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3.2. Social protection expenditure in 2008 and 2021

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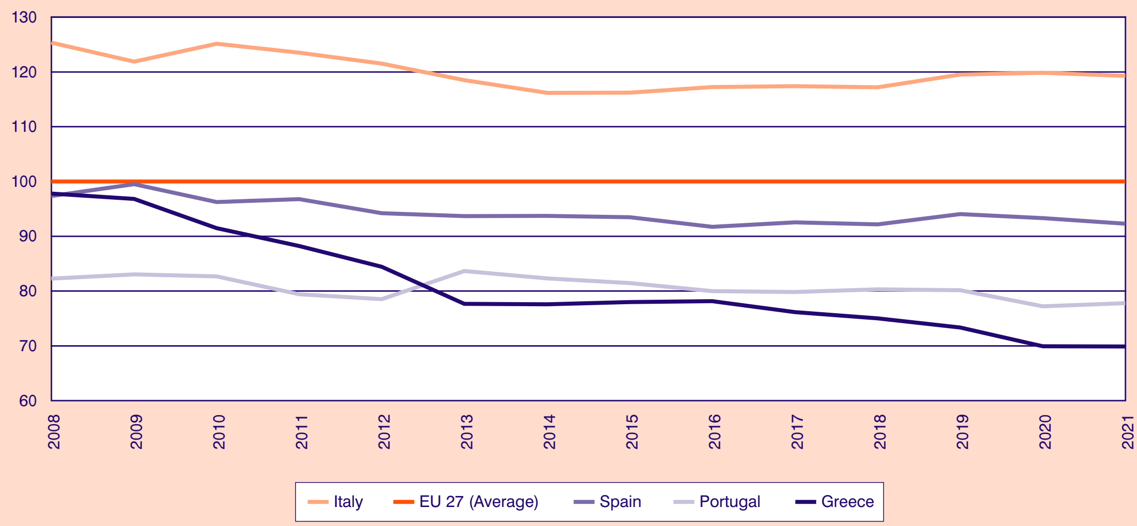
The period from 2008 to 2021 is characterized by a prolonged and multifaceted crisis, marked by economic downturns, financial instability, and lockdowns. These sequential crises have had both direct and indirect impacts on the living conditions of the population across Europe. In response to these challenges, the European Union (EU) implemented a series of fiscal austerity measures aimed at addressing the high levels of public debt and restoring economic stability. However, these measures often led to significant reductions in *social protection expenditure*, particularly in the EU-deficit-countries, where governments faced immense pressures to cut spending. As a result, many households experienced a decline in their disposable income, exacerbating economic hardship and inequality. Southern European countries, in particular, bore the brunt of these austerity measures, facing stringent fiscal discipline rules imposed by international financial institutions and the EU institutions. More than a decade later, the long-term effects of these policies are evident, as living conditions have become markedly different, with persistent challenges such as high unemployment and poverty continuing to affect communities across the region.[1]

Figure 3.2.1 provides a comprehensive overview of the evolution of social protection expenditure per capita over the period from 2008 to 2021, illustrating deviations from the EU27 average. The index is denominated in Purchasing Power Standards (PPS), offering a standardized metric that facilitates comparisons both across countries and over time. Notably, Italy's total social expenditure stands out, consistently surpassing the EU27 average by a substantial margin of twenty percentage points throughout the period under consideration. Despite experiencing a slight downturn between 2010 and 2015, Italy's expenditure trajectory swiftly rebounded in subsequent years, reflecting a

FIGURE 3.2.1
Social protection expenditure per capita in PPS, as a deviation from the EU27 average (100)



Source: Eurostat.

1. See, Missos V., Domenikos C. and Pontis N. (2024), Hardening the EU core-periphery lines 2009-2019: Dependency, neoliberalism, welfare reformation and poverty in Greece, *Structural Change and Economic Dynamics,* 69, 171-182, <https://doi.org/10.1016/j.strueco.2023.06.005>.

remarkable resilience in its welfare state provisions. In contrast, Spain's expenditure trajectory depicts a more nuanced pattern, characterized by a stable yet mild divergence in the purchasing power of expenditure. Initially closely aligned with the EU27 average, Spain's trend suggests a gradual widening of the gap over time, indicating a gradual deterioration in the purchasing power of its welfare state expenditure.

Meanwhile, Portugal presents an intriguing case, exhibiting a noticeable decline in the value of protection expenditure over the years. Despite this decline, Portugal manages to maintain a relatively stable longitudinal trend, hovering around 80% of the European average. This suggests a concerted effort to mitigate the impact of austerity measures while striving to uphold a certain standard of social protection for its citizens. Conversely, Greece's expenditure trajectory reveals a stark downward trend in the relative value of protection expenditure, signaling pronounced divergence from the EU27 average. The imposition of stringent adjustment measures, particularly in the aftermath of the 2008 financial crisis, appears to have taken a significant toll on Greece's welfare state provisions.[2] Since 2008, when social protection expenditure per capita closely mirrored the European average, Greece has experienced a notable decline, remaining at a level of 70% – a substantial deviation from its European counterparts and well below that of Portugal.

Figure 3.2.2 is based on the same methodology for presenting the data, providing a detailed breakdown of per capita social protection expenditure, differentiating between *means-tested* and *non-means-tested* provisions. This distinction sheds light on the evolving nature of the welfare state, particularly the transition from a traditional "Southern European" model to a more liberal framework. Central to this transformation is the shift in how social transfers are administered, with a notable transition from universally provided benefits to a system increasingly reliant on means-testing. This transition involves the introduction of eligibility criteria, such as income thresholds and marital status, to determine the allocation of social transfers and benefits.

The left-hand side of Figure 3.2.2 presents the pronounced decline in expenditure observed across Southern European countries. As anticipated, Greece emerges as the most affected, experiencing a substantial reduction of approximately 35 percentage points in expenditure allocated without means-testing of beneficiaries' resources compared to the EU27 average. This category represents a significant portion of total

FIGURE 3.2.2
Per capita social protection expenditure in purchasing power standards (PPS).
Distinction between "no means-tested" and "means-tested" average 2008-2012 and 2017-2021

Source: Eurostat.

2. Missos V. (2021), Introducing a safety net: The effects of neoliberal policy on welfare, poverty and the net social wage during the Greek crisis, *Review of Radical Political Economics,* 53(1), 58-76, <https://doi.org/10.1177/0486613420930830>.

expenditure, encompassing expenditures on pensions and other essential benefits critical for social security. The drastic reduction in this category underscores the significant impact of austerity measures and fiscal consolidation efforts implemented in response to the economic downturn.

Similarly, Italy also registers a noteworthy decrease in means-tested expenditures, albeit to a lesser extent than Greece. Despite this decline, Italy maintains significantly higher per capita expenditure levels than the EU27 average, reflecting its historical commitment to robust social protection systems. However, the declining trend in this category signals a shift towards a more means-tested approach to social protection, indicating broader changes in the welfare state's architecture and the distribution of social benefits.

The right-hand part of Figure 3.2.2 illustrates the scenario concerning means-tested expenditures, revealing notably higher levels of inequality between countries. In several EU27 countries, such as Denmark, Sweden, and the Netherlands, the social protection systems operate on a fundamentally different policy reasoning, where income plays a central role in determining eligibility for benefits. Consequently, this specific category of the benefit mix exhibits significant disparities. However, trends in average expenditure over time, particularly in countries like Italy and Greece, provide insights into the direction of reforms aimed at reshaping the nature of the protection system.

Italy demonstrates a substantial relative increase, rising from 72 to 109. Conversely, Greece's increase from 32 to 50 remains comparatively low, significantly trailing behind the EU27 average. Meanwhile, Spain and Portugal display changes in per capita expenditure attributable to means-testing resources, reflecting these countries' inclination to maintain the existing systems of social protections and the overarching structure of their social welfare.

To sum up, the analysis of social protection expenditure patterns highlights the complex interplay between policy reforms, economic conditions, and social outcomes in shaping the welfare state landscape across Southern Europe. The transition towards means-tested allocations underscores the broader shifts in social policy paradigms and the challenges posed by fiscal constraints and austerity measures in maintaining inclusive and equitable social protection systems. A close review of the social protection expenditure trajectories shows the diverse and multifaceted experiences of Southern European countries in navigating the challenges of fiscal austerity and economic restructuring. While some countries exhibit remarkable resilience and stability in their welfare state provisions, others face significant challenges and divergent trajectories due to the complex interplay of economic, social, and political factors shaping the evolution of social protection systems in the region.