 0 and 100; 0 denotes a country perceived as highly corrupted, and 100 means that a country is perceived as very clean.

The Freedom Rating (FR) index, including a basic assessment of the range of Political Rights (PR), and the extent of Civil Liberties (CL) provided by the Freedom House organization (www.freedomhouse.org) were also included in our study. The PR rating was based on the evaluation of three partial indicators (i.e. electoral process, political pluralism, public participation/functioning of government). The CL indicator was composed of four partial indicators (freedom of expression and belief, associational and organizational rights, rule of law, personal autonomy and individual rights). More specifically, the FR index was computed as the average of PR and CL scores and it gives a provisional estimation of the associated level of democracy in a given country. The scoring scale of PR and CL indicators varies between 1 and 7, with lower values representing improved freedom standards. The Freedom Rating (FR) index has been rescaled here to facilitate empirical estimation and cross-country comparisons. Thus, the values of Political Rights (PR) and Civil Liberties (CL) indicators vary between 1 and 7, with lower values representing deteriorated levels of freedom standards. While countries with an average score of 1 to 2.5 were regarded as "free", scores from 3 to 5 indicate "partly free" countries and scores from 5 to 7 delineate "non-free" contexts.

Per-capita Gross Domestic Product (purchasing power parity or constant international dollars, GDP.pc.ppp) was used here to estimate the level of economic growth in each country and it was derived from the World Bank database (http://data.worldbank.org/indicator). International dollars have the same purchasing power over GDP as a US dollar in the United States. This variable was adopted with the aim at comparing countries considering living standards, since purchasing power parities take account of the relative cost of living in a given country.

The human development index (HDI) was adopted here as a composite estimate of the level of human development in a given country. Being released by the United Nations Development Program, it assesses the average achievements in three relevant dimensions of human development (a long and healthy life, access to knowledge and a decent standard of living). The HDI was adopted for analysis of both developing countries and advanced economies, including the 28 European Union countries (Kiseľáková et al. 2019). The HDI in developed countries has been frequently related to corruption (Lalountas et al. 2011) and an interrelated concept, which is the quality of government regarding the European Union member countries, was extensively investigated (Charron et al. 2013).

To assess the capacity of governance to formulate and implement sound policies, the Government Effectiveness (GE) indicator (Kaufmann et al. 1999) was finally considered. The GE index evaluates the perception about the quality of public services, the quality of public services and the degree of independence from political pressures, the quality of policy formulation (and implementation) and the credibility of government's commitment to such policies. The GE index ranges between -2.5 and 2.5; higher values of the index correspond to a better governance level (https://info.worldbank.org/).

Summary statistics of the indicators considered in our study indicate that a particularly high range in the share of social protection expenditures in total GDP was observed in the European countries, ranging between 14.6% and 33.9%. The corruption index (CPI) varies from 4.0 (the highest corruption level) to 9.1 (the lowest corruption level). However, no country in Europe is completely free from corruption, since the maximum theoretical value (CPI = 10) has been not recorded in the sample.

Statistical analysis

Assuming the above-mentioned dimensions as basic factors of social spending, a linear model estimating Social Protection Expenditures (SPE) in total GDP as a function of the following variables has been specified as follows:

$$SPE = \beta_0 + \beta_1 CPI + \beta_2 FR + \beta_3 \ln(GDP.pc.ppp) + \beta_4 HDI + \beta_5 GE + \varepsilon$$

The combination of time series with cross-sections improves the estimation performance in ways that would be impossible using only one of the two characteristic dimensions of time series, i.e. quality and quantity of data (Gujarati 2003). In these regards, panel analysis (or cross-sectional time series data analysis) allows the investigation of latent dynamics within shorter time series (Yaffee 2003).

A panel regression was estimated in the present study adopting the Fixed Effects (FE) approach and applying the White diagonal correction of standard errors for heteroschedasticity and autocorrelation. A Hausman test was run (Baltagi 2005) that indicates when FE should be preferred against the Random Effects (RE) approach. FEs were extensively run on panel data to quantify the effect of time-varying independent variables under time-constant (omitted) variables (Wooldridge 2013). The unobserved heterogeneity was treated assuming that omitted variables do not change over time and as a result by eliminating their effect through FE (Lamonica and Chelli 2018). Therefore, with omitted variables correlated with the variables included in the model, the FE model provides a tool controlling for omitted variable bias (Salvati et al. 2019). With regard to this empirical model, it might be assumed that omitted variables remain constant over time due to the limited time window (t = 8 years). To test the validity of the model's outcomes, Random Effects (RE) and the Panel Least Squares method (without fixed or random effects for both cross section and time series data) have been also run and results were illustrated considering the predictors' coefficients and the related statistical significance (Ciommi et al. 2019, Lamonica et al. 2020).

Results

Results of a correlation analysis (based on Pearson pair-wise coefficients) delineating the most significant relationships between social protection expenditures and contextual factors have been illustrated in Table 1. Economic growth [ln(GDP.pc.ppp)] displayed a positive correlation with social protection expenditures (SPE). A positive correlation was also observed between social spending (SPE) and the corruption index (CPI), indicating a negative association between corruption and social spending levels, since CPI was inversely related to corruption levels. The pair-wise relationship between CPI and the human development index (HDI) was also found intense and positive (r = 0.85). Additionally, the results show how countries with less government quality (GE) had, on average, a lower level of social spending.

Table 1

Pair-wise correlation coefficients between relevant indicators in the European Union member states

Variable	SPE	CPI	GCI	ln(GDP)	HDI
CPI	0.87				
FR	0.77	0.65			
ln (GDP)	0.83	0.71	0.94		
HDI	0.40	0.85	0.51	0.85	
GE	0.64	0.73	0.45	0.39	0.31

Fig. 1 illustrates the relationship between the levels of social protection expenditures and wealth for the time interval between 2009 and 2017, confirming the existence of a latent relationship between social policy expenditures (SPE) and per-capita GDP. Based on this scatterplot, Germany, Austria and France were demonstrated to cluster together, whereas the United Kingdom and Ireland constitute a separate group, as well as the wealthiest countries in Europe, such as Denmark, Sweden and Finland, structurally devoting larger amounts on their social budget. Economically disadvantaged countries in Europe (e.g. Bulgaria, Romania, Lithuania and Estonia) destined less monetary resources of their national budget to social expenditures. However, social expenditures may differ for a given level of income: for instance, Latvia had a lower level of social expenditures given its income level. Italy, Greece, Spain and Portugal were clustered together displaying a lower share of social spending in total GDP in respect with the remaining European countries. This comparison suggests how Mediterranean countries are institutionally fragile and with a moderately higher level of corruption in respect with North-western countries. The empirical results of this preliminary analysis corroborates the assumptions of Esping-Andersen classification.

Results of the panel regression based on Fixed Effects (FE), Random Effects (RE) and Panel Least Squares (PLS) approaches were illustrated in Table 2 providing coefficient estimates, the standard error, the *t*-statistic and the *p*-value, together with the results of the Hausman test. The final outcomes of the three estimations are quite similar. The estimated corruption coefficient (CPI) was positive and statistically significant in all specifications of the basic model. According to FE estimate, a one-point increase in the corruption index increased social public expenditures index by 0.029 points.

Based on the estimation results, if Italy (41) had the level of corruption of Denmark (91), which is the best performer in the sample under consideration in terms of corruption, then social expenditures in Italy (30%) would increase and approximate that of Finland (32%). The

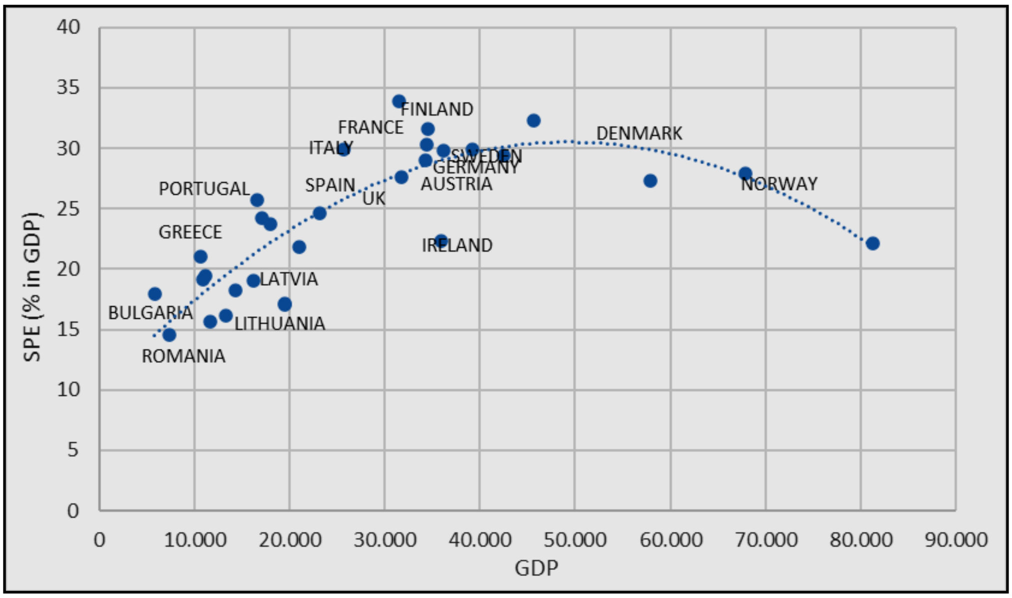

Fig. 1 – **The relationship between the share of Social Public Expenditures (SPE) in total value added (%) and the per-capita Gross Domestic Product (GDP)**
Source: *own elaboration on Eurostat data*

democracy index (FR) and the income level [ln(GDP.pc.ppp)] were statistically significant at $p < 0.01$. The Human Development Index (HDI) was moderately significant, likely because of the high correlation between HDI and CPI. The indicator quantifying government effectiveness (GE) also exerted a positive and significant impact on social spending. The specific impact of individual predictors on the variability of the dependent variable was assessed considering an elasticity index. By using this approach, the level of corruption in a given country, in addition to per-capita GDP and political freedoms – followed by government effectiveness and human development – resulted to be highly related to social protection expenditures.

Discussion

Considering the institutional configuration of their policy regime, building a social safety net in such countries was a true challenge because of the specificity of their economic context, socio-political culture and norms (Pierson 2001, Moreno 2003, Aspalter 2019). Mediterranean European countries played an active part in the European Union agenda on territorial cohesion, poverty and social exclusion. The results of the present study provide an indirect confirmation to the Esping-Andersen classification (Antonelli and De Bonis 2017). Social protection expenditures were mostly dependent on the (intrinsic) institutional structure of countries, in turn reflected in the levels of economic development, political freedoms and corruption, together with the government ability to effectively formulate and apply policies (Branco et al. 2019). The results indicate how economic growth effectively provides the basis for enhancing the social objectives, being instrumental for human progress (Chelli and Rosti 2002, Castagnetti et al. 2005, Saraceno 2008, Rosti and Chelli 2009).

Table 2

Results of a panel regression (2009-2017) estimating the impact of selected predictors on the level of social spending in 28 European Union member countries based on Fixed Effects (FE), Random Effects (RE) and Panel Least Squares (PLS)

Variable	FE (1)	RE (2)	PLS (3)
Constant	2.103*** 0.358 5.741 0.000	2.019*** 0.437 4.306 0.000	21.648*** 1.868 11.586 0.000
CPI	0.029*** 0.670 0.011 2.636 0.000	0.352*** 0.051 6.902 0.000	0.284*** 0.052 5.462 0.000
FR	0.326*** 0.470 0.089 3.663 0.001	0.122*** 0.054 2.815 0.006	0.442*** 0.096 4.604 0.000
ln (GDP.pc.ppp)	0.321*** 0.580 0.115 2.744 0.008	0.499*** 0.148 3.006 0.004	0.246*** 0.041 5.234 0.000
HDI	0.107** 0.210 0.051 2.038 0.046	0.155** 0.071 2.316 0.024	0.123** 0.060 2.067 0.039
GE	0.083* 0.320 0.054 1.578 0.115	0.483* 0.287 1.683 0.095	0.241* 0.142 1.697 0.092
$\bar{R}^2$	0.986	0.985	0.859
F-statistic	360.443	358.749	709.401
Prob(F-statistic)	0.000	0.000	0.000
Hausman Prob	120.709 0.000	136.785 0.000	196.842 0.000

***, **, * denote the statistical significance at 1%, 5% and 10% level, respectively; in the table, coefficients respectively estimate, from up to down, the elasticity index, the standard error, the *t*-statistic and the *p*-value (except for the constant where the elasticity is not estimated)

Social policy analysis was associated with the emergence of welfare states in European countries. Social policy is frequently conceived as imperative to social development and as a key instrument that works in parallel with economic policy, assuring targets of universal social protection and equity (Chelli et al. 2009). Assessing social policies under a purely 'developmental' perspective is in line with the political context within which they are being formulated and implemented (Gigliarano and Chelli 2016). Welfare states satisfy a minimum standard of living for all citizens, providing security to individuals and families when unfavorable circumstances occur, and guaranteeing access to fundamental rights for all citizens (Rosti and Chelli 2012). The specific tools through which the welfare state has operated so far included allowances related to family life, old age, maternity, disability and unemployment, cash payments to address specific living or family conditions, the provision of education, healthcare, and housing services, as well as granting of tax benefits for family needs (Saraceno 2016).

In the present study, the dominant European social protection systems have been contextualized within the wider historical and cultural circumstances of member countries (Menz 2019). Three theoretical welfare types were detected delineating public social expenditure patterns (Schubert et al. 2016). Clusters were identified according to the prevailing welfare models; institutional variables have been considered in addition to the expenditure profile of each country. With this line of thinking, the cluster of "Mediterranean European countries" has not only territorial implications but also a profound political and socioeconomic value (Saraceno 2016).

The 'Mediterranean' social model is a political construct that captures important similarities among Italy, Greece, Spain and Portugal (Rontos et al. 2017). Despite the intense convergence toward the 'Northern' European welfare standards, huge social disparities persist in such countries, based on labor market segmentation and the intrinsic reliance on the family for social assistance (De la Porte and Pochet 2002). At the same time, significant differences between the four countries were observed and the between country, within-region variation was greater than in the Scandinavian region, while remaining lower than in Central-Eastern Europe (Bettio and Plantenga 2004).

The results of this study finally indicate how the overall well-being of a society is the product of three dimensions, namely the State, the family and the market. The degree of collective protection against social threats results from the interplay of the three aforementioned regulation spheres. Despite the European unification and convergence to pre-defined standard models, designing an effective and universal welfare state largely remains a national issue applicable to the socioeconomic framework of countries based on their institutional, political, and cultural settings (Steinebach et al. 2019). Unveiling institutional rigidities and administrative incapacity, corruption depresses the efficacy of public spending on social outcomes, reducing the quality of public services and driving monetary allocation among different budgetary functions. In these regards, political development in terms of freedom rights and civil liberties exerts a positive impact on social spending (Baute et al. 2019). However, it should be mentioned how additional forces can be relevant in such contexts, including trust/distrust in state authorities or strength/weakness of the civil society. For instance, voluntary associations are having in some European countries an important share in social security expenditures, although their impact on the structure of social spending is recognized to be less intense in Mediterranean countries.

Policies implemented to raise welfare standards are meaningless without understanding the underlying socioeconomic context (Branco et al. 2019). The omission of appropriate factors of social change has been identified as one of the main constraints when building effective and sustainable welfare models. Our study makes a systematic attempt in this direction by analyzing the social policy and by assessing the intrinsic relationship between welfare spending and economic development (Moury and Afonso 2019). The empirical results of panel regressions reject the hypothesis of a univocal linkage between public social spending and national wealth. It is true that economic development in high-income countries was associated with increasing social protection expenditures, whereas low-income economies allocated restricted funds for social protection. At the same time, welfare divergences remain in South European countries, despite their efforts to converge toward Northern European standards. This finding can be explained with corruption penetrating into the 'value system' of a society (De Rosa and Salvati 2016), and being sometimes considered an essential mechanism of survival for socially excluded people exposed to poverty risk (Giordono et al. 2019).

The extent of political freedoms represented by civil liberties seems to be another key factor affecting social expenditures. The higher is the index of civil liberties, the lower are the risks for politically motivated violence and destabilization. The smooth functioning of 'democratic' political institutions and civil liberties contributes to the functioning of effective and universal welfare regimes. Operational dimensions such as freedom of expression and belief, the protection of civil rights, the promotion of the rule of law, the defense of personal autonomy and individual rights are elements at the base of a politically free state (Charron et al. 2013). Nevertheless, the long-run health of the political system often requires internal checks and balances, whereas openness and transparency are the best ways of ensuring that such structural mechanisms develop (Aspalter 2019).

A better understanding of the aforementioned attributes of social protection systems largely unveils persistent social problems. In this regard, policy strategies should be compatible with social constraints and the (changing) economic structure, tuning finely with the broader political framework under which they operate. In other words, social welfare policy design reflects the respective economic, political and social systems (Pennings and Seeleib-Kaiser 2018). While policy prescriptions should be not applied uniformly in countries with different economic, cultural and institutional contexts, ignoring the aforementioned divergences may lead to fallacious inferences regarding the social policy, which should be treated as a truly multidimensional and non-linear dimension of change.

Conclusions

The results of the analysis presented in our study imply that design and implementation of universal policy recommendations for advanced economies, regardless of their social, cultural and political background, prove to be partly ineffective and unresponsive. To put it differently, in case that corruption is endemic, deeply embedded in the political and social culture of a country, policy initiatives taken to support welfare dynamics should be more adapted to individual sociopolitical traits of countries, responding to a specific policy mix, targeted reforms and structural adjustments. These long-run factors are important under the wide spectrum of sustainability options and opportunities. Future strategies are increasingly required to incorporate the concerns of improved social capabilities along with intensified efforts targeting economic development and reducing the scope of corruption, as effective tools containing welfare failures and losses.

References

ABED G. T., GUPTA S. (eds.) (2002), *Governance, Corruption and Economic Performance*, International Monetary Fund, Washington D.C.

ANTONELLI M. A., DE BONIS V. (2017), *Social spending, welfare and redistribution: a comparative analysis of 22 European countries*, Modern Economy 8 (11), 1291-1313.

ARMINGEON K., BEYELER M. (eds.) (2004), *The OECD and European welfare states*, Edward Elgar, Cheltenham.

ARTS W., GELISSEN J. (2001), *Welfare states, solidarity and justice principles: Does the type really matter?*, Acta Sociologica 44 (4), 283-299.

ASPALTER C. (2019), *Welfare regime analysis: 30 years in the making*, International Social Work 62 (1), 76-88.

BALDWIN P. (1990), *The politics of social solidarity: Class bases of the European welfare states 1875–1975,* Cambridge University Press, Cambridge.

BALTAGI B. H. (2005), *Econometric analysis of panel data*, John Wiley & Sons, London.

BAUTE S., MEULEMAN B., ABTS K. (2019), *Welfare state attitudes and support for social Europe: Spillover or obstacle?*, Journal of Social Policy 48 (1), 127-145.

BETTIO F., PLANTENGA J. (2004), *Comparing care regimes in Europe*, Feminist Economics 10 (1), 85-113.

BONOLI G., GEORGE V., TAYLOR-GOOBY P. (2000), *European welfare futures*, Polity Press, Oxford.

BRANCO R., CARDOSO D., GUILLÉN A. M., SACCHI S., BALBONA D. L. (2019), *Here to stay? Reversals of structural reforms in Southern Europe as the crisis wanes*, South European Society and Politics 24 (2), 205-232.

BRUUN N., LÖRCHER K., SCHÖMANN I. (eds.) (2012), *The Lisbon Treaty and Social Europe*, Hart, Berlin.

CARLUCCI M., GRIGORIADIS E., RONTOS K., SALVATI L. (2017), *Revisiting a hegemonic concept: Long-term 'Mediterranean urbanization' in between city re-polarization and metropolitan decline*, Applied Spatial Analysis and Policy 10, 347-362.

CASTAGNETTI C., CHELLI F., ROSTI L. (2005), *Educational performance as signalling device: Evidence from Italy*, Economics Bulletin 9 (4), 1-7.

CASTLES F. G. (1995), *Welfare state development in Southern Europe*, West European Politics 18 (2), 291-313.

CHARRON N., LAPUENTE V., ROTHSTEIN B. (2013), *Quality of government and corruption from a European perspective: A comparative study of good government in EU regions*, Edward Elgar, London.

CHELLI F., GIGLIARANO C., MATTIOLI E. (2009), *The impact of inflation on heterogeneous groups of households: An application to Italy*, Economics Bulletin 29 (2), 1276-1295.

CHELLI F., ROSTI L. (2002), *Age and gender differences in Italian workers' mobility*, International Journal of Manpower 23 (4), 313-325.

CHELLI F. M., CIOMMI M., EMILI A., GIGLIARANO C., TARALLI S. (2016), *Assessing the Equitable and Sustainable Well-Being of the Italian Provinces*, International Journal of Uncertainty, Fuzziness and Knowlege-Based Systems 24 (Suppl. 1), 39-62.

CIOMMI M., CHELLI F. M., CARLUCCI M., SALVATI L. (2018), *Urban growth and demographic dynamics in southern Europe: Toward a new statistical approach to regional science*, Sustainability (Switzerland) 10 (8), 2765.

CIOMMI M., CHELLI F. M., SALVATI L. (2019), *Integrating parametric and non-parametric multivariate analysis of urban growth and commuting patterns in a European metropolitan area*, Quality & Quantity 53, 957-979.

CIOMMI M., GIGLIARANO C., EMILI A., TARALLI S., CHELLI F. M. (2017), *A new class of composite indicators for measuring well-being at the local level: An application to the Equitable and Sustainable Well-being (BES) of the Italian Provinces*, Ecological Indicators 76, 281-296.

CONSOLI M. T. (2015), *Introduction*, in: Consoli M. T. (ed.), Migration towards Southern Europe: The case of Sicily and the separated children, Franco Angeli, Milan.

DEACON B. (2000), *Eastern European welfare states: the impact of the politics of globalization*, Journal of European Social Policy 10 (2), 146-161.

DE LA PORTE C., POCHET P. (2002), *Building Social Europe through the open* *method of co-ordination,* Peter Lang, Brussels.

DE ROSA S., SALVATI L. (2016), *Beyond a 'side street story'? Naples from spontaneous centrality to entropic polycentricism, towards a 'crisis city'*, Cities 51, 74-83.

DE SIMONE E., GAETA G. L., ERCOLANO S. (2012), *Exploring public social expenditure trends in the globalization era*, European Research Studies Journal 15 (1), 23-42.

EBBINGHAUS B., MANOW P. (eds.) (2004), *Comparing welfare capitalism: Social policy and political economy in Europe, Japan and the USA*, Routledge, London.

ESPING-ANDERSEN G. (1990), *The three worlds of welfare capitalism*, Polity Press, Cambridge.

ESPING-ANDERSEN G. (1993), *The comparative macro-sociology of welfare states*, in: Moreno L. (ed.), Social exchange and welfare development, CSIC, Madrid, pp. 123-36.

ESPING-ANDERSEN G. (1996), *Welfare states in transition: National adaptations in global economics*, London, Sage.

FARICY C. (2011), *The politics of social policy in America: The causes and effects of indirect versus direct social spending*, The Journal of Politics 73 (1), 74-83.

FERREIRO J., GARCÍA-DEL-VALLE M. T., GÓMEZ C. (2010), *Social preferences and fiscal policies: An analysis of the composition of public expenditures in the European Union*, Journal of Post Keynesian Economics 32 (3), 347-370.

FERRERA M. (1996), *The 'Southern model' of welfare in Social Europe*, Journal of European Social Policy 6 (1), 17-37.

FERRERA M. (ed.) (2005), *Welfare state reform in Southern Europe: Fighting poverty and social exclusion in Italy, Spain, Portugal and Greece*, New York, Routledge.

FRITZELL J., HVINDEN B., KAUTTO M., KVIST J., UUSITALO H. (eds.) (2001), *Nordic welfare states in the European context*, Routledge, London.

GAVALAS V. S., RONTOS K., SALVATI L. (2014), *Who Becomes an Unwed Mother in Greece? Sociodemographic and Geographical Aspects of an Emerging Phenomenon*, Population, Space and Place 20 (3), 250-263.

GIGLIARANO C., CHELLI F. M. (2016), *Measuring inter-temporal intragenerational mobility: an application to the Italian labour market*, Quality and Quantity 50, 89-102.

GIORDONO L. S., JONES M. D., ROTHWELL D. W. (2019), *Social policy perspectives on economic inequality in wealthy countries*, Policy Studies Journal 47 (S1), S96-S118.

GUILLEN A. M., MATSAGANIS M. (2000), *Testing the 'Social Dumping' hypothesis in Southern Europe: Welfare policies in Greece and Spain during the last 20 years*, Journal of European Social Policy 10 (2), 120-145.

GUJARATI D. N. (2003), *Basic Econometrics*, McGraw Hill, New York.

KATROUGALOS G., LAZARIDIS G. (2003), *Southern European Welfare States: Problems, Challenges and Prospects*, Palgrave Macmillan, London.

KAUFMANN D., KRAAY A., ZOIDO-LOBATÓN P. (1999), *Governance matters*, Policy Research Working Paper 2196, World Bank, Washington, D.C.

KISEĽÁKOVÁ D., ŠOFRANKOVÁ B., GOMBÁR M., ČABINOVÁ V., ONUFEROVÁ E. (2019), *Competitiveness and its impact on sustainability, business environment, and human development of EU (28) countries in terms of global multi-criteria indices*, Sustainability 11 (12), 1-25.

KUHNLE S. (2003), *The survival of the European welfare state*, Routledge, London.

LALOUNTAS D. A., MANOLAS G. A., VAVOURAS I. S. (2011), *Corruption, globalization and development: How are these three phenomena related?*, Journal of Policy Modeling 33 (4), 636-648.

LAMONICA G. R., CHELLI F. M. (2018), *The performance of non-survey techniques for constructing sub-territorial input-output tables*, Papers in Regional Science 97 (4), 1169-1202.

LAMONICA G. R., RECCHIONI M. C., CHELLI F. M., SALVATI L. (2020), *The efficiency of the cross-entropy method when estimating the technical coefficients of input–output tables*, Spatial Economic Analysis 15 (1), 62-91.

MAJONE G. (1993), *The European Community between social policy and social* *regulation*, Journal of Common Market Studies 31 (2), 153-170.

MENZ G. (2019), *Understanding the identity of a policy field: the European Commission and liberal modernization in the domain of labour and social policy*, Comparative European Politics 17, 603-618.

MORENO L. (2003), *Europeanisation, mesogovernments and 'safety nets'*, European Journal of Political Research 42 (2), 271-285.

MOURY C., AFONSO A. (2019), *Beyond conditionality: policy reversals in Southern Europe in the aftermath of the Eurozone crisis*, South European Society and Politics 24 (2), 155 -176.

MYRDAL G. (1960), *Beyond the welfare state: Economic planning and its international implications*, Yale University Press, New Haven.

OBERMAIER A. J. (2016), *The end of territoriality? The impact of ECJ rulings on British, German and French social policy*, Routledge, London.

PAPADOPOULOS A. G. (2015), *The impact of the CAP on agriculture and rural areas of EU Member States*, Agrarian South: Journal of Political Economy 4 (1), 22-53.

PASCALL G., LEWIS J. (2020), *Emerging gender regimes and policies for gender equality in a wider Europe*, Journal of Social Policy 33 (3), 373-394.

PASCALL G., MANNING N. (2000), *Gender and social policy: comparing welfare states in Central and Eastern Europe and the former Soviet Union*, Journal of European Social Policy 10 (3), 240-266.

PAVOLINI E., RANCI C. (2008), *Restructuring the welfare state: reforms in long-term care in Western European countries*, Journal of European Social Policy 18 (3), 246-259.

PEACOCK A. T. (1960), *The welfare society*, Liberal Publication Department, London.

PENNINGS F., SEELEIB-KAISER M. (eds.) (2018), *EU citizenship and social rights: entitlements and impediments to accessing welfare*, Edward Elgar, Cheltenham.

PETMESIDOU M. (1996), *Social Protection in Southern Europe: Trends and prospects*, Journal of Area Studies 4 (9), 95-125.

PETMESIDOU M., GUILLÉN A. M. (eds.) (2017), *Economic crisis and austerity in Southern Europe: threat or opportunity for a sustainable welfare state*, Routledge, London.

PIERSON P. (2001), *The New Politics of the Welfare State*, Oxford University Press, Oxford.

POPOVA Y., PODOLYAKINA N. (2014), *Pervasive impact of corruption on social system and economic growth*, Procedia – Social and Behavioral Sciences 110, 727-737.

RHODES M., MÉNY Y. (eds.) (1998), *The future of European welfare: a new social contract?*, Palgrave Macmillan, London.

RONTOS K., GRIGORIADIS E., SATERIANO A., SYRMALI M., VAVOURAS I., SALVATI L. (2016), *Lost in protest, found in segregation: Divided cities in the light of the 2015 "Οχι" referendum in Greece*, City, Culture and Society 7 (3), 139-148.

RONTOS K., SYRMALI M.-E., VAVOURAS I. (2017), *The Relationship between economic and social development with competitiveness: An empirical study*, Social Cohesion and Development 12 (1), 21-37.

ROSTI L., CHELLI F. (2009), *Self-employment among Italian female graduates*, Education + Training 51 (7), 526-540.

ROSTI L., CHELLI F. (2012), *Higher education in non-standard wage contracts*, Education + Training 54 (2/3), 142-151.

SALVATI L. (2016), *The Dark Side of the Crisis: Disparities in per Capita income (2000–12) and the Urban-Rural Gradient in Greece*, Tijdschrift voor Economische en Sociale Geografie 107 (5), 628-641.

SALVATI L., CARLUCCI M. (2011), *The economic and environmental performances of rural districts in Italy: Are competitiveness and sustainability compatible targets?*, Ecological Economics 70 (12), 2446-2453.

SALVATI L., CIOMMI M. T., SERRA P., CHELLI F. M. (2019), *Exploring the spatial structure of housing prices under economic expansion and stagnation: The role of socio-*

demographic factors in metropolitan Rome, Italy, Land Use Policy 81, 143-152.
SALVATI L., SATERIANO A., GRIGORIADIS E. (2016), *Crisis and the city: profiling urban growth under economic expansion and stagnation*, Letters in Spatial and Resource Sciences 9, 329-342.
SALVATI L., GUANDALINI A., CARLUCCI M., CHELLI F. M. (2017), *An empirical assessment of human development through remote sensing: Evidences from Italy*, Ecological Indicators 78, 167-172.
SARACENO C. (ed.) (2008), *Families, ageing and social policy: Intergenerational solidarity in European welfare states*, Edward Elgar, Cheltenham.
SARACENO C. (2016), *Varieties of familialism: Comparing four southern European and East Asian welfare regimes*, Journal of European Social Policy 26 (4), 314-326.
SCHUBERT K., DE VILLOTA P., KUHLMANN J. (eds.) (2016), *Challenges to European Welfare Systems*, Springer, Berlin.
SHLEIFER A., VISHNY R. W. (1993), *Corruption*, The Quarterly Journal of Economics 108 (3), 599-617.
STEINEBACH Y., KNILL C., JORDANA J. (2019), *Austerity or welfare state transformation? Examining the impact of economic crises on social regulation in Europe*, Regulation & Governance 13 (3), 301-320.
TAYLOR-GOOBY P. (2004), *New risks, new welfare: the transformation of the European welfare state*, Oxford University Press, Oxford.
TAYLOR-GOOBY P., LERUTH B. (eds.) (2018), *Attitudes, aspirations and welfare: Social policy directions in uncertain times*, Palgrave Macmillan, Cham.
TAYLOR-GOOBY P., LERUTH B., CHUNG H. (2017), *After austerity: Welfare state transformation in Europe after the great recession*, Oxford University Press, Oxford.
TITMUSS R. M. (1950), *Problems of social policy*, HMSO and Longmans, London.
VAN BERKEL R., CASWELL D., KUPKA P., LARSEN F. (2017), *Frontline delivery of welfare-to-work policies in Europe: Activating the unemployed*, Routledge, New York.
WILLIAMS A. M. (1984), *Southern Europe transformed: Political and economic change in Greece, Italy, Portugal and Spain*, Harper & Row, London.
WOOLDRIDGE J. M. (2013), *Introductory Econometrics: A modern approach*, South-Western, Cengage Learning, Mason.
YAFFEE R. (2003), *A Primer for Panel Data Analysis*, Connect: Information Technology at NYU, 1-14.

Initial submission: 14.08.2020
Revised submission: 12.10.2020
Final acceptance: 15.10.2020

Correspondence: Department of Economics and Law, University of Macerata, Via Armaroli 43, I-62100 Macerata, Italy.

Email: luca.salvati@unimc.it