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EFFECTS OF THE 2008/2009 GLOBAL CRISIS ON SOCIAL  
EXPENDITURES IN WELFARE STATES

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## **ABSTRACT**

### **EFFECTS OF THE 2008/2009 GLOBAL CRISIS ON SOCIAL EXPENDITURES IN WELFARE STATES**

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Especially after the 1980s with the fall of the Berlin Wall, the collapse of the Soviet Union, the dissolution of the Eastern Bloc, the advancing technological developments, and the acceleration of the capital transition among the countries, the world has been globalized and thus, the financial management of the countries has been exposed to the effects of this globalized world because this process has triggered the passivity and the negative impacts of a crisis being experienced in any country. As a result of this trend, the regional crisis has transformed into a global crisis easily. Having intense negative effects on the markets, the crisis, which can spread like an epidemic disease has deteriorated the countries' financial situations, particularly by reducing the purchasing power of households. As the main purpose of the welfare state is to protect its citizen from economic hardness by using social expenditures, the government's financial burden has had an ascending trend due to the increase in the social spending during a crisis. So, it can be said that one of the major problems of the crisis-time governments is to raise the social spending to decrease the household financial burden. According to literature, while the expenditures for education, health, and social protection are the main sources of social expenditures, it is observed that most of the expenditures are concentrated on the social protection spending and particularly, there has been an increase in spending on the family and unemployment expenditures because of increased unemployment levels due to the crisis negative financial

circumstances. Although there are many regional and global crises in history, the 1929 crisis is defined as the most severe economic hardship because it caused detrimental damage to the household's economic situation. When the recent history is examined, the 2008/2009 global crisis can be seen as the most important economic event as it reminds the economic collapse of the 1929 crisis to the countries. Because of the mentioned fact, the economic effects of this crisis will be addressed in this study; especially a detailed explanation and insight on the effects of the 2008/2009 global crisis on social expenditures will be provided. Furthermore, the direction of these effects will be analyzed by the different years' figures of the selected welfare states, the Organization for Economic Co-operation and Development member states, and the European Union member countries in the pre-crisis period (2000-2007), during the crisis period (2008-2009), and the post-crisis period (2010-2016). Although there are many divisions of the welfare states, the study will examine the countries according to welfare states classification of Esping-Anderson (1990) because his separation is known as the main source in the literature. Moreover, the importance of the social policies during the crisis periods will be emphasized in this study. Thus, during the crisis, social expenditures are determined as the key policy tool used by the states, in order to eliminate the adverse consequences of the financial downturn. The timing and variety of the fiscal policies focused on social expenditures and applied during the crisis period are defined as the important factors for getting out of the crisis. Also, the study specifies that nearly all the states, whether classified in the same welfare states groups or not, decreased their general government expenditures during the crisis periods but they had to increase their social spending, especially the social protection expenditures. As for the common direction of these expenditures among the same groups of the welfare states, the examination does not specifically define a distinction among these welfare states groups, because every country in the same division was affected by the crisis at a different level depending on its fiscal space. However, increased social expenditures during the 2008/2009 global crisis period could not go back to the pre-crisis level in many countries.

Keywords: Welfare State, Social Expenditure, Social Policy, Economic Crisis, Financial Crisis

## ÖZET

### 2008/2009 KÜRESEL KRİZİNİN REFAH DEVLETLERİNDE SOSYAL HARCAMALAR ÜZERİNE ETKİSİ

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Özellikle 1980'lerden sonra Berlin Duvarı'nın yıkılışı, Sovyetler Birliği'nin çöküşü, Doğu Bloğunun dağılması, teknolojik gelişmelerin artması ve ülkeler arasında sermaye akışının hızlanması gibi sebeplerden dünya küreselleşti ve bu küreselleşme, herhangi bir ülkede yaşanan krizin olumsuz etkilerinin geçişkenliğini tetiklediği için ülkelerin finansal yönetimini etkiledi. Bu eğilimin bir sonucu olarak, bölgesel bir kriz kolayca küresel bir krize dönüşebildi. Piyasalar üzerinde yoğun negatif etkileri olan ve bir salgın hastalık gibi yayılabilen kriz özellikle hane halkının satın alma gücünü azaltarak ülkelerin finansal durumunu bozdu. Refah devletinin temel amacı vatandaşını sosyal harcamaları kullanarak ekonomik zorluklardan korumak olduğu için, ülkelerin mali yükü kriz sırasında sosyal harcamalardaki yükselişten dolayı arttı. Dolayısıyla, kriz zamanındaki hükümetlerin en büyük sorunlarından birisinin hane halkının mali yükünü azaltmak için sosyal harcamalarının artması olduğu söylenebilir. Literatüre göre eğitim, sağlık ve sosyal güvenlik harcamaları sosyal harcamaların ana başlıkları olarak bilinirken, bu dönemde harcamaların çoğunun sosyal güvenlik harcamalarına yoğunlaştığı görülür. Özellikle krizin olumsuz sonuçlarından kaynaklı artan işsizlik ile birlikte aile ve işsizlik yardımlarında artışlar olur. Tarihte birçok bölgesel ve küresel kriz olmasına rağmen, hane halkının ekonomik durumuna ciddi zarar verdiği için 1929 krizi en şiddetli ekonomik kriz olarak bilinir. Yakın tarih incelendiğinde 2008/2009 küresel krizi, ülkelere 1929 krizinin ekonomik çöküşünü hatırlattığı için en önemli ekonomik olay olarak görülür. Söz konusu görüş sebebiyle

bu çalışma 2008/2009 küresel krizinin etkilerini inceleyecek, özellikle krizin olumsuz sonuçları hakkında detaylı bir açıklama yapacaktır. Bu sonuçların yönü, seçilmiş refah devletlerinin; Ekonomik İşbirliği ve Kalkınma Teşkilatı ile Avrupa Birliği üye ülkelerinin farklı yıllardaki harcama rakamları ile kriz öncesi (2000-2007), kriz (2008-2009) ve kriz sonrası dönem (2010-2016) olarak analiz edilecektir. Refah devletlerine ait birçok sınıflandırma olmasına karşın literatürdeki ana çalışma olarak bilinen Esping-Anderson (1990) sınıflamasına göre refah devletleri incelenecek ayrıca sosyal politikaların kriz dönemindeki önemi üzerinde durulacaktır. Çalışma kriz sırasında yapılan sosyal harcamaları finansal krizin olumsuz sonuçlarını ortadan kaldırmak için devletler tarafından kullanılan kilit politika aracı olarak belirlemiştir. Sosyal harcamalara odaklanan ve kriz döneminde uygulanan maliye politikalarının zamanlaması ve çeşitliliği krizden kurtulmanın önemli bir faktörü olarak tanımlanmıştır. Sonuç olarak bu çalışma aynı refah devleti sınıflandırmasında olsun veya olmasın, neredeyse bütün devletlerin kriz dönemlerinde toplam devlet harcamalarını düşürmeleri ancak sosyal harcamalarını, özellikle de sosyal güvenlik harcamalarını arttırmaları gerektiğini belirlemiştir. Sosyal harcamaların aynı gruptaki refah devletleri arasında ortak uygulamasına gelince, aynı grupta yer alan her bir ülke krizden mali alanına bağlı olarak farklı düzeyde etkilendiği için refah devleti grupları arasında sosyal harcamalar açısından bir ayrıma rastlanmamıştır Bununla birlikte, 2008/2009 küresel krizi döneminde artan sosyal harcamalar birçok ülkede kriz öncesi seviyelerine geri çekilememiştir.

Anahtar Kelimeler: Refah Devleti, Sosyal Harcama, Sosyal Politika, Ekonomik Kriz, Finansal Kriz



*To my family*

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## LIST OF ABBREVIATIONS

COFOG	: Classification of the Functions of Government
EC	: European Commission
ESA	: European System of Accounts
ESSPROS	: European System of Integrated Social Protection Statistics
EU	: European Union
EUROSTAT	: Statistical Office of the European Unions
GDP	: Gross Domestic Product
GFS	: Government Financial Statistics
IMF	: International Monetary Fund
ILO	: International Labor Organization
NEC	: Not Elsewhere Classified
OECD	: The Organization for Economic Co-operation and Development
R&D	: Research and Development
SNA	: System of National Accounts
SOCX	: Social Expenditures Database
UK	: United Kingdom
USA	: The United States of America
USSR	: Former Union of Soviet Socialist Republics
UN	: United Nations
UNSTAT	: The United Nations Statistical Division
VAT	: Value-Added Tax
WESP	: World Economic Situation and Prospects
WHO	: The World Health Organization
¥	: Japanese Currency, Yen

## **CHAPTER 1**

### **WELFARE STATES: DEFINITION, THEIR RISE, DEVELOPMENT AND CLASSIFICATION**

#### **1.1. INTRODUCTION**

Broadly speaking, a country's economy consists of two sectors as private and public. Some goods, especially pure public goods, such as defense or domestic security are only provided by the government. On the other hand, some goods that are categorized as semi-public goods such as education and healthcare can be presented by both the private and public sectors. Because of the national sources are limited, the main functions of the government are to ensure allocation, stabilization, and distribution of these finite sources. At this point, the government should decide to what proportion of the public resources is allocated between the private and public sectors. So, the first function of the government is allocation, which refers to the determination of this proportion and distribution of the sources between the public and private sectors.

The second function of the government is stabilization. Countries may face economic fluctuations described as the booms or recession times. These cycles lead to an increase or decrease in the gross domestic product (GDP). The first one is desired and means to rising of the welfare, the last one is undesirable as it can be related to the high level of inflation or unemployment, which leads to a reduction in the public welfare. The government has the power to influence aggregate demand. With this power, it can eliminate the negative effects of the swings and so this action is called as the stabilization function.

The third function of government is the redistribution of income. The community is formed by people with different levels of purchasing power. Some people, having wealth or abundant possession, sustain prosperous lives, on the other hand, the rest may not maintain their needs, even the basic ones to survive. According to the distribution function of the government, a government should redistribute the public resources between the poor and rich, in a just and fair manner with respect to their financial situations through using some tools, such as taxes or public expenditures.

Besides three main governmental functions, the fundamental duty of the governments is to provide a more prosperous living for the happiness of their citizens. The definition of prosperous life can change from time to time or even from one country to another. Once, the wealthy living meant having some requirements, such as having water or sewerage infrastructure in a house, which can be seen as not so important today as these services are seen as the primary responsibilities of a government. Nowadays, prosperous living is related to many claims, for example, free access to health, education, transportation, or job opportunities. If the alteration of this definition and how it changed in time are scrutinized in this process, the most effective factors are determined as the fast-growing technology and the globalization of the world, which lead to the easy communication among the people in the world.

To understand prosperous or the concept of “wealthy life” firstly the definition of poverty should be known. Fundamentally, on a daily basis, the poverty is a conflict between the happiness and desired amount of money to encounter this level of happiness. As for the definition of prosperity, everyone has a different explanation, such as money, income, savings, investment, even friends or love (Willis & Garn, 2011, p. 7). So, some expenditures should be paid by the government to ensure the orders of the whole community as some groups of people have not enough source of meeting their needs.

In today’s world, in the public finance, the elimination of the poverty takes place the main duty of the governments, furthermore, the adequate welfare depends on more public expenditures and consequently, it also depends on more taxes, which are obtained from citizens. These actions are administrated by the financial management, which is defined as the effective and economic management of the funds and public resources so as to reach the objectives of the government, parallel to strategies of the government. Public expenditures arise from a need for living collectively. Its definition can be identified as narrow and broad manners. In a narrow manner, public expenditures are related to the public legal personality of the government. If the expenditures are realized by only this legal personality, it is called as the public expenditures as its narrow meaning but if these expenditures include expenditures of the government and other public institutions like social security payment or tax

exemptions, they are called as the broad basis of the public expenditures (Uyanık, 2018, p. 14).

Public expenditure tends to be an increasing trend and this trend has been described and scrutinized in many studies. While Wagner, a German scholar, explained the increased public expenditure as a need arising from economic development, Peacock and Wiseman explained this trend with the displacement effect. According to this hypothesis, the government expenditures tend to ascending trend with the social upheaval, such as wartime. After this upheaval, these expenditures never revert. Whenever the level of the public expenditure is scrutinized, the explanation of its trend does not change, so, the public expenditure increases over the years because of such reasons like increasing of the population, people's expectation from their governments for most comfortable life, technologic development, and the like. Furthermore, the unresolved needs of the citizens may pose a threat to society, for instance, all the children living in the same country should be vaccinated to make sure whole citizens are protected from illnesses and this cost should be taken over by the government. These expenditures are seen as a necessity for the government.

Fulfillment of these duties may be easy in the financial expansion and prosperity periods but it may be highly difficult during the financial construction. This contraction may be returned into a financial or economic crisis even global crisis. So, financial difficulties arising from this constriction can affect all the communities in the world like an infectious disease and this time the public expenditures, especially social expenditures tend to have a changing and increasing trend as the governments have to support some groups, who can be more influenced by the crisis, in accordance with their changing economic circumstances. These circumstances can create the same public finance problems and requirements of financial implementation among the countries.

If the relationship between the consequences of the downturns and its effects on the countries is scrutinized, firstly their financial powers, development levels, and approaches to welfare can be seen as guides for a study. To make a comparison between countries, the development levels of them are examined in a study and generally, GDP per capitals are taken into consideration because suddenly and unexpectedly economic changes may cause an uptrend or downtrend of the GDP per

capita in an economy. The capability of coping with these fluctuations is a very difficult task for the governments and it requires the ability of detection and intervention in advance, by using tools of monetary or fiscal policy.

Generally, at the beginning of an economic crisis, fiscal policy is preferred for the elimination of the difficulties, as the consequences of this policy are most quickly observed and it is known as more practical than the other one. At this stage, as a solution, the public expenditures are preferred for governmental intervention in the markets. Since the sensibility of a crisis is rather high for the poor, the governments generally prefer to increase social expenditures to back up these citizens. However, this intervention can be changeable from time to time, country to country, region to region, even among the different social expenditures. Sometimes governments can face various political constraints or pressures from some groups or limited budget possibilities, whilst they are willing to increase their social expenditure. The capability of coping with these pressures and the countries' fiscal space during the downturn are received as very important arbiters in the determination of the social expenditure level in a crisis period.

The importance of the social expenditure begins to be better understood in recent crises as this expenditure is very effective for the reduction of the negative consequences of the crisis and they have a potential for the recovery of the markets. From another perspective, these negative consequences of the crisis, especially increasing level of the unemployment rate and the more decreasing level of the citizens' income can lead to loss of votes. Furthermore, in the crisis periods, the governments probably have fewer budget incomes for the public expenditure as well a need arises for the austerity policies during this time. All the above-mentioned problems are seen as the sources of the vote loss for the governments. In terms of this point, the social expenditure can be determined as the most effective tool for winning or losing an election and have a potential of the public source abuse. Thus, when the direction of the social expenditure during a crisis is investigated, the expenditures especially related to unemployment and family benefits are thought to be on the rise during this process in order to decrease the financial burdens of the citizens. In addition, this approach can be seen in all the countries regardless of their development level or welfare state classification.

Because of the above-mentioned facts and the relationships between the social expenditures and crisis, the study will investigate the linkages during the period between 2000 and 2016 for determination of the 2008/2009 global crisis effects on social expenditure. The reason for the selection of this global crisis is that after the 1929 Great Depression, which was the biggest financial collapse ever faced, the 2008/2009 global crisis is widely accepted as the second huge downturn. According to financial tables of countries, during this crisis, implemented precautions and fiscal policy tools were required large amounts of funds and so, these funds caused another economic recession, arising from Europe and called as “European Debt Crisis” in 2010. In fact, the 2008/2009 global crisis can be seen as different from the crisis emerged in 1929, because the crisis experienced between 2008 and 2009 caused double crises, which followed one after another. While the government interventions in the market gave positive results and solved financial problems in the 1929 crisis, in the 2008/2009 global crisis, these interventions led to another crisis starting from Europe. Additionally, although there are many countries and different classifications of the welfare state in the world, the classification of Esping-Anderson (1990) will be taken into consideration in this study as the division is thought to be the main study and a source for other investigation of the welfare state classifications.

## **1.2. DEFINITION OF WELFARE STATES**

A definition may not mean the same sense for every human being. People may describe their expectations from their states in a different manner depending on several reasons, such as the development level and the district of their countries; their education level; the possibility of the reaching information that is out of their countries; the level of obtained national income or their traditional perceptions that may be various for people living in the same country, and the like. The governments have to develop sensible understandings and policies about their duties since they are obliged to serve the same opportunities to all people as a just manner. Although the people living in developed cities and those living in rural areas have different expectations from their government, the government should create common policies that meet these expectations. At this point, during this creation process, different understandings of welfare and welfare states can emerge.

Nowadays “social state” “welfare state” or “social welfare state” are known as the most used phrases in the public management and its finance and they are also used in the same meaning. Moreover, achieving them is seen as a desire and political aim for the governments and politicians. Because of this desire, many studies, which are executed in the different fields of the science, have searched the exact definition of the welfare state, and tried to uncover its direct or indirect governmental roles within a community. However, there is no common specification of what the welfare state is but it has been defined in various forms in the public finance literature. Moreover, the definition of the welfare state changes from a welfare states, which serve the minimum well-being standards, to another that serves a wide range of services such as education, housing, personal social services, and the like. Although it is defined as the different ways, the concept of the welfare state has a certain purpose. This purpose is to eliminate the social welfare level differences among the people living in the same country by taking social policy measures. Furthermore, the welfare state aims to protect individuals living with adverse economic and social conditions by applying various regulations and practices and again this protection is carried out through social policies (Özdemir, 2007, p. 21). So, it can be said that the approach seeing the active interventionist state into the social and related economic fields as a necessity in order to ensure social peace and justice of the community is described as the welfare state (Özbudun, 2014, p. 99). Also, the state can be called a welfare state that can present the basic needs of its citizens in time and equal manner according to their financial positions and requirements of the time. The welfare state aims a higher raise for their citizens’ prosperity conditions. To reach this point, it adopts regular and long-run policies and strategic plans that bring about being a welfare state. While the full definition of the welfare state can be fully seen in the developed countries, a different style or partial level of the welfare states can be seen in the other regions of the world according to their development and welfare understanding of these countries.

Fundamentally, the welfare state definition encounters three different items. The first one is state intervention in the market. At this point, the state should undertake some liabilities to ensure the financial and social protection of its citizens. The second one is a method for this intervention. This method can be unemployment or social protection measures. As for the third one, the level of the welfare state standards should be determined by the state, for instance, which level of the state interventions

are accepted or which services should be met by the government (Cousins, 2005, pp. 4-5). According to Soysal (1997, p. 229), a state is defined as classically and generally as a welfare state that considers its citizens' welfare and knows this projection as a task that provides a minimum living standard. In addition, the welfare state is a state that does not only provide the fundamental freedoms to individuals but also provides the services of the welfare conditions, which are accepted as its obligations.

As above-mentioned, many researches are executed for the definition and standards of the welfare and welfare state. One of these studies is executed by Beatrice Webb and William Beveridge. Working together, Webb and Beveridge introduced the Minority Report on the Poor Law (1909). In this report, it is determined the requirements of the government action for the welfare state and it was a comprehensive suggestion for the existing poor relief system (Ward, 2011, pp. 44-45).

After Minority Report on the Poor Law, William Beveridge introduced the "Beveridge Report" in 1942. This report identifies the minimum standards of the welfare state and it includes the establishment of a National Health Service with unpaid medical treatment and a national system of the benefits, which support the social security so that the population would be protected from the unexpected economic hardness. Beveridge recommended that the state should take the responsibilities of its citizen from the cradle to the grave and it must eliminate five giant evils that are poverty, ignorance, request, idleness, and disease (Chandler, 2002, p. 25).

Thomas Humphrey Marshall (1950) described the welfare state as a specific combination of democracy, welfare, and capitalism. According to Briggs (1961), the welfare state is organized through using the power through politics and administration with the aim of influencing the market advances at least three ways: firstly, by assuring a minimum income for the citizens and families irrespective of the market value of their properties; secondly, meeting the social support in case of the economic hardness; thirdly, offering the best standards and social services for the citizens without any social class discrimination (Pierson & Castles, 2006, p. 16).

Alfred Marshall (1890), defines the aim of welfare as all the economic actions that are made to achieve economic welfare and he says "*man earns money to get material welfare*" in the Principles of Economics (Reddy & Saraswathi, 2007, p. 6).

According to Huetting (2011, p. 30), welfare is dependent on some factors, such as employment, income distribution, labor conditions, leisure time, production, and the possible scarcity, which can be related using of the environmental functions.

### **1.3. RISE AND DEVELOPMENT OF WELFARE STATES**

As a concept, “welfare state” is a recent phrase. However, it was used to identify the Labor Britain after 1945 initially then it spread from Britain to all over the world. The term is not only used by the politicians or journalists but also used by the different societies having different economic developments levels. Moreover, historians examined this phrase to understand and write the 19<sup>th</sup> and 20<sup>th</sup> centuries’ progress (Briggs, 1961, p. 221). Welfare is generally associated with the happiness of the people and this happiness is related to having enough mental and physical health, education, social opportunities, or money. So, if a person easily reaches these opportunities according to the requirements of the age, the person is called as the prosperous individual or the owner of the welfare. However, in the modern era, the national prosperity is more important than the personal prosperity, as the sustainable prosperity cannot continue as individually but it can only continue and magnify as a being of the society. Because of the mentioned fact, the importance and the definition of the welfare state are frequently discussed by the different scientific circles.

In the historical process, achieving the welfare state is an outcome of the industrial revolution in the 18<sup>th</sup> century. With capitalism, there was a period in which people were employed in very bad working conditions with low wages and this situation was prevalent among women and children. The working class, appearing first on the scene of history, began to have difficulties because they had not any source of subsistence apart from their salaries and any courage to revolt against these bad conditions. When the new production system drifted the working class towards a point of poverty, several pioneers with the humanitarian feelings began to raise their voices and seek a solution to this situation, and then the states had to head for various interventions through legislation to offer better working conditions for their working classes. At the latter part of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, modern welfare states began to emerge along with the legal and institutional developments and they are observed in various industrial countries, especially in Germany and the United Kingdom (UK). In this period, between 1945 and 1975 a “Golden Age” was

experienced by these countries in terms of their welfare institutional structures. The aim of these states was to bring the best living standards to their citizens and to improve the legal and institutional foundations of the welfare state. The birth of “Social Security System” is undoubtedly one of the most noticeable developments in terms of welfare state implementations. After World War II, the need for the state in the market economy was adopted by a wide range of the people and the importance of the state role in the economy increased because of this need. As a result of the interventionist state approach, the functions of the welfare state gradually expanded. Furthermore, social problems arising from the industrialization created an ambition to achieve a more comfortable life and working conditions, which were parallel to being human. So, this claim determined the modern welfare states as a result of the series and continuous developments over time. The countries desiring to be a welfare state accepted a concept playing a key role in the serving the equal opportunities for the protection of their people and development of the well-being of them in terms of their social and economic sides. In this process, the distribution function of the government was seen as a fundamental tool for them (Özdemir, 2007, p. 21).

The primarily targeted fields through welfare states’ opportunities were the best possibility of free access to health and welfare services; the education opportunities until the certain ages; the provision of a minimum income, and a certain level of social security. However, with the new needs and desires emerging from economic development, new targets were added to the initial goals of the welfare state, such as the elimination of poverty, income inequality, provision of social integration, and dissemination of social participation (Toprak, 2015, p. 21). Today’s world, the most discussed questions on the state agenda are how to minimize the poverty and promote living quality such as shelter, education, or health opportunities and for these aims what sort of policy intervention should be produced for the best result of the welfare system in a society. So, despite different definitions, the main aim of the welfare state is taking of the necessary precautions to minimize the financial and mental losses in case of any economic disadvantages or other faced negative situations like war. Today many governments search for the time and diversity of these precautions and this task is known as one of the main functions of the being state.

It can be stated that the level and diversity of the prosperity services to be offered to the people may be seen as limitless just as the limitless needs in economics. As all the governments are known to have budget constraints, it is important to clarify the main prosperity fields to be served by these governments. This facilitates the elimination of a disagreement between the public expectations and governments' financial possibilities about the social services. For this aim, as a general view, the main welfare duties that are expected from the government can be defined as healthcare, education, and social security services in all the countries. However, the quality and standards of the welfare services may change among the countries depending on their understanding of welfare.

#### **1.4. CLASSIFICATION OF WELFARE STATES**

With different social expectations, the welfare services, which are offered by the countries, are known to be various depending on many reasons across the world. However, when these presented welfare services are examined, it can be understood that some countries have remarkable similarities, but some countries have serious contradictions. The classifications of these states depending on their similarities or contradictions may be seen as a very important ingredient in order to facilitate scientific examination and develop the understanding of the welfare state. So, the studies on the classification of the welfare states attempt to seek a logic for the division of these welfare states.

For this aim, in the literature, there are two types of approaches. One of them is structural approach and it sees the system of a country as a whole. Other approach considers the institutions and actors in this system. The structural theory considers the historical development and this approach is inclined to cross-national similarities, such as being industrialized or capitalist. On the other side, the institutional approach claims that any endeavor to segregate the market from political and social institutions may devastate the society. Therefore, the economy should gather them all together in the social communities to survive. According to this idea, the welfare state emerges from the small and open economies (Esping-Andersen, 1990, pp. 13-15).

According to Esping-Anderson (1990), the welfare state approach can be divided into two parts as a narrow and broad approach. According to the narrower view, the welfare

state is determined in terms of the traditional manner of social improvements such as income transfers or social services. As for the broader view, the welfare state is defined by the political economy and the extended role of the states on the management and organization of the national economy such as unemployment rates, average macro-economic management issues. So, the broader approach is quite similar to “Keynesian Welfare State or Welfare Capitalism”

As in the definition of the welfare states, the classification of these states is examined by the different studies in the literature and according to these studies; the states are divided into their similarities and contradictions<sup>1</sup>.

Although there are many studies on the classification of the welfare states, the study of Esping-Andersen (1990) is known as the main one in social science. Even though the study received many criticisms, it can be said that it is a key or milestone for the other studies because these studies are created from the critiques of this classification. So, some of the researchers argue that the typology of Anderson is very useful; however, it is not exhaustive and exclusive. After Anderson, many classifications are conducted in the different studies in recent years and it is established other formats of the welfare states. While some of them look like the replication of Esping-Andersen’s classification, others scrutinize the different aspects of the welfare states. All classifications in the studies present at least Esping-Andersen’s three patterns of the welfare state classification yet every demonstrations of the welfare states are different from each other. For example, the Liberal welfare state, introduced by Esping-Andersen (1990) can confirm the Anglo-Saxon welfare state identified by Leibfried (1992) as well as Liberal welfare state of Castles and Mitchell (1993), Protestant Liberal welfare state of Siaroff (1994), Anglo-Saxon welfare state of Ferrera (1996) British welfare state of Bonoli (1997), Basic Security welfare state of Korpi and Palme (1998). Moreover, every study considers the different aspects of the countries during the classification period, for example, while Esping-Andersen assumes that the de-commodification and stratification are the important factors during the identification of the welfare state, Leibfried considers the countries’ social insurance system and their poverty policies (Soede, Vrooman & Segre, 2004, pp. 24-25).

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<sup>1</sup> See Appendix A.1. for further details about to welfare states typologies.

In brief, typologies of the welfare state are a volatile and ongoing debate since the 1990s and today most of the studies can be seen to rest on Esping Anderson's study in the literature. Many divisions identify the different aspects of the welfare states that are not examined by Esping-Anderson. Additionally, the numbers and the aspects of the countries located and investigated in the studies are increased frequently.

#### **1.4.1. Classification of Welfare States by Welfare Service Providers**

The first classification of the welfare state was created by Wilensky and Lebeaux in 1965. The study was related to the impact of industrialization on the development of government social programs in the USA. The study examined and identified two bases of social welfare as residual and institutional according to the countries' welfare service provider (Midgley, 1997, p. 93):

- i. *Residual Conception*: According to the conception, welfare foundations should play a key role and the social welfare institutions of the state should be manipulated when the family and the market, which are responsible institutions for providing prosperity, cannot fulfill their duties.
- ii. *Institutional Conception*: It accepts that the welfare services are known as a normal function of the industrialized communities. This function is seen as the main task of modern industrial societies and during the industrialization progresses, the institutional welfare state will become dominant.

According to Midgley (1997) in the classification of Wilensky and Lebeaux (1965), while the former understanding assures limited and average services for some groups in need, the latter one institutionalizes social welfare and approves the population as a whole. The communities evolve from a residual understanding to an institutional concept during the undergoing developing process. With the increasing trend of industrialization, the limited role of the government turns into more comprehensive systems and services.

Although Wilensky and Lebeaux's classification (1965) is related to the USA welfare system, Titmuss (1968, 1974) defines the features of the universal welfare states and works in different countries. The study identifies a model, which is different from the

universal and selective rules but this model is very similar to Wilensky and Lebeaux model. It is used the residual and institutional approach and declared in this model that Britain and Scandinavian countries have an institutional approach but the USA is of residual approach (Midgley, 1997, p. 93). The welfare states are divided into three parts by Titmuss (1975) as residual welfare, industrial achievement-performance, and institutional redistributive (Abrahamson, 1999, p. 397).

- i. *Residual Welfare Model*: The government intervention to the market is limited and there is only state aid for the poor. Just as the classification of Wilensky and Lebeaux, in this welfare state, when two natural service providers, which are the market and the family, are inadequate the state temporarily provides the welfare services.
- ii. *Industrial Achievement-Performance*: The roles of the social welfare states in the market are seen as to be important in this classification. Education, public health service provision, and social security are accepted as the welfare services and provided by the state. This model gives a significant role to the welfare organizations as the fulfillment of social requirements.
- iii. *Institutional Redistributive*: The welfare state offers universal services to its citizens depending on their needs. The state intervenes to the market through redistributive social policies, guarantees the universal rights, and offers the public services to all citizens. The aim of this model is to achieve equality, social integration, and solidarity and to avoid the negativities stemming from stigmatization.

Rothstein defines that the social policy can be propagated with good democratic order and there is a relationship between the implementation of this policy and legitimacy. So, welfare states can be divided into six ideal-typical categories. These are can be listed as follows (Rothstein, 2000):

- i. *The Legal-Bureaucratic Welfare States*: The rules are implemented as neutral, uncorrupt, and impartial bureaucrats. So, because of its rigidity, this type of welfare state cannot change the rules of social policy. Rules are enacted with

the freedom to choose such as guaranteeing all persons choose right and the citizens are supported by the state and not left the mercies of service producers.

- ii. *The Professional Welfare States:* The state turns over the power to the specially authorized professions having certain training, expertise, and special ethics rules. The state is dependent on these professions to execute social programs. However, this limitation has a limit as the social programs are determined by the state.
- iii. *Corporatist Welfare States:* To implement the discretionary social policies representatives are chosen in some organizations as a democratic fashion. These representatives are accepted to have confidence.
- iv. *User-Oriented Welfare States:* It is considered that the social policy programs can be used which groups of peoples. The critical decisions are taken by the users.
- v. *The Politician-Oriented Welfare States:* The social policies are designed by the elected politicians at a local level and their decisions are regarded as legitimate as they are democratically chosen and seen as representatives of the community.
- vi. *The Lottery-Based Welfare States:* If there are not enough representatives or there are too many costly decisions to be implemented, the decisions are made technically and the state resort to the lottery. A lottery is an arbitrary procedure but every decision has an equal chance.

Korpi and Palme's (1998) classification is based on the institutional properties of the welfare states. The categorization of the study rests on the basis of authority and the principles used to identify the benefit levels, and the administration of the social insurance system. The typologies of the countries in this model pursue the classification of Esping-Andersen but one exception is Australia, which is the only state in the class of "targeted" welfare states (Fenger, 2007, pp. 8-9).

When it comes to the classifications of Leibfried (1992), Ferrera (1996), and Bonoli (1997), they introduced the quadruple classification and the first three types of the quadruple classifications have a strong resemblance to the classification of the Esping-Andersen's (1990). However, three researchers added Southern Europe as a fourth species to the Esping-Andersen's first classification (Arts & Gelissen, 2002, pp. 137-158).

#### **1.4.2. Classification of Welfare States by Welfare Standards and Social Rights**

Welfare standards of a country and its social rights level are considered as the main criteria during the classification of the welfare states. One of the studies considering these criteria is done by Therborn (1987, pp. 237-253), who divided the countries into four categories according to their welfare standards and employment level approaches.

- i. *Strong Interventionist Welfare States*: Social rights are at a high level and they have a key criterion about full employment. Sweden, Norway, Austria, and partly Finland are examples of this category.
- ii. *Soft Compensatory Welfare States*: The standard of social rights is high but they have not full employment promises. The states have a compensatory role when employment does not be optimum level. Belgium, Denmark, the Netherlands, France, West Germany, Ireland, and Italy are the examples of this category.
- iii. *Small Welfare States with Full Employment Focus*: Full employment target is high but coverage of social rights in under-employment conditions is quite low. Examples are Switzerland and Japan.
- iv. *Market-oriented Small Welfare States*: Instead of full employment or a wide range of social rights, the dominant criticism is neediness in this class. The state comes to the fore as the last compensatory authority when the labor power is not presented in the market or even if it is presented, sufficient income is not provided. Examples are Australia, Canada, the USA, the UK, and New Zealand.

According to Arn (1993), the researchers who are not satisfied with the three basic classifications of Esping-Andersen (1990) try to make up the shortcoming of the analysis. The most prominent of these typologies is the quartet type of the welfare states, introduced by Leibfried (1993). The study is known as the first examination that identifies the similarities of the Southern Europe and defines as a different part in the classification of the welfare state for the southern part of European Union as the Latin Rim which are also called as Rudimentary Welfare State. Furthermore, the rudimentary welfare state is defined as having a lack of social rights. According to Leibfried (1993), welfare states can be divided into four types as categorical or universal criteria in terms of their risks and groups (Leibfried, 1993, cited in Toprak, 2015, pp. 159-166)

- i. *The Fragmented Welfare States*: Some risks are categorized into some groups.
- ii. *The Partly Welfare States*: Some risks are included for a significant majority of the group as universally
- iii. *Divided Welfare States*: The vast majority of the risks are included for some group as a name of all groups.
- iv. *Comprehensive Welfare States*: The vast majority of the risks are for almost all groups and the universalism is valid.

From the models above, the only "comprehensive welfare state" is accepted as a kind of the social model because of its universality feature (Akgül, 2006, p. 23). Leibfried (1992) analyzes the common perspectives of the European poverty regimes with the classification of the welfare states. According to the study, the classification of the welfare state can be differentiated as four different social policy regimes in terms of their subsistence system in case of unemployment and poverty and they may be called the Scandinavian, the Bismarck, the Anglo-Saxon, and the Latin Rim countries (Leibfried, 1992, cited in Dieckhoener & Peichl, 2009, p. 5).

Just as the studies of Leibfried (1992) and Bonoli (1997), Ferrera (1996) emphasized that the Southern European welfare states should not be classified with the Continental

Europe welfare regime (Arts & Gelissen, 2002, pp. 146-148). During the classification process, Ferrera (1996) focuses on four dimensions of the social security systems which are access rules (eligibility rules) to receive the social benefits; the conditions under which assistance is provided; legal arrangements for the financing of social protection; and finally, organizational-administrative arrangements for managing different social security programs. The study distinguishes the welfare states from the quadruple perspectives as Scandinavian, Anglo-Saxon, Bismarck, and Southern European countries (Kol, 2014, p. 15).

- i. *Scandinavian Countries*: They are characterized as the universal nature of coverage against the risks of life. The right to social protection comes from being citizens.
- ii. *The Anglo-Saxon Welfare States*: The states are characterized as a high-level social security system. Fixed-rate assistance and income research also play an important role in these states.
- iii. *Bismarck Model*: According to the third group of the welfare states, the relationship between the right of the benefit from social security services and the status of the person in the labor market or the role of the person in the family remains clear. Premiums play an important role in the ensuring of different programs financing. Almost all the population is covered by the social insurance system either because of their own work or through family members.
- iv. *Southern European Welfare States*: They have a high institutional component among the professional groups in terms of both their income support systems and their health systems. Healthcare is clearly stated as a social right for all the citizens in the Spanish, Italian, Portuguese, and Greek constitutions. These four countries attempt to implement reforms aimed at making national healthcare that can be available for all the citizens and national healthcare services are financed by taxation.

### **1.4.3. Classification of Welfare States by Gender Inequalities**

Although many studies were conducted in the literature for the classification of the welfare state in-depth, unfortunately, it was ignored an important fact of the social life, such as the gender inequalities in the societies. Many typologies scrutinized the state intervention or expenditure on welfare but no one considered that whether these benefits had been shared between man and women equally or not. Siaroff (1994) works on this missing part of the classification of the welfare state and argues how to incorporate gender equality into the sphere of social policy and the welfare states. To reach the gender-sensitive welfare state regimes, Siaroff examines the different indicators of the gender equality and inequality in work and welfare state and this study compares the welfare choices of men and women in different countries (Sainsbury, 2000, p. 82). Thanks to this review, the welfare state can be distinguished as Protestant Social Democratic, Protestant Liberal, Advanced Christian-Democratic, and Late Female Mobilizing. Despite the classification is typed in different forms, this typology overlaps the classification of Esping-Andersen largely. Only the last model, the Late Female Mobilizing welfare state regime is similar the Southern European welfare state model (Arts & Gelissen, 2002, p. 185).

### **1.4.4. Classification of Welfare States by Healthcare Welfare Services**

Although healthcare service is seen as the most important determinant of the health and a major ingredient of the classification of the welfare state, it is overlooked by the studies while examining the welfare state classification. For instance, Esping-Anderson (1990) focuses on the decommodification of the cash transfers but the study ignores the role of social services like education, health, and social care. In addition, Castle and Mitchell (1993), Ferrera (1996), Korpi and Palme (1998), also ignore the healthcare welfare services. In addition, as another important issue, gender discrimination and the role of the women in the social life are disregarded by the researches implemented in the classification of the welfare states. At this point of view, especially Esping Anderson's study is criticized by Bambra (2005) for the absence of gender consideration in his classification (Greve, 2013, pp. 261-264). This overlooked measure is scrutinized by Bambra as the healthcare decommodification index (Bambra, 2013, pp. 260-269).

When classifying, Bambra uses the healthcare and labor market decommodification. According to Bambra (2005), healthcare decommodification is the individual utilization of healthcare, which is dependent on their market status as well as it is the degree of countries' healthcare supply that is independent from the market. It is measured by using private health spending as a percentage of GDP, private hospital beds as a total bed stock and the percentage of the country's population, covered by the healthcare system. Bambra (2005) classifies 18 countries. According to him, liberal welfare states are Australia, Japan, USA; conservative welfare states are Austria, Belgium, Canada, Denmark, France, Italy; social democratic welfare states are Finland, Norway, Sweden; conservative sub-group welfare states are Germany, Switzerland, Netherlands; liberal sub-group welfare states are Ireland, UK, New Zealand (Bambra, 2005, cited in Greve, 2013, p. 261).

#### **1.4.5. Classification of Welfare States by Welfare Efforts**

Defining the welfare states, Esping-Andersen (1990) draws attention to the new phenomenon that is created by him as the conceptualization of the welfare states in the history of the capitalist societies. In the countries that have an advanced capitalist democracy, states differ from one to another clearly about their identification of the welfare standards. The historical features of the states are known to be a determinant for arising their welfare mechanism. In addition, the understanding of the welfare state determination, which is only related to social expenditure, is not acceptable by Esping-Andersen. According to him, the level of social expenditure is not enough to determine the characteristic of the welfare state. Anderson focused on the welfare effort and social spending as a percentage of GDP and he identifies three political economies of the welfare state as liberal, conservative, and social democratic welfare states (Esping-Andersen, 1990).

When the division process, Esping-Andersen investigates the welfare states based on their state and market relationship as well as their influence on social stratification and decommodification level. Decommodification means that the degree, which an individual or a family can fulfill a socially acceptable living standard independently from the market participation. While evaluating the degree of the countries' decommodification, Esping- Anderson (1990) scrutinizes the most important cash benefit programs as a pension, sickness, and unemployment benefits (Arcanjo, 2009,

p. 3). According to the study, not all spending can create the same effect on the community. An approach that focuses on only expenditures should not be considered as right. For this reason, Esping-Andersen proposes a classification based on the level of decommodification served by the different welfare states. This classification considers the extent of the presented welfare state services, the characteristics of them, and their presentation level (Toprak, 2015, p. 156).

Stratification refers to the countries' manner during the shaping of their rights structure. It may differ from country to country. For example, a country can have and statutory division, while another can accept the universalism (Soede, Vrooman & Segre, 2004, p. 20). The social stratification is not determined by the geological stratifications. The design of the social stratification can include gender, aging, and education level of the population, religious opinions, and the like. The social stratification can be differentiated in the historical development with urbanization and industrialization, and it can include a larger proportion of the countries' populations (Eisenstadt & Ahimeir, 1985, s. 94). So, the term plays an important role in the determination and classification of the welfare states. As mentioned above, Esping-Anderson refers to the two elements during the defining the various welfare regimes as seen in Table 1.1:

Table 1.1. Decommodification and Stratification Indexes by Countries

Index of Decommodification			Index of Stratification		
Low	Medium	High	Liberal	Conservative	Socialist
Australia	Finland	Austria	Australia	Austria	Denmark
USA	Italy	Belgium	Canada	Belgium	Finland
New Zealand	Japan	Netherlands	Japan	France	Netherlands
Ireland	France	Norway	USA	Italy	Sweden
UK	Switzerland	Sweden			

Source: Herrmann, Tausch, Bajalan & Heshmati (2008)

Although Esping Anderson's (1990) classification is seen as a source for many studies in social science, his study is criticized by the other writers. For example, Castles and Mitchell (1993) investigate theoretically and empirically the typology of Esping-Andersen. As a result of this examination, they discover a radical regime and add this regime to the triple welfare classification of Esping-Anderson. Countries such as Australia, New Zealand, and the UK are seen as the liberal welfare state in the

classification of Esping-Andersen, however, they argue that these countries should be considered as a distinctive type of radical regime because of their low expenditure standards and high levels of redistribution features (Özdemir, 2007, p. 21). Moreover, when Mitchell's study (1991) identifies the features of the welfare state, it rejects the classification of the welfare state according to its GDP and allocated fund for health, education, or social services. The research also specifies that GDP per capita and social security expenditures are a highly misleading indicators to diagnose a country's welfare. For example, the welfare performance of the UK is highly better than its GDP indicator (Johns, 1993, pp. 52-53).

Bonoli (1997) criticizes the decommodification approach of Esping-Andersen (1990) and then he puts forward an alternative classification of the welfare state, which is indicated by the social spending as a proportion of GDP and the type of welfare state financed by the contributions of the government. Focusing on European countries, Bonoli classifies the countries as the British, Continental European, Nordic, and Southern countries. Although the first three types are partly similar to Esping-Andersen's typology, one difference between them is the additional type of the Southern countries (Fenger, 2007, pp. 7-8). Despite all these critics, because of its originality, the triple classification of welfare state identified by Esping Anderson will be scrutinized in this section.

#### **1.4.5.1. Liberal Welfare States**

Esping-Anderson (1990) identifies the triple classification of the welfare state. The first of them is characterized as the Liberal welfare states. The state classified among the Liberals accepts laissez-faire understanding in its economy and rejects any form of the social protection served by the government. To ensure equality and prosperity, the government should facilitate a maximum number of free markets and minimum state interventions. The social benefit of a state is limited and only based on the revenue of its citizen. Furthermore, the state only supports people who have insufficient financial sources. So, the social programs need a research about the income-test of the people and these programs' budget is rather modest and limited (Özdemir, 2017, pp. 131-133). The leading examples of this classification are the USA, Canada, and Australia. Additionally, New Zealand and Britain can be incorporated into this classification (Toprak, 2015, p. 165).

### 1.4.5.2. Conservative Welfare States

According to Esping-Anderson (1990), the state falling into conservative welfare state classification guarantees the social welfare, class equality, loyalty, and productivity. The authoritarian state is superior to the market chaos<sup>2</sup> and harmonizes the sources of the state, society, and individuals. The effective production capacity comes from discipline, not competition. Conservative political economy roots from the reaction to the French Revolution and Paris Commune and it is clearly nationalistic and anti-revolutionary. It seeks the democratic drive. It advocates that society should have a hierarchy and social classes. These hierarchy and classes are natural and should be supported by the authority but class conflicts are undesirable. If democratic mass participation is allowed, the status boundaries will be dissolved and social order will collapse (Esping-Andersen, 1990, pp. 10-11).

Social spending in these countries is significantly higher than the social expenditures in the liberal welfare states, and their income transfers are enough to meet the income needs of the households. Social services, which facilitate women's employment, such as childcare services to their children are modest. Both the total employment level and the participation rate of labor force are low. Countries adopting this model accept the right to social security rather than the right to work. However, the right to social security also concerns the citizens' income level and job. Instead of offering new employment opportunities as a solution, the state seeks compensation and compensation policies for those who suffer from loss of income because of various reasons. On the other side, it can be said that the state encourages individuals to enter the job market, moreover, it encourages them to stay there. When the state starts to offer social welfare services for the families by social policy-making institutions, the people begin to see such state possibilities as a right for them and expect these possibilities from the state continuously. Austria, France, Germany, Italy, and Belgium have welfare systems that in line with conservative welfare states. Germany is the basic example, which is generally known as a primary country in the evaluations of this class (Özdemir, 2007, pp. 99-102).

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<sup>2</sup> *Market Chaos: The theory of chaos is well suited for the understanding of the financial perspectives because the behavior of the financial market is predetermined whole number of circumstances that are relative to the market can be caused by both internal and external reasons* (Klioutchnikov, Sigova & Beizerow, 2017, p. 368).

### 1.4.5.3. Social Democratic Welfare States

This type of welfare state not only declines the market's atomizing effect but also refuses the liberal idea. It advocates capital accumulation, rejects the property because this situation causes the class division and conflict (Esping-Andersen, 1990). According to this idea, the prominent principles of such regimes are universality, social solidarity, and equality between the classes. The large-scale benefits are provided by the government and they are supplied by the high tax levels. There are high benefits for the middle and working class (Pringle, 1998, s. 9). Rather than equality based on meeting the minimum requirements, a welfare state understanding is aimed at equality with a high level of satisfaction of the requirements (Özdemir, 2007, pp. 103-104).

Table 1.2. Comparison of Welfare States

Liberal Welfare Sates	Conservative Welfare States	Social Democratic Welfare States
accepts laissez-faire understanding in its economy	harmonizes the sources of the state, society, and individuals	refuses the liberal idea
minimum state intervention	moderate state intervention	maximum state intervention
limited social benefits	income transfers are enough to meet the income needs of the households	large-scale benefits
ensures the equality and prosperity for people who have insufficient financial resources	guaranties the social welfare, class equality, loyalty, and productivity	universality, social solidarity, and equality between the classes
rejects any form of social protection served by government	compensation policies for those who suffer from loss of income	social protection is a right
minimum social expenditures	moderate social expenditures	maximum social expenditures

Source: Prepared by the author.

Therefore, if a comparison is made among these three groups of the countries, it can be said that liberal welfare states accept minimal state initiative to the market, put forward residual approach unlike the liberal route. Conservative welfare states are seriously based on the social insurance system and because it is linked to the labor-market status, it tends to preserve status differentials. Social democratic welfare states meet the universal benefits based on citizenship position and these benefits are generally financed by government revenues (Leibfried & Mau, 2008, p. 20). So, every

part of three welfare states has different characteristics and creates a different system of social stratification, which supports the specification and continuation of the class distinction. Liberal welfare states are linked to the poor relief, which sustains the class distinctions based on income; the conservative welfare states are defined as the contributory social assurance that maintains differentiation based on occupational status; lastly, the social democratic welfare states are connected to the middle-class universalism and social equality (Van Voorhis, 2002, p. 4).

#### **1.4.6. Western European Welfare States**

The European Union (EU) is a major multinational actor that is developed in the context of the economic and democratic principles and constructed by the European countries, which are rich and developed in the global sense. Despite their development level, the union contains some structural problems. Some of these problems include social issues and generally, they are related to the poor and disadvantaged segments of the community. To remove this negative situation, the EU creates various policies and tries to implement them. Within the historical development process of the union, these procedures are implemented with the aim of diminishing social exclusion and poverty. Thus, the European Social Model is a policy that gives strong social rights to people, who can be in need, handicapped person, retired or worker. The model protects them from difficulties, especially from the economic ones. There is a belief that the achievement of social integration can be created as a result of the successful economic integration. The social regimes, which were initially quite fragile and gained momentum after the 1970s, begin to become evident by the Maastricht Treaty and they become further strong with the Amsterdam Treaty. The Paris Summit held in 1972 is a new era in terms of social policy and it is considered as the second stage for the social policy of the EU. From 1985 onwards, it is understood that without social policy, the understanding of economic integration cannot be achieved (Aykaç & Parlak, 2012, pp. 323-352).

This model rests on the basis of social justice and social solidarity. It is acknowledged that economic and social rights should be guaranteed to the citizens by the government at a minimum level. There is a belief that social justice can increase with economic efficiency and competition. As weak social policies can decrease the uncertainties of social life, the power of the risk-taking can be raised. So, it can be said that social

policy is seen as an efficient factor for the serving of welfare by the European countries. In addition, The European Social Model is based on social dialogue, respect, and trust in the management of social life. This situation paves the way the possibility of social integration. In fact, this factor can be interpreted as the main agent for the separation of the European Social Model from the American Model (Turan, Aydilek & Şen, 2016, pp. 1-17).

The classification of the European countries' welfare states is examined by Fenger (2007). According to the study, there are two dominant groups of countries in Europe. The traditional European countries can be found among the welfare states of Esping-Andersen and other European countries can be identified as Southern-European or Latin type. The traditional classification of the welfare states as three different types that are liberal, conservative, and social democratic in Europe is changed with the fall of the communist block and the integration of the market (Pop-Radu, 2014, p. 173). So, after this fall, there can be seen the differences between the classifications of the welfare states in Europe. The reason for these differences can be described as historical, political, economic, cultural, and other specificities of each country. While Esping Anderson division may be seen as appropriate for the non-European countries, the classification of Fenger may be seen as usable for the European countries (Ruen, 2017, p. 4).

Fenger (2007) identifies six welfare states division that includes the countries with the EU member countries. According to the author, the countries can be divided as Conservative-corporatist (Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, and Spain), Social Democratic (Finland, Denmark, Norway, and Sweden), Liberal (New Zealand, UK, and USA), Former Union of Soviet Socialist Republics (USSR) (Belarus, Estonia, Latvia, Lithuania, Russia, and Ukraine), Post-communist European (Bulgaria, Croatia, Czech Republic, Hungary, Poland, and Slovakia), Developing welfare states type (Georgia, Romania, and Moldova) (Fenger, 2007, pp. 1-2).

The division for the EU countries is also illustrated in five parts as Continental (Bismarckian), Anglo-Saxon, Nordic, Mediterranean (Southern European), Central/Eastern European. Independent from their differences<sup>3</sup>. The division is created

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<sup>3</sup> See Appendix A.2, for further details about to differences of the models.

for the protection of the people against risks such as unemployment, parental responsibilities, health care, old age, housing, and social exclusion. The member states are responsible for the foundation of the organizations and their finance because the role of the union is to the elimination of the poverty and ensure the sufficient protection for the people living in the union countries (EASPD, 2014, p. 2).

- i. *Continental Europe's Traditional Welfare States*: This welfare state is called as different names such as conservative-corporatist welfare regimes, social insurance model", institutional welfare regimes, Bismarck countries model, German model, and Christian Democratic Regimes. The model is implemented in Austria, Belgium, France, Germany, and Luxembourg. It includes social support, which is given to those who are part of the labor market, and it fully depends on the social accumulation of these persons (Popova & Kozhevnikova, 2013, pp. 566-567). This model is known as a middle ground between the Scandinavian and the Anglo-Saxon model and has many registrations related to social security and protection of the employers. Healthcare system is funded by the public or private compulsory insurance funds; even sometimes, it can be partly funded by the general taxes (EASPD, 2014).
- ii. *Anglo-Saxon (Liberal) Welfare States*: Ireland and the UK fall into this classification of the welfare state with the USA, Canada, and Australia. In this classification, there are social funds, which are financed by the citizens. The poor people are backed up by the state with social benefits. The health system in these countries is seen as a national health service and funded by the general state. Main features of these countries are the low rate of government spending and social protection. While the Scandinavian welfare states aim at decreasing income equalities, this model enhances the differences between the social groups (Soede, Vrooman & Segre, 2004, pp. 33-34).
- iii. *Scandinavian (Nordic) Welfare States*: This model includes the northern European countries such as Denmark, Finland, Norway, Sweden, and the Netherlands. According to this classification, social welfare must be distributed among all the people equally. The model determines the single combination of the free market and social insurance or benefits. These benefits are offset by the

government (McWhinney, 2018). The main elements of the model are strong universalism, social expenditure for female employment and gender equality, limited safety, low poverty, high inclusion (Andersen, et al., 2007, pp. 11-12), a large social security system, high spending on the labor market, and generous family benefits. Healthcare service can be served by the government solely and the states support free trade with the stabilized economy, promotes the social mobility, human rights, and justice (Soede, Vrooman & Segre, 2004, p. 6)

iv. *Southern Europe Welfare States*: This welfare state classification is also called as the Mediterranean model and it is implemented in Italy, Spain, Greece, Portugal, and Turkey. The family is seen as the main group to be supported by the state (Popova & Kozhevnikova, 2013, p. 567). It is very similar to the continental model, but the labor market is not flexible. However, the model is not effective at the decreasing of the poverty. It is seen a strong public hospital system, generous state pensions, and fewer social assistance. In addition, the high dependency of the political actions and support from families as well as insufficiency of coverage of the services between the rural areas and towns are the weakness of this regime (EASPD, 2014).

v. *Central and Eastern Europe Welfare States*: The welfare systems of the Central and Eastern European countries are considered as not being derived from the European Welfare Model but the model is created by the international financial organizations such as the International Monetary Fund (IMF) and the World Bank. Because of lending money system that is manipulated on condition that some precautions such as privatization for reforming of the states, this classification is created by these fund-suppliers. As the many Central-Eastern European countries are addicted to foreign capital and they met their needs and solve their financial problems with the debt generally borrowed from the IMF or the World Bank, they must comply with obligation of these institutions. As the main and common characteristic of this welfare state is the neglect of social policy. Governments have not systematic or long-run strategies for the planning of the social system. Other characteristic of this type, it is the withdrawal of the state from the public social system. Health or social care services are provided by voluntary or non-governmental organizations. Furthermore, pension funds are

generally separated from the government budget and the healthcare insurance system. Social security is implemented by independent institutions. The role, power, and responsibilities of the regional administrations are seen as being enlarged. Former Soviet Union, the Czech Republic, Slovenia, Poland, Bulgaria, Hungary, Ukraine, Romania, the Baltic States are seen to have this regime (Sengoku, 2002, pp. 230-232)

#### **1.4.7. OECD Welfare States**

The classification of the welfare states by the Organization for Economic Co-operation and Development (OECD) is developed by referencing to Esping-Anderson model. As mentioned above, Anderson focused on welfare efforts and social spending as a percentage of GDP. In addition to this classification, Castles (1998) worked on the welfare state classification for the OECD member countries. The study determines the comprehensive and systematic transformation, economic political and social changes after the post-war II era across the OECD countries. Additionally, the research identifies the role of the government in the labor market and personal issues such as divorce and fertility. He concludes that these countries may be categorized in five parts as follows (Castles, 2004, p. 77): i) English speaking countries (Australia, Canada, Ireland, New Zealand, the UK, the USA); ii) Scandinavian countries (Denmark, Finland, Norway, Sweden); iii) Continental Western European countries (Austria, Belgium, France, Germany, the Netherlands); iv) Southern European countries (Greece, Italy, Portugal, Spain); v) unclassified countries (Iceland, Japan, Luxembourg, Switzerland).

As of May 2009, the OECD as an organization comprises 35 developed and developing countries having different GDP. Fundamentally, there is no official classification of welfare states for all the OECD member-countries but nearly everyone is examined by different studies and it included different classes.

#### **1.4.8. UN Welfare States**

At the end of World War II, the UN was established by twenty-six-member states with the aim of wrapping up the wounds of the war, building world peace and serving the rise of the welfare states in 1945. The UN works especially on social rights, develops,

and protects these rights by the regulations. In order to fulfill these duties, the union also works with the many sub-organizations such as International Labor Organization (ILO) and the Council of Europe. In addition, the organization efforts for the protection of the world peace, maintenance of the human rights, humanitarian aid delivery, supporting of the sustainable development process, improvement of the international law. 193 States are UN member-countries in the world. To provide guidance to these countries in many fields such as global, economic, or social trend, the UN infers sound results from today's situation for the future arrangements. Many reports are prepared by the organization, for example, the human development report, which is published by the Human Development Office on a yearly basis. In this report, all member countries are examined according to their aspects as the development of education, health, and living standards. In addition, the UN prepares World Economic Situation and Prospects (WESP) report, which depicts the trends in various dimensions of the world economy with the expectation and forecast of the UN statistics. Many issues such as global economic outlook, international trade, and finance for sustainable development or regional developments are scrutinized in detail and many consolidated data are created from the investigations. WESP divides all countries of the world into three categories that are developed economies, which refer to the countries having high income and upper-middle income; economies in transition, which refer to the countries having lower-middle income; developing economies, which refer to the countries having low-income. As well as, each group is divided into sub-categories by the union<sup>4</sup> (UN, 2018, pp. 141-142).

Both economists and policymakers indicate that economic growth and GDP of a country can be seen as one of the most important indicators in a country in order to determine the welfare level of this country. According to the UN, the countries can be grouped from the more developed countries to the less developed countries with respect to their territories. As there is a direct relationship between the countries' well-being and their economic situation, it can be said that the social classification of these countries also ranked from the developed and more social countries to the less developed and less social countries. In addition, the World Bank classifies the countries according to their development level<sup>5</sup>. With respect to this classification, just

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<sup>4</sup> See Appendix A.3 for the UN classification.

<sup>5</sup> See Appendence A.4 for the World Bank country classification.

as the IMF, the World Bank serves financial and technical support for the developing countries aims at decreasing poverty and supports the development around to world, and offers policy advice to developing countries by doing analytical works and investigation. The bank can provide financial support by giving credits with low-interest rates and these supports have a wide range of spending in education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management (World Bank, 2017).



## CHAPTER 2

### SOCIAL EXPENDITURES: CONCEPTUAL FRAMEWORK

#### 2.1. DEFINITION OF SOCIAL EXPENDITURES

As is known, a government budget consists of two parts as government expenditures and government revenues. The revenues are obtained mainly from the taxes and these taxes are spent for the public goods and services. As a whole, the management of the budget is a difficult duty, because every part of it is shaped by a large amount of money and all the expenditures and revenues are managed by the different governmental staffs and bodies. For having a sound and reliable financial management of the budget, all revenues and expenditures should be divided into the relevant categories and every category should be compatible with each other. So, the budget should be recorded, presented, reported, and audited in coherence and transparent manner to ensure the accountability of the staffs, which are charged by the administrative institutions according to the related laws. As the budget will be used as a guide for both the policymakers and outside authorities such as credit rating agencies to shape their future financial arrangements, the management of the budget and especially every part of expenditures should be investigated meticulously and systematically.

As every government has budget constraints and its budget expenditure requires a huge fund that is met by the taxes, the classification of the expenditures is important to obtain budget balance. Furthermore, for a long period, many researches have dealt with this classification of the expenditures. Almost every one of these researchers has developed different perspectives and different classifications. However, the most important one is accepted as the classification of Pigou (1928), who defined the public expenditures as real and transfer payments. According to Pigou (1928), transfer expenditures are divided into two parts as transfer expenses and non-transfer expenses. The transfer expenditures do not have a direct effect on the GDP and the government does not have any concrete benefit from these expenditures. With these expenditures, the government does not buy any goods and services from the market but provides the revenue transfer from its budget to the desired fields as unrequited manner. Otherwise,

non-transfer expenditures are the spending for the acquisition of goods and services and they have an effect on the GDP. Transfer expenditures started to be increased in the middle of the 20<sup>th</sup> century and in this period, especially developed countries aimed to raise the standard of social life through social transfers such as unemployment, family, and old age benefits. Thus, the proportion of these expenditures in the budget is increased within time.

Moreover, the classification of the expenditures is particularly important for international organizations such as the IMF because it prepares the IMF economic stabilization programs. During the preparation of these programs, it is necessary to produce and implement new approaches required by the economic policies and conditions. So, for the appropriate management of the programs, government spending should be determined in an order to make a quick decision for both the governments and the IMF. Thanks to the classification of the expenditures having been done by the IMF, the structures and amount of the expenditures can be easily understood and thus, the risk of making mistakes can be reduced.

The classification of the expenditures in any system should have general traits. It is accepted that the fundamental expenditures of this system consist of at least three main parts. According to Tommasi (2013, pp. 172-175), these can be listed as follows:

- i. Administrative classification, which depicts the administrative separations that are responsible for the budget management
- ii. Object classification, which generally divides the spending by economic rank
- iii. Financing source classification or debt source classification for aid-dependent countries

Based on above-mentioned three main parts, there are different classification systems, which are executed by the different worldwide institutions. One of them is the System of National Accounts (SNA) (1993) that is used by the European Commission (EC), the IMF, the OECD, the UN, and the World Bank. The SNA is known as the set of recommendations according to the international standard. The standards show how to collect economic financial activities in accordance with the strict accounting contract

based on the economic principles. According to above-mentioned worldwide organizations (2009), the recommendations are defined as a set of concepts, specification, divisions, and accounting principles, which comprise international agreed standards for specification of such information as GDP that is known as an indicator for the determination of the economic performance of the states. The accounting framework of the SNA gives economic data from the government budget and compiles them in a format that is designed with the aim of economic examination, decision, and policy execution. The SNA implements functional classification, called as the Classification of Government Functions (COFOG). The units that are part of an economy are grouped into five sectors in this system and these sectors together make up the total economy and (2009, p. 2) can be shown as follows:

- i. Non-financial corporations: They are concerned with the production of market goods, services, and non-financial activities.
- ii. Financial corporations: They are related to financial services.
- iii. Government units, with the inclusion of social security funds: With the fulfillment of the political responsibilities and economic regulations, they are engaged in the service productions that are consumed by society. Additionally, they redistribute the public sources within the citizens.
- iv. Non-profit institutions serving households: They produce the non-market services for the households or society through voluntary contributions.
- v. Households: They consist of one group or groups of individuals. The main function of them is to back up the labor market and realize final consumption (2009, p. 17)

The second one of these classification systems is the IMF's Government Finance Statistics (GFS) that was produced in 1986 and updated in 2001 and 2014. Detailed definition of the public expenditures' economic classification can be seen in the GFS. The third one of them is the European System of Accounts (ESA), which was created in 1995 by EC and then updated in 2010. This system is based on the expanded version of SNA, uses GFS, for economic classification of the public expenditures (Akbey, 2014, pp. 175-202). The COFOG groups the expenditures according to their socio-economic purposes such as defense, education, hospital services. This division is seen as independent from the organizational structure of government. In this classification,

the important thing is the capability of analyzing the resource allocation among the sectors and it is not related to historical and international comparisons (Tommasi, 2013, pp. 172-175). As a conclusion, although every system may be seen as different from each other, all of them aims that the expenditures should be designed in an order and the government budget should be given correct information to anyone who needs.

As for social expenditures, as a part of the public spending, they comprise the wide fields. However, on a fundamental basis, social spending can be seen the expenditures related to governments' responsibility about vulnerable groups having disadvantages or persons living under the minimum subsistence in a country. They may be implemented as cash benefits, serving some goods and services, tax discounts for social purposes. Moreover, these advantages can target low-income group families, disabled or sick citizens, young persons without families as well as unemployed citizens. To determine the social expenditures' finance, their limits and availability conditions should be drawn precisely. For example, according to OECD (2009), if a program is to be considered as social, it should include either redistribution of resources between poor and riches or require obligated participation. Social expenditures are named as public expenditures as they are implemented by the central or local government institutions or social security funds. Social spending that is outside of the general government expenditures is considered private spending. In addition, private transfers among households are not included in social expenditures. Total social spending consists of both public and private spending as well as they are also related to the result of the direct or indirect taxation and effects of the tax break, which is implemented for social aims (OECD, 2007, p. 8). Although different institutions and unions such as the OECD, the UN, and the EU develop different understandings on the classification of the social expenditures, all of them have a common aim, which is obtaining the right data to analyze the social spending levels of the countries and increase the future well-being of people by using these data.

While the governments spend in the future well-being of their people, the equal distribution of the public resources among the people living in the same country may emerge as a problem in the community. Moreover, poverty, unemployment, crime, raising inflation even civil war can be a result of an unfair distribution of the public resources and it can create a threat to basic human rights, which are indispensable for

the decent life. However, some groups such as poor or disabled persons should be compensated by the governments by ignoring this task. While the unequal distributions of the resources for the benefits of some groups are seen as a main task of the governments by some studies in order to create social order among the riches and poor, others advocate that this unequal distribution by investing in social spending may create many problems in society. One of these studies is executed by Murray (2015), who sees the raising social spending as the increasing world poverty and worsening social conditions. The main argument of this study is that the governments' expenditures on the welfare state programs fail to solve social problems; even these programs worsen the conditions of the poor. They only contribute to the eradication of the national values. Additionally, they can create many new poor persons. Furthermore, some problems as high-rate black unemployment, the increasing number of single mothers with out-of-marriage children and growing crime rates are the results of these programs. Despite these opposing views, world social expenditures have been continued to increase over the years and this trend is triggered by the political pressures as these expenditures are seen as a key factor for the achievement of the political power or stay on. However, it can be said that these spending and the well-being of the community have a direct relationship in a positive way. Because of this importance of social spending, there arises a need for the determination of the sub-categories of these expenditures. Basically, the literature identifies that there are three components of the social expenditures and these spending fields can be grouped as health, education, and social protection spending (social security, public welfare aids, and unemployment benefits).

### **2.1.1. EU's Definition**

GFS is known as a key system for the monitoring and assessment of the EU member countries' such economic activities as their revenues and expenditures to ensure the union countries' economic stability. The figures of these activities are collected by the statistical office of the EU named as EUROSTAT in accordance with their economic function. COFOG is used in the framework of the ESA (2010) in the EU countries for this collection (EUROSTAT, 2008).

To reach the international comparison of the governments' expenditures, EU just as IMF uses the financial statistical methodologies. According to the EU statistical rules,

the government sector covers all the administrations and organizations, which produce public goods and they are very powerful in the distribution of the national income between the citizens. Because of this importance and the need for the economic stability of the EU countries, the types, the characteristic features, and the aims of these organizations should be investigated and even classified. Especially, when the new organizations are created, they should be included in the right categories and appropriate sub-sector categories. The general government sector of the economy is defined by ESA 2010 as (EUROSTAT, 2013, p. 44):

*“It consists of institutional units which are non-market producers whose output is intended for individual and collective consumption and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth.”*

According to the EU (2011, pp. 32-33), social expenditures invested in the government sectors can be grouped as follows:

- Health:
- 7.1 Medical products, appliances, and equipment
  - 7.2 Outpatient services
  - 7.3 Hospital services
  - 7.4 Public health services
  - 7.5 R&D Health
  - 7.6 Health NEC
- Education:
- 9.1 Pre-primary and primary education
  - 9.2 Secondary education
  - 9.3 Post-secondary non-tertiary education
  - 9.4 Tertiary education
  - 9.5 Education not definable by level
  - 9.6 Subsidiary services to education
  - 9.7 R&D Education
  - 9.8 Education NEC
- Social Protection:
- 10.1 Sickness and disability
  - 10.2 Old age
  - 10.3 Survivors

- 10.4 Family and children
- 10.5 Unemployment
- 10.6 Housing
- 10.7 Social exclusion NEC
- 10.8 R&D Social Protection
- 10.9 Social Protection NEC

### **2.1.2. OECD's Definition**

The increasing purpose of society with a high level of prosperity leads to the obligation of more social expenditures. For the management of these social expenditures, it appears a need for the foundation of some common standards and database, which are prepared by the economic communities and organizations. One of these organizations is OECD, which prepared Social Expenditures Database (SOCX) in 1990 as the first time with the aim of facilitating the comparison of the social spending of the states. Initially, the net social expenditure figures and estimations were related to only six countries yet, over the years and with the opportunity of available data, the database includes 35 OECD member countries today. In addition, it was prepared for the period 1980-2016. The social spending is defined in the database by OECD (2007, p. 6) as follows:

*“the provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer.”*

According to OECD (2007), "social expenditures" are expenditures, which are implemented for the aim of resource distribution from one group to another to back up a lower-income or especially disadvantaged citizens. Social Security is one example and can be considered a social expenditure as it involves direct spending by a government (McMaken, 2015).

Namely, social expenditures include financial contributions and benefits, which are provided by the organizations that are private or public. Inter-household transfers, which can focus on social purposes, are not included in the social expenditures. OECD points out that the social benefits include: i) social services, such as childcare, care for the elderly, and disabled persons; ii) tax breaks with a social purpose, such as tax expenditures for the families with children, or tax treatment of contributions to private health plans.

Additionally, the benefits obtaining from the social expenditures must serve one or more social purposes and these benefits must support the redistribution of resources among the individuals. The OECD Social Expenditure Database classifies the benefits in accordance with their social purposes as nine policy parts and they can be summarized as follows (OECD, 2007):

- i. Old-age pensions, early retirement pensions, home help, and residential services for the elderly.
- ii. Survivor pensions and funeral payments.
- iii. Incapacity-related benefits-care services, disability benefits, benefits accruing from an occupational injury, and accident legislation, employee sickness payments.
- iv. Health spending on care (in and out patient), medical goods, and prevention.
- v. Family-child allowances and credits, childcare support, income support during the leave, sole parent payments.
- vi. Active labor market policies-Employment services, training youth measures subsidized employment, employment measures for the disabled.
- vii. Unemployment-unemployment compensation, severance pay, early retirement for the labor market reasons.
- viii. Housing-housing allowances and rent subsidies.
- ix. Other social policy fields non-categorical cash benefits to low-income households, other social services, i.e. support programs such as food subsidies, which are prevalent in some non- OECD countries.

In addition to these fields, the social expenditures are classified as follows by OECD (2007, pp. 6-9): i) the public social expenditure (Social Insurance and Social

Assistance); ii) mandatory private social expenditure; iii) voluntary private social expenditure; iv) gross social expenditure; v) net social expenditure.

The separation of the public and private spending is determined as looking at the financial recourses of this spending, which can be administrated by the private or public organization. While public social expenditures are divided into social insurance and social assistance, private social expenditures are divided into mandatory private social spending such as sickness benefits paid by the employers for the employee and voluntarily private social expenditures, which are defined as the redistribution of the recourses among the household (KIHASA, 2014, pp. 12-13).

If the participation of the individuals is compulsory and there is an interpersonal redistribution of the resources among the participants, the programs are defined as social. According to this definition, it can be said that social services implemented by the government or the non-governmental organizations and the social insurances are included to redistribution of the resources among the household. As for interpersonal redistribution, it is regulated by the government through using the fiscal intervention and rules. The states can force the persons to pay for the protection provisions. With forcing the people for paying health insurance, the government can ensure the redistribution role within the households and so, public policy can subsidize the sick people in any financial hardness (OECD, 2007, s. 7-10).

### **2.1.3. UN's Definition**

United Nations defines and classifies the public expenditures according to their purposes and uses four classification systems:

- i. COFOG
- ii. The Classification of Individual Consumption According to Purpose (COICOP)
- iii. The Classification of the Purposes of Non-Profit Institutions Serving Households (COPNI)
- iv. The Classification of the Outlays of Producers According to Purpose (COPP) (UN, 1999, p. 84).

Government social expenditure brings out the benefit, which can be used by the households either individually or collectively. To distinguish between the individual

and the collective services that are provided by the general government, UN created the COFOG, which unveils the government expenditure on health, education, and social protection (UN, 1999, p. 84).

Government health expenditure includes spending on services for individuals or families. The expenditures are also related to formulation or administration of the government policies; application and determination cost of the medical treatments, surgery, and clinics; licenses of health service providers and researches but overloaded spending is accepted as a personal cost, say, the spending on health can have a predetermined limit.

Government expenditures for education include spending on services for pupils as individual or groups. Just as health expenditures, such cost on education as formulation or administration of the government policies; application and determination the cost of education; licenses of educational institutions, and researches on training, process are included but overloaded spending some groups of schools like colleges are considered to be an individual selection and these expenditures are excluded. The military schools and colleges having general education processes such as civilian institutions, police training schools, and colleges are included also.

Government expenditures for social protection or their providers are included in transfer or services that can be related to individuals or families. The spending can be related to formulation and administration of government policy; formulation and enforcement of the laws or standards for providing social protection; experimental development into social protection. The aims of the social protection and their identification are based on the 1996 European System of Integrated Social Protection Statistics (ESSPROS) of the EUROSTAT. ESSPROS combines healthcare spending with social protection. However, the COFOG does not include the healthcare expenditure in social protection and it classifies these expenditures in the separate category.

Although the EU, the OECD, and the UN define the social expenditures with different perspectives, fundamentally all of them, even the World Bank and IMF use the SNA in the classification of these expenditures.

## **2.2. DETERMINANTS OF SOCIAL EXPENDITURES**

Because of the finite resources of the countries' revenue, the social expenditures just as other government expenditures have a limit and this limit is generally determined by countries' GDP. Despite this mentioned-reality, the increase of social expenditures is unavoidable because of some reasons such as wartime circumstances or negative market conditions of the economic crisis period. If the alteration of the social expenditures is scrutinized the trend of social expenditures can be seen as the increasing trend within the time. After 1930 and especially after 1960, these expenditures on unemployment, pension, and health welfare programs rose drastically in nearly all countries but in these periods, the increase was not to be balanced among these countries (Lindert, 1996, p. 1). This uneven rise shows that there can be some determinants of the social expenditures in terms of every country.

Living standards of the people have had an increasing trend because of the technological advance. So, parallel to this increase in these standards, the type, and quality of the welfare services expected by the people from their governments have also been on raise. As some persons living in a community have not enough financial resources for their desired needs, they can claim their needs from the state. In this situation, these needs are to be met by the government by using social spending and so, these expenditures are seen to have a rising trend. Thus, the expectations of the people become the key factor for the social spending level in a country.

As is known, all of the public spending is financed by the public revenues so, other prominent determiner of the social expenditures can be determined as the public revenues. If the government revenues in a country are above the total expenditures, this surplus can be used for social purposes. When the relationship between the development levels of the countries and their social spending level is scrutinized, it can be seen that the developed countries can allocate more resources for these expenditures. This reality can be explained with the financial power of these countries.

The political approach of a country is defined as the third indicator of the social expenditures' amount. As mentioned above, the liberal welfare states prefer fewer budget allocations for the social expenditures but the social democratic welfare states invest more funds in these expenditures. However, even in the liberal welfare states,

as the social expenditures are a necessity for the people, the social duties are fulfilled by the private sector with the personal income in these countries. So, it can be said that social expenditure levels are high in nearly all countries whether they can be funded by the personal income or the government budget.

With the young population, spending in education and health spending may raise in the short-run but in the long-run, these expenditures may create more GDP in the country as they are called as the human capital and it has a positive relationship between the productivity and the growth rate. So, the aging population is the fourth source of the more public social spending in a country but this spending does not have power in the creation of the productivity just as transfer payments. So, in terms of productivity, not young population but the aging population is the reason for the increased social spending.

The openness of a country is the important factor with regard to information access and seen as the fifth source of the more social expenditures. If the people can connect easily other persons, who live in prosperity they can be influenced by their life standards and claim these standards from their states.

Lastly, regional possibilities of a country, traditional customs, and the effects of the globalization can be seen as the indicators for the specification of the social expenditures level. When the ratio of social expenditures to GDP in a country is examined, a conclusion can be obtained from this ratio about to the welfare level of this country. While the social expenditures are determined by some indicators, at the same time, these expenditures are also determinants of the prosperity level of the countries.

### **2.3. MAIN COMPONENTS OF SOCIAL EXPENDITURES**

The importance of social expenditures can be understood in the economic crisis period because the expenditures are seen as an economic support for the households, whose incomes may be decreased by this crisis that can create high inflation or unemployment level. The budget figures during a crisis periods show that the government has an option for the fewer allocation of the budget share for some requirements but frequently they have no selection for the fewer fund for the practice of social spending

because the consequences of this decision can be very detrimental for the social order. To investigate the social expenditures in term of their effects on the political decisions, the expenditures should be categorized and every part of which should be scrutinized independently from each other. For the above-mentioned purposes, in the literature, social expenditures are categorized as the spending in health, education, and social protection expenditures as a general and main basis.

### **2.3.1. Health Expenditures**

Health expenditures are executed for different reasons by both the individuals and the governments. The reason for these expenditures sometimes can be to increase current health conditions of the individuals living in the same countries but sometimes they are related to rehabilitation of the unhealthy persons or prevention of the potential health problem. Although health expenditures require a high amount of fund, the important economic feature of the health services is their externality. According to Stiglitz (1988), healthcare services can create positive externality starting from the individuals and their environment to all community. In this sense, the externalities of the health services are shown as one of the reasons for government intervention or operation in the health sector. When it does not any intervention to the market, states know that the consequences of this can be very heavy in terms of the social angle and so, because of the mentioned fact, a large number of funds have to be allocated to this field (Yalçın & Çakmak, 2016 ).

The health expenditures are considered as the investment in the persons and known to raise earnings of them. Additionally, these expenditures can improve health standards of individuals and they add happiness to their life. Therefore, economists regard the expenditures for health and education as an investment in human capital. These expenditures are named as human capital since people cannot be separated from their experience, skills, health, or values while they can be separated from their financial and physical wealth (Backer, 2008, p. 1).

When the development level of a country increases depending on its economic growth, an individual's personal income also raises in this country. Additionally, the demand for healthcare services ascends to maintain a qualified life. This increase gives rise to public spending on healthcare services and the needs of their financing. With the

importance of human capital in recent years, many studies have been conducted for the identification of the relationship between health expenditure and economic growth. It is thought that any kind of investment in people has a contribution effect on short-run, especially long-term real economic growth. When looking at the countries having a high level of economic development, it is seen that generally, the states have a higher rate of healthy individuals. The reason for economic development can be explained by the number of working days that can be multiplied with healthy persons' production.

If the healthcare spending in developed countries is scrutinized it can be seen that the spending level usually takes the third place after the defense and education expenditures. At a global perspective, healthcare expenditures have ascended since 1980 drastically. Even this increase has been frequently above the countries' economic growth level especially in the latter part of the 1990s and the first part of the 2000s. The trend of these expenditures was slowed down by the global crisis in 2009 (Stebbins & Frohlich, 2015). Although the determinants of the health expenditures can be changeable from one country to another, the general reasons for the health expenditures level is specified by the population age and demographic structure; epidemiological needs; national income and GDP; technological progress variation in medical care; health system characteristics such as provider payment mechanism, and overall government fiscal capacity in a country (Xe, Saksena & Holly, 2011, pp. 1-7).

As a conclusion, today's health expenditures have an increasing trend frequently and the basic explanation of this trend is the people getting more health-care and their treatment expenditures associated with the new and expensive medical technology. However, the increase can be slowed down some measures such as raising of the efficiency of health-care delivery; more financial incentives for people to curb their health service consumption; the more administrative control on the limitation of the available health services (Ginsburg, 2004, p. 1592).

The health expenditures are divided into four categories and these expenditures can be listed as health promotion; disease prevention; diagnosis and treatment; rehabilitation and palliative care expenditures.

### **2.3.1.1. Health Promotion Expenditures**

The health promotion system is implemented by the multi-sector and known for having a complex structure. It refers to the state health policies about the improvement of the health standards such as hygiene, nutrition, or accident prevention. The system can include government and non-government programs. So, it can be organized by the private health institutions and government sector together. It is seen as an important intervention tool of the state on the market to improve and maintain the demographic health structure. It also requires global, national, and local endeavor; indicates the social determinants of physical and mental health. Additionally, it includes human rights, the redistribution of wealth and resources among the citizens, as well as environmental issues. Health promotion programs may be provided by various institutions at different levels. The services can be produced for population, community, workplace, school, university, hospital, and clinic (Bayarsaikhan & Muiser, 2007, p. 5). Most of the countries have a health coverage system that can promote equal access to health services. The quality of this health system may be improved by the state intervention but its financial burden can be very detrimental to the budget. Total health spending was calculated as nearly 9% of GDP on average in the OECD member-countries in 2017 (OECD, 2017, p. 9).

### **2.3.1.2. Disease Prevention Expenditures**

Disease prevention and health promotion can be seen as the same or closely related activities yet their focuses are different and both use different instruments. Although prevention resorts to clinical intervention, health promotion focuses on awareness of citizens about their own health standards (Bayarsaikhan & Muiser, 2007, p. 7). Moreover, the health promotion refers to the population-based strategies, which determine fundamental risk factors of illnesses and its process focuses on health-related behaviors but disease prevention generally refers to the organized population health services such as vaccination or prenatal care (Marshall, Leatherman & Mattke, 2004, p. 8). Prevention expenditures cover the services that are implemented in order to design the health status of the public as distinct from the curative services (Morgan, 2013, p. 4). They have strong externalities and their social benefit is larger than their private benefit. For instance, convincing someone to quit smoking can have a positive effect within the family members or community and this situation may create fewer

risk for other persons, who exposure to passive smoking (Bayarsaikhan & Muiser, 2007, p. 8). In addition, the number of people, who will likely get cancer in the future due to smoking, may decrease. So, total spending on the treatment of cancer diseases can be decreased by investing this spending.

#### **2.3.1.3. Diagnosis and Treatment Expenditures**

The expenditures for diagnosis and treatment include the spending on care from the doctors, nurses or other health-care staffs to the patients that can be inpatient and outpatient status (U.S. Bureau of Labor Statistics, 2016, p. 5). Today these expenditures are known as their high proportion in the total health spending (EUROSTAT, 2018, p. 3). However, for a long time, new medical technology has decreased the cost of medical staff and it has been used as a life-saving and highly productive item for the curative process of the patients (Ginsburg, 2004, p. 1591). Thanks to this improvement, it can be said that the diagnosis and treatment expenditures will depend on the new medical devices in the future. Moreover, the invention of the new devices will reduce to the cost of the staffs as doctors or nurses but increase the maintenance costs of the devices at the same time.

#### **2.3.1.4. Rehabilitation and Palliative Care Expenditures**

Spending in the rehabilitative services with the curative activities covers a significant proportion of the countries' budget. According to 2015 EUROSTAT healthcare expenditures data, the spending on these services accounts for more than 50% of total health-care expenditures in the majority of the EU member countries (EUROSTAT, 2018, p. 3), and they include the vast majority of health spending in almost all the OECD member countries (OECD, 2017). These expenditures include all the cost after the recovery for the purpose of acquisition and development of the body skills and mental and physical functions. As for the definition of palliative care, according to WHO (2018), it is a process that can improve the life standards of the patients and their families. Moreover, it can eliminate their problems, which are related to the life-treating illness. Rehabilitation and palliative care are known as the long-term care and so, their costs are related to the long-term healthcare spending.

### **2.3.2. Education Expenditures**

Education is not only related to a person but the concept concerns all community. Moreover, its benefits are not limited to a person yet related to all society. Because of this reality, the quality, duration, and application format of education are being changed and developed over the years. With the change in these conditions, education spending to be met by the government has an increasing trend exponentially. Today, nearly all countries should expand their human resource because they should continue and accelerate their economic developments. Educational expenditures aiming at improving human resources are considered as an investment and thanks to the investment many problems related to the social life can be handled, such as the elimination of inequalities, reducing poverty, and the like.

An externality is a result of any economic activity practiced by irrelevant parties but the consequences of the activity create positive or negative effects for some people. Because the education has important externalities within the society, it is served by the government as unrequited manner.

Sometimes governments think that in case of under-consumption of some goods and services, they should be subsidized by the states to serve the well-being of the societies. These goods and services are called as merit goods. Because education is a merit good these expenditures are seen to have been increasing tendency over the years.

Public spending on education covers direct investments in the institutions that are responsible for the education services and education-related government grants for households. These expenditures also include spending in the schools, universities or other public and private organizations supporting and improving the educational services. Total public education expenditures are to be divided into three parts as primary, secondary, and tertiary levels of education spending (OECD, 2018).

#### **2.3.2.1. Primary Level Education Expenditures**

Primary education provides the main training in reading, writing, mathematics and a basic understanding of other fundamental information about life. It can begin between five and seven ages of the children and the duration of it is average six years. It can

include early childhood education that develops cognitive, physical, and emotional skills before the age of five (OECD, 2017, p. 19). The primary education responsibility is not only on the government but also together with the government and the parents. It is compulsory for children. To obtain a decent primary level education, the most important issue is the training of professional teachers. The equipment of the first stage teachers can be seen as more important than the other stage's teachers since the education received in this period can affect all life deeply. The important precautions to be implemented to destroy the gender discrimination in education should be executed intensively in this period. Because of the mentioned reasons, these expenditures of primary education have been increasing trend nowadays.

### **2.3.2.2. Secondary Level Education Expenditures**

According to EC (2014), secondary level education refers to generally compulsory education aged from 11 to 16. It can be divided into the lower secondary, upper secondary, post-secondary, and non-tertiary levels education stages. The importance of the secondary level of education is that students at this level can meet more technology that is very important elements of today's scientific progress and awareness about life (Glenn, 2018). The demand for secondary education is higher than the tertiary education because all of the students have not enough cognitive skills to continue the high education. As all level of education has a unique cost, it is not right to orient the students who do not have the capacity to complete their higher education. This situation can cause the waste of public resources. However, secondary level of education can be used for the training of intermediate staffs, whose contribution to the economy highly important, through technical vocational high schools. Individuals, who do not have the capacity to complete the university education can gain income by performing these professions, otherwise, they become a burden for the state in the next years due to their unemployment rate. Because of the mentioned facts, the spending in secondary education can be required more fund and the division of this fund should be planned meticulously to obtain maximum feedback from this fund.

### **2.3.2.3. Tertiary Level Education Expenditures**

The tertiary level programs provide professional knowledge and skills. Additionally, they are based on the occupationally specific training (European Commission, 2014). There can be seen a growing focus on tertiary level education. Its policy is on the national agendas because of the knowledge-driven global economy. The main goal of this recognition is its direct relationship between economic competitiveness and the rate of tertiary educated persons. The effects of tertiary education on the social and economic developments can be summarized as follows (OECD, 2008, p. 13): i) the creation of human capital; ii) boosting of knowledge level; iii) sharing and increasing of knowledge usage; iv) permanence of knowledge.

Because of the all mentioned reasons, the cost of this education level has increased significantly. Nearly forty years ago, the education was implemented commonly by the universities; today, it is diversified with the developments and expectations from it. So, nowadays, the education covers the new types of institutions such as polytechnics, colleges, or technical institutes. The diversity of its structure causes the more need of fund nowadays.

### **2.3.3. Social Security Expenditures**

Social welfare means a good and happy life. However, every person of the citizens is not physically, financially, and mentally equal. Some people can have health-related disadvantages and this situation can lead to a bar for a proper job for these persons. Welfare states should contribute these handicapped persons in order to increase and strength the total prosperity of the society with social security. It can be said that one of the innovations that was emerged with the industrial revolution is social security. Although the need for social security is old as human history, as a system, it has emerged as a result of the industrialization. Although the importance and definition of the social security are handled by many studies after this revolution, in fact, the most conspicuous definition of the social security can be seen in the Beveridge report, which was prepared by William Beveridge in November 1942. The main point of this report that is described as a "social revolution" by Beveridge is the elimination of poverty, which is one of the most important problems of modern society with a systematic and comprehensive social security system (Koç, 2006, p. 97). Beveridge advocates that

social progressions require a broad government policy application and social insurance that is developed by a state may provide income security. His argument focuses on social investigations that deal with the topics such as poverty, old age, and low birth rates. In addition, Beveridge handles social expenditure in the care of childhood, safeguarding of maternity, unemployment, disability, and retirement (BBC, 2015).

Social security expenditures may be seen as the most important part of social expenditures. It comprises cash benefits, immediate provision of goods and services as well as tax breaks with the social aims. The benefits can target low-income household, disabled, sick, the elderly, unemployed even young persons. The financial tool of social security expenditures is social insurance programs. The programs are a state intervention against the adverse situation and financially donated by the public resources or compulsory contribution of citizens (OECD, 2018) and these programs consist of health, insurance, and pension payments through social services and aids.

Today, social services and aids program differ from country to country. For example, in the USA the programs can be classified as veterans' benefits, public health and medical programs, child welfare services, school lunches, food stamps or benefit, surplus food distribution, slum clearance, and public housing (Social Security Administration, 1997). Every program beneficiary should have some requirements to obtain the aids. For instance, the condition of the food benefits is to obtain low income because the aim of this aid is to stretch the low-income families' food budget. Additionally, medicaid program can provide free or low-cost medical benefits to eligible low-income adults, children, pregnant women, seniors, and people with disabilities, and the like (Gruber, 2011, p. 320).

#### **2.3.3.1. Family Benefits Expenditures**

The main purpose of family benefit expenditures is to provide children's right and their well-being. These benefits are seen to be useful for the prevention of child labor by decreasing the economic vulnerability of the families. Although the progress and maintenance of these benefits are known to be indispensable for welfare of society, because of many reasons like economic crisis' negative circumstances and austerity measures, these benefits have to be decreased and this situation can lead to a threat for the income security of these children and their families. For example, after the last

global crisis, child poverty increased in the EU member-countries between 2007 and 2012 (ILO, 2014, p. 24).

The family benefits programs play a dominant role to sustain the income level and can include various types of social protections or their combinations. Countries generally prefer to create a system by using tax revenues and the rules of the system are determined by the laws. Moreover, while some countries like located in Western Europe, provide these benefits to all children in their countries on a universal basis, other countries like generally located in Africa and Latin America supply family allowances as a part of their social insurance system. Especially, child benefits are related to employment status in the economy directly or indirectly (ILO, 2015, p. 9).

According to OECD (2017, p. 1), family benefits serve financial assistance for children and their families. Moreover, even if the other financial supports such as health or housing back up for the families, they are not included these benefits. It can be said that there are three types of public spending on family benefits as follows:

- i. Child-related cash benefits to families with children: It covers child allowances with a payment that can be related to the age of the child or income-tested; public income support during periods of parental leave and income support for sole parent families.
- ii. Public spending on services for families and their children: It includes direct finance or supporting of providers of childcare services and early education facilities.
- iii. Financial support for families as a means of the tax system: It can be related to tax exemptions, child tax allowances, child tax credits, and amounts, which are deducted from the tax liability.

#### **2.3.3.2. Unemployment Benefits Expenditures**

Other type of social expenditure to be determined within the scope of the social security expenditures is unemployment benefit expenditures. The right of social security in the unemployment period is provided by the different human right

instruments and it recognized in the Universal Declaration of Human Right in 1948. The unemployment benefits can provide financial support during a determined time to unemployed persons and their aim is to provide income support and maintain a certain living standard. These benefits also provide to the reduction of informal employment level by giving insurance financed by both employee and employer together. Moreover, the insurance is used as a tool to increase employee satisfaction, maintain the competitiveness of businesses as they decrease job mobility (ILO, 2014, pp. 31-38). The cost of the unemployment benefits has frequently increasing level during the crisis period because of the ascending unemployment rate. The benefits are used as a fiscal policy tool as they have an automatic stabilizer effect on the market.

#### **2.3.3.3. Disability Benefits Expenditures**

Disability benefits are a social protection and cover the disabled persons in terms of their income security, health-care services, and social inclusion. The policies should be implemented to pay special attention to them, to protect their rights, to find suitable occupation for them. As the persons with disability have a higher poverty risk than others, their financial supporting can be seen as an important task by the governments (ILO, 2015). These expenditures for these fields may be reinforced by the tax deduction for the employers, who hired people with disabilities.

#### **2.3.3.4. Housing Benefits Expenditures**

One of the basic needs of a man is a shelter. If a person living in a country does not have shelter, the government should meet this need. However, providing this requirement is very costly and this need is frequently met as temporarily not permanently. The benefits are generally used by the state for the low-income families as a tax deduction or long-run credits to buy a home. So, as the duration of the expenditures of these benefits is long-time, the utility of these spending can be seen in the long time. Thus, in the short-term, these expenditures lead to a revival in the market by increased house sales but in the long-term, they can cause a decrease in the number of homeless people.

### **2.3.3.5. Social Exclusion Expenditures**

As a world, exclusion means a stigma. Because of this stigma, certain persons or groups can be differentiated from society. On the other side, it is known as the inability of people to participate in a community, where they live in (Millar, 2007, p. 3). Fundamentally, social exclusion is a process, which can deprive the persons, families, and groups and requires social, economic, and political activity to eliminate its negative consequences and reasons. So, it is a complex problem and its solution requires multi-way effort (Pierson, 2010, p. 12). Social caste system in a country, gender discrimination, disabled person discrimination or cultural, religious, and economic reasons are the main sources of this problem. Generally, these expenditures are combined with spending on the elimination of poverty (Pierson, 2010, p. 14).

### **2.3.3.6. Old Age Benefits**

The right of income security in old ages is seen as a human right and protected by the international labor standards. As every person has a limit for the working period, the states determine the upper age limit for the citizens to get a salary without having a job. This salary is called pension payments. This payment is a transfer expenditure of the government and independent from the production. Not all the workers can have a pension payment because it requires the contribution while working from both employee and employer with a pension plan. This plan is a key for the degree of the pension payment that can be between the upper and the lower limits. The pension systems can be private and public. The governments subsidize the private one by using tax reduction for aim at increasing the financial status of the retirements (ILO, 2014). These tax expenditures can be seen as the social expenditures and they are under the government responsibility in terms of their proper management.

## CHAPTER 3

### DEVELOPMENTS IN SOCIAL EXPENDITURES IN WELFARE STATES IN THE PRE AND POST GLOBAL CRISIS PERIODS

#### 3.1. NEXUS BETWEEN 2008/2009 GLOBAL CRISIS AND SOCIAL EXPENDITURES

Public expenditures are realized by public institutions and organizations to provide public goods and services. Moreover, these expenditures are implemented to meet social needs. For this aim, as a part of public expenditures, social expenditures are fulfilled by the government as spending on education, health, and social protection. The framework of them comes from the constitution, laws, or regulations. As their quantities and diversities can differ among the countries, there is not a universal definition and a limit for the expenditures (Akin, 2019).

When we look at the various countries, we see that public expenditures, especially social expenditures have increased continuously in almost every period except for their temporary pauses. They have shown an upward trend since end of the 19<sup>th</sup> century. Especially, this increase has been continued since the 1980s. The reason for this increase roots from real increases and nominal increases of them. The nominal increases are related to decreasing value of money because of inflation, alteration of the recording methods of expenditure in the budget, change in country borders and/or population. The real increases can be related to wars, increasing active roles of the state in the economy, change in the public services in terms of their quantity and quality, upgrading of life standards, developments in scientific and technical fields (Sarı, 2019).

Beside of these reasons of the rising public expenditures, the most important cause of this rise can be seen as the financial, and/or global crises as these crises cause real and nominal increase in the public expenditures. Additionally, among all increases of the public expenditures, the most unexpected one may be the crises because governments generally face with them unpreparedly. This reality was experienced during the

2008/2009 global crisis. The crisis was an unforeseen event and its conclusions were very detrimental after the 1929 great depression. Furthermore, the crisis shows to the world that despite many technological developments and modernization, countries could face a crisis easily just as the countries of the 1930s. So, when the causes and consequences of the crisis are investigated, the crisis can be seen as a clear warning to the countries. As a conclusion of the crisis, the countries figured out that they will be experienced serious consequences if they do not develop effective policies on their economic and social management. Especially, because the welfare states are known to have important implementation and propagation of social policies, studies are concentrated mostly on the effects of the crisis in these countries.

In the literature, to understand the correlation between crisis and public expenditures in the countries, it is implemented in many studies. One of them is the study of Buchanan (1958). It is proclaimed in this study that there is a direct relationship between crisis and public debt because of the increasing need of fund to execute the public expenditures during this period.

Newton (1985) scrutinized the effects of international energy crisis of 1973, which caused a sharp soaring trend in fuel price among the countries. The crisis pushed the inflation up into double figures with creating financial problems. Many countries had to borrow from IMF and so, a rigid decline was seen in the public expenditures of these countries. Additionally, in this study, it is concluded that the main reason for any fiscal crisis can be acceptable as the unproductive social expenses in the budget

Poterba (1994) investigated public expenditures during the unexpected fiscal shocks in the late 1980s and early 1990s in the USA and it is discovered in this study that public expenditures exceed projections because of these fiscal shocks.

To discover the relationship between the negative effects of the 2008/2009 global crisis and social expenditures Prasad and Gerecke (2010) scrutinized the effect of the crisis in the selected welfare states and as a conclusion, they found out that social security expenditures generally raised during and after the crisis. Even some countries not having fiscal space had to increase their public expenditures and after the first phase of the crisis, they faced with an excessive public debt limit. So, based on the

common response to past crisis countries adopted expansionary policies during the crisis for social expenditures.

Vis, Kersbergen, and Hylands (2011) investigated selected advanced welfare states of the world. These welfare states were the UK, the USA, Germany, the Netherlands, Denmark, and Sweden. They discover that these welfare states experienced the same problems arising from the crisis and their responses to the crisis were similar. The countries firstly executed capital injections in the banking sector in the first phase of the crisis, secondly with Keynesian demand management of labor market production were increased with the temporary expansion of social programs. However, their budgetary constraints forced them to introduce austerity measures.

OECD (2012) executed a study including a wide range of countries of the world regardless of their welfare classification or understanding. It is explored in this study that social expenditures to GDP ratios increased from around 19% in 2007 to 22% of GDP in 2009/11 on average across the OECD countries because of raising public expenditures for social support and GDP declines due to decreasing economic activity.

Ötöker and Podpiera (2013) investigated the welfare states as a general view and explained that due to weakened economic activity, decreasing consumption, investment demand, and employment, the welfare states had to enhance their social protection, public goods, and services in order to reduce the negative financial circumstances.

Hörisch and Weber (2013) investigated two welfare states, Switzerland and the USA. It is discovered in this study that these welfare states responses to the crisis were an increase in the education and healthcare services with the stimulus packages.

Gatauwa (2014) investigated developing countries located in Asia and Africa and it is concluded that the macroeconomic position of a country in the pre-crisis period can show the significant crisis effect on public expenditure in this country. Because of the negative impacts of the crisis, most African and Asian countries faced with a decline in their exports and foreign direct investment, aid, remittances, and tourism revenues. Due to the negative impacts of the crisis, the economic policy measures included

expansionary policies are implemented by the states to mitigate the adverse effects of the crisis.

Milio (2014) explained that during the crisis the main source of increasing public expenditures was a higher demand for social services because of the financial unease due to income shortage and/or loss of employment.

In the study, Kiess, Norman, Temple, and Uba (2015) scrutinized short and long policy responses to the crisis in three typical welfare states. These states were Sweden from social democratic welfare states, the UK from liberal welfare states and lastly Germany from conservative welfare states. The study focused on the labor market and social welfare policies. It is concluded that three welfare states experienced a significant decline in the economic growth and increase in the unemployment rate and so increase in social expenditures. Additionally, the high public debt limit was the other conclusion of this crisis.

Grisoria and Prota (2016) scrutinized the relationship between the public expenditures and crisis effect in Italy and it is perceived from the study the public expenditures had to be raised and this rise was observed in the subnational spending by 30% despite implemented austerity measures in Italy.

Çelik (2010) scrutinized the welfare states during the crisis and concluded that just as EU countries, welfare states increased their social expenditures as a response to the crisis. These expenditures created an excessive financial burden on the budget of these welfare states.

Kalaycı (2013) investigated Norway, Greece, and Turkey as welfare states. After the 2008/2009 crisis and because of the European debt crisis the countries decreased their social expenditures although they increased these expenditures during the 2008/2009 global crisis.

According to Karakurt and Akdemir (2016), developing countries with better economic conditions before the crisis were able to implement faster and more effective policies against the crisis and so, they were less affected by the crisis. However, as a general view, the debt rates of developing countries have increased significantly but

these countries have not experienced a debt crisis just as the countries located in Europe. The global crisis was relatively less influential in developing countries yet this crisis was mostly experienced by the developed countries as opposed to the past crises. The countries that are less integrated into the global economy are less affected by the crisis. The problem of high budget deficits and debt stock increased concerns about fiscal sustainability and the volume of expansionary monetary and fiscal measures were further narrowed during the beginning of the crisis. This situation made very difficult to reduce the ratio of debt to GDP due to the low growth caused by social expenditures, especially in some EU member states.

In the literature, to realize the potential causes and consequences of a crisis, the effects of the crisis are generally examined during the pre-crisis period, the crisis period, and the post-crisis period in the studies. Furthermore, the studies uncover the relationship between the crisis and public expenditures but this relationship is scrutinized in very limited countries and restricted public expenditures in the literature. The investigations conducted in this context are generally based on the examination of the correlation between the crisis and the general government expenditures as these expenditures increase intensively in this period. The increase in sub-categorized expenditures of social expenditures is ignored or underestimated but, in some studies, it is scrutinized only one of these sub expenditures in the limited countries. On the other side, because the main purpose of the welfare states is to protect its citizens from the problems stemmed from the negative circumstances of this crisis, this examination is generally conducted for the welfare states' financial events. Even, as a general view, the studies are investigated to discover the relationship between the crisis and general government expenditures in the welfare states embraced the same political approach. In these studies, generally few countries with the same and/or different political opinions are examined in terms of the relationship between their crisis effects and social spending. Although extensive studies are conducted by the various unions like OECD or the EU, the study explaining the relationship between crisis and social spending in eighteen countries classified according to Esping-Anderson are not implemented in the literature.

The contribution of this study to the literature is the examination and the comparison of the relationship between social expenditures and the 2008/2009 global crisis among

the welfare state in accordance with the three main political approaches of Esping-Anderson as a whole. Moreover, to realize the potential causes and consequences of the 2008/2009 global crisis, the effects of the crisis will be examined during the pre-crisis period, the crisis period, and the post-crisis period among in these welfare states. As for the main motivations of this study, as the first purpose, it is aimed to reveal the importance of social expenditures and their relationship with welfare in public finance. Secondly, it is intended to uncover the importance of fiscal space in terms of execution of social expenditures during the crisis and its significance in the management of the crisis. Thirdly, it is aimed to detect the effects of the economic policies on the quantity and composition of general government expenditures especially in terms of social expenditures. As the last motivation, it is purposed to discover that whether or not there are any joint responses to the crisis in terms of their social expenditures within the welfare states and if there are any joint responses, then which group of welfare states is more successful.

Additionally, it is implemented descriptive analysis and the financial figures of welfare states used in this study are obtained from the OECD, the EU, World Bank, and IMF Database. Furthermore, it was met with limitations during the examinations. These limitations can be listed as:

- i. The classification of social expenditures was seen to be different in many countries.
- ii. Definition and understanding of the welfare and welfare state have different perspectives in these states.
- iii. Rising expenditures sometimes could not be explained as the only factor like the crisis.
- iv. Some years' figures in some countries were not obtained precisely.

### **3.2. DEVELOPMENTS IN SOCIAL EXPENDITURES IN THE PRE-GLOBAL CRISIS PERIOD**

Every state is responsible for the implementation of many duties for being a welfare state. However, implementation of these duties requires a huge level of funds. The proper usage of these funds also requires pre-planned process management. During

this process management, all the programs should be designed in an order, which is indispensable for the inspection and administration of the government to ensure and sustain the effective usage of the public resources. However, during the extraordinary circumstances like economic crisis periods, the management of the process may be difficult because of arising many problems such as high employment and depending on this situation more need for unemployment benefits expenditures. Because of arising need to obtain more financial resources in these periods, the requirements of social expenditures in the pre-crisis period and during a crisis period should be investigated elaborately. As a timely executed precaution is seen as the main tool for the elimination of negative consequences of any economic crisis, these surveys may be used as a guide in the management of the financial process during this time.

An economic crisis showing the importance of timely implementation of the financial measures appeared in 2008 in the USA. The regional crisis spread like a virus to the world economies due to the mortgage system of the USA and returned to a global crisis easily. Although the USA is known for having many financial advantages such as the biggest gold reserves of the world in 2017 (World Gold Council, 2017) even its money is used as the reserve money during the international trade among the countries and the country's financial markets are called as the most powerful economy of the world, the USA could not escape from this crisis.

The underlying reasons for the 2008/2009 global crisis are that the US banks had a liquidity surplus. With the reality, the banks did not calculate the payment risks of the people who demand the loans for having a home. Obtaining a credit was getting easier, the price of the houses increased frequently and the bubble economy was created. Banks fell into financial difficulty when the credit payments did not come back. The exact starting of the 2008/2009 global crisis begins with the bursting of this bubble economy in the USA housing sector and this called as the worst recession of the world, witnessed over the six decades. These years are seen as the only years causing the big recession in the world, since World War II, after the boom time between 2002 and 2007. Although the economies such as the USA and the UK had negative financial signs as large current deficits, nobody did not expect these signals to cause such a deep global crisis. Especially, with the collapse of the Lehman Brothers, having mortgage-backed securities, investors reversed their expectations as a negative way and housing

sector went into crisis rapidly and liquidity was quickly declined (Verick & Islam, 2010, p. 4). To examine the negative effects of this 2008/2009 global crisis on the social expenditures, these expenditures will be analyzed before the global crisis period in this chapter.

### **3.2.1. Developments in Social Expenditures in Welfare States in the Pre-Global Crisis Period**

The reality of being called as a welfare state, undoubtedly, charges a burden and extra responsibility for a country because of the social facilities of this country and the expenditures of these facilities are followed by scientific circles. The difficulty of fulfilling the financial requirements of being a welfare state is most often seen when the negative economic conditions arise. Because one of these negative economic conditions is accepted as the 2008/2009 global crisis, to determine this global crisis negative effects on the social expenditures precisely, in this section, it will be examined the pre-crisis social spending of the triple groups of the welfare states defined by Esping-Anderson (1990). The pre-crisis period will be accepted as a time interval between 2000 and 2007 in this study.

#### **3.2.1.1. Developments in Social Expenditures in Liberal Welfare States in the Pre-Global Crisis Period**

As mentioned before, in the liberal welfare states, the market has a very determinative role. Social rights and supports are relatively less than other welfare states. Liberal welfare states are determined in those states, where the liberal opinion and tradition has been so dominant. If the social expenditures of welfare states are examined in terms of the spending on social protection, health, and education in the pre-crisis period, it is possible to say that social expenditures of liberal welfare states are seen as lower than that of other welfare states. The trend of the executed social expenditures between 2000 and 2007 in liberal welfare states as a ratio of the social expenditures to GDP can be seen in Table 3.1.

Table 3.1. Social Expenditures in Liberal Welfare States in Pre-Global Crisis Period (2000-2007),  
As a Percentage of GDP

Country	Expenditure	2000	2001	2002	2003	2004	2005	2006	2007
Australia	Health	5.21	5.22	5.42	5.38	5.55	5.47	5.47	5.60
	Education	n/a	n/a	n/a	n/a	n/a	4.92	4.75	4.67
	S.Protection	18.25	17.55	17.36	17.56	17.26	16.71	15.74	15.89
Canada	Health	5.79	6.03	6.16	6.33	6.36	6.33	6.40	6.48
	Education	5.44	4.97	5.01	n/a	n/a	n/a	n/a	4.78
	S.Protection	15.76	16.20	16.21	16.29	16.29	16.14	16.29	16.20
Ireland	Health	4.58	5.02	5.27	5.52	5.70	6.03	5.85	6.18
	Education	4.14	4.09	4.11	4.21	4.49	4.52	4.55	4.71
	S.Protection	13.19	14.02	14.59	15.40	15.68	15.91	15.89	16.75
New Zealand	Health	5.83	5.79	6.15	6.05	6.29	6.59	6.91	6.86
	Education	n/a	6.56	6.41	6.44	6.51	6.28	5.95	5.92
	S.Protection	18.23	17.63	18.02	17.51	17.21	17.78	18.48	18.25
UK	Health	4.73	5.01	5.25	5.45	5.72	5.86	6.04	6.08
	Education	4.07	4.14	4.69	4.84	4.77	4.98	5.02	4.95
	S.Protection	16.19	17.03	17.13	17.88	18.38	18.34	18.34	18.81
USA	Health	5.53	5.95	6.30	6.49	6.58	6.60	6.76	6.88
	Education	5.86	6.08	6.12	6.10	6.06	5.98	6.01	6.10
	S.Protection	14.25	14.84	15.69	15.95	15.81	15.65	15.73	15.86

Note: Health and social protection spending figures are obtained from the OECD Database. As for education spending figures, they are obtained from The World Bank Database except for those of USA that are obtained from IMF Database. See, <https://data.oecd.org/healthres/health-spending.htm> and <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS> <https://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&sl=1479331931186>.

When we look at the total social spending figures of liberal welfare states between 2000 and 2007, it is expected that to become more prosperous, there should be an increase in the social spending level parallel to ascending social expenditure demand from the states. However, as a general view, during the determined time, the social spending levels were not changed so much in the base of country. The reality can be

explained by the countries' liberal idea and their approach to social responsibilities. Although between 2000 and 2007, the education expenditure data of the liberal welfare states are not obtained precisely, Table 3.1 shows that social protection expenditures are seen to cover the highest share of social expenditures. They realized in the range of 13.00-19.00 % of GDP among the liberal welfare states during the pre-crisis period.

### **3.2.1.2. Developments in Social Expenditures in Conservative Welfare States in the Pre-Global Crisis Period**

The conservative welfare states are known to have a view that guarantees social welfare of their citizen. These states have class equality, loyalty as well as the system that harmonizes the sources of the state. Moreover, they have significantly high social spending, sufficient source of meeting the income needs of the households, enough social security. Compensation policies are produced for those who suffer the loss of income for various reasons by these states. Despite these social understandings, the conservative welfare states experienced the crisis in 2008 just as other countries and their citizens faced with declining household revenue. Although they are seen as having most financial power and allocated fund for their social expenditures unlike many countries, every state was affected by the global downturns in a different level.

As the impact of the 2008/2009 global crisis was different among the conservative welfare states, the social expenditures of these countries were affected differently depending on their economic situations and fiscal spaces during the crisis period. In the same way, it can be said that their social spending levels as a country base are different in the pre-crisis period as a percentage of GDP again depending on their economic power. The social expenditures levels of the conservative welfare states as a percentage of GDP in the pre-crisis period are realized in Table 3.2.

Table 3.2. Social Expenditures in Conservative Welfare States in Pre-Global Crisis Period (2000-2007), As a Percentage of GDP

Country	Expenditure	2000	2001	2002	2003	2004	2005	2006	2007
Finland	Health	4.87	5.02	5.34	5.74	5.87	6.04	5.99	5.85
	Education	5.72	5.85	6.03	6.18	6.17	6.04	5.94	5.69
	S.Protection	22.61	22.44	23.16	23.89	24.01	23.97	23.72	22.82
France	Health	7.53	7.63	7.90	7.91	7.98	8.01	7.99	7.92
	Education	n/a	n/a	n/a	5.75	5.66	5.52	5.46	5.46
	S.Protection	27.58	27.58	28.30	28.67	28.75	28.73	28.27	28.07
Germany	Health	7.70	7.72	7.87	7.99	7.64	7.73	7.60	7.49
	Education	n/a	n/a	n/a	n/a	n/a	n/a	4.28	4.34
	S.Protection	25.39	25.41	26.04	26.53	25.93	26.24	25.02	24.07
Italy	Health	5.51	5.80	5.92	5.92	6.24	6.48	6.58	6.33
	Education	4.30	4.67	4.45	4.56	4.40	4.25	4.54	4.12
	S.Protection	22.64	22.89	23.30	23.64	23.90	24.09	24.22	24.70
Japan	Health	5.75	5.95	6.04	6.09	6.15	6.32	6.27	6.41
	Education	3.60	n/a	n/a	n/a	n/a	3.50	3.50	3.50
	S.Protection	15.43	16.17	16.51	16.71	16.91	17.17	17.30	17.71
Switzerland	Health	5.47	5.81	6.26	6.50	6.53	6.56	6.17	6.08
	Education	4.78	4.96	5.31	5.52	5.45	5.20	4.96	4.69
	S.Protection	13.88	14.18	15.06	15.95	15.85	15.62	14.70	14.09

Note: Health and social protection spending figures are obtained from the OECD Database. As for education spending figures, they are obtained from The World Bank Database except for those of Japan that are obtained from UN Database. See, <https://data.oecd.org/healthres/health-spending.htm>; [https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS\\_](https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS_), and <http://hdr.undp.org/en/content/expenditure-education-public-gdp>

As shown in Table 3.2, total social expenditures levels of the conservative welfare states between 2000 and 2007 were higher than those of the liberal welfare states and significant level of the fund was allotted for the social protection spending. However, during the pre-global crisis, as yearly bases, the social spending levels of education, health, and social protection was not changed so much in terms of country base. So, social protection expenditures are seen to cover the highest share of the social spending and they are realized in the range of 16.00-29.00% of GDP among the conservative welfare states during the pre-crisis period.

### 3.2.1.3. Developments in Social Expenditures in Social Democratic Welfare States in the Pre-Global Crisis Period

The social democratic welfare states are known to have an approach that refuses the liberal idea, advocates capital accumulation, and rejects the property as it causes the class division and conflict. Because of their approaches, social benefits in these states can be seen as in large scale. Despite their understanding that aims to spread prosperity between the social classes equally, the social democratic welfare states experienced the 2008/2009 global crisis just as other welfare states. Table 3.3 will be created when the social expenditures of these countries are scrutinized as a percentage of GDP.

Table 3.3. Social Expenditures in Social Democratic Welfare States in Pre-Global Crisis Period (2000-2007), As a Percentage of GDP

Country	Expenditure	2000	2001	2002	2003	2004	2005	2006	2007
Austria	Health	6.95	6.95	7.03	7.11	7.12	7.12	7.09	7.09
	Education	5.59	5.58	5.52	5.36	5.30	5.25	5.23	5.15
	S.Protection	25.69	25.75	26.05	26.59	26.33	25.95	25.66	25.09
Belgium	Health	5.93	6.11	6.10	6.73	6.92	6.90	6.76	6.74
	Education	5.00	5.24	5.27	5.37	5.09	5.18	5.15	5.12
	S.Protection	23.48	23.99	24.34	25.49	25.25	25.23	25.11	24.89
Netherlands	Health	4.68	4.90	5.21	5.63	5.59	6.24	7.59	7.67
	Education	4.63	4.75	4.87	5.10	5.12	5.16	5.09	4.93
	S.Protection	18.85	18.91	19.32	20.09	19.98	20.23	16.47	16.58
Denmark	Health	6.74	7.05	7.29	7.47	7.53	7.61	7.69	7.81
	Education	8.08	8.22	8.21	8.12	8.21	8.09	7.73	7.62
	S.Protection	23.77	24.29	24.80	25.33	25.12	25.20	24.96	24.98
Norway	Health	6.30	6.64	7.46	7.67	7.33	6.92	6.60	6.74
	Education	6.47	6.83	7.44	7.42	7.30	6.87	6.39	6.53
	S.Protection	20.40	21.23	22.72	23.66	22.30	20.75	19.49	19.60
Sweden	Health	6.34	6.58	6.87	6.99	6.79	6.77	6.77	6.61
	Education	6.82	6.69	7.00	6.86	6.72	6.56	6.41	6.22
	S.Protection	26.77	26.81	27.57	28.20	27.67	27.32	26.61	25.48

Note: Health and social protection spending figures are obtained from the OECD Database. As for education spending figures, they are obtained from The World Bank Database except for those of Belgium that are obtained from IMF Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&slid=1479331931186>; and <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

It can be seen from Table 3.3, before the 2008/2009 global crisis, the remarkable level of funds was allotted for the social protection spending just as other welfare states. However, during the determined time as the pre-global crisis, the social spending levels as education, health, and social protection were not changed so much in terms of country base. Furthermore, social protection expenditures are seen to cover the highest share of the social spending and as it seen from Table 3.3, they are realized in the range of 19.00 -28.00 % of GDP among the social democratic welfare states during the pre-crisis period.

### **3.3. DEVELOPMENTS IN SOCIAL EXPENDITURES DURING THE 2008/2009 GLOBAL CRISIS**

If the economic situation and financial data in any country begin to deteriorate and this deterioration cannot be stopped with the right, timely, and precisely implemented monetary and fiscal policies, the market becomes stagnant and deterioration becomes a huge economic crisis in that country. With the domino effect, especially private firms in the market start to be affected by the downturn and steadily increasing unemployment figures can be observed. Even the income of employed citizens may be reduced by the taken precautions by the employers to slow down the effects of the economic collapse on their firms. So, the biggest burden can be seen on the households during this period. The first policy that is applied by the governments in these times is to reduce this burden by using the fiscal policy tools. Initially, this policy mostly causes an increasing burden on the states. However, this action may keep the personal income at a level. Thus, during the crisis period, it can be said that the most raising government expenditures, that are required extra funds even required public borrowing are the social expenditures. In this section, welfare states will be examined in terms of their social spending level during the 2008/2009 global crisis. The crisis period is determined in a time interval between 2008 and 2009.

#### **3.3.1 Developments in Social Expenditures during the 2008/2009 Global Crisis in Welfare States**

The welfare states faced with the negative circumstances of the 2008/2009 global crisis. Yet, these negative circumstances were different in terms of every state grouped in the same division because each country had different economic power despite their

common political approach. As a general view, the first response implemented by the welfare states to the crisis was the adoption of the financial measures. These measures were taken for to prevent financial deterioration of the banks as the crisis began in the financial sector because the experiences show that when the necessary measures are not taken, every financial deterioration can have a potential for the beginning of the possible economic crisis.

Secondly, some welfare states preferred to implement fiscal stimulus packages as expansionary fiscal policy measures. However, as not all countries' fiscal position was suitable for this implementation, other of them preferred to implement austerity measures in the determined fields. Moreover, during the crisis, systematically two measures are seen to have implemented by some countries.

### **3.3.1.1. Developments in Social Expenditures during the 2008/2009 Global Crisis in Liberal Welfare States**

When the 2008/2009 global crisis firstly raised from the mortgage crisis in the USA, there was no exact prediction how much to be felt effects of the crisis and which countries to be affected by that crisis. Even in the first period of the crisis, it seems that the approach of every liberal welfare state differs in terms of what measures to be taken and how these measures to be funded. The most ironic consequence of this crisis was the government interventions in the market by the liberal welfare states despite their liberal opinion. Among the liberal welfare states, some countries not only implement the stimulus packages but also accept the austerity measures on many fields during the crisis period. Moreover, the austerity measures are not only executed on the social fields but also applied to the other public expenditures such as infrastructure project or energy sector. Even among the liberal welfare states, the countries that are known as their financial power had to comply with the austerity measures tightly. As a conclusion, every liberal welfare state perceived different spending fields or different fiscal measures. These fields and measures can be seen in Table 3.4.

Table 3.4. Main Social Expenditures and Some Austerity Measures in Liberal Welfare States Against to the 2008/2009 Global Crisis

Country	Measures
Australia	increasing expenditures for social protection, infrastructure like road repairs, family benefits like payments for alone parents, education; and tax breaks
Canada	The cutback in the health, social assistance, housing, and education spending; increase in employment insurance and income security, transfers to provinces and territories; and reducing the tax burden
Ireland	huge cut on their social spending and public services like health because of the need to more borrowing, increase in social protection expenditure; more tax obligation like indirect taxes as value-added tax (VAT).
New Zealand	increase in housing, transport, energy sectors; social protection, health, and education; tax reduction was implemented firstly on the income taxes and later the other taxes.
UK	increase in infrastructure, high-speed rails, water or flood control, energy, new scientific facilities, healthcare, education, unemployment benefits.
USA	increase in roads, housing, health, flood defenses, education, unemployment benefits

Source: The Global Financial Crisis: analysis and policy implications (2010). See, [https://www.everycrsreport.com/reports/RL34742.html#\\_Toc253125724](https://www.everycrsreport.com/reports/RL34742.html#_Toc253125724)

According to the main social expenditures that are listed in Table 3.4, the liberal welfare states' social spending figures as a percentage of GDP during the 2008/2009 global crisis period is reported in Table 3.5.

Table 3.5. Social Expenditures in Liberal Welfare States during the 2008/2009 Global Crisis, As a Percentage of GDP

Country	Expenditure	2008	2009
Australia	Health	5.71	5.94
	Education	4.64	5.01
	Social Protection	17.09	16.93
Canada	Health	6.61	7.43
	Education	4.64	4.85
	Social Protection	16.28	18.02
Ireland	Health	7.22	8.08
	Education	5.45	6.14
	Social Protection	19.79	23.74
New Zealand	Health	7.37	7.80
	Education	5.51	6.28
	Social Protection	19.64	20.69
UK	Health	6.36	7.12
	Education	4.94	5.13
	Social Protection	20.11	22.24
USA	Health	7.22	7.87
	Education	6.30	6.55
	Social Protection	16.50	18.59

Note: Except for the USA' education spending figures (IMF Database), Education spending figures are obtained from the World Bank Database; other figures are obtained from the OECD Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS> ; <https://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&sid=1479331931186>

If the social expenditure figures of the liberal welfare states are scrutinized, it can be seen that the social expenditures during the 2008/2009 global crisis period had to be increased. However, as understood from the figures, the highest rise is observed in the social protection expenditures except for Australia. The reason for this condition can be understood when the spending fields of the liberal welfare states are investigated. Table 3.4 shows to us clearly that as a general view, all liberal welfare states prefer to invest in the social protection to decrease household financial burden that is created by the crisis circumstances as high unemployment level.

### 3.3.1.2. Developments in Social Expenditures during the 2008/2009 Global Crisis in Conservative Welfare States

As the conservative welfare states are known to be very generous about the social expenditures with the sudden emergence of the 2008/2009 global crisis, they had to endure increasing the financial burden of these expenditures at the onset of the crisis to decrease financial burdens of this global crisis on the families. The states generally prefer to implement stimulus measures in the pre-determined fields and these fields can be tabulated as follows.

Table 3.6. Main Social Expenditures and Some Austerity Measures in Conservative Welfare States Against to the 2008/2009 Global Crisis

Country	Measures
Finland	transfer to families like raises of the child benefits, home-care, and child maintenance allowance; construction, renovation, and transport infrastructure projects
France	temporary investment expenditures for road and rail construction and various tax breaks; the allocation of public expenditures for family benefits remaining mostly unchanged and its tax exceptions reduced for families with children for high-income households; to families in need or low-income with school-aged children payment increased in order to protect low-income families' children
Germany	some improvements are recorded for child benefits, tax allowance, and child maintenance payments; introduced austerity measures on the parents, whose net incomes were over 1240 Euros, income tax basic allowance was raised; the tax rate was decreased from 15% to 14 %.
Japan	public works projects, addressing global warming and boosting the health and childcare, tax cuts for homeowners and companies that build or purchase new factories and equipment, and grants to local government; a safety net for non-regular workers; support for small businesses
Italy	supporting banks and large firms; cutting of the public spending like universities, education, and public employees; provide loans to companies, and rebuild infrastructure.
Switzerland	health, social security, and education, spending on an environment like flood defense and natural disaster or energy- efficiency projects, social housing, and culture.

Source: The Global Financial Crisis: analysis and policy implications (2010). See, [https://www.everycrsreport.com/reports/RL34742.html#\\_Toc253125724](https://www.everycrsreport.com/reports/RL34742.html#_Toc253125724)

According to these main social expenditures that are shown in Table 3.6, the conservative welfare states' social spending figures as a percentage of GDP during the crisis period, which is accepted between 2008 and 2009 in this study can be seen in Table 3.7.

Table 3.7. Social Expenditures in Conservative Welfare States during the 2008/2009 Global Crisis, As a Percentage of GDP

Country	Expenditure	2008	2009
Finland	Health	6.04	6.63
	Education	5.85	6.49
	Social Protection	23.34	26.94
France	Health	8.00	8.61
	Education	5.45	5.75
	Social Protection	28.20	30.54
Germany	Health	7.65	9.31
	Education	4.41	4.88
	Social Protection	24.22	26.67
Japan	Health	6.66	7.36
	Education	3.40	n/a
	Social Protection	19.59	21.89
Italy	Health	6.65	7.03
	Education	4.40	4.54
	Social Protection	25.63	27.70
Switzerland	Health	6.24	6.69
	Education	4.87	5.04
	Social Protection	17.05	18.60

Note: The education spending figures are obtained from World Bank Database except for Japan that is obtained from UN; the other figures are obtained from the OECD Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>; <http://hdr.undp.org/en/content/expenditure-education-public-gdp>

If the conservative welfare state's social expenditure figures are scrutinized, it can be seen that the social expenditures during the 2008/2009 global crisis period had to be increased because of arising need of extra fund for these expenditures. Although all the social expenditures had an ascending trend, the highest rise is observed in the social protection expenditures just as liberal welfare states. The reason for that can be seen when the spending fields of the conservative welfare states are investigated. As shown in Table 3.6, all conservative welfare states prefer to spend on their social protection to decrease household's financial burden as in liberal welfare states.

### 3.3.1.3. Developments in Social Expenditures during the 2008/2009 Global Crisis in Social Democratic Welfare States

Social democratic welfare states have a perspective about their citizens' social life and they prefer to meet financial resources to sustain this life. From this point of view, it

is understood that the most social spender among all welfare states is these countries grouped as social democratic. It can be thought having much more spending on the social fields than any other countries require meeting minimum effects coming from the 2008/2009 global crisis. However, every social democratic welfare state was influenced by the crisis in a different way depending on their fiscal space and they were forced to make extra spending in the social spending fields yet they had to implement austerity measures on the determined fields. These fields can be seen in Table 3.8. Additionally, their figures as a ratio of GDP between 2008 and 2009 can be shown in Table 3.9.

Table 3.8. Main Social Expenditures and Some Austerity Measures in Social Democratic Welfare States Against to the 2008/2009 Global Crisis

Country	Measures
Austria	higher funds invested in unemployment benefits and this fund was a reason for the increase in the social expenditures to GDP ratio; in addition, retirement income provision and benefits to combat poverty and social exclusion are other fields.
Belgium	huge funds allocated for the automatic stabilizers and the great rescue packages for Belgium's leader banks, in addition, unemployment benefits, government investments like railroads and buildings; lowering of the VAT on construction, less tax implementation for energy, but later it had to implement austerity package that covered quite huge pension cuts and cutbacks for the unemployment benefits for some groups.
Netherlands	stimulus packages were related to part-time unemployment benefits, funds to firms that hire temporary workers, the creation of programs to find jobs for the unemployment, infrastructure projects like street lighting or sewage networks but later the government had to announce cutbacks of the public spending; especially pensions, healthcare, and childcare.
Denmark	the country had solid reforms and these reforms embraced nearly all elements of the social safety nets like pensions, social security, and disability benefits, early retirement, which are implemented as a first fiscal measurement but later because of increasing debt stock, austerity measures
Norway	it is implemented swap facilities and with the stimulus packages, it is continued to pension payments, healthcare and education spending, disadvantaged households, and start-up loans, grants and housing allowances, investment in construction and infrastructure
Sweden	stimulus measures for the supporting of labor markets like social security and benefits, tax cuts, interest rate cuts on a serious scale, a mix of investment in infrastructure and public employees, education, and social security

Source: The Global Financial Crisis: Analysis and Policy Implications (2010). See, [https://www.everycrsreport.com/reports/RL34742.html#\\_Toc253125724](https://www.everycrsreport.com/reports/RL34742.html#_Toc253125724)

According to the main social expenditures that are shown in Table 3.8, the social democratic welfare states' social spending figures as a percentage of GDP during the crisis period can be depicted in Table 3.9. As it is apparent from Table 3.9, it can be understood that the social expenditures during the crisis had to be increased. However, the highest rise is observed in the social protection expenditures just as other welfare state groups.

Table 3.9. Social Expenditures in Social Democratic Welfare States during the 2008/2009 Global Crisis, As a Percentage of GDP

Country	Expenditure	2008	2009
Austria	Health	7.29	7.68
	Education	5.26	5.73
	Social Protection	25.52	27.47
Belgium	Health	7.19	7.81
	Education	5.24	5.60
	Social Protection	26.26	28.55
Netherlands	Health	7.77	8.44
	Education	5.09	5.50
	Social Protection	15.73	17.36
Denmark	Health	7.99	9.02
	Education	7.48	8.45
	Social Protection	25.37	28.25
Norway	Health	6.69	7.65
	Education	6.28	7.10
	Social Protection	19.21	22.44
Sweden	Health	6.81	7.33
	Education	6.39	6.86
	Social Protection	25.55	27.63

Note: The education spending figures are obtained from the World Bank Database except for those of Belgium that are obtained from IMF Database; the other figures are obtained from the OECD Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>; <https://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&slid=1479331931186>

If the social democratic welfare state' social expenditure figures are scrutinized, it can be seen that the social expenditures during the 2008/2009 global crisis period had to be increased. However, the highest rise is observed in the social protection expenditures just as other groups of welfare states. The reason for that can be seen when the spending fields of the social democratic welfare states are investigated. As shown in Table 3.8, all social democratic welfare states prefer to spend on their social protection to decrease household's financial burden.

### 3.4. DEVELOPMENTS IN SOCIAL EXPENDITURES IN WELFARE STATES IN THE POST-GLOBAL CRISIS PERIOD

The financial burden of the 2008/2009 global crisis was rather intense on the 2008 and 2009 budget and this negative effect started to disappear after 2010. In this section, social expenditures' figures will be examined in terms of the post-global crisis period. The time interval of the post-global crisis will be accepted as between 2010 and 2016.

#### 3.4.1. Developments in Social Expenditures in Liberal Welfare States in the Post-Global Crisis Period

The social expenditures, which were more focused than other expenditures during the crisis period, are seen to have decreasing tendency in the following years of the global crisis. As presented in Table 3.5, while the total social spending levels of liberal welfare states were between 27-34% of GDP during the crisis, after this time their total social spending levels are not returned to their pre-crisis levels in many welfare states yet the expenditures' increase rates are decreased. The figures of social spending as a percentage of GDP of the liberal welfare states can be depicted in Table 3.10.

Table 3.10. Social Expenditures in Liberal Welfare States in Post-Global Crisis Period (2010-2016), As a Percentage of GDP

Country	Expenditure	2010	2011	2012	2013	2014	2015	2016
Australia	Health	5.80	5.92	5.87	5.93	6.10	6.36	6.32
	Education	5.56	5.08	4.88	5.24	5.17	5.32	n/a
	S.Protection	16.59	17.05	17.29	17.64	18.27	18.54	17.81
Canada	Health	7.39	7.22	7.22	7.14	7.02	7.32	7.41
	Education	5.37	5.27	n/a	n/a	n/a	n/a	n/a
	S.Protection	17.53	17.03	17.06	16.78	16.69	17.63	17.44
Ireland	Health	8.00	7.66	7.65	7.26	6.82	5.30	5.32
	Education	6.03	5.82	5.75	5.32	4.89	3.77	n/a
	S.Protection	24.57	23.67	23.36	22.19	20.04	15.51	14.93
New Zealand	Health	7.78	7.69	7.77	7.50	7.49	7.35	7.25
	Education	7.00	6.94	7.15	6.70	6.35	6.34	6.30
	S.Protection	20.43	20.04	20.14	19.48	19.62	19.21	18.92
UK	Health	7.04	6.96	6.90	7.78	7.74	7.79	7.76
	Education	5.77	5.67	n/a	5.62	5.69	5.63	5.54
	S.Protection	22.42	22.16	22.23	22.45	21.86	21.61	21.24
USA	Health	7.94	7.92	7.91	7.97	13.43	13.78	13.97
	Education	5.42	5.22	5.20	4.94	4.99	n/a	n/a
	S.Protection	19.37	19.08	18.83	18.80	18.78	18.85	18.91

Note: Health and social protection spending figures are obtained from the OECD Database but education spending figures are obtained from The World Bank Database. See, <https://data.oecd.org/healthres/health-spending.htm> and <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

When the social expenditures of the liberal welfare states are examined during the post-crisis period, it is observed that though the effects of the crisis are decreased drastically in the markets after 2012, as a general view, the ratio of social expenditures to GDP continued nearly their same level. This trend can be seen as an indicator for that the reduction of social spending to the pre-crisis levels cannot be possible, even if the effects of the crisis disappear. While the social protection and health expenditures are seen to be increased after 2012 with a fewer percentage raise that are compared to their percentage increases in the crisis period, the education spending rise is seen to be slowed down.

#### **3.4.2. Developments in Social Expenditures in Conservative Welfare States in the Post-Global Crisis Period**

Just as liberal welfare states, the conservative welfare states began to overcome the effects of the 2008/2009 global crisis in 2010. With this recovery, the social expenditure levels tended to decrease their increasing rate trends. The social spending levels are increased to nearly 30-43% of GDP during the crisis period, especially France had a higher climbing rate, yet after this time, the expenditure rates are declined to under 30% of GDP in some conservative welfare states like Switzerland. Table 3.11 will be created when the social expenditure levels of the conservative welfare states in the post-crisis period are scrutinized.

When the social expenditures of the conservative welfare states are analyzed during the post-crisis period, it is observed that although the effects of the crisis are decreased drastically in the markets after 2012, the increasing trend of the social spending is seen to have continued after this date due to increased welfare state demands from the public.

As a general view, if the components of the social spending are scrutinized, it is understood from the figures that are shown in Table 3.11, all the social expenditures are seen to have increased between 2010 and 2016.

Table 3.11. Social Expenditures in Conservative Welfare States in Post-Global Crisis Period (2010-2016), As a Percentage of GDP

Country	Expenditure	2010	2011	2012	2013	2014	2015	2016
Finland	Health	6.59	6.69	7.00	7.14	7.01	7.03	7.07
	Education	6.54	6.48	7.19	7.16	7.15	7.09	n/a
	S.Protection	27.34	27.09	28.35	29.42	30.19	30.39	29.82
France	Health	7.53	8.51	8.61	8.72	8.87	8.81	9.57
	Education	5.69	5.52	5.46	5.50	5.51	5.46	n/a
	S.Protection	31.04	30.82	31.36	31.88	32.21	31.98	31.97
Germany	Health	9.18	8.92	8.95	9.16	9.25	9.34	9.42
	Education	4.91	4.81	4.93	4.94	4.93	4.81	n/a
	S.Protection	25.90	25.66	24.53	24.69	24.71	24.86	25.06
Japan	Health	7.50	8.89	9.06	9.09	9.11	9.14	9.13
	Education	3.80	n/a	3.69	3.67	3.59	n/a	3.47
	S.Protection	21.26	22.29	22.23	22.16	21.91	21.88	n/a
Italy	Health	7.02	6.80	6.82	6.81	6.82	6.70	6.65
	Education	4.35	4.14	4.08	4.17	4.08	4.08	n/a
	S.Protection	27.12	26.80	27.59	28.17	28.36	28.48	28.30
Switzerland	Health	6.61	6.71	7.03	7.25	7.27	7.54	7.69
	Education	4.93	4.97	5.03	5.04	5.05	5.11	5.12
	S.Protection	15.06	14.93	15.29	15.44	15.50	15.88	15.91

Note: Health and social protection spending figures are obtained from the OECD Database. As for education spending figures, they are obtained from The World Bank Database. See, <https://data.oecd.org/healthres/health-spending.htm> and <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

### 3.4.3. Developments in Social Expenditures in Social Democratic Welfare States in the Post-Global Crisis Period

Known as the most social spender countries of the world social democratic welfare states had to invest significant funds for their social expenditures during the crisis period. By means of execution of these expenditures, it is expected to decrease financial burden of the household. After the global crisis period, normally, these expenditures are expected to have decreased. When it is examined the social democratic welfare states' social expenditure figures as a percentage of GDP in the post-crisis period, it can be depicted in Table 3.12.

Table 3.12. Social Expenditures in Social Democratic Welfare States in Post-Global Crisis Period (2010-2016), As a Percentage of GDP

Country	Expenditure	2010	2011	2012	2013	2014	2015	2016
Austria	Health	7.63	7.48	7.62	7.61	7.68	7.67	7.74
	Education	5.70	5.59	5.48	5.55	5.45	5.45	n/a
	S.Protection	27.56	26.74	27.11	27.51	27.73	27.70	27.84
Belgium	Health	7.68	7.79	7.91	8.00	8.09	7.92	7.91
	Education	5.54	5.68	5.73	5.82	5.75	5.82	n/a
	S.Protection	28.28	28.73	28.68	29.21	29.45	29.19	29.21
Netherlands	Health	8.59	8.65	8.94	8.84	8.76	8.42	8.39
	Education	5.56	5.53	5.48	5.59	5.53	5.40	n/a
	S.Protection	17.78	17.75	18.21	18.45	18.10	17.73	17.49
Denmark	Health	8.67	8.49	8.60	8.57	8.56	8.65	8.71
	Education	8.56	8.49	7.24	8.49	7.64	n/a	n/a
	S.Protection	28.59	28.63	28.75	28.78	28.82	28.99	28.75
Norway	Health	7.54	7.41	7.43	7.58	7.96	8.65	8.94
	Education	6.74	6.45	7.36	7.48	7.68	7.55	n/a
	S.Protection	22.03	21.50	21.43	21.89	22.83	24.70	25.73
Sweden	Health	6.95	8.97	9.14	9.26	9.29	9.17	9.13
	Education	6.62	6.49	7.66	7.72	7.68	7.55	n/a
	S.Protection	26.25	25.59	26.51	27.17	26.80	26.34	26.42

Note: Health and social protection spending figures are obtained from the OECD Database. As for education spending figures, they are obtained from The World Bank Database except for those of Belgium that are obtained from IMF Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>; <https://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&slid=1479331931186>

Social democratic welfare states had to invest the huge funds for their social expenditures during the 2008/2009 crisis period as shown in Table 3.9. Total social expenditures raised in the range of 30-40% of GDP on average during the crisis period yet after this period these expenditures were not be declined to their pre-crisis level in many welfare states. When it is looked at the social expenditures in the post-crisis period, just as other groups of welfare states, it is observed that although the effects of the crisis were decreased drastically 2012 onwards, the increasing trend of the social spending is seen to be continued after this date. As a general view, if the components of the social expenditures are scrutinized, all components of these expenditures are seen to have had an increase between 2010 and 2016. However, in some countries such as Belgium and Norway, expenditures for social protection are seen to have had more ascension, as compared to other countries because of countries' political and economic preferences.

### **3.5. THE LINKAGES AMONG SOCIAL WELFARE, SOCIAL POLICY, AND SOCIAL EXPENDITURES IN THE CONTEXT OF WELFARE STATES**

The welfare state has some responsibilities to become a more prosperous developed and modern state. Furthermore, it has to have effective social policy management, for aim at the improvement of the social conditions and meeting of the basic individual needs. The welfare state faces with these desires by means of the employment policies, public services, or direct income transfers. So, it can be said that social policies can increase the social welfare and they perform the important function in terms of both improving the economic conditions of the individuals and enhancing of the social dignity of the citizens. According to Marshall (1963, p. 2), the purpose of the welfare state is not solely to solve the income distribution and social problems, but also the state should adopt many goals for the future in terms of the improvement of the economic conditions, powerful civil society, and political rights, as well as the enriched democracy.

The social policy and social welfare may be used interchangeably, but they are not similar actually. In reality, the social policy is a much wider concept than social welfare, and it embraces the whole of the social welfare and more. The social welfare is a subcategory of the general social politics. For example, housing; urban and transportation planning; improvement of the environmental policies as the protection of the consumer rights are not part of the social welfare policy but the application field of the social policy (Çalışkan, 2001, p. 5). So, all the decisions taken by the government for the prosperity of the people living in the same country and the whole of the implications for this desire can be called as social policy. With the state's social policy, it is aimed to serve more welfare state opportunities and to provide social development. Social development is meant to supporting of individuals by investing them, as they are the main element of the production process. With the investment, which are implemented for the social purpose such as education, health, housing, high employment, income distribution, and social welfare, well-educated and well-paid individuals are seen in the community. Therefore, more likely, these people solve many kinds of problems. Moreover, they can create a healthy, peaceful, and stable society with high productivity. To say, investment in the social development can accelerate the economic development of the countries. These features of the social

development have been well understood by the developed countries for many years. One of the biggest factors underlying the development of these countries is that the understanding of human investment, which is the most important strength of the development and reconstruction and the well-being of their citizens (Serter, 1994, p. 5).

Well-being as a phrase was officially discussed in the World Development Report (World Bank, 1980) and the debates turned into non-monetary factors such as freedom, education, or health, from the economic factors. These factors were taken into consideration for the measurement of the human well-being in the 1980s. In the 2000s, universal rights and freedoms were among the most debated issues in welfare economics (Sunmer, 2004, p. 4).

To reach the well-being of people, the most important tool is seen as the social expenditures. The states, especially called as the welfare states focused on these expenditures. So, while the social opportunities of welfare state increase, the same increase appears in the social spending. The most important factor affecting the level of the social expenditure is the political perspective on this issue. So, the allocated funds for these expenditures also differ between the welfare state divisions according to this political perspective. For example, social expenditures of social democratic welfare states are higher than that of other welfare states. Among all welfare states, the least spending is realized in the liberal welfare states.

The investigation of social expenditures level in a country can be seen in many studies. Actually, the reasons for this investigation are various and it can be related to many reasons. For example, the expenditure level is known as a key factor for the determination of development the level of welfare states. When the arising of these expenditures is scrutinized, the most important factor for the appearance of this spending is found the emergence of the 1929 World Depression. During this period, these expenditures were seen as a tool to overcome the negative consequences of this depression. In this context, the proposals put forward by John Maynard Keynes, who recommends the emergence of the generous state. This suggestion was widely accepted and his views quickly began to be applied both in the USA and in the UK and so, Keynesian economics that is based on the state intervention rescued the capitalist system from the crisis. His policies remained in practice in many countries

until the 1980s. Public interventions are felt seriously in not only the field of the economy but also in other fields such as social, political, and legal platforms. Increased state interventions led to increased public spending. The Keynesian policies and high spending levels regularly continued to develop until another crisis broke out after 1975. Although 1929 depression created policies that allowed the large public spending, the 2008/2009 global crisis created high public expenditures and began to seek ways to avoid as much spending as possible (Özdemir, 2017).

As a result, it is understood over time that the social expenditures can be used as a fiscal policy tool because they have a potential to solve economic problems during an economic crisis, but at the same time, they may be a reason for the creation of another crisis when the quantity and timing of them are not applied correctly.

## CHAPTER 4

### COMPARATIVE ANALYSIS OF SOCIAL EXPENDITURES IN WELFARE STATES DURING THE 2008/2009 GLOBAL CRISIS

#### 4.1. EFFECTS OF THE 2008/2009 GLOBAL CRISIS ON SOCIAL EXPENDITURES

The economic components and conditions of the globalizing world have changed day by day, and the world economy has begun to be referred to be as a whole. Furthermore, with the increase in the transitivity of the good and bad economic conditions between the countries, prosperity and crises become the common denominator of the countries' economic situations. While the discovery of a production technology by a country is seen as a progress in terms of other countries' production level, the loss of economic confidence in a country may cause a challenge for other countries' market. Because of the liberation of reserve movement and the globalization of the capitalism, the fund as a new power of our time can move fast. So, it can slide towards the appropriate fields to get an opportunity for obtaining more profit.

The outflow of the capital that was speed up by persons and firms from the world money markets to the USA is the first reason for the outbreak of the mortgage crisis. During this period because risky people and companies were funded with confidence having excessive liquidity, the crisis broke out in the USA. The economists thought that the crisis would not have a power on the developing countries such as China, India, Russia, and Brazil but the expectation would not be true and all these countries were also affected by this crisis in the different levels (Coşkun, 2009, p. 86). As the most affected section of the community was the households with the increasing unemployment level, the crisis created a heavy burden on the governments' social expenditures, especially on the social protection expenditures.

Because of this heavy burden on the social expenditures, more liquidity requirement raised and this need are met by the public debt. Ascending level of public debts during the crisis period was other problem and the mortgage-based economic crisis, which began in the USA, triggered a major debt crisis in the EU countries in the latter part of

2009. Among the EU countries, the debt crisis effects firstly began in Greece, later spread to neighboring states and so, the wide region entered the new and huge financial crisis, and this crisis is called as European Debt Crisis. At a global level, the high-borrowing economies within the EU countries were further impacted by this crisis and worse results of the crisis were seen more intensely in both the government sector and the private sector. Especially the crisis effects were experienced on the foreign exchange rates, foreign trade, and interest rates in the EU countries (Erarslan & Timurtaş, 2015, p. 17).

During this time, the ruthless effects of the crises on society's life began to be noticed by the unions and states. Based on experience in the past, it is understood that crises have profound effects and they can increase the vulnerability of the household, in addition, they can also raise the need for the public safety. To protect the families against the financial difficulties, direct cash payment as in-kind of social subsidies and public spending in healthcare or education expenditures offered by the states. The main types of the expenditure and its weight on the budget were various for every country depending on some indicators as the severity of the experienced crisis level, the state preparedness before or after the downturns, governmental capacity about the flexibility of continuing spending or the implementation of the austerity measures. According to observations, the low-income states had to reduce their social spending, while rich states increased these expenditures. So, according to the mentioned reality, middle-income countries decreased spending between the two income level countries. So, the states had to expand their safety nets, protected their social sector spending through loans as temporally (Maureen & Verhoeven, 2010, p. 3). In addition, it is known from the previous crisis using countercyclical fiscal policy applications illustrated during the Asian crisis and recommended by the IMF for the countries living financial deep and timely applied implementation of stimulus packages were a power for the resolving of the economic situation (Prasad & Gerecke, 2010, p. 2).

As a part of the social expenditures, the social security performs many duties from economic growth to human rights. Additionally, it is seen as a tool for fighting poverty and inequality and protects the individuals during the financial hardships. These social effects can cause significant growth and development impact in many countries (Townsend, 2009, p. 122). Social security provides the insurance and decreases the

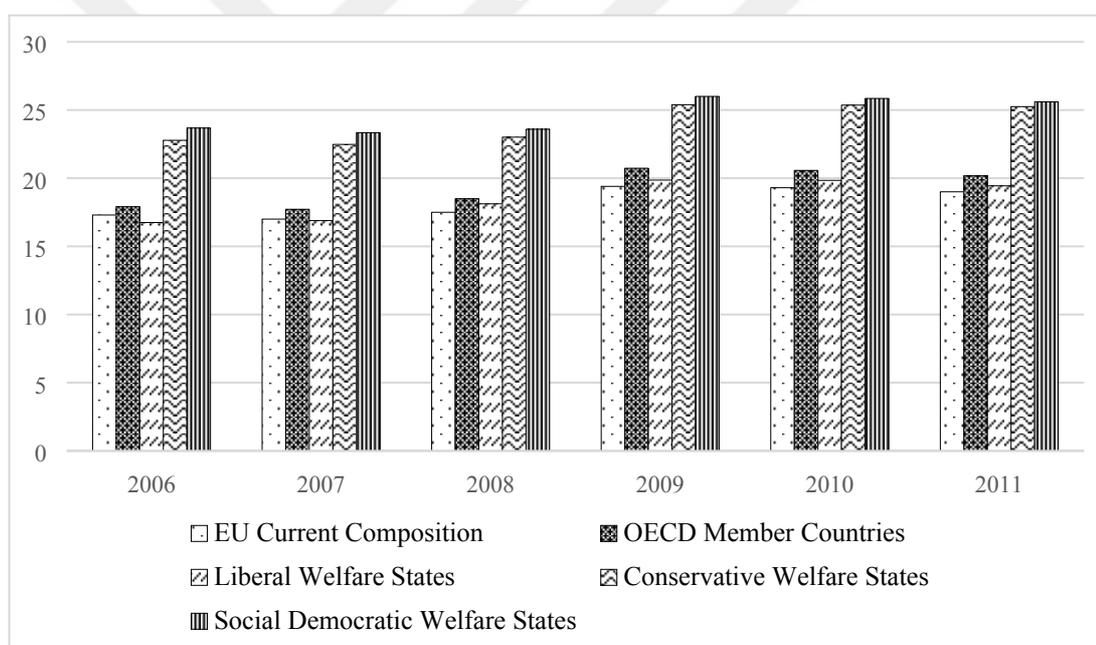
external shocks, serves the smooth consumption level during a crisis period, facilitates job mobility, and supports the human capital creation in the long-run. So, the well-designed social security system is not only related to immediate needs but also well preparedness of a crisis (Prasad & Gerecke, 2010, pp. 1-3). So, it can be said that social security can be seen as one of the most important fiscal policy tools used by the states during a crisis. Although a crisis is seen as an unfavorable financial situation, it is also an opportunity for improving the conditions of the poor or having effective social security programs. Moreover, during the crisis periods, the increase in the unemployed persons in the community causes to extra spending and more spending in the unemployment benefits that are a part of the social security to prevent a decline in their consumption level. According to ILO (2011, p. 7), last crises showed that most of the developed countries like Canada, Italy, Japan, and the USA implemented stimulus packages for the acceleration of their recovery process and it is seen that nearly 10% of the funds in the packages went to the labor market during the crisis period. The packages were generally related to the automatic stabilizers like the unemployment insurance. In addition, the stabilizers played a key role in the recovering of the declining GDP and unemployment level. This increase in the unemployment benefits was a source of the ascending trends of social security spending during the crisis periods.

With the crisis, the new spending fields related to the social programs can be executed. One of them is the cash transfers for needy persons and the persons, whose payable capacities are not enough for the minimum living conditions. These programs aim at increasing of the household consumption. For those mentioned reasons, the states focused on the income transfers to reach the fast recovery from an economic downturn. As for the results of these transfers, the overall effects of the stimulus were positive in the most countries and caused an increase in their real GDP (ILO, 2011). As a conclusion, during a crisis period, not only is the immediate relief obtained from the social protections but also, they help to the protection of the budget, education, nutrition, and health, which contribute to the medium-term growth of the countries. The current level of the expenditures for the social protection can be insufficient to meet the present needs, especially poor or low-income countries can face this reality during a crisis period. Appropriate financing of social protection expenditures requires the reprioritization of the public spending because of the current limitation of the

government budgets. Moreover, it is important to initiate the creation of the basic systems targeting specific groups, to use innovative arrangements in needed fields, and to measure their effects on the different groups (World Bank, 2014, p. 57).

This importance of social protections creates a need for more public source for their implementation during a crisis period. To understand their financial volume during the 2008/2009 global crisis, social protection expenditures trend as a ratio of GDP between 2006 and 2011 should be scrutinized and this scrutinize clearly show that with the outbreak of the 2008/2009 global crisis, the expenditures are increased significantly in the EU and the OECD member countries, also welfare states. The figures of these years can be seen at Chart 4.1.

Chart 4.1. Average Social Protection Expenditures in the 28-EU Countries, the OECD Member States, and Welfare States (2006-2011), As a Percentage of GDP



Source: EUROSTAT and OECD.

As one of the components of the human capital, education gains a prominent place on the states' agenda. Especially in the last fifteen years period, significant progress is observed in the education sector all over the world. So, this progress paves the way a need for more fund. However, the 2008/2009 global crisis threatened this improvement of education and lead to a decrease in the education expenditures in terms of both states and private parts of it. Because of the negative financial effects of the crisis, it was caused a decline in the revenues of household and government. From the demand side,

the school income obtaining from the students and government budget decreased because of this fall. So, this made the schools more dependent on transfers obtaining from the government budgets. In addition, the fall of the family incomes created pressure on the school-age children to help their families financially, and this resulted in more dropout rates of training among the school-age children and again more transfers from the private school. The drop in the private schools' rate led to many unemployment who are teachers and staff working for the other parts of the private schools like kitchen and cleaning. From the supply side, teacher salaries decreased and vacant teachers postponed by the states because of the lack of funds and the allowance of the school repayment fund or other financial needs like heating and lighting reduced. The above-mentioned problems with the undesirable effects of 2008/2009 global crisis cause negative consequences on the education system in both short and long-term (Barrera, et al., pp. 5-8).

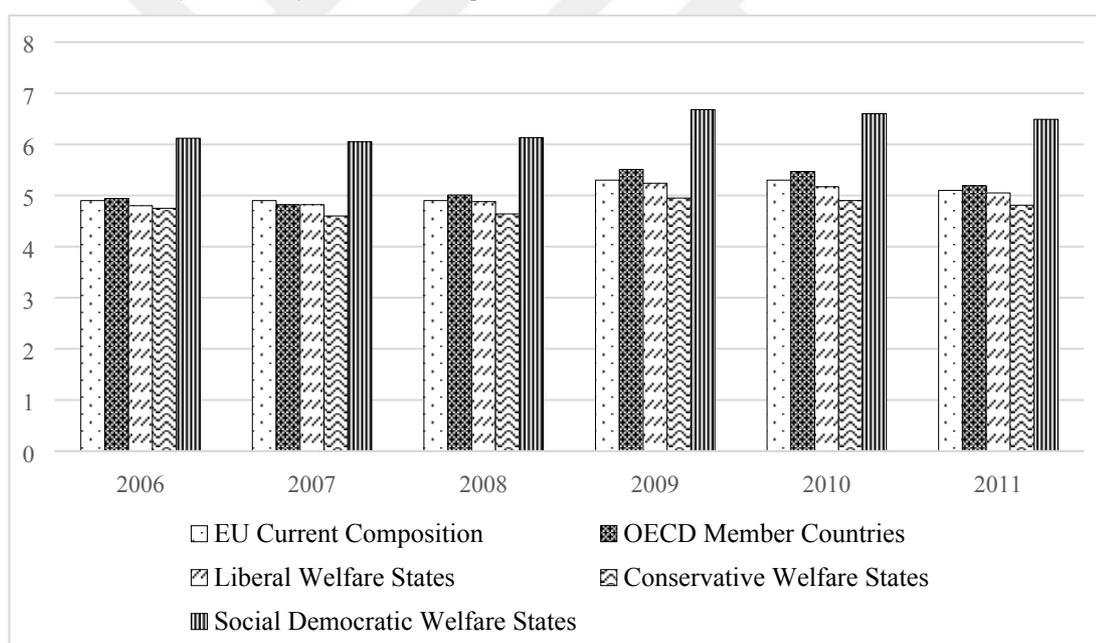
With the recent crisis, states faced the new and hard problems with their financial decisions. On one hand, they had to decline their expenditure to avoid from the budget deficit and debt, on the other hand, they had to increase educated people and education spending to raise trained and qualified persons as this expenditure can increase their human capital and GDP in the long-run. So, many states know the importance of education and its advantage for the elimination of the economic crisis or diminishing of its impact. In general view, expenditures for education must be increased to increase the output level and efficiency of the production. For mentioned aims, supporting students, families, and education providers are seen as a task for the states. As a result of this task, the education sector generally benefited from the stimulus fiscal measures. Whenever public funding was increased during a crisis, it was especially focused on vocational education and training or tertiary education (CESifo Dice Report, 2012, p. 79). But this increase in education is generally under the increase of the social protection expenditure for unemployment and health expenditure.

The decline in the education quality during the crisis period is not a reality for all the countries. As mentioned above, every crisis is an opportunity for the administration and this opportunity is a fact for the education just as in Finland, which is one of the most advanced countries having an effective education system all over the world and its qualified training system is scrutinized frequently. During the 1990 crisis,

significant reforms were undertaken by the Finnish government for nearly every sector and its education system was progressed significantly in this process. Such issues as teachers' quality and measurement of their efficiency, obtaining more system output, supporting the labor force skill were the main fields requiring extra attention during this progress (World Bank, 2014, p. 15).

If the trend of the world education expenditures within the time is investigated, it can be clearly understood from the figures that 2009 is the year when all of the education spending reached at a top level as a percentage of GDP. These expenditures went on keeping their importance in 2010 but their increases were restrained because of governments' high level of budget deficits and borrowing levels. This reality is seen at Charts 4.2 for the EU and the OECD member countries, as well as welfare states.

Chart 4.2. Average Education Expenditures in the 28-EU Countries, the OECD Member States, and Welfare States (2006-2011), As a Percentage of GDP



Source: EUROSTAT and Source: World Bank Database.

The condition of being a prosperous country on the social aspect is required to meeting of complete physical, mental, and social well-being of the country's citizens. For this reason, it is necessary for the countries to offer health services, which are the desired quality and the low-cost as possible. Thus, the states have to control the health spending, which is one of the criteria of the development from the economic and social aspects. The health expenditures require high amounts of the fund, their programs and related fund allocation in the budget calls for a rigorous and detailed plan (Kurşun &

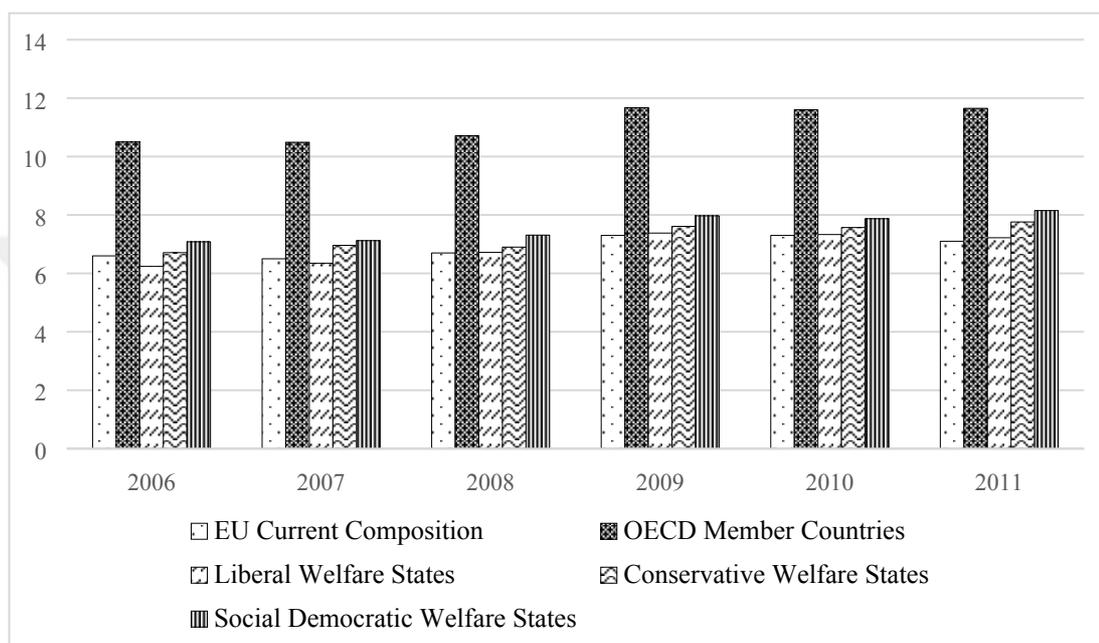
Rakıcı, 2014). Moreover, according to OECD, because health expenditures are one of the requirements of becoming a welfare state, these expenditures are one of the most important expenditure items in almost all welfare states (OECD, 2012).

The countries' healthcare systems have active and dynamic features that can translate financial sources to the health outcomes and support the citizens' well-being. However, these sources can be affected by a crisis. As is known, economic downturns periods can be a global phenomenon, during which healthcare systems can be under pressure mainly because of a loss of the operational and financial resources and the expenditures can increase because of the more healthcare demand from the unemployment persons, who lose their job during this period. So, it can be said that public healthcare expenditures are very sensitive. They are directly related to states' priorities. Their implementations can change from one government to other government depending on its opinions about that whether the health is an investment and essential needs of the public or not (Portela & Thomas, 2013, p. 1).

The crises effects on health can be defined through different mechanisms. The first one is the impoverishment of the large part of the population during the crisis period and the poverty that is increased by unemployment cause a negative impact on the health level. According to the WHO, Commission on Social Determinants of Health report, crises negatively influence many social determinants of the health and thus the health can be threatened in a multidirectional way. The second mechanism is the adverse effects of the health system that are formed during a crisis period. As there is a mutual relationship between the economy and the health, with having fewer funds during this time, the health system can be affected adversely. The authorities, who are concerned with the healthcare in their country, may worry in crisis period because they can face with some problems such as the increase in unemployment; the collapse of social protection networks and the accumulation of savings; the reduction of healthcare spending and its negative consequences of their economies. They also worry about the mental problems and using of substance like tobacco and alcohol, as well as a decrease in the funds that support the development in the field of health. All of the mentioned problems are the realities of a crisis period because every problem came true in the last global crisis (Çaman & Çilingiroğlu, 2009, p. 3).

If the effects of 2008/2009 global crisis on the health spending are scrutinized as pre-crisis, during crisis, and post-crisis period expenditures, the expenditures are seen to be ascended. This reality can be seen in Chart 4.3 for the EU and OECD member countries, as well as welfare states.

Chart 4.3. Average Health Expenditures in the 28-EU Countries, OECD Member States, and Welfare States (2006-2011), As a Percentage of GDP



Source: EUROSTAT and World Bank.

#### 4.1.1. Effects of the 2008/2009 Global Crisis on Social Expenditures in Welfare States

The financial downturns also called as the crisis generate many financial burdens on the government for the continuation of social welfare as during this time public welfare can decrease. So, the issue of public expenditure is an important parameter for the studies on the welfare state during this time. From the second half of the 1970s, the economic crisis caused an awareness among the many governments, economists, and peoples about the importance of signing an agreement for the restrictions of the welfare states. Especially in developed countries, it is argued that a growing share of the governments' social expenditures became unbearable as this situation caused too weak competitiveness in these countries. Thus, the states saw that it would be impossible to

sustain generous welfare state spending and they turned to reforms on new policies to reduce their expenditures and to increase their incomes. All attention was focused on the general public expenditures, in particular, the social expenditures. Thus, in the past there was a wide range of adaptations about the social benefits, sometimes these benefits interrupted or increased in the welfare states (Kuhnle & Alestalo, 2000, p. 3). Although each welfare state determines its social expenditure level according to its political approach in the pre-crisis period, with the crisis, the general attitude of them can be seen as the preference of the increase in these expenditures. In this section, the effects of the 2008/2009 global crisis will be examined in each country grouped as the welfare state by Anderson (1990).

#### **4.1.1.1. Effects of the 2008/2009 Global Crisis on Social Expenditures in Liberal Welfare States**

The impact of the economic collapse, which started in 2008 in the banking system and later affected the real economy quickly, is felt very long time in the countries and naturally among the liberal welfare states. The destruction of the crisis is so huge that the downturn is seen as similar to the 1929 Great Depression known as the most comprehensive and disruptive crisis ever witnessed. So, when the countries faced this financial hardness, the states had to implement urgent fiscal programs and austerity measures for some spending fields and the most influenced expenditures were ones having social characteristics.

- i. *Australia*: The employment service is an intermediary between the unemployed citizens and the labor market and it assists the unemployed persons and increases their opportunities of finding a job by training them. With the 2008/2009 global crisis, demand for these services increased because of the prevalence of unemployment and the underemployment in Australia. Low-income families were directly affected by the slowing economic growth with the crisis effects. Furthermore, raising unemployment was seen as other pressure on the housing costs during this period. So, the demands on the nation's social services sector were seen to increase significantly in 2008 and 2009 (Sarmy, 2008, p. 20).

To eliminate the financial burden of the 2008/2009 global crisis on the household, the Australian government introduced a stimulus package by \$10.4 billion. This

package encompassed the supports to the seniors and families in December 2008 within the Christmas spending periods of the people, and this time the retailers predominantly reported strong sales. In addition, as other action, the first homebuyer's grant was doubled for a new home. Furthermore, the government announced a second, even larger economic stimulus package in February 2009; \$47 billion was allocated to release the economy. The new package contained \$14.7 billion for public schools; \$6.6 billion for 20,000 new homes; \$3.9 billion for insulation of 2.7 million homes; \$890 million for road maintenances and infrastructure; \$2.7 billion in small business tax reductions; \$12.7 billion for cash premiums; \$950 for every Australian taxpayer who gained less than \$80,000 (Davies, 2017).

Spending on social security was 6.2% of GDP before the global crisis. Since then, spending had to be increased to 7.2% of GDP until 2014. In addition, parenting payments for the lone parents and couples raised from 0.9% of GDP to a peak of 2.6% of GDP in 2008, as a result of the stimulus packages during the 2008/2009 global crisis (Whiteford, 2017, p. 1). With these measures, the share of social expenditures in general government spending was changed significantly.

- ii. *Canada*: The hard-economic consequences of the 2008/2009 global crisis affected the country just as other welfare states and Canada could not stay outside of the crisis despite the country is known as one of the most developed and economically strong countries in the world. For the thousands of Canadians, the crisis meant to lose their jobs or financial threat. Especially, manufacturing and forestry markets were devastated in the country. Within eight months after entering the recession, the rate of job destruction enlarged just as the situation in the 1981/1982 recession and even greater than the 1990/1991 recession. Between October 2008 and July 2009, job loss in Canada was comparatively greater than the job loss in the USA although the recession was just experienced for nearly a year. Approximately 406,000 full-time jobs were ruined in Canada between October 2008 and April 2009. Also, part-time jobs were raised as a sign of stress in the labor market. The formal unemployment rate increased to 8.4%, which equals to more than one-and-a-half million people (Campbell, 2009).

Using monetary and fiscal policy instruments, many economic precautions were taken against the crisis by the state. Even these precautions were so rigid that the country became famous as the austerity country during this time. The findings show that the primary social effect of the crisis was the deterioration of equality among the citizens. The government had to implement two main programs as a response to the crisis: Austerity budget and a cutback in the health, including social assistance, housing, and education spending (Ruckert & Robente, 2014, p. 9). Despite this cutback, the government also implemented stimulus packages as a response to the crisis in the determined fields.

According to the Treasury Board of Canada Secretariat<sup>6</sup> (2010), with Canada's Economic Action Plan, the government executed many precautions to balance the economy. Federal organizations spent \$115.8 billion in the economic affairs fields that represent 42% of the all government spending in 2009-2010. The amount accounts for an increase in 1% over planned expenditure in this field. In addition, employment insurance increased by \$21.6 billion and transfers to provinces increased by \$25.4 billion that equals 41% of the total spending in this field. Federal organizations invested \$61.5 billion in income security and employment for Canadians; this accounts for 53% of total spending on the economic affairs and an increase in 3%, or \$1.5 billion, over planned spending in the same period. Furthermore, employment insurance that is administered by Human Resources and Skills Development Canada was \$21.6 billion in 2009-2010.

- iii. *Ireland*: It is a country that experienced the 2008/2009 global crisis deeply. With the negative economic conditions of this global crisis, the country firstly faced a high unemployment level and poverty. The government tried to make up for these consequences with social expenditures. As there was not enough financial source for these expenditures, the government had to borrow from the IMF and the EU. According to European Anti-Poverty Network, despite these expenditures, the financial effects of the crisis on the social life was so heavy that Ireland was a country recording substantial increases in demand for the services related to fundamental needs such as food, clothing, or temporary shelter (Hanan, 2012).

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<sup>6</sup> See, <https://www.tbs-sct.gc.ca/reports-rapports/cp-rc/2009-2010/cp-rc02-eng.asp> for further information.

It can be said that Ireland was the most influenced country in the Eurozone although it was seen as among the top European countries in terms of its economic achievements, which was related to low unemployment level with a budget surplus and high rates of economic growth, in the first years of the 2000s. Even having a gross debt-GDP ratio in 2007 as 25% and a sovereign wealth fund worth nearly €5.000 for a head, Ireland was among the most powerful countries, which could cope with any economic crisis. However, with the negative economic effects of 2008/2009 global crisis, the increasing unemployment rate showed that the reality was not so different from the apparent situation of Ireland. In 2010, the government decided to implement an adjustment program with the EU and the IMF yet the economic condition in the country was deteriorated with these programs, the unemployment level was increased again, and the country was called as an example country, which lives severe economic difficulties during the 2008/2009 global crisis (Whelan, 2013, p. 1).

The jump in the unemployment rate resulted in a decrease in the income tax revenues and so, a huge increase was seen in the social expenditures. As for the health services, as they are large and required more funds, the total volume of the cuts in this field outweighed all other spending cuts but the social protection expenditure increased between 2008 and 2012 in this country (Hardiman & MacCarthaigh, 2013, pp. 20-21). Additionally, as a response to the crisis, the government had to increase its income taxes and indirect taxes like VAT with the reduction of social spending. With these changes in the budget, giving fewer children allowance affected mostly the households, especially single-parent families and fewer people utilized welfare services. Together with these negative consequences of the crisis on social services, people became more dependent on the government services such as social protection, employment services, education, and social housing. As a conclusion, while the government services were affected mostly in a negative way by the global crisis and fiscal regulations, the services remained as a vital source for all the citizens, especially those who became vulnerable during this period (NESC, 2013, p. 11).

- iv. *New Zealand*: It has high living standards, even these standards are higher than the OECD average (OECD, 2017, p. 16). However, despite the New Zealand' powerful

economic conditions, the 2008/2009 global crisis affected this country (New Zealand Stats, 2012). With the sudden break out of the crisis, the main effect was observed in the labor market. While the number of employed people grew steadily until the latter part of 2007, after this date the rate fell sharply with the global crisis. Although the employment rate rose again in 2010, it did not return its pre-recession level. Net debt stock of the country fell to 6% of GDP before the period of 2007-2008 but later increased to 9.5% of GDP in 2008-2009 as a conclusion of the additional borrowing. The reduction in income with the increased unemployment level was the primary reason for the need for social spending. The measures were implemented by the government in December 2008 and with these measures, it is aimed at alleviation of the crisis effects more directly. Additionally, the measures included an accelerated package of “ready-to-roll” infrastructure projects focusing on the housing, transport, education and energy sectors and its cost was estimated at nearly \$500 million; a temporary assistance package that was designed to assist small and medium-sized firms to decrease their costs. To increase the effects of the measures, more tax reduction was implemented firstly on the income taxes and later on the other taxes in 2009 (Tresuary of New Zealand, 2010).

Furthermore, to deal with the negative effects of the 2008/2007 global crisis, while governments executed large-scale fiscal stimulus packages, central banks of New Zealand used monetary policy swiftly (Bollard, 2009). So, with the global crisis, the social spending in New Zealand increased. The increases are observed in the fields of social security, health, and education (Treasury of New Zealand, 2012).

- v. *The USA:* With the outbreak of the 2008/2009 global crisis, the USA’s responses to the crisis can be seen as a guide for other countries because the country was the core of the fire. The crisis’ footsteps were experienced before the outbreak, but these signals entered a second and different period with the bankruptcy of the banks and financial institutions, especially bankruptcy of the big commercial bank, Lehman Brothers in September 2008, and so, the crisis could be visible. In January 2009, the rescue package worth as \$819 billion was approved by both the Senate and representative assembly. Afterward, the White House determined the final format of the package valued at \$789 billion. This package can be characterized as the highest volume of rescue package since the New Deal’s implementation during

the 1929 Great Depression. Two-thirds of the packages were related to expenditures and other one-third of it consisted of the tax cuts. The aims of the packages were various but one of the main fields was the social health services. With the increasing business opportunities in the health training sectors, it was allocated \$87 billion for Medicaid; \$20 billion to improve health information technology; and nearly \$10 billion for the health research and the construction of facilities for the National Institutes of Health (Teslik, 2009).

As a second field, for education, \$150 million budget was allocated for the childcare centers and universities. This amount is doubled for the Ministry of Education budget. In addition, such expenditures as school spending for the special education, scholarships for college students, and urgent spending of all expenses for services were covered by the package (Karagöz, 2009, p. 13). According to Council of Foreign Relations of the USA, it is invested \$44 billion for the local schools; \$25 billion for the special education; \$15.6 billion for the Pell Grant program that gives grand for the low-income families' children. From GDP perspective, if the expenditures are investigated it is seen that in terms of the Medicare spending, these expenditures increased from 2.3% in 2005 to 3% in 2009; in terms of social security expenditures, these expenditures increased from 4% of GDP in 2005 to some 5% of GDP in 2009 (Teslik, 2009).

- vi. *The UK:* The 2008/2009 global crisis caused a sudden change in the economic policies of the UK. Prior to the crisis, the government focused on price stability, fiscal prudence, and light-touch financial regulation but with the crisis, the government implemented the unconventional monetary policies and strategies depending on more public-sector borrowing. So, the most striking symptom of the global crisis was a massive rise in borrowing with the need for the state's net cash. If the amount of debt is expressed as a ratio to GDP, it is seen that it soared from 2.3% of GDP in 2007-2008 to 11.3% in 2008-2009 (Hodson & Mabbett, 2009, p. 1052).

According to a report published by the UK Government's Economic and Finance Ministry (2011, p. 1), the government increased the investment spending by £3 billion and the fund was spent for roads, housing, health, flood defense, school refurbishment, jobs, and businesses across the country. As for the social

expenditures, the government invested in £150 million for warm front program from which £72.000 for households. Furthermore, for training facilities, £100 million was allocated. For the labor market, it is executed discretionary fiscal policies in the 2008 pre-budget report to support the economy. The core of these measures was a temporary interruption in the rate of VAT from 17.5 % to 15% from 1 December 2008 until 31 December 2009. Later VAT returned to 17.5 % on 1 January 2010 (Edmonds, Webb & Long, 2011, p. 22).

The general government spending ascended as a share of national GDP in the 2008/2009 global crisis and this spending level was higher than other crisis period' expenditures. Because of the sharp rise in the unemployment and inflation rate, cash spending on the social benefits also rose in the 2008/2009 global crises. Moreover, high inflation increased the pension credit and other one-off payments to the pensioners (Riley & Chote, 2014, s. 87).

#### **4.1.1.2. Effects of the 2008/2009 Global Crisis on Social Expenditures in Conservative Welfare States**

- i. *Finland*: Finland just as other European countries firstly viewed the 2008/2009 global crisis as only an American event but later the decrease in the EU economic activity showed that this crisis is not regional but global. The reason for this belief was related to the country's GDP growth rate that was an increase of 4.9% in 2007 yet this increase was not sustained and it fell 0.2% in 2008. The unemployment rate was 6.9% in 2007; 6.4% in 2008 but this rate was recorded as 8.2% in 2009. Facing one of the big crises, Finland had to increase its public debt limits to nearly 41% by 2010 to eliminate the crisis negative effects (Laitamaki & Jarvinen, 2013, s. 41-45). While the crisis effects slowly disappeared in the USA between 2010 and 2011 because of the fiscal stimulus measures, the crisis effects were observed actively in many countries in Europe in 2011. Even some countries are seen as the brink of national bankruptcy. For resist this bankruptcy and eliminate the adverse financial conclusion of the crisis Finland, just as other European countries had to resort fiscal measures and welfare state reforms.

Firstly, in Finland, the crisis was not sensible neither policy debates nor policy reforms. However, the effects become visible with the increasing unemployment

level and public debts. Austerity measures are implemented to curb this public debt and to increase the economic stability yet, initially, these measures were not related to the social spending. However, the social expenditures had to be raised over time because of high unemployment. These expenditures were generally related to the transfer systems to families, such as raises of the nominal levels of child benefits, home-care allowances, and the child maintenance allowance (Nygard, Campbell-Barr & Krüger , 2013). If the country's expenditures levels are scrutinized, it can be seen that all of the social expenditures are increased by the state between 2008 and 2009.

- ii. *France*: Just as other conservative welfare countries' economies, the French economy was affected by the 2008/2009 global crisis and the contraction of the world trade. According to the IMF, in the country, real GDP drop by 3% in 2009. Although the recession in France was severe, the country stayed outside of the adverse effects of the crisis. France's generous social safety net protected domestic demand. For this reason, the recession in France is known as less severe than in any other European countries, although, the crisis resulted in a steep rise in the unemployment figures and a slump in the confidence. Strong automatic stabilizers and appropriate fiscal stimulus packages are the main reasons for the reducing negative effects of the downturn in France. A fiscal stimulus package that worth more than 1.5% of GDP for 2009 and 2010 was executed with some measures such as temporary investment expenditures and various tax breaks. However, because of the fiscal stimulus, the overall fiscal deficit was 7.5% of GDP in 2009, this rate well above the Maastricht criteria of 3% of GDP. Considering the upfront fiscal cost of the financial sector support measures, public debt was increased significantly in 2009 and beyond. Other factor causing the higher public spending during this time was the aging of the population (Vrijer & Yontcheva, 2009).

With the crisis, the child benefit expenditures were executed as social spending. While the EU members made their tax incentives more progressive, France reduced its tax exceptions for the families with children and high-income households. Furthermore, France provided to the families, who are in need or having low-income, and their school-aged children a one-off payment and so, the country made efforts to protect low-income families' children, moreover, it

introduced measures to mitigate the impact of the austerity measures during the crisis (Janta & Henham, 2014, p. 9).

- iii. *Germany*: When the crisis broke out, the German economy was very strong and its financial figures were quite favorable, the economy was not shackled by the economic adversities as hard as many other European countries. However, despite this financial power, economic growth was not kept stable. Moreover, the unemployment rate was increased but the increase was not a huge level like the other countries. Before this crisis, the German welfare policy system underwent a development process in the latter part of the 1990s and the first part of the 2000s and the social expenditures focusing on the family were an important integration of the social expenditures. With the crisis, the German government introduced some improvements in the child benefits, tax allowance, and child maintenance payments but also introduced austerity measures on the parents, whose net incomes were over €1.240. The main purpose of this measure was providing more income support for the fewer income families. The cutback can be seen as a conclusion of the global crisis as a fiscal consolidation (Nygard, Campbell-Barr & Krüger, 2013).

Fundamentally, the adverse effects of the crisis were experienced by the workers especially during the crisis, as the firms had to reduce their employees' working hours. Nearly 1.4 million people were on the short time works in May 2009 in Germany. So, the employees' salaries were decreased parallel to these working hours. With the aim of compensation for the income losses, the German government had to endure the additional cost on the federal budget amounted to €4.4 billion in 2009 and €3.9 billion in 2010. The short-time work served as higher internal flexibility during the temporary demand shocks in 2009. So, this situation can be seen as a key factor in the explaining of the mild unemployment rate during the crisis. In addition, there were adjustments in social and housing assistance. Both of them were seen as more generous in the period 2008-2012 (Blömer, Dolls, Fuest, Löffler & Peichl, 2015, pp. 15-19).

As a general view, the German government introduced three different measures in response to the 2008/2009 global crisis. The first response of the state was the rescue packages for the banking sector because the government knew that if the crisis spread the banking sector, the conclusion of this spread can be very

detrimental and the recovery will be more difficult as the country was among the biggest creditors of the USA banks. The second response of the government was three stimulus packages. With these packages, the country's internal demand was stabilized. Thirdly, as an austerity measure, a massive decrease of the working time was introduced by the government as above-mentioned. With the alteration of these working hours, job losses were prevented (Ehmke & Lindner, 2015, pp. 5-6)

The policy responses to the global crisis were named as "Economic Stability Plan" and its budgetary cost of this plan was nearly €56 billion in 2009 and 2010. Moreover, €26 billion of that cost was related to the changes in taxation. The first part of the plan was adopted in 2008 and with this plan, the fiscal burden on enterprises and households were decreased. With the second part of the plan in 2009, the income tax basic allowance was raised by €170 and the lowest marginal tax rate was decreased from 15% to 14 % with this implementation. As a part of the social expenditures, the average premium to the public health insurance reduction, which cost €3.1 billion in 2009 and €6.0 billion yearly after 2010, was introduced. The total costs of the measures were raised to €5.9 billion in 2009 and approximately €11.4 billion each year afterward. The fiscal responses to the crisis embraced only minor permanent alterations to the tax and benefit system. Among these activities, the highest financial costs belonged to the measures that are the increase in the basic allowance of the income tax and generous child benefits and child allowances. Thus, when the adverse effects of the crisis were understood at a global level, Germany had a balanced public-sector budget and enough fiscal space that let automatic stabilizers work decently. The main reforms of tax and expenditure, which led to the fiscal consolidation pressures in other countries, were not implemented in Germany (Blömer, Dolls, Fuest, Löffler & Peichl, 2015, p. 13).

- iv. *Japan*: When many European states went into the financial recession in early 2008, at a first sight, Japan's real economy was not seemed to have affected deeply. Yet, Japan was hit by the trade shock in 2008. Furthermore, a sharp increase in needed energy and other commodity prices deteriorated the economic situation, despite all these negative consequences, the country maintained its GDP growth and private investment. In the fourth quarter of 2008, the adverse situation was apparent with 12.5% decrease in exports. The decline was followed by the other decline as 36.8%

in the first quarter of 2009. Moreover, industrial production was decreased by 15%, 34%, and 27.6% in the fourth quarter of 2008 and the first and second quarters of 2009, respectively (Kawai & Takagi, 2009, p. 2). After long-time growth, GDP growth in the country decreased as 12.9% in the last quarter of 2008 recording a tremendous decline since the 1974 recession. The paramount decline was a conclusion of the slumping export in electronica and auto markets, which made of 16% of the Japan economy and known for the driving force of the country's financial revival between 2002 and 2008 (Amadeo, 2017). Declining exports gave rise to a large drop in production and a sharp increase in the unemployment level of Japan (Japanese Statistic Bureau, 2017)

In Japan, the old-age population comprises nearly 20% of all population and so, public spending on these people is about 60% of all public welfare and education spending. The crisis and fiscal consolidation efforts had a pressure on the social protection systems (OECD, 2015, p. 6). However, increased spending caused by the population aging and fiscal stimulus packages during the crisis period was financed largely by the government borrowing, and this situation led to ascending gross public debt to 226% of GDP. This level was the highest ever recorded in OECD member countries. Upward trend and its pressure on the debt ratio went on with a primary budget deficit as approximately 7% of GDP. Constant deflation contributed to the trend in the debt ratio by reducing the nominal GDP. In 2011, with the Great East Japan Earthquake, public finance system was deteriorated (OECD, 2015, p. 8).

The Japanese government introduced a stimulus economic package by \$568 billion and it included the public works projects, tax cuts, and projects addressing global warming and boosting the health and childcare. Furthermore, the stimulus package was aimed to raise real growth by about 2% and create between 400.000 and 500.000 jobs. As a first part of the benefits worth 1 trillion Japanese yen (¥) was invested in housing subsidies and it was backed up to workers who work temporary jobs and ¥12 trillion was spent as loans to the banks which encouraged them to lend money and relieve the credit crunch and hot money for the markets. Actually, the Japanese government started three stimulus packages that totaled about 5% of the total GDP that nearly the same size as the USA stimulus package. The total

budget reached as a record level as nearly \$100 billion. As it was impossible to coverage of the fund with the tax revenue, more than a third of the costs were covered by the government bonds as public debts. Nearly ¥2 trillion was invested in the citizens to stimulate spending among the consumers. Moreover, every resident of Japan was paid ¥12.000 and ¥8.000 additional payment given to those under 18 and over 65 by the government (Hays, 2011). Moreover, to eliminate the crisis's effects and deflation that is a huge problem for the country for a while, in January 2013, the government introduced its "three-arrows" strategy that is also called as "Abenomics" by Japanese economists. The first arrow is known as the aggressive monetary policy; the second arrow is the flexible fiscal policy and an economic stimulus package with a scale of approximately ¥10 trillion; the third arrow is the growth strategy that increases the private investment level. With these approaches, the profits of the firms increased and the employment level and income improved and continued a moderate recovery process (Japanese Statistic Bureau, 2017).

- v. *Italy*: The global economic crisis was a new factor for the deterioration of the system in Italy. The government system got worse and corrupted after twenty years of political instability and economic decline. The coalition governments could not solve the country's problems but the economic crisis shaped the Italian political balance. Just as other countries, Italian economic activities reduced drastically by the 2008/2009 global crisis. As soon as the economic crisis involved to the public finance, the country's economic activity and the amount of the tax revenue began to decrease, in addition, anti-crisis policies led to an increase in the public spending. So, these events caused a drastic rise in the budget deficit, excessive public debt, and a decrease in GDP. The government coped with the crisis using two main tools. One of them was supporting the banks and large firms; the other was the cutting of public spending. With the support of the banks, the aim of the government was to avoid the domino effect of the crisis; with backing up the large firms, the aim was to prevent the unemployment; with the preference of the spending rather than tax increases, the aim was to avoid the negative impacts on investment and consumers' expectations. The spending cuts were seen largely in the expenditures for universities, education, and public employees (Quirico, 2010, pp. 3-19).

After the Great Recession, actually, Italy was hit twice: the first one was the 2008/2009 global crisis and the second one was the European debt crisis started in 2010. At the end of 2014, GDP decreased by nearly 16%, which reached a record level in 1998. So, the Italian public debt ascended by approximately 30% of GDP after 2007, the contracting level of the national product caused by this increase. When the European debt crisis broke out, which stemmed from Greece, Italy had to implement dramatic economic measures that account to between 3% and 5% of GDP in 2012 and 2013 due to its large public debt vulnerability (Figari & Fiorio, 2015, p. 2). The response of Italian governments to the crisis had been mild until 2010 with soft budget laws that aimed at the protection of the stabilized public finance. In 2008, three anti-crisis laws were executed and these laws mainly focused on more government revenues by increased tax audits and VAT on television services. After 2011, with the budget law and decree law that included expansionary fiscal reforms for increasing competitiveness, it was preferred strong state interventions to decrease the cost of the state. It is also presented spending fields on the public sector such as public employment policies, healthcare, education, and pension benefit. Moreover, a drastic set of policies was implemented to exterminate the effects of the sovereign-debt crisis in late 2011. The public debt accounted for nearly 3.1% of GDP in 2012 and for 4.7% in 2013, 4.8% in 2012, 5.9% in 2013, and 5.2% in 2014 (Figari & Fiorio, 2015, pp. 10-11).

- vi. *Switzerland*: Switzerland is known as one of the richest countries in the world in terms of GDP per capita. With its high international ranking in the education, health, or infrastructure, Switzerland has a long tradition of small government (OECD, 2015). Although with the 2008/2009 global crisis, many countries had to deal with their increasing unemployment levels like Canada and the USA, Switzerland continued its leading position with a stable unemployment rate that was about 4% during this time (Jametti, 2015, p. 7). Moreover, it can be said that after Germany's performance, Switzerland was the second country in terms of the unemployment level. The country also managed to decrease its debt stock during the crisis and so, no other countries managed to do so. While the country's largest spending went to the defense and the welfare sectors, the cantons of the country expended mostly their health, security, and education spending, in addition,

municipalities deal with the spending in the environment, social housing, and culture in this period (Jametti, 2015, p. 10).

If the OECD countries fiscal stimulus packages are scrutinized, the package of Switzerland is seen as smaller than other countries' stimulus plans with 0.5% of GDP. While the USA stimulus plan is the second largest with 5.6% of GDP after South Korea with 6.1% of GDP in this group (OECD, 2009). Actually, The Swiss government implemented three fiscal impulses between 2008 and 2009. According to the Swiss Secretary of Economy, through these fiscal stimulus packages, it is released to the market by CHF 2 billion, which are equal to approximately €1.31 billion in August 2009. Switzerland invested CHF 30 million for further education of short time work- programs. Being a significant element of Switzerland's automatic stabilizers, the short time work-refund was enhanced highly from 2008 to 2009 as a response to the crisis. Another fiscal package was adopted in September 2009, and it added up an additional fund by CHF 30 million. The precaution was integrated with the academic staffs under the maintenance of unemployment insurance payments. Furthermore, CHF 40 million were spent for more education on the young unemployed citizens. As a conclusion, these measures included fostering the development of general employee's skills and they were used as training policies for the workers (Hörisch & Weber, 2013, p. 10). When the public expenditures in Switzerland are scrutinized, it will be seen that unemployment benefits were nearly doubled with the crisis effects from 2008 to 2009 but the family benefits were realized as the same levels in this period. General government expenditures and the social expenditures were increased 2% of GDP in turn. So, all increase was invested in the social fields.

#### **4.1.1.3. Effects of the 2008/2009 Global Crisis on Social Expenditures in Social Democratic Welfare States**

- i. *Austria*: The 2008/2009 global crisis was experienced by Austria in the second half of 2008 and onwards. After this date, the country experienced accelerated economic growth and this growth had begun in 2003. GDP growth levels were seen to reach 3.5% annually in 2006 and 2007, which fueled the profits and inflation level of the country. Especially, workers benefited from the favorable economic conditions and obtained a significant increase in real wage between 2006 and 2007.

The unemployment rate was dropped below 4% just before the burst of the crisis in 2008. In the last quarter of 2008, GDP growth rate fell but overall GDP still grew by 2%. However, the country's situation suddenly changed in 2009 and in the first quarter of 2009, the economy began to be restricted by 2.2% compared to the latter part of 2008. The decline went on to the middle part of 2009 and GDP growth rate dropped by 3.6%. Despite the huge deterioration of the Austrian economy, it can be said that its performance was better than many other European economies, even nearly than Germany where GDP fell by 5%. Facing with the crisis, Austria, just as many other countries in Europe and around the world, tried to implement Keynesian deficit spending policies and the state embraced a great rescue package for the Austrian banks as a first measure. Furthermore, in addition to this consolidation package for the banks, to help economic struggle, the government accepted two other economic stimulus packages. Their amount was nearly €12 billion (Hermann & Flecker, p. 123). As for social expenditures of the state, because of the well economic condition of Austria by 2007, the ratio of the social expenditures was decreased to the lowest level after 1992. But it raised slightly in 2008 as 27.8%, and in 2009, it jumped to 29.8%. This level was not changed in 2010. To support its citizens against the adverse consequences of the global crisis, especially to reduce the crisis' unfavorable effects on the people's living standards, the government took some measures that were related to higher funds for unemployment benefits. This fund was a reason for the increase in the social expenditures. Although after the beginning of 2011, economic recovery was observed in the financial markets, especially in the labor market, with the raising economic activities of the country. The social expenditures ratio began to drop by 28% but the ratio grew again in 2012 up to 29.3%; in 2013, up to 29.7% and lastly reached at a point that was the all-time highest level of 30.1% in 2014. The main reasons for this trend were ascending spending in the retirement income provision; increased additional expenses on out-of-work benefits; lastly benefits to combat poverty and social exclusion with the average economic growth (Social Affairs Ministry of Austria, 2016, p. 30).

If the country's social expenditure level scrutinized from 2007 to 2012, it can be seen that Austria was a very generous country in terms of social spending. Even today, its unemployment benefits are by far higher than the OECD average,

moreover, the country's expenditures are very high almost all of the social fields. According to OECD, from 2008 to 2009, while the total social expenditures were increased 2% of GDP, most of this fund was used for especially health and unemployment benefits.

- ii. *Belgium*: At the beginning of the 1980s, Belgium faced with a significant macroeconomic imbalance, and in 1982, Belgian economy returned to the sound public finance with the start of macroeconomic policies aimed at restoring the global competitiveness. As a first step, these policies were succeeded in the fiscal deficit dropping but were not competent to the stopping of the public debt that had a steady rising trend. In 1992, signing the Maastricht criteria, Belgium took new measures to reduce public debts below the 60% of GDP that was an obligation of the treaty. However, the 2008/2009 global crisis was a new milestone for the country's financial order and pressure on its public debt level. Just as other countries, the 2008/2009 global crisis, and related economic recession affected the public finance of Belgium. The difficulties showed themselves as a fiscal deficit and public debt. Moreover, with the economic recession in the market, Belgium public finance system exposed to the fiscal deficit, thus, its public debts rose. As a measure, new financial precautions against to the crisis had to be implemented by the state. The aims of these precautions were to create a strategy that can facilitate the country' returning to the sustainable public finance system. However, the strategy that was taken for the elimination of these problems failed to restore public finance (Bisciari, et al., 2015, p. 79). So, it can be said that Belgian public finances were deteriorated profoundly by the 2008/2009 global crisis. The causes of this deterioration largely related to the enormous funds allocated for the automatic stabilizers and the great rescue packages for Belgium's commercial banks. The deficit reached at a point of 5.7% of the country's GDP in 2009 and net public debt increased to 100% of GDP in 2010. In the latter part of 2011, financial markets and the EC forced Belgium to solve these problems and to implement fiscal consolidation packages. In December, the government introduced to an austerity package that covered quite a huge pension cuts and cutbacks for the unemployment benefits for some groups (Starke, Kaasch & Hooren, 2012, p. 19). These pressures arising from the austerity policies negatively affected the social expenditures, especially ones for education and health. Moreover, the government decreased the

unemployment benefits and prolonged the waiting time for these benefits for young unemployment citizens between 2010 and 2014. Eligibility and conditional criteria were complicated in 2012 and labor market policies endorsed hard rules for the unemployed persons (Kennett & Lendvai-Bainton, 2017, p. 184).

- iii. *The Netherlands:* Following the 2008/2009 global crisis, the Dutch economy shrank by 4.0 in 2009, but the consequences of the crisis for the labor market were limited. In 2010, the Dutch unemployment level was 4.2%, which was the lowest rate among the EU countries (Delsen, 2012, p. 5). However, just as in other countries, the global crisis resulted in a strong rise in the public debt, even it exceeded the upper limit of 60% of GDP in 2009 and reached to 61.80% and later continued to 66.5% in 2010 and 68.90% in 2011 (Delsen, 2012, p. 28).

The using of the automatic stabilizers becomes especially apparent in the social policy response to the 2008/2009 global crisis in the Netherlands. The government's response packages in 2009 explicitly emphasized that automatic stabilizers can stimulate the economy clearly in the Netherlands. Therefore, some temporary and targeted stimulus packages, like part-time unemployment benefits, were counted as necessary for this stimulating. However, the government had to announce some cutbacks of public spending. As a social policy during this time, the long-term sustainability package included some cuts in the pensions, healthcare, and childcare spending (Starke, Kaasch & Hooren, 2012, p. 19).

As a conclusion, according to OECD (2018), the country's total social security expenditures were increased from 19.59% of GDP to 21.55% of GDP between 2008 and 2009. The general government expenditures were increased by nearly 5% of GDP and this extra fund was used mostly for social spending. Despite its cutback policies, relative to the previous year, in 2009, the spending increase in health and education were approximately 7.5% of GDP but the social protection was 10% of GDP (OECD, 2018).

- iv. *Denmark:* Today Denmark's citizens have high living standards and widespread social welfare. Households are generally employed by the private sector; the growth rate and real incomes are high. As for unemployment figures, the country's

level is highly low. The country combines the enhancing market forces, high-quality public services, and the social network, all of which work well and in harmony. However, in the later parts of the 2000s, Denmark was on the effect of the 2008/2009 global crisis. However, the country misallocated its resources during the crisis time as well as this misallocation continued to in the financial sector as a large size. Even Denmark's potential growth fluctuated between 1-2% during the 2008/2009 global crisis and the medium-term loss of the output reached to 2.6% in 2014 (OECD, 2016, p. 9). And so, despite its strong economic conditions, Denmark did not stay outside the 2008/2009 global crisis. One of the consequences of the global crisis was raising unemployment level in 2009. The rise was seen in Denmark because of falling exports and lower consumer confidence. However, this rise was not high as other countries' unemployment level (Vis, Kersbergen & Hylands, 2011, p. 345).

Although the effects of the crisis were severe in Denmark, the main advantage of the country was the acceptable level of unemployment rate and its job creation, which remained high during the crisis period. Moreover, the long-term unemployment rate did not sharply raise, the labor market entry for the young persons was less problematic, compared to other countries. Despite the country's strong employment position, the government implemented solid reforms and these reforms embraced nearly all elements of the social safety such as pensions, social assistance, disability benefit, and early retirement. The tax system was the other important issue on the agenda. The high labor supply and employment level have a potential for the improvement of public finance in terms of the low social expenditures and high tax revenues. This situation was supported by other strategies such as tax increasing or spending cut. Furthermore, these reforms were seen as the key elements for the fiscal sustainability of the welfare system of the country (Laursen, Anderson & Jahn, 2016, pp. 2-6). Despite its relatively high employment level, Denmark was among the countries whose social protection expenditures were the highest in 2010 (European Parliament, 2013, p. 29).

According to OECD (2018), the country's total social security expenditures were increased from 25.38% to 28.33% of GDP between 2008 and 2009. The general government expenditures were increased by nearly 6% of GDP and this extra fund

was used mostly for social spending. As for social protection spending, while the family benefits were increased by 9.3% in 2009 compared to the previous year in the same period, the unemployment benefits of the country increased to 8.2% of GDP. Furthermore, health and education were the other fields, which were invested in more funds and the increase was observed by 12.5% and 13.70% respectively in 2009. From 2008 to 2009, the government had to increase its general government spending level of 6% of GDP.

- v. *Norway*: When the world experienced all difficulties of the 2008/2009 global crisis, Norway was among the least affected countries and had fewer fluctuations than any other social democratic welfare states because of its huge revenues, obtained from its stronger oil reserves (Lin, Edvinsson, Chen & Beding, 2013, p. 19).

For more than 40 years, the oil industry has created excess values nearly NOK 12.000 billion in the country's economy. Norway has guaranteed to its citizen's adequate housing. To perform this duty, the Norwegian government works on providing easy access to disadvantaged households and uses packages such as start-up loans, grants, and housing allowances (Yiqi & Yin, 2017, pp. 10-26).

However, despite having small, open market economy and free movement of capital, the Norwegian economy felt the wind of the crisis. With this reality, the banks located in Norway faced with the obtaining of fund problem and so, the stock market dropped suddenly and private consumption fell sharply between 2008 and 2009. Furthermore, while the country's GDP was recorded negative in the latter part of 2008 and the first part of 2009, the level slightly grew in the second part of 2009. In terms of its measures, if the country is compared to other countries, it can be said that Norway's response to the crisis relatively well. As a response to the crisis, Norway introduced swap facilities that worth around \$273 million. In addition, just as other countries, the government enforced the stimulus package that had a fund by %2.3 of GDP, which not includes oil revenues. As an advantage, the oil revenues of the country gave large fiscal space for a response to the crisis. Furthermore, among all the social democratic welfare states, only did Norway not influenced by the increasing unemployment rate. Other advantage of the country

during the crisis was a relatively large public sector that helped the government for the stabilization of the financial situations. As the one-third of the labor force was employed by the government, these jobs were not directly influenced by the 2008/2009 global crisis. Moreover, the government continued to spend on pension payments, healthcare, and education. The spending on these services ensures the supply of them and protects these fields from the turmoil of the recession (Lin, Edvinsson, Chen & Beding, 2013, p. 17). Furthermore, the oil industry has supported the economic growth substantively in Norway and the Norwegian welfare system. As a result, because of its welfare state understanding and strong oil revenues, the country did not cut its social spending during the global crisis (Yiqi & Yin, 2017, p. 26).

- vi. *Sweden*: Sweden has a small and open economy. Furthermore, it has a large foreign trade; its financial market is well functions with the international markets. In terms of the social norm, Sweden has well living standards and broad welfare benefits for its citizens. The workers in the labor market in the country are well- equipped and its banking regulations and lending system are strong. Monetary stability in the country is sustainable and its inflationary pressures are under control. So, it can be said that the country is known as one of the most affluent countries in the world. Despite its well-functioning economy, the country could not be out of the 2008/2009 global crisis in the third quarter of 2008. With this downturn, its growth rate was suddenly dropped in 2009 because of the global conditions that decreased the export demand and consumption. Towards the latter part of 2008, the country's manufacturing sector was influenced by the bad financial conditions, however, the country's cautious fiscal management before the crisis created fiscal space for the stimulus measures. With this fiscal space, the government endorsed stimulus measures such as social security tax cuts, interest rate cuts on a serious scale, which supported to the financial system and the labor market. Moreover, Sweden's stimulus package embraced a mix of investment in the infrastructure and public employees and all of these measures aimed at the encouragement of the business and private consumption. In addition, the government ascended its spending in such sectors as education and social security. The quantity of government's fiscal measures reached \$1.2 billion and this figure was nearly equivalent to 1.3% of the country's GDP. Because the government employed was some 28% of the labor

force, the household of this country did not feel the effects of the financial downturn too much (Lin, Edvinsson, Chen & Beding, 2013, pp. 18-19). According to OECD, while the countries' social protection expenditures were increased between 2008 and 2009 nearly 3% of GDP, the general government expenditures were ascended approximately 2.5% of GDP.

#### **4.1.2. Effects of the 2008/2009 Global Crisis on Social Expenditures in Other Countries**

The 2008/2009 global crisis was not experienced at only regional level, but also it was practiced at a global level. As some features of it show that it has a global characteristic and its effects were experienced by the other welfare states, in this part, to determine the crisis financial effects at the social expenditures, the countries that are not among the Esping-Anderson triple classification will be examined in terms of their response to the global crisis.

##### **4.1.2.1. Effects of the 2008/2009 Global Crisis on Social Expenditures in Turkey**

The global crisis, which emerged in the banking sector after the blockage of the mortgage lending system in the USA in 2008, gained a global dimension and affected both developing and developed countries throughout the world. This global crisis particularly affected the employment level in the negative direction. In this period, millions of people lose their jobs. The workers were either willing to work at a lower wage because of fear of losing their jobs or had to accept jobs in non-standard or informal. The countries that want to eliminate the negative consequences of the 2008/2009 global crisis tried to prevent increasing unemployment by stimulating production and encouraging businesses operations and promoted incentive policies. As in other countries in the world, some measures were taken in Turkey to sustain internal and external demand, to increase inflows of capital and to open domestic credit channels under the name of anti-crisis measures (Erol & Özdemir, 2012).

The uncertainty in the financial environment during the crisis period and the liquidity difficulties caused a significant decrease in the private sector investment expenditures in Turkey. During the crisis, the public sector focused on the continuation of private investment spending by the implementation of the policies aimed at boosting exports

and employment. So, the government increased public spending to curb the unemployment rate. Raised expenditures of the public sector and investment expenditures were designed as to not cause crowding-out effects. Priority was given to the public investments that aimed at renewing and expanding of investments in the private sector, as well as motivating of physical and social infrastructure. It was desired to have relief from the crisis to achieve sustainable growth again. However, because of increased public expenditures such as the unemployment payments, fiscal incentive packages including tax reductions, the public debt was increased and this increase disrupted the budget balance in Turkey (Kaya & Kaygusuz, 2015, p. 176).

Economic crisis effects were seen in Turkey on the finance, trade, and expectations. The decline in the capital inflows; weak banking credit channels; contraction in domestic and foreign demand and negative expectation for the future financial market caused the contraction in the economy in the first part of 2009. The uncertainties increased and the confidence and expectations were adversely affected. Consumers began to postpone consumption decisions, and investors delayed the investment decisions, therefore, the economy stagnated. The global crisis also affected public finance adversely. While the tax revenue and the growth rate of the country decreased, the budget incomes remained significantly below the budget estimates due to tax expenditures like incentives. Turkey's economy grew 6.8% in the period between 2002 and 2007. On the other hand, compared to the same month of the previous year, the number of unemployed registered by İŞKUR increased by 83.96% in November 2009 and became 1.667.137 persons. In the same period, the number of beneficiaries of unemployment benefits increased by 40% (Kölmek, 2014, p. 19).

If the social expenditures are scrutinized during the crisis period, the ratio of social protection expenditures to GDP is seen to have realize 11.5% of GDP in 2006-2008, 13.52% of GDP in 2009 in Turkey. These rates were the highest ever recorded in all the previous years. Average social protection expenditure rate was around 13% of GDP. The ratio was not sufficient because this ratio was very low when compared to the GDP ratio of social protection expenditures in many countries (Yentürk, 2012, p. 3).

According to the Republic of Turkey Ministry of Development (Kölmek, 2014, pp. 18-19), economic growth was 4.7% at the end of 2007 and 0.7% in 2008. In the

following year, the economy contracted by 4.7% in addition to these figures, 2009 central government budget deficit was projected as 10.4 billion TL at the beginning of 2009 but it reached 52.2 billion TL at the end of the year. From another perspective, with the global dimension of the economic crisis, the negative effects spread to the EU countries, which had a tight link with Turkey in term of the export. This conclusion also caused a decline in Turkey's exports. For the revival of the economy, the Turkish government endorsed a number of expenditures and income measures by means of monetary and fiscal policy instruments (Engin & Göllüce, 2016, p. 35). The social and general government expenditure figures as a ration of GDP can be seen in Table 4.1.

Table 4.1. General Government Expenditures and Social Expenditures in Turkey (2007-2016) As a Percentage of GDP.

Expenditures	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health Expenditures	3.63	3.82	4.46	3.94	3.71	3.55	3.45	3.37	3.23	3.38
Education Expenditures	n/a	n/a	n/a	n/a	n/a	4.42	4.36	4.37	4.29	n/a
Social Protection Expenditures	10.91	11.11	13.02	12.34	11.86	12.00	11.80	11.70	11.57	12.52
General Government Expenditures	n/a	33.27	38.59	36.06	33.91	33.10	32.65	32.08	31.46	34.23

Source: Education and health spending figures are obtained from the World Bank Database. Additionally, social protection expenditures are obtained from OECD Database. As for general government expenditures' figures, they are obtained from the IMF Database. See, <https://data.oecd.org/healthres/health-spending.htm>; <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>; <http://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&slid=1479331931186>

In the period from 2008 to 2009, the Turkey's general spending was increased by nearly 6% of GDP and the extra funds were spent on the social expenditures. The unemployment benefits were increased nearly three times.

#### 4.1.2.2. Effects of the 2008/2009 Global Crisis on Social Expenditures in Spain

As the rapid spread of the USA-centered global crisis, Eurozone countries faced with the adverse effects of this crisis within a short-period. In terms of Europe, the crisis

that started firstly in Ireland later spread to Portugal and then to Greece, and finally Spain, which is the fourth largest economy of the Eurozone and classified as a southern welfare state. When the housing market collapsed and commercial banks went bankrupt in 2009, the biggest losses were seen in the financial sector. Construction companies that owe millions of euros to the bank started to bankrupt one by one. In this period, the Bank of Spain announced that it had €180.8 billion in debt, which would not be paid until the middle of 2010. Apart from this reality, the Spanish people tried to pay their debts to keep their homes. There was no money to sustain other sectors on the market as a significant proportion of household's revenues were used for bank debts. The unemployment rate of the country, which was 8.3% in 2007, increased to 20% in 2011. The increase in the unemployment rate was very detrimental as 11% of those employed worked in the construction sector in 2008. If the anti-crisis practices of the Spanish government are scrutinized, a strict austerity policy, which firstly led to the public's great reaction, is seen as the first application. Expenditures of the ministries are estimated to have cut by about 17% compared to the previous year, and support and development funds of many ministries were abolished. On the other hand, it was decided to cut off the support budget for the integration of the immigrants, whose population makes up 5 million; health and education expenditures; social services, and the salaries of civil servants were fixed in case of emergency (Alagöz, 2012).

The effects of the crisis in Spain can be said to have a long time. These effects can be classified into three phases. Firstly, the sharp decrease was seen in the economic activities between the second quarter part of 2008 and the end of 2009. Secondly, stagnation of the economic transactions was experienced between the first part of 2010 and the first quarter of 2011. Thirdly, the dip of the double-dip recession was observed from the second quarter of 2011 to the end of 2013. Furthermore, government fiscal response to the crisis can be divided into three phases. Firstly, between 2008 and 2009 when several counter-cyclical public revenue-decreasing and spending-increasing measures were executed. Secondly, between 2010 and 2011, the time interval can be named as the first phase of the fiscal consolidation period. Thirdly, 2012 onwards, the second and powerful stage of the fiscal consolidation period with a remarkable number of structural fiscal reforms were endorsed. As a first response to the crisis, counter-cyclical fiscal policy measures required for the implementation of the expansionary

fiscal policy tools that maintained in the framework of a coordinated plan that was detailed by the EU. However, these expansionary measures brought about more deficit budget that was already a problem because of the economic downturn. So, the public deficit rose at a historical level of 11% of GDP in 2009. With this expansionary fiscal policy, public spending realized as 39% of GDP in 2007. The significant part of these spending went to social protection, briefly, 33% of all funds allocated by the public spending and 25% of them went to health and education. Half of the social protection expenditures invested in the old age benefits (Martí & Pérez, 2016, pp. 10-13). According to these policies, the country's expenditures are realized between 2007 and 2016 as seen in Table 4.2.

Table 4.2. General Government Expenditures and Social Expenditures in Spain (2007- 2016), As a Percentage of GDP.

Expenditures	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health Expenditures	5.70	6.10	6.78	6.75	6.71	6.55	6.41	6.35	6.50	6.39
Education Expenditures	4.23	4.50	4.87	4.82	4.87	4.43	4.33	4.28	4.28	n/a
Social Protection Expenditures	20.80	22.19	25.38	24.72	25.39	25.34	25.56	25.23	24.66	24.25
General Government Expenditures	39.03	41.16	45.78	45.63	45.83	48.10	45.56	44.85	43.73	42.20

Source: The data are obtained from the OECD Database. As for education spending figures, they are obtained from the World Bank Database. See, <https://data.oecd.org/healthres/health-spending.htm> and <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

As depicted in Table 4.2, the country's total social protection expenditures were increased above 3% of GDP from 2008 to 2009 and the unemployment benefit expenditures are seen as an evidence for this increase; this increase was one-third of the previous year's figure. Although between 2008 and 2009, general government expenditures increased from 41.1% to 45.7% of GDP; after 2009, the figures show that the rise was stopped in 2010 and 2011 as a conclusion of the austerity measures.

#### **4.1.2.3. Effects of the 2008/2009 Global Crisis on Social Expenditures in Korea**

The economic development of South Korea is known as one of the greatest success of the countries. Because of the devastating Korean War between 1950 and 1953, the country was characterized one of the poorest countries 1950s. Its GDP per capita was only \$70 during this time. However, South Korea implemented five years of financial plan beginning of 1962 for industrialization and developed its economy. The successful implementation of this economic plan for several years, the country became the 13<sup>th</sup> largest economy in the world in 2008 and its national GDP per capita was increased to nearly \$20.000. This unprecedented achievement is the desired example for the under-developed and developing countries of the world (Heo, Jeon, Kim & Kim, 2008, p. 2).

Not only was Spain affected by the negative economic consequence of 2008/2009 global crisis, but also it was affected by the adverse results of the 1997/1998 economic crisis. The crisis caused a huge decline in the country's economy. This decline was so detrimental that the country was near the collapse. To gain foreign investor's confidence, the government executed a series of reforms that dealt with a variety of economic and social fields of the state. Furthermore, Korean government implemented a package that was related to the social policy and called as "Master Plan for Tackling Unemployment" and the aim of this package was to deal with the unemployment and protect the laid-off workers. The government enlarged the employment insurance program to cover citizens, who previously outside the program, the eligibility of the program was lessened, and the requirements for the unemployment benefits were loosened. The cost of the program was 10% of total expenditure in Korea. The total spending on the social field was ascended by 22.1% from 1997 to 1998 and 28.3% from 1998 to 1999. This experience can be said to be a lesson for the country. Additionally, it was a guide for the future global crisis (Kwon, 2002, pp. 10-11).

In terms of the Republic of Korea, while the 1997 crisis was regional, the 2008/2009 crisis was global and the impact of the global crisis was much less severe than the Asian financial crisis. So, the impacts of two crisis on the workers were also so different in the country. During the 1997 crisis, although the job losses distributed unevenly, the main burden was on the temporary employees and all categories of the workers can be said to have been experienced the hard consequences of the crisis.

However, during the 2008/2009 global crisis, the increasing rate of stable workers that account for nearly 40% of the total employment compensated the declining rate of temporary employees. From the fourth quarter of 2008 to the first quarter of 2009, nearly 318 thousand non-regular jobs were lost, but the regular employment ascended by 51 thousand during the same period. However, the alteration in the employment levels during the 2008/2009 global crisis was much slower and less severe compared with the previous crisis. As a result of the 2008/2009 global crisis, Korean economy saw a rigid decline in its economic activity and markets, especially GDP growth rate declined until the first quarter of 2009. Along with the government's direct implementation through stimulus measures, domestic investments and consumption were supported and it is seen a moderate rise. GDP growth started to show the signs of recovery in the second quarter of 2009 and as a conclusion of these actions, the favorable annual growth rate was seen in the third quarter of 2009 (ILO, 2011, p. 3).

As a response to the 2008/2009 global crisis, The Korean government executed the special budgetary package in April 2009. The cost of this package was equal to 12% of the previous year' budget. These stimulus measures comprised the various programs, which included financial support for the small and medium-size organizations so that new employment fields could be created. They also contained income support for those people, whose income level under the poverty line, in addition, public work programs were created for the young people.

Furthermore, the government designed the public work projects for the people just above the poverty line and called these projects as a dream project. Implemented by the local government, these projects designed to create approximately 250.000 public temporary jobs. Created jobs were ranged from the forestry works to on-site maintenance like care for the disabled persons. The projects' participants received income from their work about \$750 for a month. Though the minimum living standards were guaranteed and employment insurance programs were in practice before the global crisis, it was needed for a few programs in order to increase in the people's welfare standards. In this respect, the long-term care insurance program was put into practice by the government in 2008.

One of the stimulus programs was the tax credit program that was for those working but earning under the poverty line and it was executed in the same period. The purpose

of this tax credit program was to create additional cash for those low-income workers. Furthermore, with a long-term care insurance program, new jobs were created for the social workers, who gave care to their elderly or disabled relative. These programs were implemented as the pilot programs before the 2008/2009 global crisis and these economic programs had a counter impact on this economic turmoil (Kwon, Dong & Moon, 2010, pp. 184-185).

As a conclusion of these measures, the composition of Korean state' public expenditures changed during the 2008/2009 global crisis. To understand this change, the country's expenditures as a percentage of GDP are shown in Table 4.3.

Table 4.3. General Government Expenditures and Social Expenditures in Korea (2007–2016), As a Percentage of GDP.

Expenditures	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health Expenditures	3.26	3.33	3.69	3.77	3.76	3.79	3.88	4.00	4.15	4.34
Education Expenditures	3.95	4.46	4.67	n/a	4.86	5.10	5.25	5.27	5.25	n/a
Social Protection Expenditures	7.08	7.59	8.45	8.22	8.14	8.71	9.27	9.67	10.21	10.52
General Government Expenditures	29.67	32.01	34.88	31.00	32.35	32.73	31.76	31.98	32.30	32.26

NOTE: The data are obtained from the OECD Database. As for education spending figures, they are obtained from World Bank Database. See, <https://data.oecd.org/healthres/health-spending.htm>  
<https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

According to data in Table 4.3, it can be said that the general government spending gap between 2008 and 2009 was mostly used for unemployment and family benefits. So, the social expenditures for social protections were ascended by the government to decrease the financial hardness of its citizens living under the poverty line.

## **4.2. COMPARISON OF THE EFFECTS OF 2008/2009 GLOBAL CRISIS ON SOCIAL EXPENDITURES IN WELFARE STATES**

As can be seen in the previous section, social expenditures may require more public resources during a crisis period. Because of the increase in unemployment level in this time, the most used social expenditures can be unemployment and family benefits since they have reducing effects on the economic pressure of a crisis that is felt by the household.

In this section, the 2008/2009 global crisis effects on social expenditures, especially unemployment and family benefits, are investigated among the welfare state. In this context, in the short-run, the figures are investigated as the pre-crisis period (2006-2007), the crisis period (2008-2009), and lastly the post-crisis period (2010-2011). In addition, in the long-run period, the social expenditures' figures will be examined, as the pre-crisis period (2000-2007) and the post-crisis period (2010-2016).

### **4.2.1. Comparison of the Effects of 2008/2009 Global Crisis and Implemented Measures on the Social Expenditures against to the crisis in Welfare States**

Although all welfare state is affected by the 2008/2009 global crisis, the level of this effect and the measures taken by the states against the crisis are different. This diversity is determined by some characteristics of the countries such as their experience in combating any financial and economic crises or owned fiscal space. Among the liberal welfare states, while Australia was the least affected country by the financial collapse of the world, Ireland was a country that experienced the crisis deeply. As for Canada, the country implemented very rigid precautions, even the country became famous as the austerity country with the outbreak of the crisis. Because the USA' financial system was known as the main source of this global crisis the country's response and measures required the huge funds. The UK and New Zealand are the other countries classified as liberals and they needed public borrowing because of their stimulus packages but the effects of the crisis in New Zealand were moderate when it is compared to the UK. Among the conservative welfare states, Germany and Switzerland were the least affected countries but Finland and Italy were the most affected welfare states. As for the social democratic welfare states, among them, while the most affected countries are firstly Belgium and secondly Austria; the

least affected countries are the Netherlands, because of its low unemployment level; Norway, because of its huge oil reserves and their revenues from these sources; Sweden, because of its government labor that accounts for nearly 28% in all employed citizens, who did not feel the effects of the financial downturn too much as well as Sweden, because of its government employer rate. The above-mentioned realities can be seen in Table 4.4 briefly.

Table 4.4. General Fiscal Stands of Welfare States Against the 2008/2009 Global Crisis

LIBERAL WELFARE STATES			CONSERVATIVE WELFARE STATES			SOCIAL DEMOCRATIC WELFARE STATES		
Country	Degree of Effect	Financial Outlook	Country	Degree of Effect	Financial Outlook	Country	Degree of Effect	Financial Outlook
USA	High	High level of stimulus packages	Finland	High	Increase in unemployment and public debt	Austria	Moderate	Its performance was better than any other European countries
UK	High	Stimulus packages and high level of borrowing	France	Moderate	Generous social safety net protected domestic product	Belgium	High	Fiscal deficit and public debt
Canada	Moderate	Austerity measures but high social spending	Germany	Low	Increase in unemployment raising social expenditure but successful financial management	The Netherlands	Low	Low unemployment rate
Australia	Low	Because of its financial autonomy	Japan	Moderate	Increase in energy prices	Denmark	Low	Acceptable level of unemployment rate
Ireland	Very High	Bankrupt country-high level social spending	Italy	High	High level of social expenditure, budget deficit and borrowing	Norway	Very Low	Its huge revenues obtained from stronger oil reserves
New Zealand	Moderate	Increase in unemployment and social spending	Switzerland	Very low	Managed to decrease its public debt stock	Sweden	Very Low	High government employment rate

Source: Prepared by the author

In accordance with the Esping-Anderson welfare state classification (1990), the most affected group can be determined as the liberal welfare states because of Ireland and the USA. These two countries financial markets were deeply deteriorated by the global crisis. Moreover, in this group of welfare states, except for Australia, all the countries' financial situations were deteriorated by the 2008/2009 global crisis. In term of their financial difficulties, the liberal welfare states are followed by conservative welfare states. Although Japan may be known as one of the countries impacted by the crisis among the conservative welfare states, the financial figures of that country were not

deteriorated like the financial figures of Ireland. Italy may be seen as the most affected country in the conservative welfare states, because of its political instability before and after the crisis. Lastly, it can be said that among the Anderson' welfare state classification, the least affected group was the social democratic welfare states because of their wide fiscal spaces. These fiscal spaces were created during the welfare periods before the crisis. So, they had an economic potential for spending in different social fields during the 2008/2009 global crisis.

As for the size of the stimulus packages of the welfare states, among the liberal welfare states; Australia had two measures packages as A\$10.4 billion and A\$47 billion; Canada \$243.6 billion; the USA \$789 billion (LOC, 2015) New Zealand was the only state with spending cuts combined with a positive fiscal stimulus (Hörisch, 2012, p. 33) and spent \$ 7 billion. The UK allocated \$20 billion (NZPA, 2008). Ireland implemented the austerity measures that equal to €15 billion because of the huge level of public debt stock. So, by 2014, the Irish government executed ex-ante austerity policies that were equivalent nearly to 20% of GDP (Bergin, FitzGerald, Kearney & O'Sullivan, 2011, p. 1). Despite the austerity measures implemented in Canada and Ireland, the main spending fields with the stimulus packages were focused mostly on the social protection spending, especially the family and unemployment benefits in all the liberal welfare states, except for Australia, whose social expenditures were decreased from 2008 to 2010. Among the countries, only the USA continued the same level of family benefits.

As for the conservative welfare states, it can be said that because of the declining industrial output by 15.6% in Finland, the government had to implement the stimulus measures for the public expenditures, by €1.2 billion; in France, cost of the fiscal stimulus package that by more than 1.5% of GDP, was \$33 billion; for Germany, the cost was nearly €56 billion; stimulus package by \$568 billion in Japan; for Italy, the cost was \$56 billion; three fiscal impulses were executed in Switzerland and these fiscal stimuli packages added up €1.31 billion in the economy. Although Finland, Germany, and France had to implement austerity measures with the stimulus packages after the first shock of the 2008/2009 crisis, the main spending fields with these stimulus packages were nearly close among the conservative welfare states and mostly it is focused on the family benefits. With respect to the social democratic welfare

states' size of the stimulus packages, Austria invested in €12 billion for two stimulus measures that were used firstly for a rescue package for the Austrian banks. While in Belgium \$2.60 billion was invested in the measures, the Netherlands spent in \$7.50 billion for temporary and targeted stimulus packages (Nanta, et al., 2010).

Although Denmark implemented an expansionary fiscal policy for some social fields, the country mostly headed for the austerity measures such as spending cut and a tax increase (Saha & Weizsäcker, 2009, p. 2). As a first response to the crisis, Norway executed the swap facilities by \$273 million and its total cost of the stimulus package was \$2.88 billion that equals to %2.3 of its GDP, which not includes oil revenues. The government in Sweden implemented fiscal measures by \$2.88 billion and this figure was nearly equivalent to 1.3% of the country's GDP (Lin, Edvinsson, Chen & Beding, 2014, pp. 15-19). Moreover, it can be said that the main spending fields with the stimulus packages were nearly the same in all the social democratic welfare states and mainly it is focused on the unemployment benefits. Although Belgium, Denmark, and the Netherland firstly executed the fiscal stimulus measures, later they had to decrease their social spending because of their high public debts. In the first phase of the 2008/2009 global crisis, the social democratic welfare states had to implement stimulus measures and used social spending as an automatic stabilizer with the generous unemployment benefits. During this period, the average level of national social spending is seen to have been in an increasing trend.

According to OECD, if Anderson's triple groups of the welfare states' social expenditures are scrutinized, it can be said that three of them preferred to increase in their social protection spending as a whole. While liberal welfare states invested in the unemployment and family benefits together, the conservative welfare states preferred to use family benefits during the crisis period. In addition, social democratic welfare states utilized the unemployment benefits. Countries had to use excessive public resources for their social spending because of the 2008/2009 global crisis' negative financial circumstances, especially those, who obtained these resources from the government borrowing, faced with the high debt ratios after the downturn.

If the debt stocks of the welfare states during the crisis are scrutinized, it can be seen that, among the liberal welfare states while public debt of New Zealand increased from

6% to 9.5% of GDP, the level in the UK soared from 2.3% to 11.3 % of GDP (OECD, 2018). In Ireland, government borrowing grew up to 14% of GDP in 2009 and at the end of 2010, the general public debt was €148 billion in total and this was equivalent to 96% of GDP (Bergin, FitzGerald, Kearney & O'Sullivan, 2011, p. 12). Its debt was recorded as 48.2%; 68.7%; 95.7% and 109.8% of GDP subsequently between 2008 and 2011. Australia's debt stock was also increased from minimum level and recorded as 63.8%; 69.2%; 71.8% and 72.3% of GDP subsequently between 2008 and 2011 (World Bank, 2013, p. 15). End of 2012, the USA' debt level was 94% of GDP, while the ratio was 89% in the UK (World Bank, 2014, p. 22).

Conservative welfare states' debt stocks were also increased except for Switzerland, which was the only country managed to decrease its debt stock from 23.3% of GDP in 2007 to 20.2% of GDP in 2010, no other countries managed to do so in this group. Finland's debt stock ratio to GDP increased from 31.2% to 41.7% by 2010 because of excessive social spending during the 2008/2009 global crisis. In France, the overall fiscal deficit was 7.5% of GDP in 2009, this rate well above the Maastricht criteria of 3% of GDP and its public debt was increased significantly in 2009 and it raised from 52.1% of GDP to 67.4% of GDP between 2007 and 2010. The rate of Germany 39.6% of GDP in 2007, this rate reached to 44.4% of GDP in 2010; in Italy, public debt ascended by approximately 30% of GDP and its total public debt level was nearly 110% of its GDP (OECD, 2018). The increase in these debt levels was directly related to the ascending social spending of these countries.

As for the social democratic welfare states' debt stocks, Belgium, Denmark, and the Netherland were the countries that had huge public debts but Austria, Norway, and Sweden did not experience this problem deeply even while the public debt level in Sweden was decreased between 2007 and 2010. The economic difficulties were observed as the fiscal deficit in Belgium. This fiscal deficit reached from 85.3% of the country's GDP in 2007 to 96.8% in 2010. The strong rise was also seen in the Netherlands and the public debt reached from 37.6% in 2007 to 51.8% of GDP in 2010 and later 2010 the rate continued to increase by 69%. Furthermore, Denmark' debt rise was observed between 2007 and 2010 from 27.8% to 39.6% of GDP. The rates of Austria were between 57.8% and 65.8% of GDP in the same period; for Norway 11.7%

and 26.1% of GDP; as the only country managed to decrease its debt level, Sweden had the percentage from 36.4% in 2007 to 33.8% of GDP in 2010 (OECD, 2018).

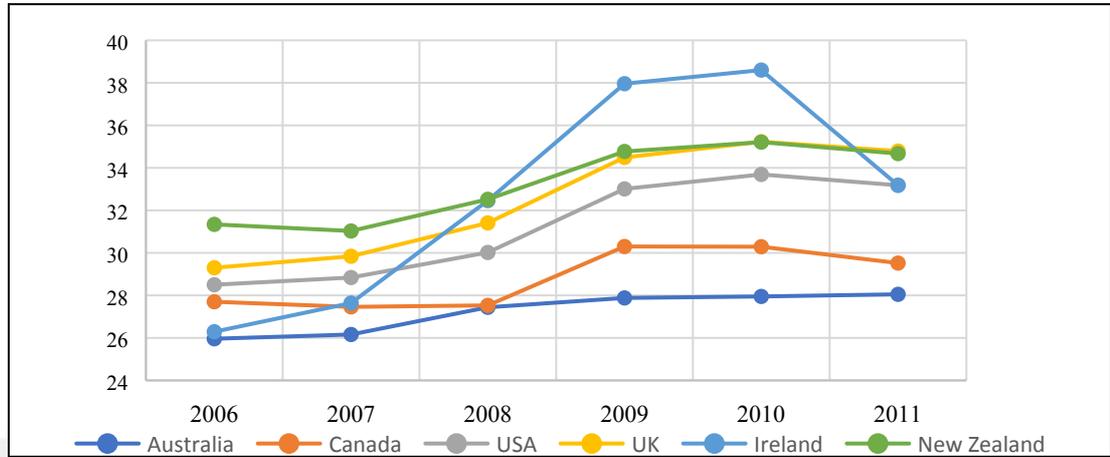
Because of the increased debt level, three groups of the welfare states had to implement austerity measures shortly after the 2008/2009 global crisis. While the main reason for this increase in the countries' borrowing level was the more need for social spending, the most affected expenditures from these austerity policies were also these expenditures. If the welfare states' public debts are scrutinized, it can be said that all of them had to increase their debt limits because of the general ascending trend of their social expenditures. However, as a liberal welfare state, Switzerland and as a social democratic welfare state, Sweden did not face such a problem. Although the most increase in the public debt was seen in the liberal welfare states, the least increase in this debt stock was seen in the social democratic welfare states.

As a conclusion, if the public finance managements of welfare states are scrutinized, it can be understood clearly that, when all countries faced with the 2008/2009 global crisis, firstly executed the social policies as a response to the crisis to create a simple solution for the income loss of their households. Therefore, because of these policies, their financial tables were deteriorated by the excessive public spending on these social fields.

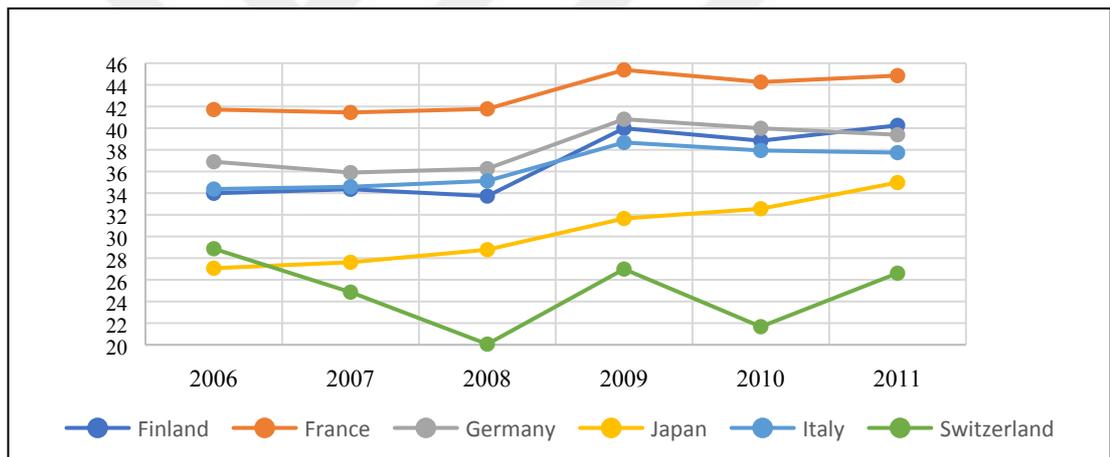
To find out this deterioration, total social expenditures, which are formed by the health, education, and social protection spending, can be examined among the welfare states grouped by Esping-Anderson in the pre-crisis period (2006-2007), during the crisis period (2008-2009) and lastly in the post-global crisis periods (2010-2011) as a % of GDP and the figures of these terms can be seen at Chart 4.4.

Chart 4.4. Total Social Expenditures in Welfare States (2006-2011), As a Percentage of GDP

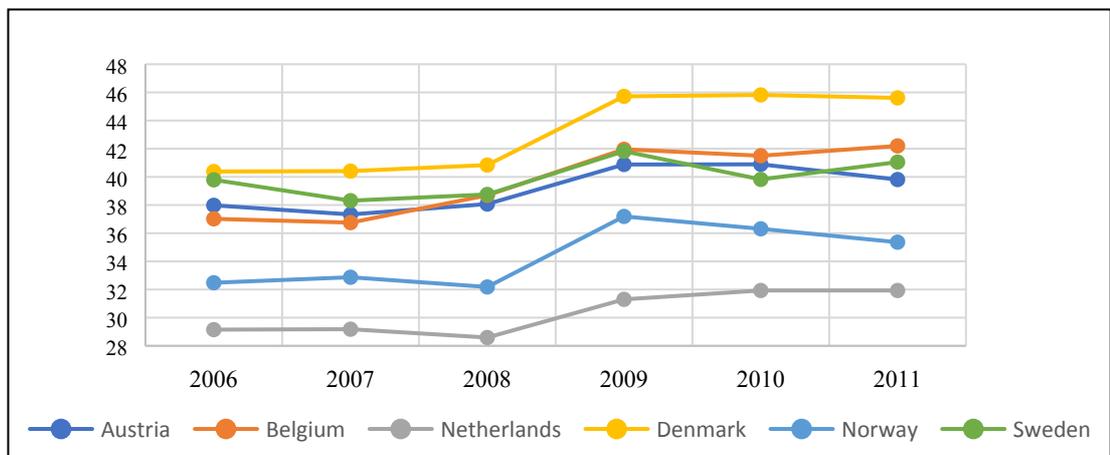
Liberal Welfare State



Conservative Welfare States



Social Democratic Welfare States



Note: Figures are obtained from OECD, World Bank and IMF Database. (The figures represent expenditures for the health, education, and social protection). The missing data is considered the same as the previous year's data.

As it concluded from Chart 4.4, in the short-run period, every welfare states' total social expenditure level has an increasing trend between 2006 and 2011. The 2008/2009 global crisis is the main reason for this rise. Despite this rise, even after the 2008/2009 global crisis, the countries' spending levels could not be returned to their pre-crisis levels in the short-run period. If the total social expenditures levels of three groups of the welfare state classifications in the long-run period between 2000 and 2016 are examined as a % of GDP in the pre-crisis period (2000- 2007), during the crisis period (2008- 2009) and lastly in the post-crisis periods (2010- 2016), Table 4.5 can be depicted as follows.

Table 4.5. Average Social Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2000-2007	Crisis Period 2008-2009	Post-Crisis Period 2010-2016
Liberal Welfare States	Australia	25.34	27.66	28.87
	Canada	25.41	28.92	29.70
	USA	25.92	31.52	35.30
	UK	25.60	32.95	35.08
	Ireland	22.96	35.21	32.57
	N. Zealand	28.25	33.65	33.92
Conservative Welfare States	Finland	32.02	37.58	42.83
	France	38.23	43.58	45.78
	Germany	34.58	38.55	39.11
	Japan	24.21	30.22	34.45
	Italy	31.14	37.40	38.77
	Switzerland	24.44	25.96	27.62
Social Democratic Welfare States	Austria	35.18	39.47	40.61
	Belgium	33.31	40.32	42.60
	Netherlands	27.63	39.95	32.08
	Denmark	37.12	43.28	45.32
	Norway	32.68	34.69	38.06
	Sweden	37.24	40.29	42.61

Note: Figures are obtained from the OECD Database and the World Bank Database. (The figures represent expenditures for the health, education, and social protection). The missing data is considered the same as the previous year's data.

According to the data in Table 4.5, it can be concluded that in the long-run period, social expenditure levels of all welfare states have an increasing trend between 2000 and 2016.

#### **4.2.2. Comparison of the Effects of 2008/2009 Global Crisis on Health Expenditures in Welfare States**

The 2008/2009 global crisis, led to a serious loss of GDP in nearly all countries. The GDP loss was 4.3% in 27 EU member-countries (EUROSTAT, 2018). The declining GDP per capita, production, and trade also caused a decline in the government revenues and so, the countries had to make serious changes in their government spending compositions. However, the countries preferred to continue some spending as social protection because the financial consequences of this decline could be high on the social order. They preferred to decrease their expenditures that can be less felt by the public like the expenditures on the government buildings.

Crisis effects on low and middle-income countries were more obvious than other high-income level countries (WHO, 2009, p. 25). However, with the increasing unemployment rate, some general consequences of the crisis were created. Some of these consequences were the emerging of malnutrition and reduced private spending for the health-care. These consequences were observed nearly in all countries, including in the welfare states.

Within the welfare states, the financial source of the health-care system was different. The cost of the health system could be met by the government through social insurance or by personal through the private market. Despite this difference, the problems arising from the crisis were common. These arising such problems of the public healthcare system as decreasing health spending because of declining family income, the rising cost of treatment with the crisis could be shown as a result of lower demand for the private care and so, more demand to the public sector (World Bank, 2009, p. 3).

During this period, the health system was adequately financed by the states while personal payments were low as a share of total spending. Moreover, the political approach was the elimination of the waste in the health system and for this aim, input costs of the health-care were decreased (Thomson, et al., 2014, p. 13).

To scrutinize welfare states' health spending levels and the effects of 2008/2009 global crisis on these expenditures, Anderson' three groups of the welfare states' health spending in the short-run period can be examined. This period will be divided into

three parts as the pre-crisis period (2006-2007); during the crisis period (2008-2009); and lastly in the post-crisis periods (2010-2011) in Table 4.6.

Table 4.6. Total Health Expenditures in Welfare States (2006-2011), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2006-2007		Crisis Period 2008-2009		Post-Crisis Period 2010-2011	
Liberal Welfare States	Australia	5.47	5.60	5.71	5.94	5.80	5.92
	Canada	6.40	6.48	6.61	7.43	7.39	7.22
	USA	6.76	6.88	7.22	7.87	7.94	7.92
	UK	6.04	6.08	6.36	7.12	7.04	6.96
	Ireland	5.85	6.18	7.22	8.08	8.00	7.66
	New Zealand	6.91	6.86	7.37	7.80	7.78	7.69
Conservative Welfare States	Finland	5.99	5.85	6.04	6.63	6.56	6.69
	France	7.99	7.92	8.00	8.61	7.53	8.51
	Germany	7.60	7.49	7.75	9.31	9.18	8.92
	Japan	6.27	6.41	6.66	7.37	7.50	8.89
	Italy	6.58	6.33	6.65	7.03	7.02	6.80
	Switzerland	6.17	6.08	6.24	6.69	6.61	7.03
Social Democratic Welfare States	Austria	7.09	7.09	7.29	7.68	7.63	7.48
	Belgium	6.76	6.74	7.19	7.81	7.68	7.79
	Netherlands	7.59	7.67	7.77	8.44	8.59	8.65
	Denmark	7.69	7.81	7.99	9.02	8.67	8.49
	Norway	6.60	6.74	6.69	7.65	7.54	7.41
	Sweden	6.77	6.61	6.81	7.33	6.95	9.14

Source: OECD Database.

As can be seen in Table 4.6, although welfare states' health expenditures are seen to have increased as a percentage of GDP in the short run, this increase may be more related to the cost of the health-care services. When the health expenditures of the welfare states are scrutinized between 2000 and 2016 in the long-run, all the welfare states' health spending levels are ascending trend as depicted in Table 4.7.

Table 4.7. Average Health Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2000-2007	Crisis Period 2008-2009	Post-Crisis Period 2010-2016
Liberal Welfare States	Australia	5.42	5.83	6.04
	Canada	6.24	7.02	7.25
	USA	6.39	7.55	10.42
	UK	5.52	6.74	7.42
	Ireland	5.52	7.65	6.86
	N. Zealand	6.31	7.59	7.55
Conservative Welfare States	Finland	5.59	6.34	6.93
	France	7.86	8.31	8.66
	Germany	7.72	8.48	9.17
	Japan	6.12	7.01	8.85
	Italy	6.10	6.84	6.80
	Switzerland	6.17	6.47	7.16
Social Democratic Welfare States	Austria	7.06	7.49	7.63
	Belgium	6.52	7.50	7.90
	Netherlands	5.94	8.11	8.66
	Denmark	7.40	8.51	8.61
	Norway	6.96	7.17	7.93
	Sweden	6.72	7.07	8.84

Source: OECD Database.

As a conclusion, if the average health expenditures of welfare states are scrutinized in the long-run period, it can be seen that clearly the health expenditure levels have an increasing trend during that period. As a response to the crisis, although every welfare state facing with the global crisis had to execute the austerity measures on the healthcare expenditures, its financial figures show that the public health expenditures' rise could not be decreased so much because of some reasons such as the growing cost of health services and more demand for the public health system.

#### **4.2.3. Comparison of the Effects of 2008/2009 Global Crisis on Education Expenditures in Welfare States**

The effects of the 2008/2009 global crisis on education were mostly felt by poorer countries and household around the world. If the crisis' negative effects on the education system and its cost are examined it can be seen that (UNESCO, 2009):

- i. Decreasing public expenditures on education reduced the quality of learning and teaching in public schools.
- ii. Because of the decreasing quality of the public school private school enrollment raised by the affluent families.
- iii. Although subsector educations such as primary or secondary educations are related to everyone living in the same community and their importance is known by the government, their budget cut exceeded the higher education level in the crisis period.
- iv. Teacher salaries were decreased with austerity policies.

All mentioned realities were realized in the welfare states just as other countries in the short-run. Moreover, considering the important externalities of the education, the declining spending on education during the crisis period could affect the human capital in a negative direction in the long-run because the results of the education policies applied during the crisis period or the correction of these policies' mistakes will take a long time. These policies can most likely lead to a welfare loss in the welfare states in the long-run.

Shortly after the 2008/2009 global crisis, many countries continued to their cut of public spending on education. Despite the increasing GDP in many OECD countries from 2009 to 2010 public education spending, especially ones for educational institutions, fell in one-third of them (OECD, 2013). Table 4.8 will be created when the welfare states' government spending figures on education in the short-run from 2006 to 2011 are scrutinized.

Table 4.8. Education Expenditures in Welfare States (2006-2011), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2006-2007		Crisis Period 2008-2009		Post-Crisis Period 2010-2011	
Liberal Welfare States	Australia	4.75	4.67	4.64	5.01	5.56	5.08
	Canada	5.01	4.78	4.64	4.85	5.37	5.27
	USA	6.01	6.10	6.30	6.55	6.38	6.18
	UK	5.02	4.95	4.94	5.13	5.77	5.67
	Ireland	4.55	4.71	5.45	6.14	6.03	5.82
	N. Zealand	5.95	5.92	5.51	6.28	7.00	6.94
Conservative Welfare States	Finland	5.94	5.69	5.85	6.49	6.54	6.48
	France	5.46	5.46	5.45	5.75	5.69	5.52
	Germany	4.28	4.34	4.41	4.88	4.91	4.81
	Japan	3.50	3.50	3.40	n/a	3.80	n/a
	Italy	4.54	4.12	4.40	4.54	4.35	4.14
	Switzerland	4.96	4.69	4.87	5.04	4.93	4.97
Social Democratic Welfare States	Austria	5.23	5.15	5.26	5.73	5.70	5.59
	Belgium	5.15	5.12	5.24	5.60	5.54	5.68
	Netherlands	5.09	4.93	5.09	5.50	5.56	5.53
	Denmark	7.73	7.62	7.48	8.45	8.56	8.49
	Norway	6.39	6.53	6.28	7.10	6.74	6.45
	Sweden	6.41	6.22	6.39	6.86	6.62	6.49

Note: Figures are obtained from the World Bank Database except for 2008-2009-2010-2011 figures of Japan that are obtained from the OECD Database.

From Table 4.8, we can see that education expenditures have increasing trend in nearly all welfare states. The general tendency is spending rise during the crisis but a declining trend after the crisis in the short-run. When the states' average education expenditures are scrutinized in the long-run period from 2000 to 2016, Table 4.9 will be created.

Table 4.9. Average Education Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2000-2007	Crisis Period 2008-2009	Post-Crisis Period 2010-2016
Liberal Welfare States	Australia	4.87	4.83	5.22
	Canada	5.03	4.75	5.28
	USA	6.04	6.43	5.94
	UK	4.68	5.04	5.66
	Ireland	4.35	5.80	5.05
	N. Zealand	6.33	5.90	6.68
Conservative Welfare States	Finland	5.95	6.17	6.96
	France	5.64	5.60	5.51
	Germany	4.29	4.65	4.88
	Japan	3.56	3.40	3.66
	Italy	4.41	4.47	4.14
	Switzerland	5.11	4.96	5.04
Social Democratic Welfare States	Austria	5.37	5.50	5.52
	Belgium	5.18	5.42	5.74
	Netherlands	4.96	5.30	5.50
	Denmark	8.04	7.97	7.96
	Norway	6.91	6.69	7.26
	Sweden	6.66	6.63	7.32

Source: World Bank and OECD Database.

Note: The missing data is considered the same as the previous year's data.

When the average education expenditures of welfare states are scrutinized between 2000 and 2016, in the long-run, it can be shown from Table 4.9, except for Switzerland, Italy, France, the USA, and Denmark, all the welfare states' education spending levels are ascending trend but their increase rates tend to declining tendency.

#### **4.2.4. Comparison of the Effects of 2008/2009 Global Crisis on Social Protection Expenditures in Welfare States**

Among the three types of the social spending, while health and education expenditures are determined as the human capital and associated with the development and production level of an economy, social protection spending is known as transfer payment, it is only related to social responsibilities of a government, and executed as unrequited manner.

As understood from the financial figures of the countries, social expenditures, especially those of welfare states increased mostly during the crisis period. The most important cause of this rise was the economic burden on households with the outbreak of the crisis. The burden emerged with the increasing unemployment rate and during this period, it raised a need for the implementation of the measures that had to be taken by the governments to alleviate this burden.

If the welfare states' unemployment rates during the 2008/2009 global crisis period are scrutinized, the rise in the unemployment rates shows the same increase in the unemployment and family benefits in the welfare states during that time. The increase in unemployment rates was varied from country to country depending on their influence level from the 2008/2009 global crisis. This variation also can be said to depend on the countries' job structure and conditions before the crisis. For example, if most of the employees in a country are employed in the public sector, they are not likely to be unemployed with the outbreak of a crisis because the government does not lay off its workers in such an economic conjuncture. Therefore, the government can be forced to implement austerity precautions for salaries of worker in the framework of economic measures. So, the salaries of employees will not be increased or these payments will be reduced on a person basis.

To explain the relationship between the unemployment level and the social protection spending among the welfare states, the unemployment levels of these welfare states should be investigated. As a general view, in terms of liberal welfare states, it can be said that they were seen to have an increasing trend of the unemployment rate because of 2008/2009 global crisis. In 2007 and 2010, as before and after the crisis period, while the least increase in this level was observed in Australia, whose percentage was

4.4% in 2007 and 5.2% in 2010, the more increase was seen in Ireland, whose level was 4.7% in 2007 and 13.9% in 2010. Moreover, Canada' unemployment rate was recorded as 6% in 2007, and 8.1% in 2010. In addition, the level was 3.6% in 2007 and 6.2% in 2010 in New Zealand. For the USA, the rate was 4.6% in 2007 and 9.6% in 2010. Lastly, for the UK, it was 5.3% in 2007 and 7.8% in 2010 (OECD Database, 2018). Because of the increases in unemployment rates, all the liberal welfare states had to allocate more fund for their unemployment benefits, social security, and insurance systems.

In terms of conservative welfare states in 2007 and 2010, the increasing trend in the unemployment rates was observed in all conservative welfare states, except for Switzerland. Despite Germany's unemployment rate seems to have a decreasing trend, its level was higher than the EU standards. In addition, in Finland, the unemployment rate raised from 6.9% to nearly 9%; in France from 7.7 to 8.9; in Germany from 8.7% to 7%; in Japan from 3.8% to 5%; in Italy from 6.1% to 8.4%; but the rate for Switzerland was rather stable and observed as nearly 4% during this period (OECD, 2018).

The unemployment rates of the social democratic welfare states were also raising trend from 2007 to 2010. However, in Austria, the unemployment rate dropped nearly below 4% just before the crisis outbreak and the rate was stable at 4.9% between 2007 and 2010. Additionally, in Belgium, the level was 7.5% in 2007 and the percentage was recorded at 8.3% in 2010; in the Netherlands, the percentage was recorded at 3.2% in 2007 and 4.5% in 2010 and so, the country' unemployment percentage was the lowest rate among the EU countries in this period. However, because of the fall in export and lower consumer confidence, the unemployment level had an increasing trend in Denmark, thus, the level was determined as 3.8% in 2007 and 7.5% in 2010.

Moreover, it can be said that Norway was one of the least influenced country among the social democratic welfare states by increasing unemployment rate and the rate only change from 2.5% to 3.5 %. In Sweden, despite its high government employees, the increasing level of the unemployment rate was recorded at 6.2% in 2007 and 8.6% in 2010 (OECD, 2018). After the unemployment rates of the welfare states, all the social protection spending of them in the short-run can be displayed in Table 4.10.

Table 4.10. Social Protection Expenditures in Welfare States (2006-2011), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2006-2007		Crisis Period 2008-2009		Post-Crisis Period 2010-2011	
Liberal Welfare States	Australia	15.74	15.89	17.09	16.93	16.59	17.05
	Canada	16.29	16.20	16.28	18.02	17.53	17.03
	USA	15.73	15.86	16.50	18.59	19.37	19.08
	UK	18.24	18.81	20.11	22.24	22.42	22.16
	Ireland	15.89	16.75	19.79	23.74	24.57	23.67
	N. Zealand	18.48	18.25	19.64	20.69	20.43	20.04
Conservative Welfare States	Finland	23.72	22.82	23.28	26.87	27.34	27.09
	France	28.27	28.07	28.33	31.02	31.04	30.82
	Germany	25.02	24.07	24.20	26.64	25.90	25.66
	Japan	17.30	17.71	18.72	20.90	21.26	22.29
	Italy	24.30	24.14	25.08	27.11	27.12	26.80
	Switzerland	14.70	14.09	13.82	15.26	15.06	14.93
Social Democratic Welfare States	Austria	25.66	25.09	25.52	27.47	27.56	26.74
	Belgium	25.11	24.89	26.26	28.55	28.28	28.73
	Netherlands	16.47	16.58	15.73	17.36	17.78	17.75
	Denmark	24.96	24.98	23.37	28.25	28.59	28.63
	Norway	19.49	19.60	19.21	22.44	22.03	21.50
	Sweden	26.61	25.48	25.55	27.63	26.25	25.59

Source: OECD Database.

As it can be understood from Table 4.10, during the 2008/2009 global crisis period, the general tendency among the welfare state was more appropriation for social protection expenditures, although, their increasing rates were different in the short-run. The average social protection spending' figures of the welfare states in the long-run can be seen from Table 4.11.

Table 4.11. Average Social Protection Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2000-2007	Crisis Period 2008-2009	Post-Crisis Period 2010-2016
Liberal Welfare States	Australia	17.02	17.01	17.60
	Canada	16.18	17.15	17.17
	USA	15.46	17.55	18.95
	UK	18.68	21.18	22.00
	Ireland	15.07	21.77	20.66
	N. Zealand	17.92	20.17	19.69
Conservative Welfare States	Finland	23.44	25.08	28.94
	France	28.27	29.68	31.61
	Germany	25.70	25.42	25.06
	Japan	16.69	19.81	21.94
	Italy	23.67	26.10	27.83
	Switzerland	14.99	14.54	15.43
Social Democratic Welfare States	Austria	25.96	26.50	27.46
	Belgium	24.75	27.41	28.96
	Netherlands	18.79	16.55	17.93
	Denmark	24.80	26.81	28.76
	Norway	21.26	20.83	22.87
	Sweden	27.19	26.59	26.44

Source: OECD Database.

When the average social protection expenditures of the welfare states are scrutinized between 2000 and 2016 in the long-run, except for Germany, the Netherlands, and Sweden all the welfare states' social protection spending levels are ascending trend.

Although the social protection expenditures are divided in to such benefits as family, unemployment, disability, housing, social exclusion, and old age, in this part, the trend of expenditures on unemployment and family benefits will be examined as they can be seen as a concrete indicator to understand the link between rising social expenditures and the unemployment rate created by the crisis circumstances. If the

unemployment and family benefits' figures of liberal welfare states are scrutinized, Tables 4.12-13 will be created in the short run period between 2006 and 2011.

Table 4.12. Unemployment Benefits in Welfare States (2006-2011), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2006-2007		Crisis Period 2008-2009		Post-Crisis Period 2010-2011	
Liberal Welfare States	Australia	0.48	0.41	0.45	0.54	0.51	0.57
	Canada	0.58	0.54	0.64	0.95	0.80	0.65
	USA	0.23	0.25	0.32	0.85	1.09	0.79
	UK	0.23	0.21	0.30	0.46	0.38	0.40
	Ireland	0.94	1.00	1.40	2.54	3.24	2.90
	N. Zealand	0.33	0.23	0.27	0.46	0.54	0.39
Conservative Welfare States	Finland	1.74	1.49	1.39	1.88	1.94	1.64
	France	1.43	1.30	1.24	1.56	1.60	1.51
	Germany	1.62	1.34	1.23	1.62	1.47	1.13
	Japan	0.26	0.25	0.22	0.36	0.27	0.25
	Italy	0.48	1.07	1.14	1.50	1.45	1.48
	Switzerland	0.82	0.62	0.55	0.96	0.96	0.67
Social Democratic Welfare States	Austria	1.02	0.89	0.83	1.06	1.00	0.90
	Belgium	3.16	3.00	3.07	3.55	3.51	3.47
	Netherlands	1.26	1.06	0.97	1.34	1.45	1.36
	Denmark	1.06	0.96	1.34	1.45	1.36	1.63
	Norway	0.31	0.21	0.19	0.42	0.49	0.35
	Sweden	0.92	0.63	0.44	0.69	0.57	0.46

Source: OECD Database.

Table 4.13. Family Benefits in Welfare States (2006-2011), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period 2006-2007		Crisis Period 2008-2009		Post-Crisis Period 2010-2011	
Liberal Welfare States	Australia	2.59	2.45	3.30	2.70	2.60	2.62
	Canada	1.19	1.22	1.22	1.31	1.27	1.24
	USA	0.71	0.70	0.70	0.74	0.75	0.72
	UK	2.96	3.24	3.49	3.83	3.96	3.95
	Ireland	2.67	2.79	3.31	3.88	3.73	3.47
	N. Zealand	2.92	2.97	3.20	3.43	3.37	3.25
Conservative Welfare States	Finland	2.81	2.72	2.79	3.14	3.12	3.09
	France	2.85	2.81	2.79	2.94	2.86	2.81
	Germany	1.73	1.80	1.88	2.15	2.15	2.10
	Japan	0.26	0.25	0.22	0.36	0.27	0.27
	Italy	1.29	1.32	1.36	1.50	1.35	1.40
	Switzerland	1.46	1.40	1.45	1.45	1.47	1.48
Social Democratic Welfare States	Austria	2.63	2.51	2.58	2.79	2.82	2.60
	Belgium	2.57	2.63	2.66	2.83	2.81	2.84
	Netherlands	1.75	1.81	1.46	1.58	1.54	1.51
	Denmark	3.45	3.56	3.62	3.96	3.79	3.81
	Norway	2.69	2.75	2.66	3.10	3.07	2.98
	Sweden	3.24	3.20	3.33	3.54	3.44	3.45

Source: OECD Database.

As shown in Tables 4.12 and 4.13, among the liberal welfare states, spending on the unemployment and family benefits raised during the crisis period. After this period, the spending levels decreased because of the increase in the employment level.

Moreover, in the first part of the crisis, the family benefits were used as a tool in order to stimulate the household expenditures. However, after the first shock, fewer appropriation was allotted for the family benefits and so, most of the funds were allocated to the unemployment benefits.

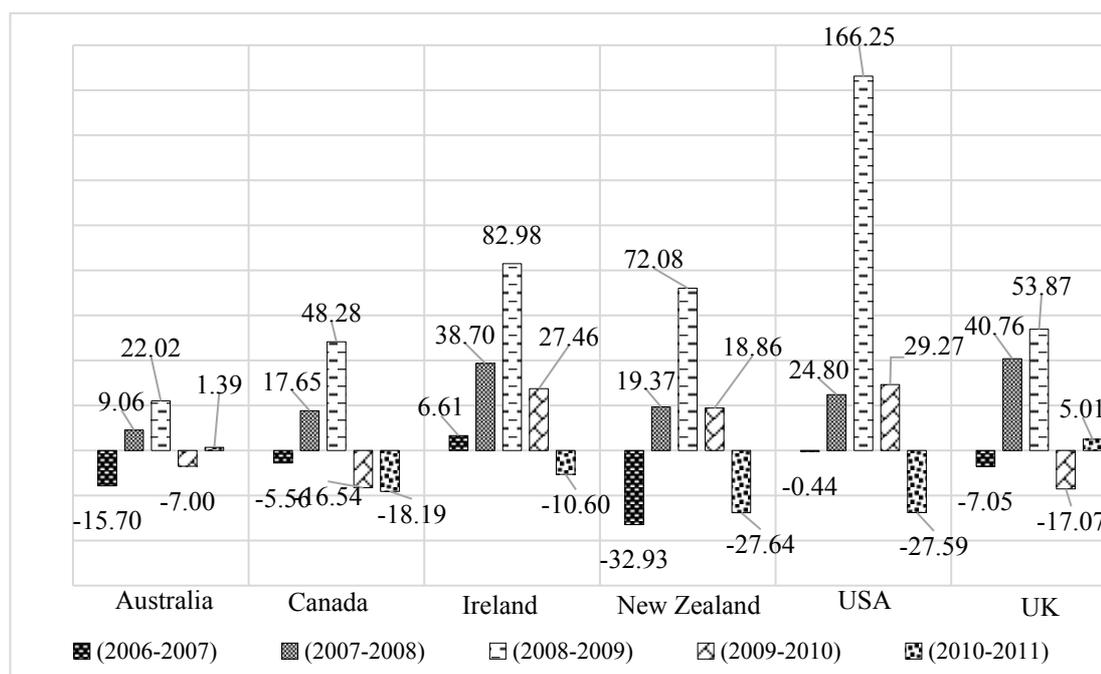
As for the conservative welfare states' spending on unemployment and family benefits, both of them raised during the crisis period. After 2009, the spending levels of unemployment benefits decreased, except for Italy, because of the increased level

of employment. However, only Switzerland continued to the same level of family benefits in 2011 and Italy increased its family benefits expenditures after 2010 again. Except for Australia, Belgium, and Sweden, the conservative welfare states increased their spending on the unemployment benefits during the crisis period but these expenditures decreased in the post-crisis period, except for Denmark.

In addition, while Sweden, Denmark, and Belgium increased their family benefits in the crisis period, other social democratic welfare states decreased their family benefits expenditures. However, all social democratic welfare states increased their family benefits in 2009. In this date, the highest increase was seen in Norway and the lowest increase was seen in Sweden and Belgium.

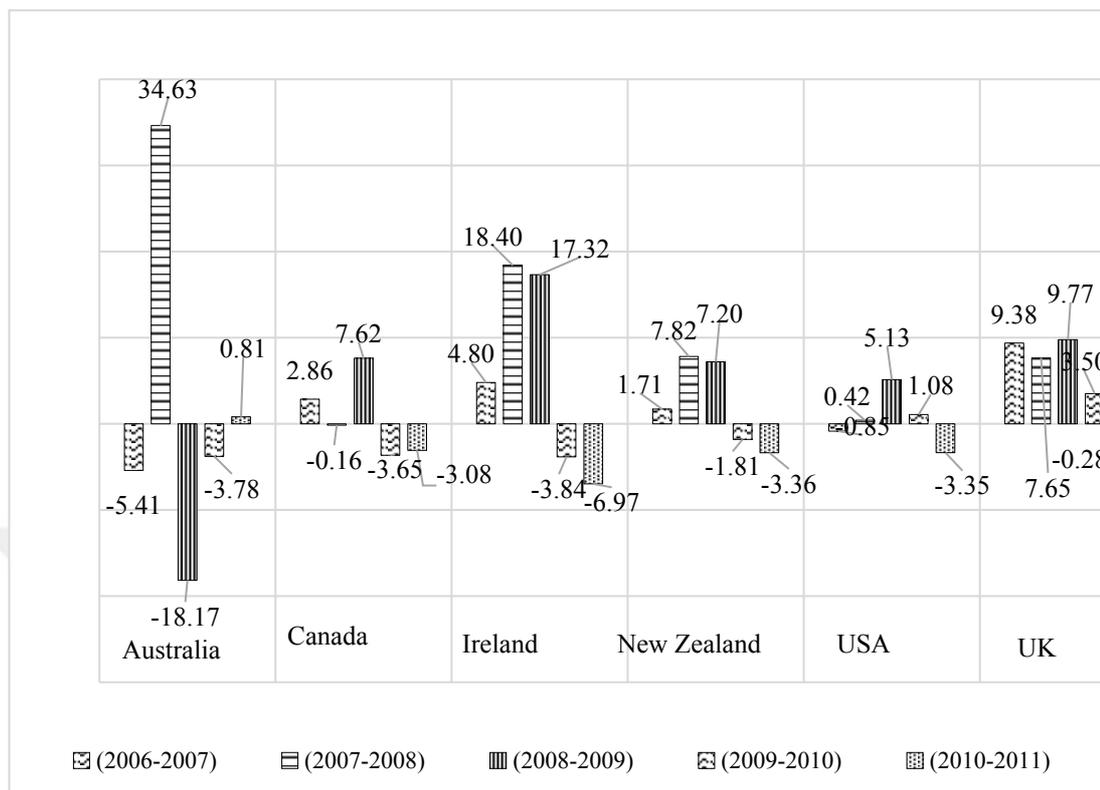
Although the increases of family and unemployment benefits had low rise between 2006 and 2011 in terms of their share of GDP, actually, their amounts were increased highly. The reality can be seen that when the increases of unemployment and family benefits of welfare states are scrutinized as a ratio of the previous year' GDP. To understand these increases, Chart 4.5 and 4.6 are created for the liberal welfare states respectively.

Chart 4.5. Changes in Unemployment Benefit Expenditures in the Liberal Welfare States (2006-2011), As a Percentage Change over Previous Year



Source: OECD Database.

Chart 4.6. Changes in Family Benefit Expenditures in the Liberal Welfare States (2006-2011), As a Percentage Change over Previous Year



Source: OECD Database.

As understood from Chart 4.5, we can see that the liberal welfare states mostly focused on the unemployment benefits during the crises. The highest increase in these benefits was seen in the USA as 166.25% rise from 2008 to 2009. Furthermore, with the USA, New Zealand and Ireland are the countries that continued to increase their unemployment benefits until 2010 yet, after this date, they had to decrease their unemployment benefits, except for Australia and the UK.

As for the family benefits of the liberal welfare states, in 2009, when the budgets of the countries were completely prepared according to financial and social situations of the crisis, except for Australia, all the countries increased their family benefits but after this date, they had to decrease these spending again, except for the USA and the UK, whose increases continued with the fewer percentage rise. However, 2011 was the year, when all the liberal welfare states decreased their family benefits with the different percentages. As a general view, as a part of the social protection spending, the unemployment benefits came forward and the benefits had a fewer percentage of GDP but a huge increase in rates. If the conservative welfare states' unemployment

and family benefits increases are scrutinized as a ratio of the previous year' GDP, Chart 4.7 and 4.8 will be drawn for these welfare states.

Chart 4.7. Changes in Unemployment Benefit Expenditures in the Conservative Welfare States (2006-2011), As a Percentage Change over Previous Year

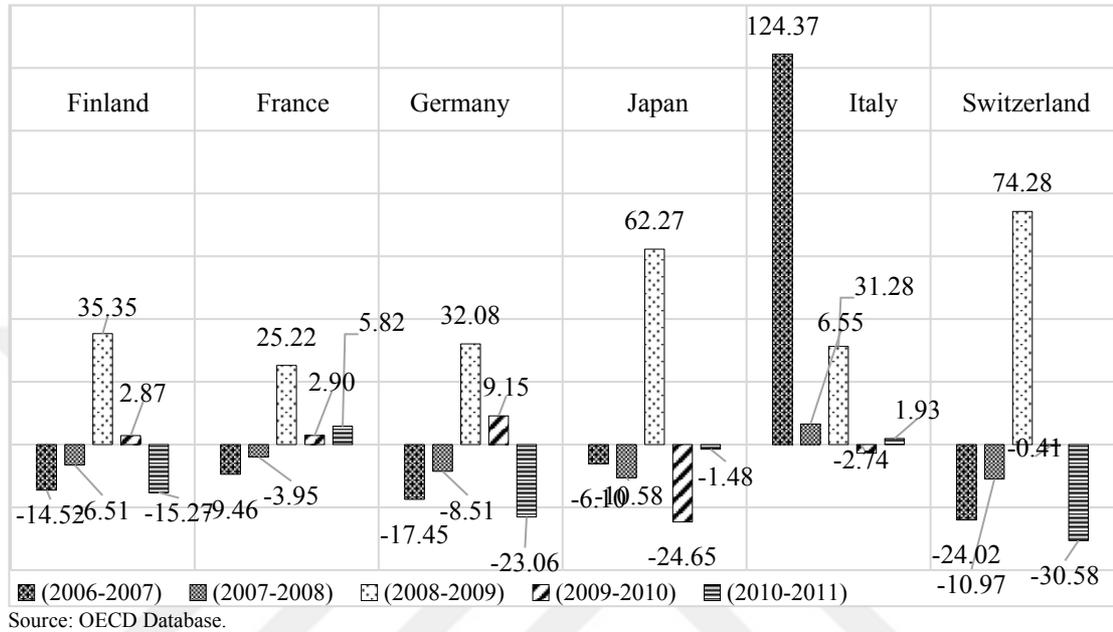
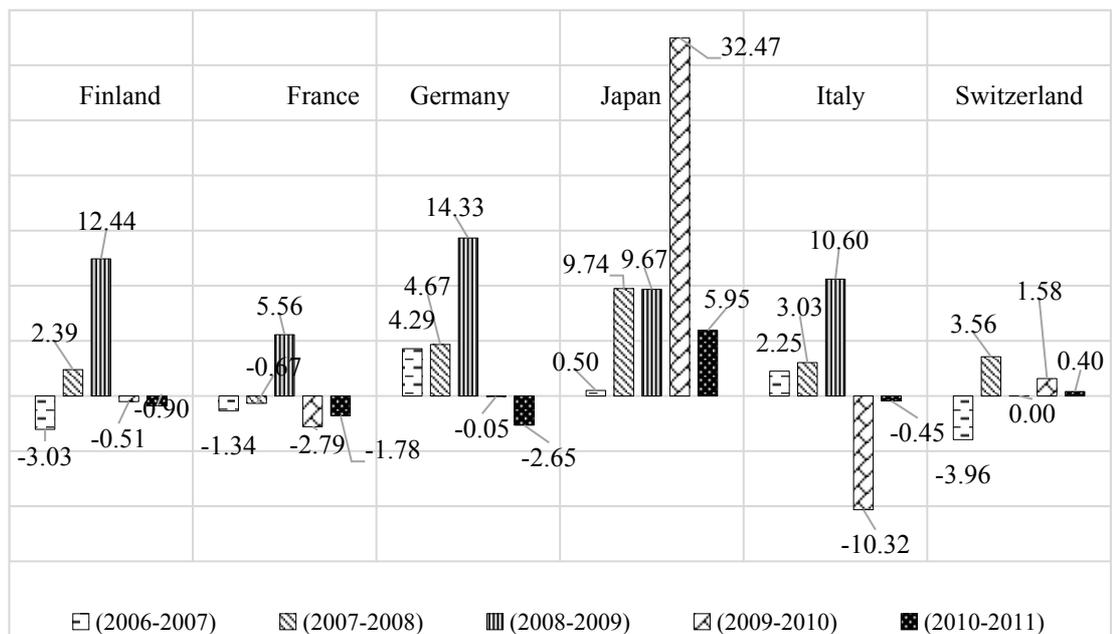


Chart 4.8. Changes in Family Benefits Expenditures in the Conservative Welfare States (2006-2011), As a Percentage Change over Previous Year

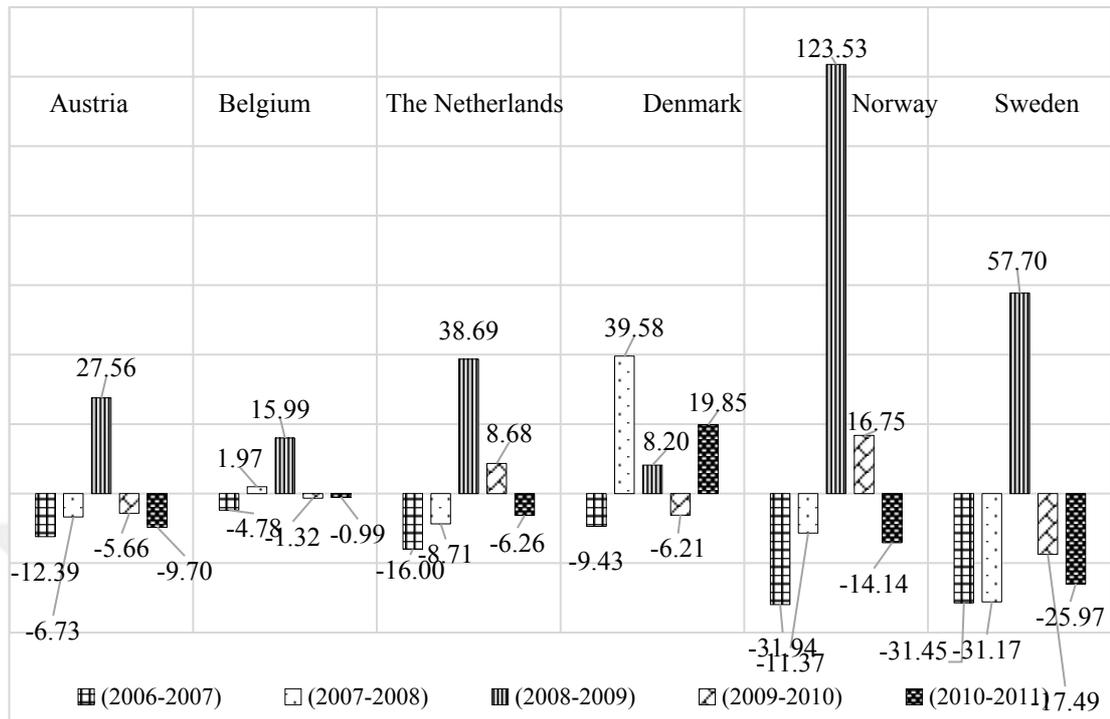


The conservative welfare states firstly focused on the allocation of more fund on the unemployment benefits (see Chart 4.7). In 2010, while Finland and France continued to the rise with a lower percentage for their unemployment benefits, Germany continued to increase its unemployment benefits by 9.15%. However, especially Japan preferred a huge decrease in the unemployment benefits in 2010 budget as -24.65% of GDP; Switzerland invested in the nearly same level of the benefits just as 2009 figures only with -0.41% decreases in this period. Yet, in 2011, all of the conservative welfare states decreased their unemployment benefits, except for Italy and France. The decrease in Switzerland was bigger than the other conservative welfare states because its unemployment rate was not problematic and so, it had enough fiscal space in this field during the European debt crisis.

As for the family benefits that are shown in Chart 4.8, in the 2009 budget, Japan's expenditures increases were the same as its 2008 budget figures but Finland, France, and Germany preferred to increase their family benefits percentage as 12.44; 5.56; 14.33 respectively. Because of its generous approach in 2008 and 2009, Japan's family benefits increased in 2010 again but with the 2010 European debt crisis, in 2011, the country had to decrease this rise in the family benefits spending. Despite this decrease, Japan had the highest rate of family benefits among the conservative welfare states. Except for Japan and Switzerland with 1.58% increase, other conservative welfare states preferred a decrease in the family benefits in 2010 even in 2011.

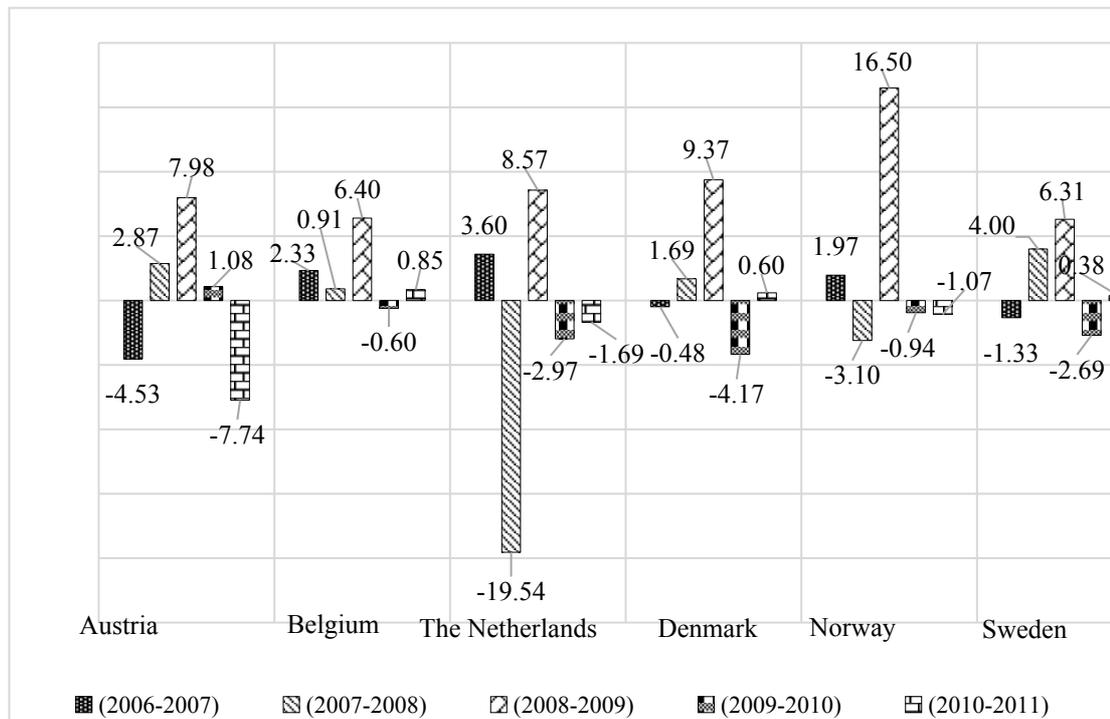
If the social democratic welfare states' unemployment and family benefits increases are scrutinized as a ratio of the previous year' GDP, from Chart 4.9 through 4.10 can be displayed for these welfare states respectively.

Chart 4.9. Changes in Unemployment Benefit Expenditures in the Social Democratic Welfare States (2006-2011), As a Percentage Change over Previous Year



Source: OECD Database.

Chart 4.10. Changes in Family Benefits Expenditures in the Social Democratic Welfare States (2006-2011), As a Percentage Change over Previous Year



Source: OECD Database.

As seen in Chart 4.9, if the increase in the unemployment and family benefits is scrutinized according to the previous year's GDP percentage, it can be understood that the social democratic welfare states focused on the unemployment benefits rather than family benefits. In 2009, all welfare states increased their unemployment benefits. Even the rate of Norway in 2009 was the second one after the USA among all welfare state countries with a 123.53% rise. However, in 2010, except for Norway and the Netherlands, other countries preferred to decrease their unemployment benefits. In the 2011 budgets, with the effect of the European debt crisis, except for Denmark, the social democratic welfare states had to decrease their unemployment benefits. The decrease made by Sweden was bigger than the others. Moreover, according to Chart 4.10, all social democratic welfare states increased their family benefits in 2009 but the highest increase was seen in Norway and the lowest increase was seen in Sweden and Belgium. In this part, to make comparison between the unemployment and family benefits expenditures in the long-run, the average budget figures of the welfare states are scrutinized between 2000 and 2016.

Table 4.14. Average Unemployment and Family Benefits Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period (2000-2007)		Crisis Period (2008-2009)		Post-Crisis Period (2010-2016)	
		U	F	U	F	U	F
Liberal Welfare States	Australia	0.67	2.81	0.50	3.00	0.58	2.71
	Canada	0.67	1.07	0.79	1.27	0.63	1.22
	USA	0.34	0.76	0.58	0.72	0.67	0.71
	UK	0.28	2.88	0.38	3.66	0.36	3.90
	Ireland	0.90	2.52	1.96	3.60	2.80	3.45
	N. Zealand	0.71	2.63	0.36	3.31	0.42	3.02
Conservative Welfare States	Finland	1.93	2.82	1.64	2.96	1.84	3.16
	France	1.55	2.89	1.40	2.87	1.59	2.88
	Germany	1.54	1.97	1.42	2.02	1.14	2.14
	Japan	0.42	0.75	0.29	0.92	0.24	1.29
	Italy	0.51	1.21	1.32	1.43	1.59	1.38
	Switzerland	0.77	1.44	0.76	1.40	0.78	1.52
Social Democratic Welfare States	Austria	1.04	2.72	0.95	2.68	0.96	2.63
	Belgium	3.04	2.58	3.31	2.74	3.38	2.83
	Netherlands	1.30	1.57	1.15	1.52	1.54	1.43
	Denmark	1.01	3.50	1.40	3.79	1.50	3.76
	Norway	0.49	2.93	0.30	2.88	0.38	3.03
	Sweden	1.05	3.09	0.56	3.43	0.47	3.55

Source: OECD Database. <https://data.oecd.org/healthres/health-spending.htm> Note: U and F represent the unemployment and family benefits respectively.

According to Table 4.14, as a general view, the unemployment and family benefits have an increasing trend in many welfare states during the crisis but in the long-run some welfare states' pre-crisis spending levels are seen to be above their crisis period's figures.

#### **4.2.5. Comparison of the Effects of 2008/2009 Global Crisis on Government Expenditures As a Whole**

The first measure of the welfare states facing the 2008/2009 global crisis was to increase their social spending levels with the stimulus packages to maintain the supply and demand balance in the market as well as support their citizens' income from the negative economic consequences of the crisis. Because every country had not enough fiscal space, it faced with the budget constraints and offset its social spending by borrowing. But, later because of excessive public debt, it started to cut their public expenditures except for social ones. Therefore, to find out the relationship between the general government expenditures and the total social expenditures in the welfare states, these expenditures will be examined in this part of the study.

If the general government expenditures and the social spending in the welfare states are scrutinized in a yearly basis as a percentage change of the previous year's GDP as seen in Table 4.15, during the 2008/2009 global crisis, all liberal welfare states' general government spending level had an ascending trend and this trend continued from 2008 until 2009. The highest increase was seen in Ireland and the least increase was seen in Australia during this period. The main reason for being "the fewer spender country" means to be "fewer affected country" by the crisis. During this time, the increase of total social spending levels in Australia, Ireland, Germany Switzerland, and Sweden exceeded their general government spending level increases. The same situation was realized even for Italy and Austria in 2007 and 2008 period. In the fourth period, from 2009 to 2010, knowing the danger of the high debt level the countries began to decrease general government spending increase rates except for Ireland, the UK, the Netherlands, and Denmark. Especially, because Ireland was the most influenced country from the downturn, it continued to increase its general government spending but decreased its total social spending increase rate. After the crisis, the UK continued to its general government spending increase with a fewer level as 0.25. If the countries'

spending level increases are scrutinized, it can be said that only Australia managed to continue stable government spending increase parallel to the crisis periods. But because Ireland had to implement strong austerity measures, its figures seem very fluctuated between lower and upper limits.

Table 4.15. Changes in the GDP Percentages of Social Expenditures and General Government Expenditures in Welfare States (2006-2010), As a Ratio of the Previous Year's GDP Percentage

Welfare State	Country	Spending Changing (2006-2007)		Spending Changing (2007-2008)		Spending Changing (2008-2009)		Spending Changing (2009-2010)	
		Social	General	Social	General	Social	General	Social	General
Liberal Welfare States	Australia	0.20	-0.31	1.28	2.15	0.44	0.37	0.07	-0.98
	Canada	-0.24	-0.15	0.07	0.25	2.77	4.66	-0.01	-0.36
	USA	0.34	0.76	1.18	2.39	2.99	3.44	0.68	-0.09
	UK	0.54	0.13	1.57	3.50	3.08	2.91	0.74	0.25
	Ireland	1.35	2.06	4.82	5.90	5.50	5.20	0.64	18.03
	N. Zealand	-0.31	n/a	1.49	n/a	2.25	n/a	0.44	-0.25
Conservative Welfare States	Finland	-1.29	-2.58	0.81	1.46	4.82	6.50	0.48	-0.01
	France	-0.27	-0.70	0.33	0.73	3.60	3.85	-1.12	-0.27
	Germany	-2.73	-4.20	0.10	1.77	12.37	4.60	-2.08	-3.68
	Japan	0.55	-1.72	1.16	1.61	2.88	4.00	0.90	-1.10
	Italy	-0.83	-0.45	1.54	1.04	2.55	3.33	-0.19	-1.27
	Switzerland	-0.97	-4.09	0.07	0.55	2.06	1.92	-0.39	-0.22
Social Democratic Welfare States	Austria	-0.65	-2.03	0.74	0.63	2.81	4.27	0.01	-1.30
	Belgium	-0.27	-2.46	1.94	2.03	3.27	3.87	-0.46	-0.81
	Netherlands	0.03	-2.20	-0.59	0.77	2.71	4.47	0.63	0.28
	Denmark	0.03	-4.05	0.43	0.82	4.88	6.13	0.10	0.13
	Norway	0.39	-6.45	-0.69	-1.23	5.01	5.87	-0.88	-1.12
	Sweden	-1.48	-4.69	0.44	0.73	3.07	2.69	-2.00	-1.94

Note: The general government spending figures are obtained from the OECD Database but those of Canada, New Zealand and Japan are obtained from the IMF Database. Other figures are obtained from the OECD and the World Bank Database. (Social expenditures figures include education, health, and social protection spending)

If the general government expenditures and the social spending in the conservative welfare states are scrutinized on a yearly basis as a percentage change of the previous year's GDP as seen again in Table 4.15, during the 2008/2009 global crisis, it can be seen that all of the conservative welfare states' general government spending and

social spending levels had ascending trends and these trends continued from 2007 to 2009. Between 2007 and 2008, social spending increase as a ratio in Italy exceeded its general government spending increase.

Moreover, from 2008 to 2009, except for Switzerland and Germany, all the conservative welfare states' total social spending increase rates under their general government expenditure increase rates. In addition, from 2009 to 2010, the states' general government spending and social spending levels were decreasing trend in terms of the percentage of the previous year's GDP percentage but Finland and Japan continued to increase their total social spending as the least percentage raise as 0.48 and 0.90 respectively.

If the general government expenditures and the social spending changing of the social democratic welfare states are scrutinized during the crisis periods, it can be seen that from 2007 to 2008, except for the Netherlands' social spending and Norway's total and social spending negative increases, all conservative welfare states increased their both expenditures levels as a positive increase. Even in the same period, Austria's total social spending increase exceeded its general government spending increase level.

As for between 2008 and 2009, all social democratic welfare states increased their total and social spending expenditures. In the same period, Sweden's total social spending increase are seen to exceed its general government expenditure increase but the Netherlands, Denmark, and Austria's social spending increase are seen to be under their general government expenditure raises as well as it can be said that in Belgium and Norway, both spending increases are nearly same level. Between 2009 and 2010, although Austria, the Netherlands and Denmark's total social spending raises had positive increases, their raising trend seems to be under the previous years' figures. Table 4.16 will be created when the general government expenditures and the social spending in the welfare states are scrutinized in a yearly basis as a percentage of GDP increase from the previous year's GDP percentage during the 2008/2009 global crisis.

Table 4.16. Changes in the Percentages of Social Expenditures and General Government Expenditures from the previous year's GDP percentage in Welfare States (2006-2010)

Welfare State	Country	Spending Changing (2006-2007)		Spending Changing (2007-2008)		Spending Changing (2008-2009)		Spending Changing (2009-2010)	
		Social	General	Social	General	Social	General	Social	General
Liberal Welfare States	Australia	0.77	-0.94	4.89	6.55	1.60	1.06	0.25	-2.77
	Canada	-0.87	-0.39	0.25	0.65	10.06	11.96	-0.03	-0.83
	USA	1.19	2.07	4.09	6.39	9.96	8.64	2.06	-0.21
	UK	1.84	0.32	5.26	8.56	9.81	6.55	2.15	0.53
	Ireland	5.14	6.09	17.44	16.43	16.94	12.44	1.69	38.35
	N. Zealand	-0.99	n/a	4.80	n/a	6.92	n/a	1.27	-0.63
Conservative Welfare States	Finland	-3.62	-5.22	2.36	3.12	13.70	13.47	1.20	-0.02
	France	-0.65	-1.31	0.80	1.39	8.62	7.22	-2.47	-0.47
	Germany	-2.71	-10.46	1.00	1.75	12.60	9.20	-2.06	0.67
	Japan	2.03	-4.73	4.20	4.65	10.01	11.04	2.84	-2.73
	Italy	-2.34	-0.95	4.45	2.22	7.06	6.96	-0.49	-2.48
	Switzerland	-3.76	-11.75	0.28	1.79	8.26	6.14	-1.44	-0.66
Social Democratic Welfare States	Austria	-1.71	-3.96	1.98	1.28	7.38	8.56	0.02	-2.40
	Belgium	-0.73	-4.85	5.28	4.21	8.45	7.70	-1.10	-1.50
	Netherlands	0.10	-4.94	-2.02	1.82	9.48	10.37	2.01	0.59
	Denmark	0.07	-7.55	1.06	1.65	11.95	12.16	0.22	0.23
	Norway	1.20	-13.47	-2.10	-2.97	15.57	14.61	-2.37	-2.43
	Sweden	-3.72	-8.69	1.15	1.48	7.92	5.38	-4.78	-3.68

Note: The general government spending figures are obtained from the OECD Database but the those of Canada, New Zealand, and Japan are obtained from the IMF Database. Other figures are obtained from the OECD and the World Bank Database. (Social expenditures figures include education, health, and social protection spending)

Table 4.16 indicates that the general government expenditures had to be increased during the crisis period and these increases mostly stemmed from social spending. Between 2008 and 2009, the increase of social spending in Ireland, the UK, the USA, and Australia exceeded these countries' general government spending level and the same trend between 2009 and 2010 was observed in Australia, the USA, and the UK. These countries decreased their general government spending but raised their total

social spending rates. In the same period, Ireland ascended its general government spending level as a huge GDP increase as 38.35 but its total social spending increase was very low at 1.69 % of GDP.

Therefore, as a general view, the liberal welfare states raised their general government expenditures with a fewer allocation for the other government spending fields whereas preferring more allocation for their social spending during the crisis period.

If the conservative welfare states' general government spending and the total social spending are investigated as a percentage of GDP increase, it can be seen that between 2007 and 2008 only Italy; between 2008 and 2009, except for Japan, all conservative welfare states; between 2009 and 2010 Finland and Japan's total social spending level increases exceeded their general government spending increases. In the 2010 budget, except for Germany, all conservative welfare states decreased their general government spending. Thus, as a general view, it can be said that the conservative welfare states raised their general government expenditures with fewer allocation for their government spending except for social ones but more allocation for social spending from 2007 to 2010.

If the social democratic welfare states' general government spending and social spending levels are investigated as a percentage of GDP increase, it can be seen that between 2007 and 2008, Austria and Belgium's total social spending increases are seen to exceed their general government spending rises. As a general view, from 2008 to 2009, the social democratic welfare states' both general government and social spending had an increasing tendency but, in this period, Sweden, Norway and Belgium's social spending was above its general government spending GDP increase level. However, between 2009 and 2010, the social democratic welfare states' general government spending was under their previous year's GDP rates, except for Denmark and the Netherlands whose increase in proportion was very low at 0.23; 0,59 respectively. In the same period, though the Netherlands, and Austria's social spending seems to be above their increase in the general government spending. Therefore, as a general view, the Social Democratic welfare states raised their general government expenditures as a percentage of GDP, these increases nearly the same as their government expenditures' increases.

Table 4.17 can be created if the welfare states' average general government and social spending levels are scrutinized as a percentage of GDP in the long-run period between 2000 and 2016.

Table 4.17. Average General Government and Social Expenditures in Welfare States (2000-2016), As a Percentage of GDP

Welfare State	Country	Pre-Crisis Period (2000-2007)		Crisis Period (2008-2009)		Post-Crisis Period (2010-2016)	
		Social	General	Social	General	Social	General
Liberal Welfare States	Australia	27.30	34.04	27.66	35.18	28.87	35.49
	Canada	27.45	39.78	28.92	41.20	29.70	40.67
	USA	27.88	36.48	31.52	41.54	35.30	39.85
	UK	27.88	38.92	32.95	45.86	35.08	44.25
	Ireland	24.94	33.23	35.21	44.41	32.57	41.10
	New Zealand	30.56	n/a	33.65	n/a	33.92	38.64
Conservative Welfare States	Finland	34.98	48.37	37.58	51.51	42.83	56.27
	France	41.77	52.65	43.58	55.23	45.78	56.89
	Germany	37.70	45.85	38.55	45.58	39.11	44.65
	Japan	26.37	35.77	30.22	38.24	34.45	39.65
	Italy	34.18	47.07	37.41	49.50	38.77	50.19
	Switzerland	26.27	33.55	25.96	32.24	27.62	33.62
Social Democratic Welfare States	Austria	38.39	51.15	39.48	52.01	40.61	51.49
	Belgium	36.45	49.47	40.33	52.22	42.60	54.52
	Netherlands	29.69	43.03	29.95	45.35	32.08	45.98
	Denmark	40.24	52.01	43.28	53.48	45.32	55.61
	Norway	35.12	43.71	34.69	43.13	38.06	45.84
	Sweden	40.56	52.34	40.29	51.36	42.61	50.67

Note: Figures are obtained from the OECD and the World Bank Database but the general government spending figures of Canada and New Zealand are obtained from the IMF Database. The missing data is considered the same as the previous year's data. (The figures represent government expenditures on health, education, and social protection).

When Table 4.17 is scrutinized, it can be understood from the table that the social spending level of the welfare states had an increasing trend within the determined time interval although general government spending levels are decreased after the crisis in many welfare states.

#### **4.3. LESSONS THAT CAN BE DRAWN FROM THE EFFECTS OF THE 2008/2009 GLOBAL CRISIS ON SOCIAL EXPENDITURES**

There is no doubt that the 2008/2009 global crisis affected the countries as a whole and it did not separate the states as developed, underdeveloped, or developing ones. Actually, the 2008/2009 global crisis is different from the past crisis because it arises from a developed country, the USA, and the developed states were more impacted than the developing countries. Despite this fact, the developed countries managed to get rid of the crisis because of their financial power and commercial relationship with other developed and developing countries but this process took time.

Although the effects of the crisis were severe on the developed countries, the impacts of the crisis on the low-income countries also felt in various ways. These effects can be summarized as falling foreign direct investment, declining commodity prices, which can be harmful to the countries relying heavily on exports of non-oil goods, shrinking household revenue with the declining activity, accepting less aid from donor developed countries (UNESCO, 2009, p. 9).

Since some of the above-mentioned problems in low-income countries were valid for other countries, the downturn was deepened and the unemployment levels of the countries began to raise. This rise led to a need for more social spending because of the decreasing household income. Although a country's social spending level depends on various factors, such as the economic development level of a country, demographic situation, political opinion, industrial trade openness, urbanization level (Prasad & M.Gerecke, 2010, p. 7), today the most important determinative of the social expenditures level can be defined as the economic crises.

Just as the other economic crisis, the 2008/2009 global crisis caused a decline in the confidence and it pushed the decision maker units, which can be in money, capital, labor, goods, and services markets, to act excessively cautiously and it worsened the

economic indicators constantly. Loss of this confidence in the market increased the transaction costs, narrowed the scope of the economic contracts, and led to complicated economic problems (Türkkan, 2006). With these problems, decreasing market demand brought about a significant negative impact on the countries' economy. The impact was the rising unemployment level and with this reality, the falling income of the household. The governments faced again the reality of the intervention in the market as a universal phenomenon. Moreover, the importance of the fiscal policy, which can influence the direction and financial destruction of the global economic crises, grasped in this period by the countries. In order to reduce the negative effects of the crisis on households, the first implementation of the states was the determination of the financial decisions on time. However, countries that could not precisely determine the pace of the crisis delayed their policy implementation and so, the countries failed to obtain the desired conclusion. Even the undesired situation in the economy during that time showed the importance of the timely appropriate policy implementation that would be executed in order to eliminate the crisis negative effects. The precautions not implemented on time cause an effect as if they had not been executed. Additionally, public sources invested for them will be wasted. Since not every policy can create the correct outcome for each country, the countries choosing the wrong policy methods on crisis management cannot get the desired result in that process.

As a response to the 2008/2009 global crisis, the stimulus packages were implemented by most of the countries. However, overfunded government spending led to the need for more financial resources and meeting of these resources from the public debt emerged as a second economic crisis arising from the EU member-countries and called as the European Debt Crisis. This consequence shows that the results of excessive borrowing could be much heavier than a crisis effect.

Although the austerity measures are not desirable in terms of both government and citizens, they had to be executed by the states because of their reducing effects on the public debt. Moreover, timely implementation of the austerity measures can decrease the likelihood of a creation of other crisis but, the countries did not implement austerity policies in a timely manner and they faced the high debt ratios during this period.

In the 2008/2009 global crisis period, the least affected countries were the countries having fiscal space. The states having extra income from such fields as oil reserves like Norway were least affected by this crisis. This fiscal space gave power to the states for spending on their social fields in order to eliminate the negative financial effects of the crisis. So, one of the most important lessons to be taken from the crisis is to create a fiscal space during the welfare period in the pre-crisis period to tackle with any financial difficulties. The countries, especially welfare states, increased their social expenditures significantly during the 2008/2009 global crisis. These social expenditures concentrated on the family and unemployment benefits because they were seen as a support for the household, whose income levels were decreased due to the unemployment. It is considered as a correct approach that the countries can decrease the household's financial burden by increasing in the family and unemployment benefits during the crisis. These expenditures led to relief until the crisis was overcome.

## **5. SUMMARY AND CONCLUSIONS**

The social expenditures level of the countries is determined by the understanding of the social policy intervention in society. The states can be divided into classes according to this understanding and their approaches of the social welfare orders. The main aims of the division are that the identification of the countries' social structures; their prosperity level in terms of this structure; the specification of their policy implementations and determination of conclusions arising from these implementations in a specific time like during a crisis period. For these aims, although many studies have been executed by many researchers specializing in different social fields, the study done by Esping-Anderson has emerged as the most widely accepted one. Esping-Anderson scrutinized eighteen countries and classified these countries as three determined welfare states divisions that are called as Liberal, Conservative, and Social Democratic welfare states. Later it is performed different welfare state divisions but Esping-Anderson's classification remains the main classification in the social sciences because other studies have been derived from this study.

In the classification of the Esping-Anderson, each group differs from the other groups due to its specific characteristics. Every divided group embraces own social policies and each group can be defined as their approaches. Moreover, the policies pursued by

the welfare states lead to a difference in the composition and amounts of social expenditures. These expenditures are also various in welfare states depending on the economic conjuncture. The most important time for the implementation of these social policies can be determined as crisis periods, which can emerge as suddenly and unexpectedly. They can create negative effects on the societies, firms, and the public financial balance, as well as they do not discriminate the world states as developing or developed ones. Moreover, they can change the cultural and social structures of the countries and also, compose disruptive effects on the socio-economic structures of these countries. Along with these realities, especially in the underdeveloped and developing countries, a crisis can affect the poor and needy people mostly and lead to more risks on these persons than others in a community. In such a situation, the primary duty of the state is to help citizens, who are heavily affected by the crisis, through social spending in order to overcome financial difficulties of these persons.

Globalization and many other factors as quickly accessible data, more transportation opportunities and abundant liquidity in developed countries have caused a rapid progress in the world economies and a huge increase has been seen at the countries' GDP. So, the market opportunities have been expanded after 2000. Especially in the first part of the 2000s, having a high level of liquidity created more desire in countries' banking system for lending money both to people and to other countries that are less developed even in the weak financial position for the repayment of their installment. Since these obtained funds by the states were not invested in the profitable fields that could have increased the employment level or their citizens' well-being, borrower countries faced with a difficulty in the debt repayment. In the same way, the citizens, who were overfunded, had a difficulty for reimbursement and they experienced the same financial problems as the states. Especially the non-refundable installments of the citizens caused a financial explosion, which first brought out in the USA and later with the domino effect, nearly all the countries had to go through a downturn as of 2008. Although there is not a consensus on the exact time of the crisis, it is generally accepted as being experienced between December 2007 and June 2009. With this crisis, the countries had to implement many measures in order to alleviate the negative effects of the crisis on the households. The measures consisted of stimulus packages focusing on social spending and required more funds for their implementations yet the states having not enough financial sources for these implementations had to offset

these expenditures by borrowing. So, the debt level of these countries increased suddenly and a new problem raised by this crisis.

The countries, which had a high level of debt because of stimulus packages implemented for the elimination of the crisis effects had to be executed austerity measures with the aim of decreasing their financial liabilities and applied these measures on the social expenditure fields such as education, health or social protections spending. However, some countries, which had relatively lower debt liabilities than the others directly implemented stimulus measures using the expansionary fiscal policy tools with a huge level of funds.

To sum up the above points, we can reach for a dead-end cycle, which starts with the global crises. This circle continues with an increase in the unemployment rate and so, a decrease in house-hold revenue. Welfare states aiming to keep people's decreasing income at a certain level raise their social spending even though there are not enough resources for these expenditures. The states that want to close this gap by borrowing confront a new debt crisis. As a result of this circle, it is clearly understood that a crisis has the potential for creating a new crisis during this period.

As a general view, because of all financial implementations in the recession time, the 2008/2009 global crisis affected the whole world in several ways: Firstly, the states had to invest the huge amounts of funds in the banking sector for rescuing them from the bankruptcy; secondly, because of tax deductions, the revenues of the state fell along with the growth rates; thirdly, with increasing level of the unemployment, the requirements for more spending in unemployment payments and benefits for other fewer income families led to an increased need for the new revenue sources and these sources were obtained from more public debts; all of them also caused to undermined fiscal positions in many countries in the world and the crisis created a new debt crisis arising from the European countries. During this time, even the world economies faced with a new term as “bankrupted countries” as well as such countries as Iceland have begun to be remembered as a country in this category since that time. Ireland, Italy, Spain, Belgium, Denmark, and Austria are seen as an example of the most affected countries from this double downturn. Also, Australia, the Netherlands, and Norway are the countries that are least affected by the crisis because of their fiscal space. In order to alleviate the negative effects of the crisis, the most affected countries

firstly had to implement stimulus measures with the social spending. Firstly, they increased spending level in such determined fields as the social benefits but they funded these fields by decreasing other government expenditures. However, later facing the financial difficulties they had to execute austerity measures. Meanwhile, the least affected countries having enough fiscal space only applied the stimulus packages aiming social target.

In order to determine the expenditures' fields and the measures applied during the 2008/2009 global crisis in the welfare states between 2000 and 2016, this study is prepared and the welfare states are divided into groups according to Esping-Anderson classification. The data obtained from miscellaneous institutions and unions show that nearly all of the expenditures' composition of the welfare states were changed during this process and because of this change, it can be said that these welfare states were affected by the 2008/2009 global crisis. Moreover, in term of its coverage, that crisis can be called as to having global size.

As a response to the crisis, nearly all the welfare states implemented the stimulus measures on social spending, even the countries without enough revenues for these expenditures had to cut other government spending, and these reduced amounts of sources were used for the social spending. When all the social expenditures are scrutinized, mostly such expenditures as the unemployment and family benefits come forward. The reason for the increased investment in these spending is that two of them are useful as an investment for the support of the fewer income families. Although health and education spending are the main sources of the human capital and the investment in the human capital is known as a very productive tool for the future development of the countries, during the crisis period, many welfare states preferred to ignore this reality and some of them decreased these expenditures. However, some spending on the family benefits as child payments for education can be said to be an indirect investment in education and encourage human capital.

When Anderson's three welfare states groups are investigated, it cannot reach any conclusion about the collective response measures of the six countries, grouped in the same classification because the countries divided into the same classification experienced the crisis in different levels. Some countries in the same division can be seen as least affected by the negative consequences of the crises, other countries can

live the financial difficulties in deeply. Among the liberal welfare states, while Australia was the least affected country by the 2008/2009 global crisis, Ireland was a country that experienced the crisis deeply. As the USA' financial system was known as the main source of this global crisis, the country's response and measures required the huge funds. Among the conservative welfare states, Germany, France, and Switzerland were the least affected countries but Japan and Italy were the most affected welfare states. As for the social democratic welfare states, among them, while the more affected countries are Belgium and Austria; the least affected countries are the Netherlands, because of its low unemployment level; Norway, because of its huge oil reserves and their revenues from these sources; Sweden, because of its government labor that accounts for nearly 28% in all employed citizens, as well as Sweden, because of its government employer rate. In accordance with the Esping-Anderson welfare state classification (1990), the most affected group among the welfare states can be determined as the liberal welfare states because of their economic positions of Ireland and the USA. Moreover, in this group of welfare states, except for Australia, all the countries' financial situations were deteriorated by the 2008/2009 global crisis. In term of their financial difficulties, the liberal welfare states are followed by the conservative welfare states. Although Japan may be known as one of the countries impacted by the crisis among the conservative welfare states, the financial figures of that country were not deteriorated like the financial figures of Ireland. Italy may be seen as the most affected country in the conservative welfare states, because of its political instability before and after the crisis. Lastly, it can be said that among the Anderson' welfare state classification, the least affected group was the social democratic welfare states because of their wide fiscal spaces, acceptable level of unemployment rates or strong financial figures. These fiscal spaces and favorable figures and rates were created during the countries' welfare periods before the crisis and especially fiscal spaces had a potential of assisting in the creation of different social fields and their finance during the 2008/2009 global crisis.

One reality accepted by the international unions and the scientific circles is that all the welfare states even the countries affected by the 2008/2009 crisis and this downturn did not separate the countries as developed, underdeveloped, or developing ones. However, every country implemented stimulus measures on social protection expenditures and the main fields among the expenditures were the unemployment and

family benefits. As the most significant negative impacts of the 2008/2009 global crisis are determined as the increasing unemployment level and with this reality the falling income of the household, the intervention in the market by the states through using social spending can be seen as a universal phenomenon. Moreover, the importance of the fiscal policy, which can influence the direction of the crisis and decrease its financial destruction, began to be grasped by the countries after that period. Considering the causes and consequences of the 2008/2009 global crisis, the actions, which should be taken by the countries during any downturn, can be briefly defined as follows:

- i. In order to reduce the negative effects of the crisis on households, the first implementation of the states should be a determination of the financial decisions on time. A lag in the implementation time of the decision may create a barrier for the reaching of the desired result.
- ii. It is also very important to choose and apply the right fiscal policy tools. Since not every policy creates the correct outcome for each country, it is seen that the countries, which chose the wrong policy methods on crisis management could not get the desired result in that process. Moreover, the government should be avoided from all the pressures that may come from interest groups during the selection period of these tools.
- iii. Stimulus packages should be implemented especially in the social fields, but the lack of sustainability of these precautions should not be forgotten. The result of these packages can give a positive conclusion in the short or medium term but in the long-run they can create a high level of public debt, even additional economic or financial crisis, which can be regional or global. These measures probably will not be permanent in the future because of their heavy burden on the government budget and so, they have a potential for the creation of negative perception on the public when the packages are slowed down or abandoned.
- iv. Prior to the crisis period, during the welfare periods, each country should create its fiscal space in some fields such as mining and commerce. The fiscal space can supply extra funds for the government and these funds could be used as a source of the stimulus packages during that crisis period.

- v. It is important that during a crisis period, implementation of the intense investment in social spending can increase human capital and household purchasing power. Additionally, as a response to that crisis, austerity measure policies should be applied in the fields that have no unemployment enhancing effect. It can be avoided from the high level of public debt by practicing the austerity measure policies even the creation of fiscal space can be obtained from these measures during that crisis.
- vi. The expenditures should be used for the formation of employment. For this purpose, infrastructure expenditures may be implemented by the states and the construction of some infrastructure projects planned in the coming years can be taken early. It should be noted that with their multiplier effects, these expenditures could increase domestic demand.
- vii. The tax cuts should be used entirely in the direction of the employment support so that these expenditures could reduce the unemployment benefits' financial burden on the budget.
- viii. Family allowances as social spending can be designed as a support for education and health because of the secondary effect of these benefits on the increasing human capital.
- ix. It is important that the governments should use a combination of austerity and fiscal expansion packages during the crisis periods. It should not be forgotten that intense investment should be only done for the increasing of saving, human capital, and household purchasing power.
- x. The increase in unemployment level due to the crisis will increase the unemployment benefits. It should not be forgotten that these benefits that extended during a crisis period become a big burden on the governments' budget in the long term even though the increased benefits can cover economic problems in the short run.

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## APPENDICES

### A.1. Welfare States Typologies

Studies	Measures	Welfare States				
		Liberal	Conservative	Social Democratic		
<b>ESPING-ANDERSON (1990)</b>	18 Countries Decommodification Social Stratification Private-Public Mix.	Australia Canada Ireland New Zealand UK USA	Finland France Germany Japan Italy Switzerland	Austria Belgium The Netherlands Denmark Norway Sweden		
<b>LEIBFRIED (1992)</b>	15 Countries Characteristics Rights Basic income	Anglo-Saxon	Bismarck	Scandinavian	Latin Rim	
		Australia New Zealand UK USA	Austria Germany	Denmark Finland Norway Sweden	France Greece Italy Portugal Spain	
<b>CASTLES AND MITCHELL (1993)</b>	14 Countries Aggregate social expenditure and Benefit equality	Liberal	Conservative	Non-Right Hegemony	Radical	
		Ireland Japan Switzerland USA	Germany Italy The Netherlands	Belgium Denmark Norway Sweden	Australia New Zealand UK	

Studies	Measures	Welfare States			
		Liberal	Conservative	Social Democratic	Radical
<b>Kangas (1994)</b>	15 Countries				
	Cluster analysis of decommodification	USA Canada	Austria Germany Italy Japan The Netherlands	Denmark Finland Norway Sweden	Australia Ireland New Zealand UK
<b>Ragin (1994)</b>	18 Countries				
	comparative analysis of pensions decommodification	Australia Canada Switzerland USA	Austria Belgium Finland France Italy	Denmark Sweden Norway	Germany Ireland Japan Netherlands New Zealand UK
<b>Ferrera (1996)</b>	15 Countries				
	Coverage Replacement Rates Poverty rates	Ireland UK	Austria Belgium France Germany Luxembourg Netherlands Switzerland	Denmark Finland Norway Sweden	Greece Italy Portugal Spain

Studies	Measures	Welfare States				
<b>Bonoli (1997)</b>	16 Countries	<b>British</b>	<b>Continental</b>	<b>Nordic</b>	<b>Southern</b>	
	Social expenditure as % GDP Social expenditure financed via contributions	Ireland UK	Belgium France Germany Luxembourg The Netherlands	Denmark Finland Norway Sweden	Greece Italy Portugal Spain Switzerland	
<b>Korpi and Palme (1998)</b>	18 Countries	<b>Basic Security</b>	<b>Corporatist</b>	<b>Encompassing</b>	<b>Targeted</b>	
	Social expenditure as % GDP Institutional characteristics	Canada Denmark Ireland Netherlands New Zealand Switzerland UK USA	Austria Belgium France Germany Italy Japan	Finland Norway Sweden	Australia	
<b>Pitzurello (1999)</b>	18 Countries	<b>Liberal</b>	<b>Conservative</b>	<b>Social Democratic</b>	<b>Conservative–Bismarckian</b>	<b>Radical</b>
	Cluster analysis of decommodification	Canada Ireland UK USA	Germany Netherlands Switzerland	Belgium Denmark Norway Sweden	Austria Finland France Italy Japan	Australia New Zealand

Studies	Measures	Welfare States			
		Liberal–Anglo Saxon	Christian Democrat	Social Democratic	Ex-Fascist
<b>Navarro and Shi (2001)</b>	18 Countries Political tradition	Canada Ireland UK USA	Belgium Netherlands Germany France Italy Switzerland	Sweden Norway Denmark Finland Austria	Spain Greece Portugal
<b>Kautto (2002)</b>	15 Countries Expenditure on services and social transfers	Belgium The Netherlands Austria Italy	Sweden Norway Finland Germany UK	Ireland Greece Portugal Spain	

Studies	Measures	Welfare States				
		Low	Medium	High		
<b>Bambra (2005)</b>	18 Countries Healthcare decommodification	Australia USA	Austria Belgium France Germany Ireland Italy Japan The Netherlands Switzerland	Canada Denmark Finland New Zealand Norway Sweden UK		
<b>Bambra (2005)</b>	18 Countries Healthcare and Labor market decommodification	Liberal	Conservative	Social Democratic	Conservative Sub-Group	Liberal Sub-Group
		Australia Japan USA	Austria Belgium Canada Denmark France Italy	Finland Norway Sweden	Germany Switzerland The Netherlands	Ireland UK New Zealand

Source: Adopted from Bambra (2007)

## A.2. Characteristics of European Welfare States

	Nordic (Scandinavian)	Anglo- Saxon	Continental (Bismarckian)	Mediterranean (Southern Europe)	Eastern
Expenses on Social Support	High	High, the taxpayers ask the decrease in taxation burden	High	High	Low – Baltic states Moderate – Bulgaria, Romania, Slovakia High – Visegrád States <sup>a</sup> , Slovenia
Employment	High, stimulated by the government	High	High, the part- time employment is widely spread	Low, the majority of women do not work	Low
Principle Source of Financing	Government and local authorities; taxation re- distributing	Government for unemployed taxes re- distribution) while the social insurance for employed people	Market; the social insurance	Market; local authorities; family support; self- support	Government; taxation re- distributing; family support; self-support
Level of Poverty	Low	Moderate	Moderate	High	High
Re- distribution	High	High	Moderate	Low	High
Private Provision of Social Support	Yes	Yes	Yes	Yes	Yes

Source: Popova and Kozhevniko (2013, p. 567) for Eastern classification Beblavý 2008 (2008, p. 17); (EASPD, 2014, p. 2)

<sup>a</sup> Visegrád States: Hungary, Slovakia, the Czech Republic, and Poland.

### A.3.1. Developed Economies by UN Classification

North America	Europe		Major Developed Economies (G7)
	European Union	Other Europe	
Canada, United States	<b>EU-15</b> Australia, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden, United Kingdom  <b>EU-13</b> Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia.	Iceland, Norway Switzerland	Canada, Japan, France, Germany Italy, United Kingdom, United States
<b>Developed Asia and Pacific</b>			
Australia, Japan, New Zealand			

### A.3.2. Transition Economies by UN Classification

South Eastern Europe	Commonwealth of Independent States and Georgia	
Albania Bosnia and Herzegovina, Montenegro, Serbia, The former Yugoslav Republic of Macedonia	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan Kyrgyzstan	Republic of Moldova, Russian Federation Tajikistan, Turkmenistan, Ukraine Uzbekistan

### A.3.3. Developing Economies by UN Classification

Africa		Asia	Latin America and the Caribbean
North Africa	Southern Africa	East Asia	Caribbean
Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, Tunisia	Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe	Brunei Darussalam, Cambodia, China, Hong Kong SAR, Fiji, Indonesia, Malaysia, Kiribati, Leo Peoples Democratic Republic, Malaysia, Mongolia, Myanmar, Papua New Guinea, Philippines, Republic of Korea, Samoa, Singapore, Solomon Islands, Taiwan Province of China, Thailand, Timor Leste, Vanuatu, Viet Nam.	Bahamas, Barbados, Cuba, Dominican Republic, Guyana, Haiti, Jamaica, Trinidad and Tobago
Central Africa			Mexico and Central America
Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Sao Tome and Principe	West Africa		Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama
	Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia (Islamic Republic of), Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo	South Asia	
East Africa		Afghanistan, Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka	South America
Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Somalia, Uganda, United Republic of Tanzania		Western Asia	Argentina, Bolivia (Plurinomial State of), Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Suriname, Uruguay, Venezuela (Bolivarian Republic of)
		Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen	

Source: Tables (a, b, and c) are obtained from World Economic Situation and Prospect Report, 2018, prepared by UN, available at [https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2018\\_Annex.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2018_Annex.pdf)

#### A.4. Country Classification by the World Bank

Developing Countries	Low-income	Bangladesh, Burundi, Democratic Republic of Congo, Madagascar, Myanmar, Nepal, Pakistan, Tajikistan
	Lower-Middle Income	Albania, Azerbaijan, Bhutan, Bolivia, Cameroon, Egypt, El Salvador, Georgia, India, Indonesia, Iran, Lesotho, Maldives, Moldova, Nicaragua, Syrian Arab Republic, Tunisia, Thailand, Ukraine, Uruguay, Vanuatu
Developed Countries	High-income OECD Member	Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Japan, Korea, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom, United States
Semi Developed Countries	Upper-Middle Income	Argentina, Belarus, Brazil, Bulgaria, Chile, Croatia, Jamaica, Kazakhstan, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Panama, Poland, Romania, Russia,
	High-Income Non-OECD	Bahrain, Cyprus, Estonia, Israel, Malta, Kuwait, Singapore, Slovenia, Trinidad and Tobago, United Arab Emirates

Source: (Cho, 2015)

