

Welfare State Changes and Outcomes – The Cases of Portugal and Denmark from a Comparative Perspective

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Abstract

It is well known that welfare states ensure a certain level of social protection affecting levels of well-being and the extent of inequalities in society. Changes within crucial domains of social policy, such as education, health, or social protection, have, therefore, a major effect upon individuals' opportunities. In this article I compare the effects of these changes in two countries from the mid-1980s to the financial crisis of 2008. Portugal that was a latecomer in welfare state development and Denmark was at the forefront of de-commodification and universalization of social rights. The conclusion of this article is that income inequality has been steadily increasing in Danish society; while in Portugal, despite improvements in many social domains (healthcare, poverty alleviation, unemployment protection), problems of inequality remain deeply embedded in the country's social and institutional structures.

Keywords

Welfare state regimes; Welfare state outcomes; Inequality; Portugal; Denmark

Introduction

The welfare state is a social creation that must be seen as a historical construction, embedded in a specific socio-political, economic and ideological context (Hansen and Silva 2000; Arts and Gelissen 2002).

In this article, I compare two small, peripheral European countries, Denmark and Portugal. Through the use of statistical data and of literature reviews, this article aims to discuss the trajectories of the Danish and Portuguese welfare systems from the mid-1980s to the financial crisis emerging in 2008. The selection of Portugal and Denmark for this comparative analysis was based on the grounds that these countries have demonstrated different trajectories and levels of welfare development over time. I expect that the largely neglected

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comparison in welfare studies between Portugal and a social democratic regime such as Denmark may inspire new and critical analytical perspectives.

The article is divided into three main sections.

In the first section, I describe the central ideas of Esping-Andersen (1990) and of his critics. Following the assumptions underpinning the three welfare state regimes, Denmark is included in the social democratic regime, while Portugal's inclusion is questioned on the basis of the arguments of authors who claim that Portugal is an underdeveloped version of a corporative/conservative regime, and by others who consider it to be part of a fourth regime.

In the second section, I discuss the transformation of the Portuguese and Danish welfare systems from a two-fold perspective, combining the analysis of welfare spending on social protection, and the examination of its effects on society in key areas such as education, health and economic inequality. The comparison of the trajectory of these two countries is organized around two main themes: economy and employment, in which the dimensions of productivity and qualifications are emphasized; and economic inequality and poverty, in which the role of the family is also considered.

In the last part of the article, I argue that path-dependence theories are useful to understand the institutional stability of welfare systems (the influence of past events on the present), but, they may simultaneously distort and limit our cognitive capacities to understand the new paths of change and the social effects of that change. In this regard, I notice that, whilst levels of spending on social protection have increased in both countries in absolute and relative terms; economic inequalities have not been challenged. Despite the slight decrease in inequality over time in Portugal, this remains one of the most unequal countries in the EU and the Organisation for Economic Co-operation and Development (OECD) (Silva 2013). In Denmark, where the middle-class enjoy generous protection and the marginalized have been subject to increased obligations and reduced entitlements (Abrahamson 2010), there has been a considerable increase in levels of inequality and poverty, although Denmark remains one of the most egalitarian countries in the world.

This study does not intend to assess convergence between these two countries or the transformation of their welfare models into a new welfare state model, but simply to make a contribution to the debate on the transformation of welfare states from the perspective of their effects on society, namely on socio-economic inequality.

Regardless of all the socio-cultural and institutional differences between Portugal and Denmark, and between the history and principles that lie behind their welfare systems, I agree with Couch *et al.* (2011) that 'the great benefit of international comparison is that it allows the observer to step outside their own institutions and context, to compare with other countries and to look back at their own country from a new, foreign, perspective' (Couch *et al.* 2011: 1).

The Welfare State in Portugal and Denmark: Two Different Worlds

The concept of a 'welfare state' is a theoretical construct that is used for the measurement of the specific position of each country with regard to its capac-

ity to support the welfare of households and communities (Allen *et al.* 2004). Whilst the welfare states are a relatively recent invention of social societies, their importance is unquestionable and central to contemporary debates on inequality and poverty.

Silva (2013) claims that the welfare state is the product of the history of each country. That each country has implemented this system in its own way, with its human and financial resource shaped by a specific culture and set of customs, based on its system of government and political institutions (Silva 2013). Arts and Gelissen (2002) point out that the welfare state is the result of complex and successive steps of social and political engineering in the history of democratic industrial capitalist societies; this process being rooted in different traditions of political mobilization and political philosophy – conservatism, liberalism, socialism – which are linked to particular features of contemporary social policy and political economy (Arts and Gelissen 2002: 139–40). Thus various types of welfare state owe their origins to different historical forces and find explanation in a combination of different political, economic and ideological factors.

Considering this theoretical background, it is useful to point out that the creation of the welfare state in Denmark began after the Second World War, coinciding with the accession to power of the Social Democratic Party, and reached its zenith in the following decades. In Portugal, its construction was delayed until the mid-1970s, following the fall of the dictatorial regime known as the *Estado Novo* (1933–74). Studies carried out in the 1980s estimated that, in the mid-1970s, when the democratic revolution took place in Portugal, about 43 per cent of the total population lived in poverty (Estivill 2003).

Many other indicators of social and economic status characterize Portugal as one of the poorest countries in the EU at the beginning of the 1960s: the illiteracy rate was 40 per cent, the infant mortality rate was 78 deaths per 1,000 live births, the country was still very much agrarian, as industrialization was very limited, and Portuguese society remained very elitist and hierarchical (Hampson 1996). In Denmark, the values of participation, co-operative self-help, and relative equality emerged with the pioneering ideas of Grundtvig and his followers, who supported the ideological foundations of the settled social democratic consensus that continue to underpin and legitimate the Danish welfare state (Jenkins 2012). To promote economic and social equality, the emergence and development of this welfare system was based on a fundamental relationship between economic growth and distributional justice through income transfer (Palme 1999). This emerged not only from a process of economic development, but also from a process of political mobilization based on broad coalitions between political parties and social classes.

The Esping-Andersen Theory of Welfare State Regimes

The most usual way to compare different welfare systems has been the construction of typologies which try to differentiate and cluster countries according to specific criteria. Several authors have theorized the variations in

social provision across countries by constructing models of social policy and welfare state typologies (Esping-Andersen 1990; Castles and Mitchell 1993; Ferrera 1996).

One of the most influential contributions to comparative welfare state analysis was elaborated by Esping-Andersen (1990). Using statistical data from the 1980s, Esping-Andersen (1990) developed a comparative empirical study of 18 OECD countries (five of which are non-European, with Italy being the only southern European country represented), proposing a classification into three types of welfare regime: Liberal, Conservative Corporatist and Social Democratic. Two main dimensions underpinning his typology are as follows: variations in de-commodification, which refers to the ability to enjoy an acceptable standard of living independently of market participation and, therefore, without reliance on income earned in the market sphere; and, second, the type of stratification created by social policies. Even the ideologies that inspired the creation of the welfare states, as well as the relationships between the state and market in social provision were analyzed. The role of reciprocity or the mutual help provided by family and friends was disregarded by this study (Silva 2002). Using these dimensions, and a main analytical focus on the three most important cash benefit programmes (pensions, sickness and unemployment), Esping-Andersen constructs three types: the liberal regime, the conservative corporatist regime and the social democratic regime.

1. the social democratic regime, with higher levels of de-commodification in access to social resources, is characterized by well-funded public welfare benefits and services that are universal and financed by taxes;
2. the liberal regime is characterized by reliance on the market showing the lowest level of de-commodification. It is also shaped by fragmented forms of social protection, and by moderate economic transfers, and is restricted to individuals with greater and means-tested needs;
3. the conservative corporatist regime is identified as the intermediate level of de-commodification, in which the level of social protection is based essentially on the history of paid contributions (see Arcanjo 2011; Arts and Gelissen 2002; Silva 2002).

This 'three worlds of welfare state' typology opened a new field for debate around the statistical data and methods used in processes of classification of the different country groups; the representativeness of each welfare state system in the welfare state regimes model, and the differences between the 'real' and the 'ideal' worlds of welfare state. On this matter, Palier and Martin (2007) argue that 'instead of trying to read Esping-Andersen's typology as a description of 'real worlds' of welfare capitalism, it is useful to conceptualize it as isolating ideal-types, differentiated both in terms of policy goals (logic of conception) and policy instruments ('ways of doing', institutions) (Palier and Martin 2007: 536). An example of normative/ideational elements presented by the authors are equality as the central element of the Nordic welfare regime, security as the main aim of the corporative welfare systems, and poverty alleviation in the case of the liberal countries.

The Mediterranean Welfare Regime

The Mediterranean countries, especially Spain, Portugal and Greece, remained out of the scope of Esping-Andersen's typology of welfare models. This omission led in the 1990s to an intense debate around the need to create a fourth welfare state regime beyond the original 'three worlds of welfare'. This debate opposed two different positions.

On the one hand, those who advocate that the Mediterranean countries (Greece, Portugal, Spain, Italy) constitute an underdeveloped version of the continental/corporatist countries (France, Germany, Belgium, the Netherlands), owing to the permanence of dictatorial regimes until the mid-1970s. According to these authors (Esping-Andersen 1990; Powell and Barrientos 2004), these two groups of countries share the same organizational, institutional and ideological features, in particular the role of the family and of non-profit associations in de-commodification of social welfare and dichotomies in access to social rights in accordance with the occupational status of workers (Andreotti *et al.* 2001). The main difference between these two groups of countries is more a difference of degree rather than a difference in kind, since it is mostly related to the total expenditure on social policies.

On the other hand, there are those who believe that more differences than similarities exist between the southern and the continental welfare state systems, so that they should not be considered a subgroup of the continental regime but a separate regime. The authors, who claim the existence of a distinct southern European type of welfare provision (Andreotti *et al.* 2001; Moreno *et al.* 2003; Allen *et al.* 2004; Ferrera 1996; Silva 2002), recommend a historical-institutional approach to a better understanding of the specificities of the southern (or Latin Rim) model of social policy.

One of these authors is Ferrera (1996), who develops a cross-national comparison between European countries to identify the four main distinctive elements of the southern welfare states. An initial element emphasized by Ferrera is the dualistic nature of the welfare system, characterized by peaks of generosity for some groups and residual social protection for others (e.g. those outside the social insurance schemes). On this issue, statistical data is presented to show the polarized structure of the system. For example, a comparison between the levels of benefit received at the age of retirement by a typical wage earner, who has had a full career in the institutional labour market, and those who have not, and had to rely on a minimum retirement benefit, shows that the southern countries display, by far, the highest differences between the two indicators. A second element was the departure from institutional corporatism in the field of healthcare and the (partial) establishment of national health services, based on universalistic principles (Ferrera 1996). This issue is updated in this article through the use of statistical data on life expectancy, social expenditure on health, or the infant mortality rate. The third and fourth elements highlighted by the author are the existence of a low degree of state penetration of the welfare state and the persistence of clientelism for the selective distribution of cash subsidies (for more details, see Ferrera 1996); explained by the resilience of corporatist traditions, the influence of a strong

Catholic Church, the segmentation of the labour market and of a family-centred social fabric (Ferrera 1996: 30).

Almost a decade later, the work of García and Karakatsanis (2006) identifies similar key characteristics that continue to shape social welfare in southern Europe: the existence of severe labour market rigidities and segmentation; an extraordinary level of fragmentation of welfare provision structured largely along occupational lines and employment status; the persistence of patron-clientelism not only in politics, but in the structure of social services, and the prevalence of familism or family welfare provision as a way of compensating for the widespread inadequacies of southern European welfare systems (García and Karakatsanis 2006: 92).

The recent work of Arcanjo (2011) has brought a new perspective on the welfare state regimes debate. Considering the reforms that have been introduced since the beginning of the 1990s in social provision in almost all European countries (that is, in eligibility, entitlement, benefit structures, sources of financing), she formulates the hypothesis that these changes may have brought about a repositioning of some countries in the empirically identified welfare clusters. To test this assumption, she uses four quantitative indicators – social effort, contribution dominance, transfer efforts and service efforts – which are calculated for ten European countries (representative of different regimes) in 1990 and 2006. Among other results Arcanjo argues that Portugal, as the result of the reforms developed between 1990 and 2006, changed its previous position in the fields of healthcare, unemployment, financing and old-age pensions (Arcanjo 2011).

Similar conclusions were more recently obtained by Ozkan (2014) using data from occupational welfare programmes and welfare state programmes for unemployment protection (Ozkan 2014). Ozkan contends that the southern European countries (especially Spain, Portugal and, to some extent, Italy) are comparable in strength to Continental-corporatist countries.

The Scandinavian Model of Welfare

There is a widespread agreement that the Scandinavian welfare states have changed during the 1990s, but there is no consensus upon what type of changes have occurred, and what they represent.

On the one hand, many observers have focused more on the resilience of these welfare states in the face of neo-liberal attacks, emphasizing their ability to adapt and respond to new socio-economic conditions. Their relative permanence over time has been explained by the effect of 'institutional inertia' and of 'path dependency' – or the legacy of the past, in political, ideological and institutional terms (Arts and Gelissen 2002) that tend to reduce adjustment processes and to slow down changes (Mingione 2004; Moreno *et al.* 2003; Andreotti *et al.* 2001; Silva 2002, 2013).

Other authors have emphasized and criticized the processes of change in the Scandinavian welfare states as the result of structural constraints and the diffusion of neo-liberal ideas. Abrahamson (2010) observes that in all the four Scandinavian countries, access to social insurance benefits has been restricted and there has been a trend toward more private insurance and labour market-

negotiated schemes regarding pensions and additional health insurance. 'Elements of individualization, decentralization, more reliance on family and kin, and market solutions are pushing Scandinavia closer to principles governing the other European Union welfare models' (Abrahamson 2010: 81). Christensen (2005) also argues that there has been 'a movement from a universal to a more insured-based welfare model; or from a Scandinavian model to a more continental model' (Christensen 2005: 5).

Considering the debate over the labour market and access to social benefits, Østergård (2011) points out that the so-called 'universal' Danish welfare system, should be called national since it is in reality only universal for the national citizens: 'Membership of the national insurance scheme is restricted to citizens and permanent residents' (Østergård 2011: 21) As this author explains:

the Danish system thus struggles with squaring the equation of either closed coffers and open borders or closed borders and open coffers. A successful solution has not yet been found but Denmark continues to face these challenges for a small open economy in a globalizing world. The unsolved problem is how to remain economically and culturally open and at the same time discriminate socially between citizens and non-citizens (Østergård 2011: 21)

The Welfare State in Portugal and Denmark: Changes Since the Mid-1980s

In recent decades a large body of literature has been devoted to the investigation of the nature and degree of welfare changes as the result of several internal and external challenges, including the processes of globalization, demographic ageing, slower economic growth, high and persistent unemployment, etc.

By using aggregate statistical data on several domains and literature review, in this section I try to provide, from a comparative perspective, insights into the changes that have taken place in Portugal and Denmark from the mid-1980s to the financial crisis of 2008. Whenever possible, a larger time-frame is used for the graphic representation of statistical data; the choice of this time period is justified by several facts. With accession to the EU in 1986, Portugal began to receive European funds and has been under the influence of rules and regulations that have shaped the implementation of structural reforms in key areas (Alves 2010). In Denmark over the past 30 years, there has been an ongoing debate around the 'retrenchment' of the welfare state (Andersen 2008), and the effects of its new policies on inequality, unemployment and poverty (Larsen 2005). Finally, because it is still difficult to estimate the impact of the current economic and financial crisis, a combination of high unemployment, budgetary constraints, and austerity measures has already begun to illustrate what its effects might be in a country such as Portugal.

Economy and employment

Gross domestic product (GDP) is one way to measure the size of an economy. It is defined as the value of all goods and services produced, less the value of

Table 1

Brief summary of the basic statistics of Portugal and Denmark

	Year	Denmark	Portugal
Area		43,094 km ²	92,072 km ²
Population	2010	5,547,683	10,637,346
GDP (M€)		239,245	170,928
Per capita income	1970	3,671	1,738
(real GDP per capita in PPS units)	2000	28,734	16,857

Source: Granados 2010.

any goods or services used in their creation. A comparison between GDP and per capita income in Portugal and Denmark, shows that, although the area and demographic size of Denmark is about half that of Portugal, levels of production are quite high, almost double that of Portuguese GDP (table 1). According to Østergård (2011), in 2008 Denmark was the 11th richest country in the world measured in purchasing power parity (which eliminate differences in price levels).

Statistical data confirms the higher levels of Danish productivity, namely when compared with Portugal and the average of the EU27. Whilst Portuguese productivity is about 35 per cent below the EU level, Denmark produces on average 15 per cent to 20 per cent more than the other EU27. The low Portuguese productivity levels should be explained by a history of relative delay in structural economic change, and by the predominance of labour-intensive industrial sectors dominated by unskilled labour (Capucha *et al.* 2005).

In general, Portugal and Denmark show quite different levels of educational attainment. Whilst in Portugal in 2010 only 32 per cent of the population aged between 25 and 64 years old completed secondary school, in Denmark the value goes up to 77.5 per cent. In 2010, Portugal remained the EU27 country with the highest percentage of working age population with only primary education, and had the lowest proportion of population between 30 and 34 years old with a university degree of all the EU countries.

Denmark began very early to enforce high levels of compulsory schooling, whilst in Portugal the right to universal education was postponed: in 1938, Denmark had seven years of compulsory schooling, while Portugal only had three years (Murtin and Viarengo 2011). With a dictatorial regime lasting until the mid-1970s, the situation did not change significantly. Most of the children of poor families were able to attend school only for four years. As a consequence, in the 1960s more than 30 per cent of the total population – mostly women – were illiterate, and less than 1 per cent of the population reached high school and 0.8 per cent university (Capucha *et al.* 2005). Recently, the number of years of compulsory schooling in Portugal has increased from nine to 12.

In Portugal, the system of university education is not free, and following high school many students (even the good ones) are not able to continue their studies for economic reasons. In Denmark, the system ensures economic support to all university students: 'Students after high school receive a very generous student's allowance (8050 euros annually by 2008), regardless of parents' income. Those (very few) who live with their parents receive about one half of this amount' (Andersen and Carstensen 2009: 76).

The Portuguese situation is also very critical where the school drop out rate is considered. Along with Malta, Romania and Spain, Portugal was among the European countries with the highest school drop out rate during the period from 2004 to 2009 (Andrei *et al.* 2011). According to these authors, the implementation of programmes to reduce early school drop out has nevertheless been responsible for a decrease of that rate from 40 per cent in 2004 to less than 32 per cent in 2009 (Andrei *et al.* 2011: 330). By contrast, the drop out rates are very low in Denmark and in general in the Nordic countries (around 10 per cent). The three main factors identified to explain the different levels of school drop out are: the average number of students per teacher, the proportion of spending on education, and unemployment levels, since they affect the economic conditions of the family (Andrei *et al.* 2011).

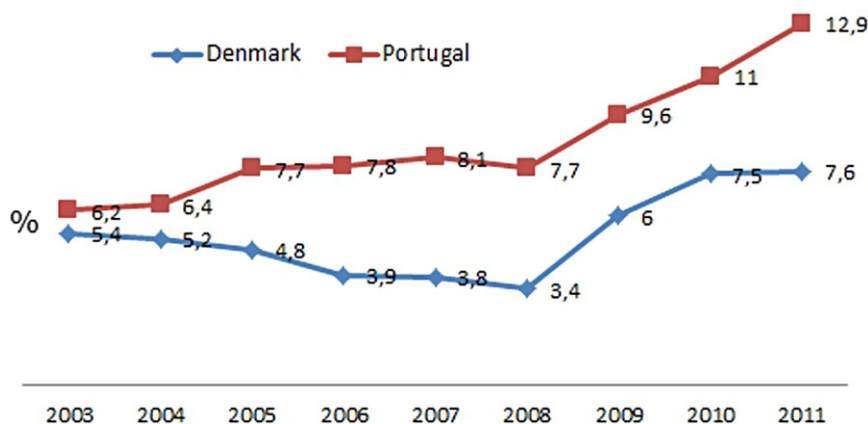
The Danish process of industrialization and urbanization began in the early 19th century but according to Riskjær and Nielsen (1987), this did not take place at the expense of agriculture and rural life. On the contrary, as a result of measures developed by peasants, agriculture was also industrialized to a large degree prior to or simultaneous with the rise of urban industry. The latter half of the 19th century was dominated by the peasants' struggle for political and human rights (Riskjær and Nielsen 1987).

Until the 1960s, Portugal was essentially an agricultural country. The primary sector was the predominant economic sector: almost half of its active population worked in the primary sector (44 per cent), while the secondary sector employed 29 per cent and the tertiary 27 per cent (Capucha *et al.* 2005). By that time, job opportunities in the secondary and tertiary sectors were very limited, which explains why in the 1970s Portugal presented one of the lowest levels of urbanization in Western Europe. At that time, only 27 per cent of Portugal's population lived in urban areas. With the democratic revolution of 1974, a rapid urbanization process took place with the creation of new jobs in the cities, creating a shift in the structure of production from the primary to the tertiary sector (with dominance of services, retailing, and community services). The secondary sector has never reached a leading position in Portugal.

In the mid-1980s, several factors contributed to the economic development of Portugal: at the national level, greater political stability, and at the international level, a favourable economic environment owing to the decrease of oil prices and other raw materials. Integration into the EU economic union brought not only the elimination of barriers to trade, but also the funds that enabled it to launch numerous infrastructure investment projects (educational and health facilities, highways, etc.). With the economic recovery, unemployment fell from 8.4 per cent, in 1986 to 4.7 per cent in 1990, and the development of the labour market led to an increase in real wages, and an improvement of the purchasing power of households.

Figure 1

Total of unemployment rate aged 15–74



Source: FFMS 2012, based on Eurostat.

Whilst at the beginning of the 1990s, Portugal had one of the lowest unemployment rates in the EU (equivalent to 3.9 per cent in 1991), a significant proportion of the population remained poor, which was partially explained by the precariousness of the labour market. After 2008, the unemployment rate has increased steadily from 9.6 per cent in 2009 to 11 per cent in 2010 and to 12.9 per cent in 2011 (figure 1). In around 20 years, Portugal went from having the lowest unemployment rate in the EU to the highest. From 2000 to 2010, the unemployment rate more than doubled. In 2011, the annual average unemployment rate was 12.9 per cent and the unemployed population was around 706,000. Youth unemployment peaked at 35.4 per cent and long-term unemployment also increased to 7.4 per cent.

In regard to the system of social protection in Portugal, it is important to emphasize that a large percentage of unemployed people are not entitled to unemployment benefits, since to qualify workers are required to have a record of being employed prior to becoming unemployed, which excludes first-time job seekers, previously self-employed workers, and women returners (Tavora 2012). For those who are entitled to unemployment benefit, the replacement rate is fixed at 65 per cent of the previous salary, which determines modest benefits for those who had low wages or irregular participation in the labour market (Alves 2012).

Following the oil crises of 1973–74, Denmark was hit by mass unemployment. In 1982, its inflation rate was close to 10 per cent, and state deficits reached 10 per cent of GDP. In 1993, unemployment rose to 12.4 per cent. The economic recovery began in 1999 and continued until 2007: unemployment declined to 5.7 per cent in 1999, and to below 4 per cent in 2007 (Andersen 2008). Policymakers and scholars explain the ‘job miracle’ on the

Danish labour market by recourse to the so-called 'flexicurity' model. The model combines a high degree of flexibility in hiring/firing, with security (a generous and tight security net for unemployed workers), and an active labour market policy (in which unemployment support is combined with active labour market provision, such as skills or vocational training). Although other countries, such as Portugal, have tried to introduce the same model, Denmark has been at the forefront in terms of the comprehensiveness of active employment policies.

It is nevertheless important to mention that, during the 1990s, Denmark also restricted access to unemployment benefits: 'Denmark moved from having the most easily accessible unemployment benefit system in Europe to making the same demands for eligibility as, for example the U.K. and Germany . . .' (Larsen 2005: 140). According to Andersen and Carstensen (2009), since the 1990s 'the labour market policies have undergone an altogether dramatic change, from a citizenship approach with emphasis on maintaining the unemployed in the unemployment benefit system and avoiding any sort of differential treatment, to a strategy based on active labour market policy' (Andersen and Carstensen 2009). The duties of the unemployed have increased significantly and the duration and compensation rates have been cut; 'a strong emphasis on security has been replaced by an emphasis on inclusion through work' (Andersen 2008: 41).

Economic inequalities

The existence of different levels of inequality is a result of unequal economic development between countries, but it is also the result of general values and attitudes toward inequality and poverty, which tend to be embedded in social and political practices.

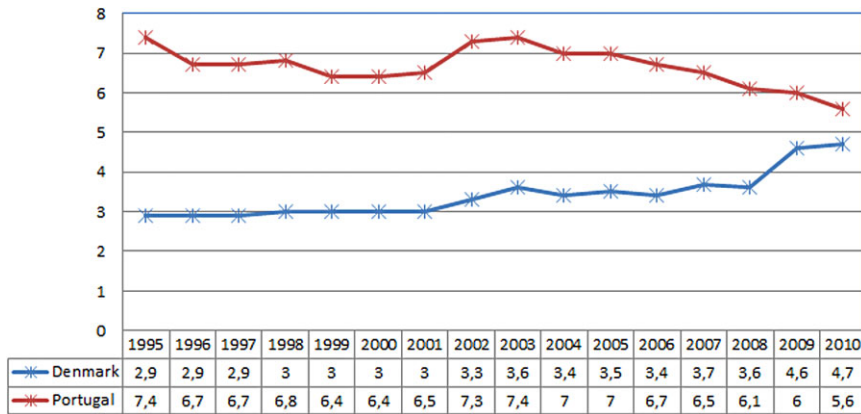
The analysis of standard indicators of income inequality (Gini coefficient and the quintile ratio $S80/S20$), and of poverty risk in Portugal and Denmark, shows the effects of changes in redistributive and welfare measures on levels of inequality and poverty in these countries.

A normal procedure for measuring the level of inequality in a society is to rank households in terms of income received, and then divide the top 20 per cent of the population by the 20 per cent of the population with the lowest income. The ratio of total income received by the 20 per cent of the population with the highest income (top quintile) to that received by the 20 per cent of the population with the lowest income (lowest quintile), shows the inequalities in the population's earnings. Figure 2 shows the evolution of this ratio in Portugal and Denmark from 1995 to 2010.¹

The results show that Danish inequality has been steadily increasing, from 2.9 in 1995 to 4.7 in 2010, but that it is much lower than that registered in Portugal. In Portugal, the $S80/S20$ ratio was equivalent to 7.4 in 1995, which means that the 20 per cent of the population with the highest income received around seven times as much income as the 20 per cent of the population with the lowest income. The value has not changed much over the past decade (to 5.6 in 2010), which shows that inequality has been little influenced by both the social protection system and the taxation system. According to Ferreira (2008),

Figure 2

Inequality of income distribution (S80/S20)



Source: FFMS 2012, based on Eurostat.

several reasons explain the fact that Portugal's inequality is among the highest in the EU: the significance of the shadow economy, significant differences between the pension system and other benefits, and a clientelist model that leads to inequities.

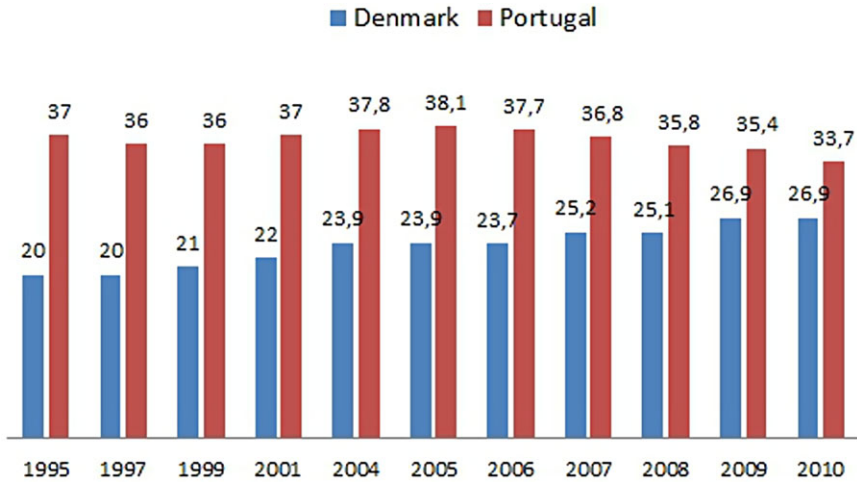
Figure 3 represents the evolution of the Gini Index, which is one of the most established and well-known measures of income inequality.² The evolution of this Index over time shows that, while Portuguese inequality has been steadily decreasing, Danish inequality has increased over time, which has been explained by changes in public policies in areas such as taxation, the labour market, transfer payments, and pension systems. Kammer *et al.* (2012) emphasize decisions at the level of social programmes such as the size and target of the programmes, or eligibility and other rules for benefits.

Reflection on the issue of income inequality brings us to the issue of poverty. Even if the concept of poverty can be used in a very wide and multidimensional way, for example to refer to the condition of social, institutional and political dis-empowerment with respect to relevant spheres of life (Alves 2010), in this article it is used in economic terms. It is defined as the percentage of the population whose income is below the annually calculated national poverty thresholds (60 per cent of current median income).

In this respect, it is important to note that the poverty rate in Denmark is quite high before state intervention, but after taxes and transfers it is reduced to around 10 per cent (figure 4). In the case of Portugal, the rate of poverty is much higher, both before and after taxes and transfers (figure 5). It is nevertheless important to note that in spite of increasing inequalities created by the market, the regulatory role of the state has shown positive signs of reducing poverty. Nevertheless, Portugal (like the Mediterranean countries and Baltic States) shows the highest poverty rate in the EU (Lelkes and Gasior 2011).

Figure 3

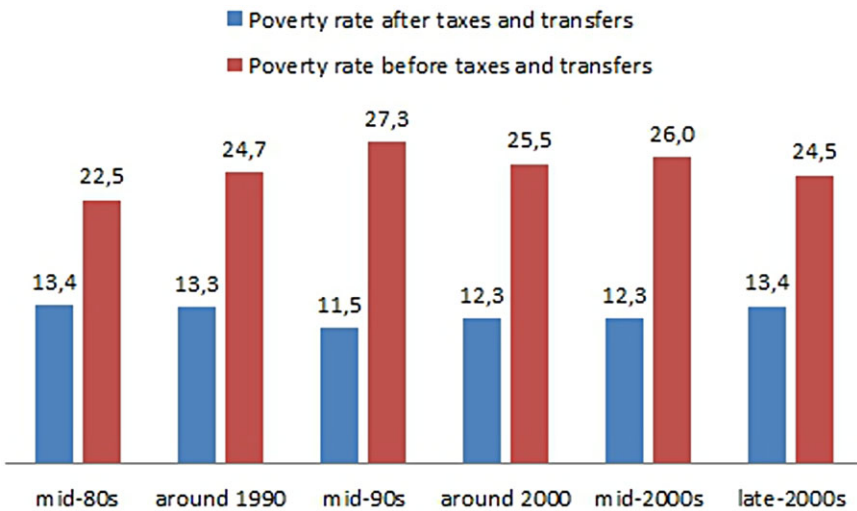
Gini Index (%)



Source: FFMS 2012, based on Eurostat.

Figure 4

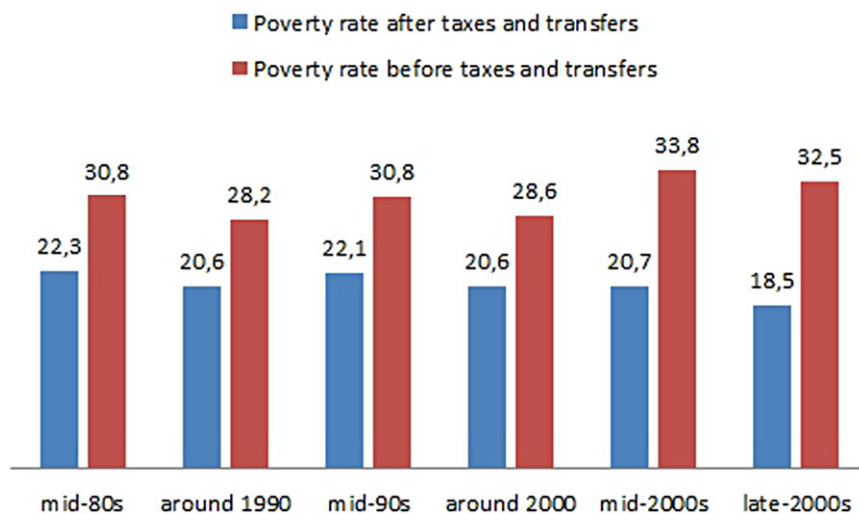
Poverty rate before and after taxes and transfers in Denmark



Source: OECD 2014.

Figure 5

Poverty rate before and after taxes and transfers in Portugal



Source: OECD 2014.

Table 2

Total social expenditure as a share of GDP 1980–2005

	1980	1985	1990	1995	2000	2005
Scandinavia						
Denmark	24.8	23.2	25.1	28.9	25.8	27.1
Finland	18	22.5	24.2	30.9	24.3	26.1
Norway	16.9	17.8	22.3	23.3	21.3	21.6
Sweden	27.1	29.4	30.2	32.1	28.5	29.4
Southern Europe						
Greece	10.2	16	16.5	17.3	19.2	20.5
Italy	18	20.8	20	19.9	23.2	25
Portugal	10.2	10.4	12.9	17	19.6	23.1
Spain	15.6	17.8	19.9	21.4	20.3	21.2

Source: Abrahamson 2010.

Tables 2 and 3 show the aggregate levels of spending by the Portuguese and Danish governments in absolute and relative terms (percentage of GDP).

Social protection expenditure as a percentage of GDP has increased rapidly in Portugal. In 1980, Portugal had one of the lowest expenditure levels in per cent of GDP in the EU, but since then it has witnessed a rapid growth of social

Table 3

Total social expenditure per capita at constant PPU US\$ 1980–2005

	1980	1985	1990	1995	2000	2005
Scandinavia						
Denmark	4.685	5.040	5.817	7.381	7.431	8.176
Finland	3.060	4.256	5.296	6.362	6.237	7.476
Norway	3.624	4.428	5.924	7.226	7.683	8.468
Sweden	5.202	6.269	7.114	7.510	7.913	9.094
Southern Europe						
Greece	1.553	2.369	2.538	2.763	3.523	4.600
Italy	3.124	3.919	4.375	4.637	5.948	6.477
Portugal	988	1.026	1.693	2.419	3.343	3.974
Spain	2.011	2.407	3.327	3.811	4.326	4.928

Source: Abrahamson 2010.

expenditures. Whilst like other southern countries, Portugal has caught up with the EU average in terms of relative values of social spending, in absolute terms, it spends much less on welfare policies than the average EU country.

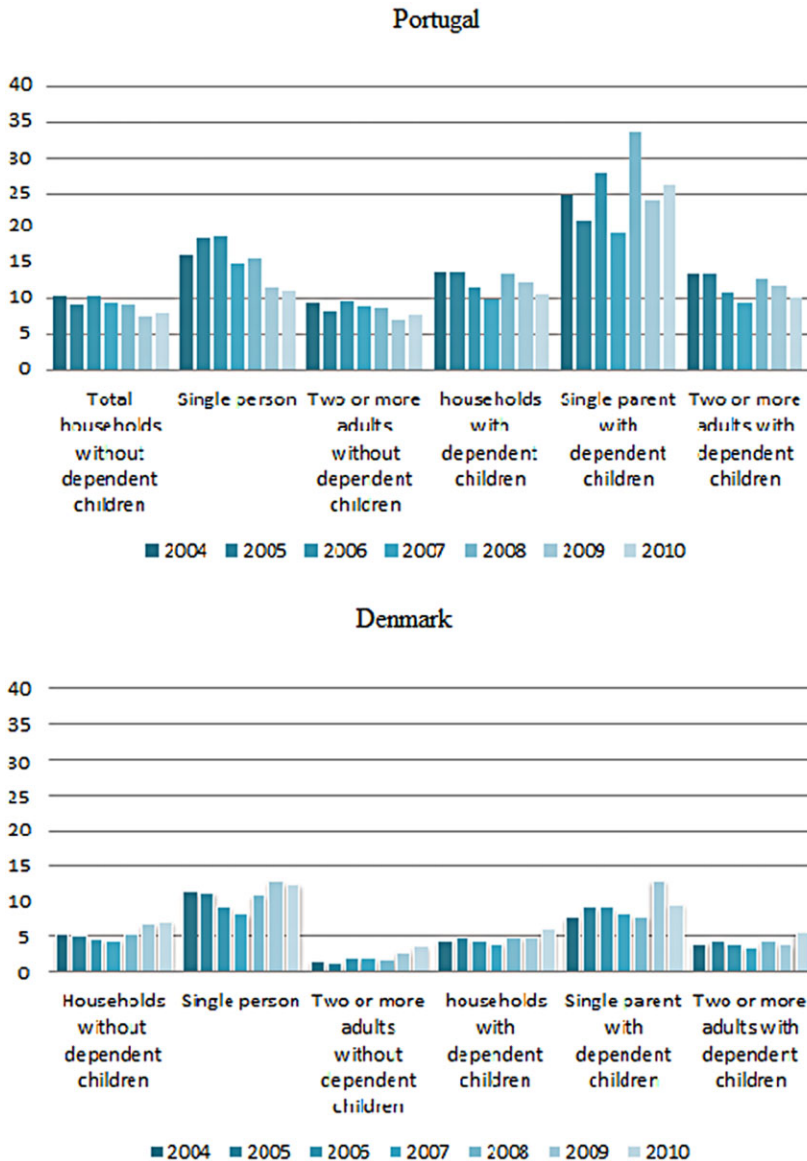
Figures on public expenditure in Denmark show that spending on social protection – in both relative and absolute terms – reveals no signs of cutback. The Scandinavian countries more than doubled their social policy effort from 1980 to 2005 in absolute terms, but, as Abrahamson points out, this general indicator may mask a different distributional profile of benefits and an increase in risks and coverage (Abrahamson 2010: 67). On this issue, Abrahamson (1999) emphasizes that the magnitude of welfare spending is not significantly bigger in Scandinavia compared to the other continental European countries, but the structure of spending is different (Abrahamson 1999: 59). By contrast, in Portugal the welfare system unevenly covers the various social groups (figure 6), leaving some less protected or completely unprotected (Capucha 2005).

Only in the second half of the 1990s was a new generation of social assistance schemes and benefits introduced in Portugal to fill the coverage gaps and to establish a minimum guarantee safety net (Ferrera 2005). Among them, minimum income protection was introduced (in 1997) to guarantee a minimum level of support when other incomes (from the market, from other cash benefits, or other family members) are insufficient (Ferreira 2008). To Saraceno (2002), the introduction of this instrument constituted an important shift from a charity-based management of poverty, which mainly stresses the role of the family and the community, to an institutional form of regulation.

Inequalities in social protection exist not only between different social groups, but also between different domains of social protection. In this regard, it is important to emphasize the improved response achieved in the field of health. Figure 7 shows the trends in social expenditure on health between 1980

Figure 6

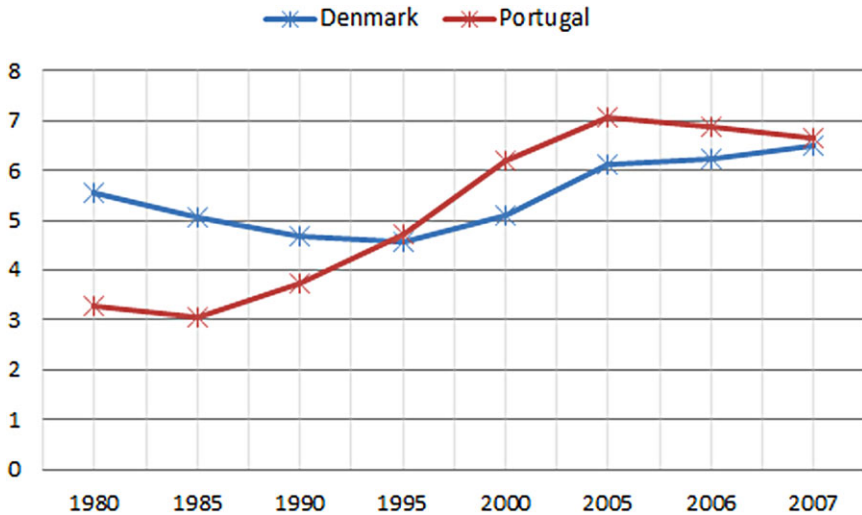
At risk of poverty after social transfers: employed population by household type in Portugal and Denmark



Source: FFMS 2012, based on Eurostat, European Statistics on Income and Living Conditions (EU-SILC).

Figure 7

Social expenditure on health as a percentage of GDP



Source: OECD 2014.

Table 4

Life expectancy at birth (years)

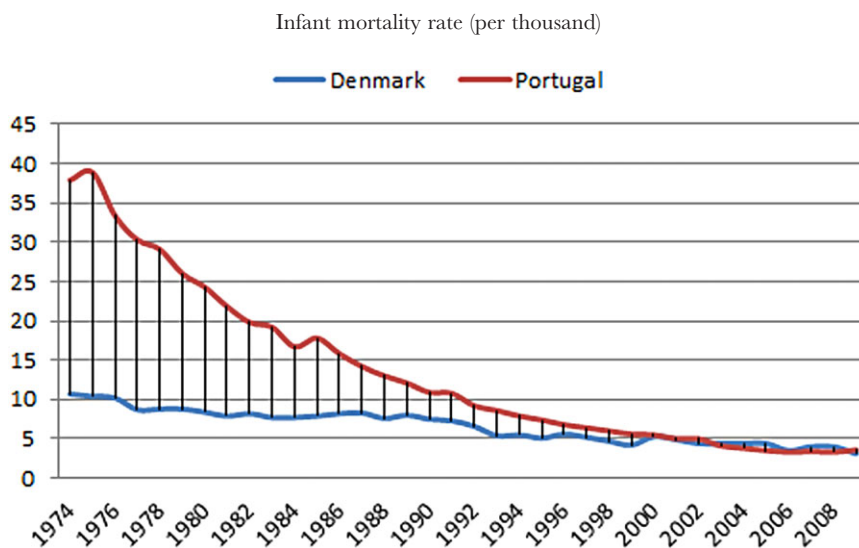
	Denmark	Portugal
1950	70.3	58.5
1970	73.4	67.2
1990	74.9	74.3
2000	76.9	76.8
2011	79.9	80.9

Source: European Commission 2011.

and 2007 in Portugal and Denmark, respectively. It shows that healthcare expenditure has been growing rapidly in Portugal since the National Health System was introduced in the late 1970s, while in Denmark healthcare expenditures have been controlled, namely until the mid-2000s. In both countries, public financial efforts have wrought positive effects on the infant mortality rate (figure 8) and life expectancy at birth (table 4).

It is nevertheless important to highlight the differences between the two systems. With the exception of dental care, healthcare in Denmark has

Figure 8



Source: FFMS 2012, based on Eurostat.

remained free of charge, and since 2002 patients have been granted the right to choose treatment wherever they seek it in the public system, and the right to be treated at a private hospital if treatment cannot be provided within two months; and, from 2007, one month (Andersen 2008: 50). In Portugal, the health system is still characterized by long waiting lists (for surgery, family doctor) and fees that limit access to healthcare.

Family

Several studies have shown that social networks have been diminishing in importance both in terms of extent and intensity, even when other spheres of socio-economic integration are not offering opportunities, and in contexts where strong forms of solidarity and self-help tend to exist (Murie and Musterd 2004). The thesis that weak welfare state provision is compensated by a strong welfare society, which provides support through informal networks of mutual acknowledgement, has not been confirmed (Alves 2008; Wall *et al.* 2001). Conversely, it has been observed that 'welfare provision stemming from informal relationships reinforces existing social inequalities rather than compensating for them' (Wall *et al.* 2001: 213).

On this issue, Wall *et al.* (2001), who analyzed the informal support networks in Portugal, conclude that extended kinship does not play a significant role in support networks, as assistance flows mainly from parents; and informal support networks are unevenly distributed across the social structure. Needy families with low educational levels and a less favourable class position

have the lowest levels of support; while wealthier classes benefit from more diversified, sustained and higher volumes of support over time (Wall *et al.* 2001: 230).

In addition, actual practices concerning marriage, divorce and children have made socio-economic integration more difficult (Mingione and Oberti 2003). According to Abrahamson *et al.* (2005: 206), the most common type of households in Denmark currently consists of one person, and somewhere between 13 per cent and 20 per cent of families with children are now single-parent families. The crude marriage rate fell sharply and births out of wedlock went up: in Portugal from 7.3 per cent in 1970 to 22.2 per cent in 2000 and 41.3 per cent in 2010 (Torres *et al.* 2013: 537), and in Denmark from 10 per cent in the 1970s to half of all births in 2005 (Abrahamson *et al.* 2005: 208). Besides, Portugal is one of the European countries with the most divorces per 100 marriages, and the rate has been increasing (in 2011 there were 74 divorces for every 100 marriages, twice as many as ten years before).

Final Remarks

The most commonly used method in the description of social structure is the use of models or 'ideal types'. A model is a way of describing a set of features in simplified terms to which the reality can be compared. Considering the position of the Danish and Portuguese welfare states in the models created by Esping-Andersen (1990) and his critics (Ferrera 1996; Moreno *et al.* 2003), this article participates in the theoretical debate about the grouping of European countries. Considering this debate, the consensus was emphasized regarding the inclusion of Denmark in the social democratic regime. Meanwhile, Portugal's inclusion was questioned in the light of results that have been presented by authors who claim that Portugal is an underdeveloped version of a corporative/conservative regime, and by those who believe that it belongs to a fourth regime. The lack of agreement when it comes to classifying the Portuguese welfare state was explained by two main factors. The first reason was that the recent and substantial development of the welfare state in Portugal from the mid-1980s until 2008 was characterized by an uneven pattern in the quality of social protection across programme areas and social groups. For example, whereas healthcare has been relatively well developed over this period, unemployment protection, social assistance and other types of minimum income benefits are often under-developed. The second reason for the lack of agreement between authors was the use of different methodological approaches in terms of domains, social groups, data sources, indicators or cut-off points.

A combination of political, economic and institutional factors was presented to explain different starting points and trajectories of the welfare state in Portugal and Denmark. The modern foundation of today's Danish welfare state was created during a golden age of high growth and low unemployment that began in the late 1950s: a long uninterrupted boom and rapidly improving health provided the material circumstances to support this construct (Nannestad and Green 2008: 33). While the creation of the welfare state in Portugal occurred after the oil crises of 1973–74, that is, during the 1980s and 1990s when neo-liberal ideas were implemented worldwide (Silva 2013: 25).

The Nordic countries have definitely not been immune to this trend and to the challenges derived from globalization and demographic change. On the one hand, related to the international mobility of tax base, labour and jobs; on the other, to ageing populations and a growing trend towards individualization (Jørgensen and Ærø 2008: 24).

In what is related to Portugal, I claim in this article that during the period of analysis, Portugal has demonstrated gradual convergence in many social and economic domains such as productivity, health, life expectancy and educational attainment. In fact the comparative analysis of socio-economic variables – life expectancy, educational attainment, poverty rates before and after tax transfers – showed the convergence of Portugal in key areas of social protection, that is, healthcare, poverty alleviation, unemployment protection. But it also showed that economic inequalities have not been challenged. Despite the slight decrease in inequality over time in Portugal, this remains one of the most unequal countries in the EU and the OECD (Silva 2013).

The increase in income inequality and poverty rates in Denmark seems to deny that, by making only marginal modifications, the Danish welfare system has shown resilience through the crisis. The changes seem to be significant; as Greve (2000) points out the Danish welfare system seems to be towards conditional, means-tested benefits (Greve 2000: 46). Andersen and Winther (2010) notice that the systematic reduction of access to passive welfare benefits and the reduction of the size of public benefits has led to a marked increase in the number of poor people, which have particularly affected those with an immigrant background (Andersen and Winther 2010: 697). The statistical data presented in this article corroborates these findings. It is nevertheless important to note that, when compared with other countries, Denmark continues to show one of the lowest levels of poverty, and one of the highest levels of universality of state benefits for sickness, unemployment and retirement (Andersen 2008).

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Notes

1. The disposable household income includes: all income from work (employee wages and self-employment earnings); private income from investment and property; transfers between households, and all social transfers received in cash, including old-age pensions.
2. The Gini Index varies from 0 to 1, with 0 indicating perfect equality. Where there is proportional distribution of income; a 1 indicates perfect inequality, where one household has all the income and the others none.

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