Policy specific effects of welfare states' impact on social trust

Tamilina, Larysa

Independent Research

1 January 2011

Policy specific effects of welfare states' impact on social trust

Larysa Tamilina

Independent Research

Diakogianni Str. 7

Marousi Athens

15126 Greece

Phone: +30 210 7777640

E-mail: larysa.tamilina@gmail.com

2012

Author Note

Correspondence concerning this paper should be addressed to Larysa Tamilina (E-mail: larysa.tamilina@gmail.com).

1. Introducing a functional spectrum in social trust analysis

Welfare states differ in many characteristics and are all based on certain principles within which social policies are conducted. Their policy preferences were developed in the countries' specific institutional, political, historical, cultural, and economic conditions, resulting in different levels and structures of benefit packages (Flora, 1986; Bonoli, 2004). Generally speaking, each country has its own specific preferences in choosing from the standard range of policies that would insure not only individual well-being but also societal prosperity. Hence, when measuring the welfare state as a single indicator, one blurs the difference in the structure of social policies and automatically assumes their 'linearity' or equivalence in their impact on social capital. Certainly, one may distinguish the difference in the impact on social trust produced by child-care provisions or training programs for the unemployed or passive provisions of unemployment benefits. They all affect social capital in different ways through different indirect mechanisms leading to different directions of change. Child-care provisions for instance allow women to combine employment and motherhood and hence work even when they have small children (Esping-Andersen, 2001). Employment means additional income in the household which is usually associated with high levels of social capital (Knack and Keefer, 1997; Putnam, 2000; Uslaner, 2002a,b) as well as with a broader personal network, which also enhances social capital development (Lin, 2000a,b). Obligatory training programs for unemployed people allow them to directly increase their social capital through gaining knowledge (an important determinant of social capital according to Fukuyama (2000), Knack and Zak (2001)), as well as indirectly through helping them feel integrated and less pessimistic about their future. Passive unemployment benefits replace the lost source of income, affecting to some extent the individual's perception of his current situation and his expectations concerning the future that again can influence his trust level. It is difficult to find theoretical research that explicitly supports our argument, but even at the intuitive level, one can deduce the conclusion that each social policy affects social capital through specific direct or indirect mechanisms, which differ in strength, direction, and duration. Therefore, if not distinguishing the possible diversity of effects welfare state activity may produce on social capital, one may face several problems which were outlined earlier.

However, some explanations should be delivered, in order to understand the mechanisms underlying crowding-out effects in two selected social provisions (pensions and unemployment benefits). In the case of the whole population, crowding-out is expected due to the erosion of volunteering, which is a basic explanation for crowding-out effects. In the case of pensioners and the unemployed, the mechanism is quite different. The explanation of these mechanisms is based on the idea that social trust can be considered an attitudinal variable and, hence, the theory of attitude formation and change can be employed for describing the mechanism that underlies the crowding-out effects in trust among unemployed and retired people.

Attitude is usually defined as the view of an individual on a specific phenomenon, a state of things or an object in real life (Blomberg and Kroll, 2002). There are several factors that affect an individual's attitude. First of all, the attitude arises as a consequence of the ideas of the desirable – the values internalized by the individual. Or in other words, attitudes can be seen as expressions of underlying values. Values are seen here as fundamental and constant ideas about what is desirable in principle, and are not connected to any specific phenomena in real life.

Another factor that influences attitudes towards welfare state systems is self-interest. Attitudes are interpreted here as expressions of the aspiration of individuals and groups to maximize their self-interests. These two approaches – values and self-interests - seem to complement each other. One can easily assume that the individual, when taking up a position on a certain issue in real life, takes into consideration his or her values as well as his or her self-interests. Moreover, both theories presume that attitudes may change over time.

Finally, Blomberg and Kroll (2002) define the third group of factors which might claim responsibility for changes in attitudes. They refer to Sihvo and Uusitalo (2000), who discuss different theoretical approaches that stress the impact of an economic crisis on the attitudes of the population. This group comprises three different approaches, each of which is related to an individual's perception of recent changes in welfare states.

A first approach stresses the consequences of people's perception of economic decline; if a person feels that his or her personal economic situation is being threatened (directly or through increase taxation) his or her willingness to take the common good into consideration through contributing to the welfare system will be negatively affected. A second theoretical approach is concerned with the impact on attitudes of the population of influential groups such as politicians, political parties, and other organizations, and their interpretation of the state of the economy and their views on the interplay between social policy and the economy. A third approach deals with the impact on attitudes of actual changes in the welfare system. Sihvo and Uusitalo (2000 in Blomberg and Kroll, 2002) assume that the synchronous effects of more people using the system and a lowering of the level of social security that can result from an economic crisis might lead to changes in attitudes towards the system. Blomberg and Kroll (2002) present other assumption based on different reasoning. They assert that cuts in services are thought to result in a vicious circle of cutback policies: the lowered standard of public services results in growing dissatisfaction, which in turn leads to more positive attitudes towards alternative service—providers and a growing pressure to privatize, which results in a further lowering of the standard of public services and thus to even greater dissatisfaction and negative attitudes towards public services.

We will try to explain the mechanism of trust formation using the attitudinal theory presented above. In the case of unemployed people, the effects of the welfare state on trust levels provide the possibility of crowding-out effects. This may happen despite the fact that the values of individuals with respect to providing support for the unemployed show support for state intervention. It is possible to claim that most people base their considerations on the view that the unemployed must be in one way or another supported by the state. For instance, Matheson and Wearing (2002) look to ISSP data to illustrate the fact that about 52.6 percent of Australians, 74.3 percent of Germans, 87.5 percent of Norwegians, and 48.0 percent of Americans declare that the state should assume the responsibility to look after the unemployed. This reflects the common view that the risk of becoming unemployed is quite high for any individual. Moreover, as Rothstein (1998) shows, individuals tend to overestimate the risk of entering unemployment, which results in the vast support of unemployment programs even if they are based on means-testing.

An analysis of the value component does not however reveal the mechanism of crowding-out effects. What is responsible for crowding-out here is precisely the self-interest of individuals. Higher unemployment benefits can encourage people to stay unemployed longer, while being unemployed is negatively associated with social capital. Unemployment brings relative poverty and creates sentiments of discrimination and injustice, which lead to distrust towards people, collective action and society as a whole. Goul Andersen (2002) shows that labour market marginalization is related to low political trust levels, which can easily be extrapolated to interpersonal trust. Moreover, he illustrates that under the conditions of unemployment, there is a polarization between insiders and outsiders in the labor market, which also leads to problems with collective action. Christoforou (2004) also demonstrates that unemployment is an important factor in deciding the level of social capital, pointing out that unemployment creates a strong disincentive for group membership. She argues that the unemployed lack the income to afford group membership or they spend their plentiful leisure time seeking jobs and securing a source of minimum income rather than participating in groups. Additional factors affecting the individual's incentive to participate when facing unemployment might lie in sentiments of distrust he or she develops towards other social groups and society as a whole, which are considered to have deprived him or her of opportunities for employment and self-development. She refers also to Brehm and Rahn who confirm the negative impact of being unemployed on an individual's sentiments of interpersonal trusts.

As far as the third factor group is concerned, one can hardly apply it to the case of the unemployed, since the alternatives to state support of individual welfare during unemployment hardly exist. To sum up, the attitudinal theory may provide the mechanisms of crowding-out effects for unemployed people. The latter consists in the desire of unemployed people to stay in unemployment and get unemployment benefits as long as possible when these allow one to secure decent living standards without entering the labor market. The latter will lead to the erosion of both forms of social trust due to the fact that unemployment negatively affects trust levels.

As far as pensioners are concerned, the mechanism of crowding-out effects takes a different form which is not easy to describe. Both values and self-interests point out rather the existence of a positive relationship between pensions and interpersonal trust. The value of people towards pension systems can be articulated as follows: retired people should be supported by the state. Matheson's and Wearing's (2002) calculations based on ISSP data clearly illustrate this opinion. More precisely, they show that the vast majority of the population consider that securing the well-being of retired people must be the task of the state. In particular, 93.2percent of Australians, 92.6 percent of Germans, 97.8 percent of Norwegians and 82.5 percent of Americans declare that it is the government's responsibility to look after retired people.

The positive effects of pensions on trust towards public institutions might be supported by the fact that for a great number of retired poeple, pensions constitute their main source of income. Empirics for instance show that the share of public pensions in total gross household income of all pensioner households amounts to about 80 percent. More precisely, this share amounts to 80.9 percent in France, 83.3 percent in Germany, and 75.2 percent in Spain (Bönker, 2005).

Self-interests might affect attitudes towards public institutions in the same way as values. This seems to be a result of the fact that everybody is at risk of retirement to the same degree. In other words, retirement is unavoidable and, hence, people must form positive attitudes towards the public pension system forming the ground for positive effects of pensions on institutional trust , which in turn affects interpersonal trust among individuals.

Up to now the question about the mechanism of crowding-out in trust levels remains open. Values interpretation and self-interests articulation leave no room for the negative impact of pensions on trust levels. Here, this is the effect of the third factor of attitudes change that can be responsible for the negative influence on trust levels, namely that of economic crises factors.

The data used stem from the survey conducted in 1999-2000 – the years of the constant debates about the need to transform the institutional settings underlying pension systems in almost all countries included in the analysis. They were also years of rapid and sometimes drastic reforms in pension systems that resulted in the reduction of pension levels or the tightening of entitlement conditions. Moreover, it should be noticed that the changes in pension systems and the debates that accompanied them were larger in countries where pension expenditures were higher.

Furthermore, Adelantado and Cuevas (2006) demonstrate that countries that used to allocate the most resources to public expenditures and social protection expenditures are those that have cut back the most and where income inequality and the risk of poverty have increased the most. This logic can be easily applied to pension spending. This can be grounds for negative attitudes by the pensioners towards the welfare state in general, and the pension system in particular. To adjust Blomberg and Kroll's (2002) statement, the logic of reasoning is as follows: constant reduction in pensions and changes in entitlement conditions produce negative attitudes towards pension systems. More specifically, lowered standards of public services result in growing dissatisfaction among the population, which in turn leads to more positive attitudes towards alternative sources, namely to privatized pensions. This dissatisfaction with the pension system is supported by the fact that pensioners are among those who are least satisfied with their income. As the WVS data show, the level of income satisfaction among retired people equals 3.7, almost half than of the fully employed (6.2), or partially employed (5.5). Even students are more satisfied with their income than pensioners (the satisfaction score for students equals 4.6). The dissatisfaction of retired people with their income may also have some side-effects on their trust levels towards the pension system in particular and public institutions in general. They may create incentives for the middle and upper classes to search for social security in the private sector (Forma, 2002), reflecting the undermined confidence towards public welfare state institutions. This dissatisfaction with welfare state institutions is also supported by Goul Andersen's findings (2002) which show that old-aged pensioners have the most negative attitudes towards the welfare state.

The effects of recent changes in pension levels and the conditions of their delivery may thus ruin an individual's level of trust towards the national pension system and public institutions.

The latter in turn contributes to the negative experience of people which may also negatively affect an individual's trust towards other people.[1]

We try to correct for the existing drawbacks by analyzing the effects of pension and unemployment policies on social trust of their direct recipients. This analysis will allow us to draw two main conclusions. First, it will show whether pension and unemployment policies result in crowding-in or crowding-out effects on social trust. Second, we will be able to see whether the effects of the welfare state operationalized as a single indicator through total social spending as percentage of GDP are equal to those of pension and unemployment policies. If there is a difference, owe can speak about policy specific effects.

2. Policy specific effects: a descriptive analysis

Before proceeding to the analysis, it is worth seeing whether the level of social trust in both of its forms among pensioners and unemployed people is different from that calculated on the basis of the whole population.

The analysis of the level of interpersonal and institutional trust among subgroups of pensioners and the unemployed provides no clear results. The level of interpersonal trust tends to be on average lower among pensioners than among the whole population. To some extent, this contradicts the expectations and the theory that asserts that older people have higher levels of trust which is attributed either to the age or cohort effects.

[1] Rothstein and Stolle (2003) for example find that confidence in institutions has a large effect on interpersonal trust. Jamal (2007) also argues that those individuals who feel existing political institutions are adequate in representing their interests are more likely to trust others. Because individuals feel that existing political institutions can protect their interests, they are more likely to feel secure in trusting others. In other words, representative institutions can create the foundation for trust. When citizens feel their rights are protected through legal institutions they are more inclined to trust others.

The unemployed are characterized by lower levels of interpersonal trust than the whole population and pensioners. This confirms our expectations since unemployment tends to erode social capital due to making unemployed people feel at a disadvantage compared to others, which destroys their trust levels. However, the Netherlands, Norway, and Denmark are an exception, where the level of interpersonal trust among the unemployed is incredibly high and exceeds that of both the whole population and pensioners.

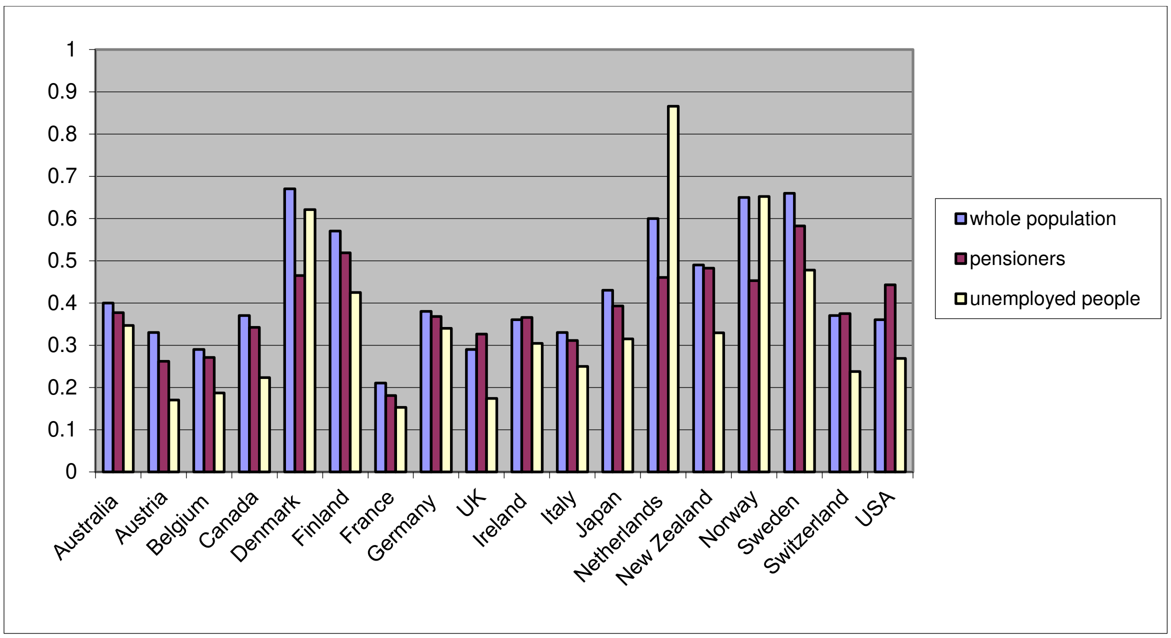

Figure 1.: Interpersonal trust levels among the whole population, pensioners, and the unemployed

Source: World Values Survey

Institutional trust has a different distribution, which leads us to think that it differs in the mechanism of its formation from interpersonal trust. Institutional trust tends to be higher among pensioners than among the whole population, which is consistent with the theory mentioned above. The unemployed are last in the comparison of trust levels since they tend to have the lowest levels of trust. The exception here is the Netherlands and Sweden, which are characterized with indexes of institutional trust that exceed trust scores among the whole population and pensioners.

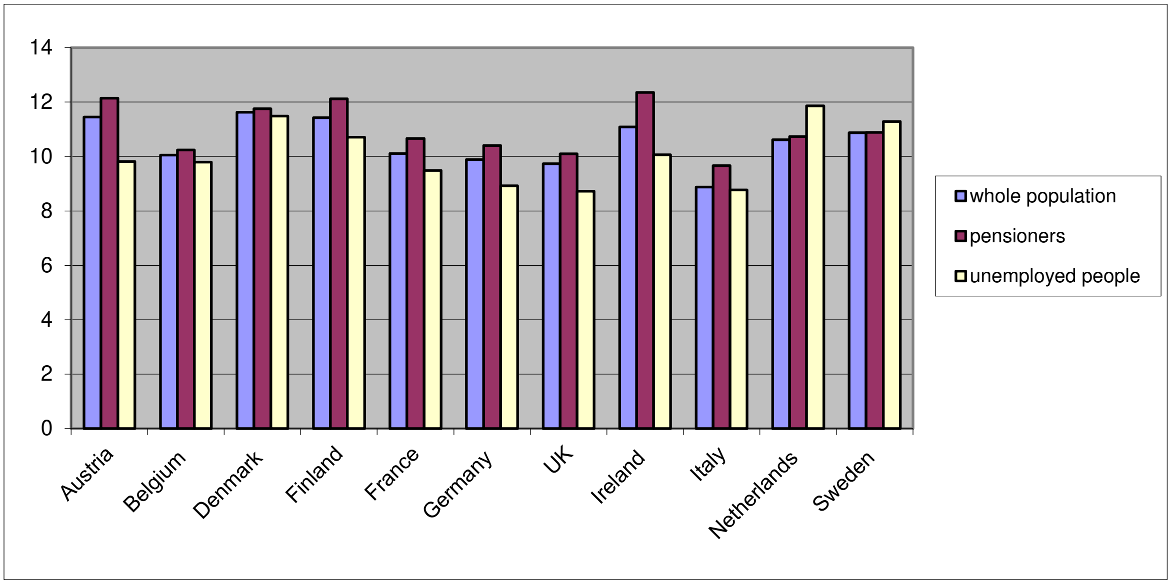

Figure 2.: Institutional trust levels among the whole population, pensioners, and the unemployed

Source: World Values Survey

A descriptive analysis of the relationship between trust and relevant social spending provides mixed results. For the OECD sample, there is evidence that advocates for the presence of crowding-out effects, but it happens only in the case of pension spending. The relationship between pension spending and both forms of trust among pensioners is negative and statistically significant. The correlation indexes here appear to be negative but with have rather low values, indicating that higher spending on pension policy entails a decline in the level of both forms of trust among pensioners. In the rest of the cases: for the whole population and the unemployed, we find a positive and statistically significant relationship between relevant social spending and trust levels among their direct recipients, indicating the presence of crowding-in effects. It is also worth mentioning that for interpersonal trust the correlation coefficient calculated on the basis of the whole population is equal to that computed for the sub-sample of the unemployed. In the case of institutional trust, the latter is however more than half of the former. This allows us to conclude at this early stage that the effects of welfare states on social trust are policy specific.

Table 1.: Correlation between relevant social spending and social trust among the whole population, pensioners, and the unemployed in OECD countries.

	Relevant social spending		
	Total social spending	**Social spending on pensions**	**Social spending on unemployment**
Whole population			
1. Interpersonal trust	**0.054*** **		
2. Institutional trust	**0.068*** **		
Pensioners			
1. Interpersonal trust		**-0.073*** **	
2. Institutional trust		**-0.097*** **	
Unemployed			
1. Interpersonal trust			**0.059*** **
2. Institutional trust			**0.156*** **

Source: Own calculations based on the World Values Survey

Thus, the descriptive analysis shows that the relationship between relevant social spending and social trust is policy specific. The correlation coefficients for the whole population take different values from those calculated for the sub-population of the unemployed and pensioners.

Hence, one should speak about crowding-in effects when analyzing the relationship between welfare state development and social trust formation. At this early stage, the results mostly advocate about positive effects that social spending has on both forms of social trust.

3. Relevant social spending and social trust: an aggregated-level analysis

Aggregated level analysis refers to the relationship between the level of relevant social spending in the selected countries and the average level of social trust among their population. The analysis is conducted by calculating the correlation between social spending and social trust for the selected sub-samples, while sequentially controlling for country-level characteristics.

The analysis of the crowding-out hypothesis through the functional dimension provides results that advocate for the crowding-out effects in social capital. The correlation between relevant social spending and social trust is positive in the case of the whole population and the unemployed. When relating pension spending to the average trust levels among pensioners, the relationship appears to be negative. The latter allows us to conclude two things. First, in the case of pension spending, there is a clear case of crowding-out. Second, the effects of social spending are policy specific.

Table 2.: Correlation between relevant social expenditures and social trust, controlled for country-level characteristics[2]

	Correlation between relevant social expenditures and social trust	*Controlled for*				
		Percentage of protestants	**Wealth**	**Income Inequality**	**Corruption**	**Fractionalization**
Whole population						
1. Interpersonal trust	**0,325****	**0.145***	**0,319**	**-0,279****	**0,359**	**0.436**
2. Institutional trust	**0,289***	**0.071**	**0,456**	**-0,679***	**0,038****	**0.218**
Pensioners						
1. Interpersonal trust	**-0,273***	**-0.159**	**-0273**	**-0,458***	**-0,089**	**-0.135**
2. Institutional trust	**-0,550***	**-0.523***	**-0,258**	**-0,678****	**-0,218***	**-0.550***
Unemployed						
1. Interpersonal trust	**0,365***	**0.438***	**0,434**	**0,098***	**0,269**	**0.569**
2. Institutional trust	**0,728****	**0.325**	**0,478***	**0,289****	**0,202***	**0.319**

Source: Own calculations based on the World Values Survey

When sequentially controlling for country-level characteristics, the correlation between relevant social spending and social trust among their direct recipients loses its strength, remaining in many cases statistically insignificant. In particular, controlling for income inequality greatly influences the relationship in question. In the case of the whole population, the relationship

[2] * - 10% , ** 5%, *** 1% and less

between institutional trust and total social spending becomes negative when income inequality is held constant and it also remains statistically significant. The same happens in the case of pensioners for both interpersonal and institutional trust, with both cases being statistically significant. For the unemployed, the relationship remains positive but becomes much weaker while still being statistically significant. It can be interpreted that the effect of social spending on social trust is absorbed by the inequality variable, which means that the impact of social spending is mediated through the reduction of inequality. This can be considered evidence for the integration argument, which emphasizes that welfare states raise social trust levels by keeping individuals socially integrated and by reducing the income inequality.

Another interesting point that arises from controlling for inequality is the fact that the direct effect of total social spending and pension spending on social trust is negative. This means that social spending crowds out social trust when their redistributive effect is controlled for. In other words, if reduction of inequality is controlled for, social spending tends to erode social trust. However, the mechanism of this erosion still remains unclear. The only option is to use the existing theory, which emphasizes that crowding-out happens through the destruction of civic engagement or through the erosion of people's ability to work with one another. It seems that the civil society erosion argument or the moral destruction argument hold true as well, although we possess no empirical analysis that proves this assumption.

An interesting conclusion can also be inferred from the results of controlling for the corruption level. In most cases, correlation coefficients between relevant social spending and social trust lose their value when controlling for corruption levels and it is especially obvious in the case of institutional trust. It suggests that people develop their trust, especially towards public welfare state institutions, based on their performance, in particular taking into account the level of corruption. Thus, the effect of welfare states on social trust also goes through the corruption level in public welfare state institutions. If they are considered to treat people equally, they form the necessary grounds for the positive evaluation of public welfare state institutions, which results in higher levels of trust towards them. This is a confirmation of the macro-level institutional theory, which emphasizes the importance of the quality of the performance of public institutions in the process of trust formation.

The other country-level covariates also conduct some effect on the relationship between relevant social spending and social trust. Controlling for the percentage of Protestants living in the country mainly reduces the value of the coefficients. However, they remain negative when relating pension spending to social trust among pensioners. The same influence on the relationship in question is found in the case of the wealth variable. When controlling for the level of GDP, a negative sign is seen in the correlation between pension spending and social trust among pensioners.

Controlling for fractionalization levels results in positive correlation coefficients for total social spending and social trust among the whole population, and for unemployment spending and social trust among the unemployed. A negative correlation is still obtained for pension spending and social trust among pensioners, which is statistically significant for institutional trust.

The aggregated level of analysis already provides evidence that supports the idea of a multidimensionality in welfare state activities. Moreover, our results are in line with the expectations of policy specific effects. The latter can be concluded from the fact that the values of correlation coefficients calculated based on data for the whole population differ substantially from subsamples of pensioners and the unemployed. Hence, in order to reveal the true relationship between welfare states and social trust, one should relate relevant social spending to trust indicators among their direct recipients. In addition, our analysis points to the fact that not all social policies erode social trust. Some of them may actually enhance trust levels among certain groups of the population, as seems to be the case among the unemployed.

Another conclusion that can be drawn on the basis of the aggregated- level of analysis is the idea that the effects of social policy on social trust have dubious nature. Welfare state smay enhance social trust formation by reducing income inequality and guaranteeing a good performance of welfare state institutions. Relevant social spending may also crowd out social trust by discouraging civic engagement or ruing an individual's habit to cooperate.

Therefore, the aggregated-level analysis provides some evidence that supports the crowding-out hypothesis. Such cases are however very few, while partial correlation coefficients mostly advocate either for the absence of influence or for the positive influence of relevant social spending on social trust levels. Crowding-out is mainly found in pension spending, which means that pension spending erodes social trust among pensioners. It should be noted that in most cases, partial correlation coefficients are not statistically significant, which can be attributed to a small number of cases at the aggregated level.

4. Relevant social spending and social trust: an individual-level analysis

The individual-level analysis is based on the expectations that the crowding-out hypothesis can be extrapolated to both pension and unemployment policies. The mechanism of crowding-out for the selected social provisions was explained in the light of the attitudinal theory. The expectations can be deduced from Hypothesis 2 and can be thus formulated as follows:

Hypothesis 1.: In the case of the whole population, we expect that higher levels of social spending will be associated with lower levels of interpersonal and institutional trust among individuals. The moral destruction theory or civil society erosion theory can be used to explain why crowding-out takes place.

Hypothesis 2.: In the case of pensioners, higher levels of pension spending are anticipated to be associated with lower levels of both forms of trust among pensioners. The recent changes in the level of pensions and their entitlement conditions are assumed to increase uncertainty, which causes crowding-out in social trust among pensioners.

Hypothesis 3.: In the case of the unemployed, higher levels of unemployment spending are expected to be associated with lower levels of social trust among the unemployed. The crowding-out mechanism is expected to realize itself through the self-interest element. One can expect that higher unemployment spending encourages the unemployed to stay outside the labor market, while being unemployed is negatively associated with social trust levels.

In other words, we expect that the relationship between relevant social spending and social trust must be negative if the crowding-out hypothesis holds. If the empirical analysis provides positive relationship, we can talk about crowding-in effects.

The empirical results are summarized in Table 6.1. The analysis of the relationship between social spending and social capital at the individual level provides evidence that has its own peculiarities. First of all, it should be noted that one must analyze the relationship between social trust and relevant social spending separately for interpersonal and institutional trust, since they differ substantially in their determinants. In spite of this difference, the effects of relevant social spending on interpersonal and institutional trust are found to be identical.

In the case of both forms of trust, we find crowding-out effects only when relating pension spending to social trust levels among pensioners, while crowding-in effects are seen for total social spending and unemployment spending.

More specifically, an increase in total social spending by 1 percent of GDP tends to increase the odds of interpersonal trust by 5.4 percent if other variables are kept constant. The figure is small, but still advocates for the presence of a positive relationship between interpersonal trust and total social spending. A positive effect is also obtained for institutional trust. An increase in total social spending by one percent increases institutional trust by 0.044 points. It seems that the moral destruction theory and civil society erosion theory that suggest crowding-out effects do not hold true. However, it remains difficult to explain the mechanism of crowding-in effects. At the macro-level, the integration theory that emphasizes the role social spending plays in reducing income inequality can be used to explain the positive impact. At the micro-level, the positive impact stems from the fact that the state keeps individuals socially integrated when he or she has difficulties, which reduces the feeling of failing. On the other hand, providing individuals with alternative sources of income, when they experience social risks, helps to reduce feelings of being disadvantaged compared to others. Moreover, the government support contributes to others feeling more optimistic about the future. These factors create the necessary conditions for higher trust in the state and, therefore, they enhance institutional trust. This also serves as a precondition for trusting other individuals more, since more optimism and less probability of failing strengthens pro-social behavior and positively affects interpersonal trust levels.

Table 6.: The regression of individual-level and country-level variables on social trust

	Institutional trust			*Interpersonal trust*		
	Whole population	**Pensioners**	**Unemployed people**	**Whole population**	**Pensioners**	**Unemployed people**
Relevant social spending						
Total	**0.044*** **			**0.053*** **		
On pensions		**-0.044** **			**-0.059*** **	
On unemployment			**0.696*** **			**0.328** **
Volunteering	0.133***	0.449***	0.318	0.238***	0.366***	0.160
Sociability	0.4333	0.312***	0.122	0.231***	0.422***	0.001
Religion						
Atheist	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
Catholic	0.456	0.380***	0.539*	-0.150***	-0.455***	-0.602***
Protestant	0.633	0.763***	1.145***	0.073**	0.047**	-0.052
Other	0.290	0.582***	0.821*	-0.213***	-0.049*	0.134*
Religiousness	-0.155***	-0.104***	-0.256***	-0.025***	-0.054***	0.019
Gender	0.122**	0.195**	0.038	0.071***	0.066	-0.115
Age						
15-29	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
30 – 44	-0.134*	-1.378	0.088	0.151***	0.510	0.069
45 – more	0.166**	-0.786	0.253	0.158***	0.682	0.302***
Education						
Lower	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
Middle	-0.062	-0.286	0.498**	0.106***	0.185***	0.008
Upper	0.116**	-0.103	-0.129	0.707***	0.548***	0.788***
Unemployed	-0.393***	Not applicable	Not applicable	-0.283***	Not applicable	Not applicable
Income						
1st qu.	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category	Ref/category
2nd qu.	0.134**	0.150	0.636**	0.054	0.233***	-0.020
3rd qu.	0.089	0.374***	0.628**	0.211***	0.291***	0.229
4th qu.	0.100	0.292	0.033	0.428***	0.656***	0.288
5th qu.	0.064	-0.219	-0.699	0.586***	0.836***	0.983***
Variance at the first (individual) level	9.266 (0.111)	10.011 (0.440)	10.654 (0.541)	Not calculated	Not calculated	Not calculated
Variance at the second (country) level	0.151 (0.012)	0.157 (0.100)	0.163 (0.171)	0.247 (0.164)	0.178 (0.053)	0.385 (0.204)

Source: Own calculations based on the World Values Survey

Taking the functional dimension into account shows the presence of crowding-out effects, which happens in the case of pension spending. Moreover, this negative relationship remains statistically significant for both forms of trust. The coefficient on pension spending suggests that an increase in pension spending by one percent leads to a decrease in the odds of trusting others by 5.8 percent. In the case of institutional trust, this decrease equals 0.044 points. This negative sign for pension spending effects comes as a surprise. Taking into account the role pensions play in the lives of retired people, as well as the fact that pensioners can be regarded as the net beneficiaries of social security systems, one expects that the relationship must be positive. The explanation for this negative sign can be provided based on the theory of attitude formation and change. The effects of recent changes in pension levels and conditions of their delivery may ruin an individual's level of trust towards national pension systems and towards public welfare institutions. The constant introduction of changes to pension systems may increase uncertainty about future pensions and their level, which negatively affects people's perception of the state and the performance of its institutions. Moreover, negative effects may also stem from the fact that pensioners could regard what they get from social security systems in the form of pensions as less than what they paid during their work history. These factors in turn may contribute to negative experiences of people , which entail negative consequences for an individual's trust in others.

The relationship between unemployment spending and both forms of trust among the unemployed turns out to be positive. Moreover, this relationship is statistically significant with large values for both interpersonal and institutional trust. In particular, an increase in unemployment expenditures by one percent tends to increase the odds of trust among the unemployed by 38.8 percent if other variables are kept constant. An analogous change in unemployment spending increases institutional trust by 0.696 points. It seems that the value component plays a crucial role here in defining trust levels. The fact that the state provides people temporarily out of the labor market with an alternative source of income must positively affect their trust towards public welfare institutions and other people in general. The mechanism of self-interest discussed earlier is blocked here.

There are two questions that arise here. The first is why the effects of social policy on social trust are different for the two social provisions. The underlying logic of the answer to this question is that there is a difference in perceived risks between pension and unemployment policies and, as a result, a different nature of coverage by the redistributive activity of the state. In the case of unemployment policy, the risk of becoming unemployed is temporary and can be eliminated with the help of the state. In between, the state supports the individual without a job. Hence, trust in welfare institutions is quite high, which results in a positive relationship between unemployment expenditures, institutional trust, and interpersonal trust. In the case of pension policy, the risk of retirement can be regarded as unavoidable, with the state just compensating for the lack of a source of income without any probability of eliminating it completely. The relationship between pension policy and social trust is hence not positive.

Second, the difference between the effects of relevant social spending may result from different influence mechanisms that underlie the relationship between the state and the individual. Pension policy supports individuals exclusively through providing pensions, which varies from guaranteeing a minimum income to maintaining living standards acquired when working. Hence, the relationship between pension spending and social trust among pensioners is mediated exclusively through income. It should also be noted that now pension policy is surrounded by uncertainty about its future levels and the question of whether pensions will be paid at all as current debates show. The latter also negatively affects people's trust in public welfare institutions and, to a lesser extent, people's confidence in other people.

Unemployment policy affects social trust levels through completely different mechanisms which rest on a variety of policy instruments used by the state to combat unemployment. The latter includes increasing an individual's education level, precipitating job search through public placement offices, supporting an individual's living standards through unemployment benefits, providing subsidies for firms employing people without jobs, etc. These mechanisms influence not only the income level of unemployed people but also underlie a range of other types of interactions between the state and the individual. The individual is to a lesser extent dependent on the state in financial terms, but to a greater degree on its activating measures, which form positive attitudes for the unemployed towards the welfare state.

The question related to this is about indirect effects social polices have on social trust. It should be taken into account that the effects of welfare states on trust are multi-faceted. They are not limited to the direct influence measured by coefficients on social spending variables, but also have an indirect effect through other individual-level as well as country-level characteristics. As such, these characteristics enter the model as intervening variables, controlling for which allows indirect effects to be detected. Among such variables, income inequality, education level, and household income are the most important.

There are many studies that emphasize that redistributive policies reduce income inequality and, as such, social categorization. The latter leads people to feel more integrated in society which positively influences their trust level.

Apart from inequality, the welfare state influences an individual's disposable income, which also predicts trust. The effects of income are insignificant for institutional trust but very important for trust in other people. The influence of income is of utmost importance for pensioners and to some extent the unemployed, for whom social benefits are usually the main source of income.

Moreover, the state engages actively in educating people through financing secondary and higher education or organizing re-education and different types of workshops. As such, it contributes to the individual level of education, which is one of the main predictors of social trust, especially in the case of interpersonal trust. The role of education is very important in the case of unemployed people.

Finally, it is possible to ask whether this approach of isolating the target groups of specific social policies entails the risk of receiving biased results due to the over-representation of people with certain characteristics. As far as the effects of selected determinants for social trust show, their direction and strength are almost always in line with the results obtained on the basis of the whole sample[3] and are generally consistent with the theory. An interesting nuance here (which is rarely or ever mentioned in the literature) is that interpersonal trust and institutional trust slightly differ in their determinants.

Higher levels of social trust are found more often among people involved in volunteer activities, as well as among more sociable individuals. Religiousness can also be considered a strong determinant for both forms of social trust. The type of religion however influences institutional and interpersonal trusts differently. Catholics are found to have more trust in institutions compared to non-religious people, but their interpersonal trust levels are lower than among people without any religion or Protestants. Protestants show higher levels of institutional trust compared to non-religious people for both interpersonal trust and institutional trust. Other

[3] However, in the sub-samples, the non-significance of coefficients is found more often, which is mostly due to a smaller number of cases in the sub-samples compared to the pooled sample for the whole population.

religions tend to have less confidence in other people but more trust in institutions compared to non-religious individuals.

With age people tend to become more trusting towards public institutions, as well as towards other individuals. Moreover, this relationship appears to be non-linear. In the case of interpersonal trust, people aged 30-44 have more trust than those aged 15-29. People aged over 45: their trust levels are almost equally higher compared to those aged 15-29. For the institutional trust we found that people aged 15-29 have more trust than those aged 30-44. But people aged over 45 have higher trust indexes than younger people.

Income tends to also have a positive impact: wealthier people show higher levels of interpersonal trust. This effect is still positive although not statistically significant in the case of confidence in public welfare institutions. For interpersonal trust, income effects are non –linear, but there is an increase in trust levels for each quintile. For institutional trust, there is still a positive effect which slows down when satisfaction with income goes up. Nevertheless, most coefficients appear not to be statistically significant for institutional trust.

The influence of gender is found to be statistically significant in all cases. Males seem to have higher trust levels than females on average. As it always appears in the literature, unemployment negatively affects levels of interpersonal trust and institutional trust. Education also conducts some influence on social trust indexes but its direction differs across trust forms. More educated people show more confidence in other individuals. In the case of institutional trust, the impact of the education is non-linear. Moderately educated people have lower indicators of trust in institutions compared to less educated people, although this effect is not statistically significant. But highly educated people have higher institutional trust indexes compared to less educated people.

In general, the results obtained allow us to say that in discussing the welfare state's effects on social capital formation, it is necessary not only to refer to total social spending, but to analyze policy-specific effects. Our analysis provides evidence that suggests that even if total spending may deliver some support for the crowding-in hypothesis, not all social policies have a positive influence on social trust levels.

The multidimensional approach thus advocates that we may have crowding-out effects in some cases. In particular, pension spending negatively affect levels of both forms of trust, especially institutional trust. In the case of unemployment spending, one should refer to crowding-in effects, especially for interpersonal trust. It seems that the effects of unemployment benefits as the main source of income outweigh negative effects of the self-interest component, enhancing positive attitudes towards welfare states institutions and other people.

Thus, the empirical analysis shows that the effects of welfare state activities can result in a drop in confidence levels. It is also obvious that welfare state effects can be policy specific. In other words, one should accept that policy effects are not linear across social provisions and each of them has its own specific mechanism of influence resulting in different levels of interpersonal and institutional trust.

Overview and concluding remarks

This paper analyzes the functional dimension which is defined based on the functions social polices perform. Functions are derived on the basis of the risks or contingencies that social policies are designed to cover. The analysis is conducted by relating relevant social expenditures to the levels of institutional and interpersonal trust among their direct recipients. Relevant social expenditures include pension and unemployment spending that are linked to social trust levels among pensioners and the unemployed. The results are compared to those calculated based on the pooled sample for the whole population and total social expenditures. The analysis provides evidence of the existence of policy specific effects. Mixed results were however obtained in the case of the crowding-out hypothesis. An aggregated level of analysis supports crowding-out only for pension spending while positive effects are found for unemployment spending. Moreover, the aggregated-level of analysis suggest that effects of social spending on social trust mainly go through reduction of income inequality, which supports integration argument. If redistributive effects of welfare state activities are controlled for, the direct effect of social spending on social trust becomes negative, which can be explained by the civil society erosion or the moral destruction arguments. The individual level of analysis provides similar evidence. Crowding-out can be expected in the case of pensioners for both forms of social trust, while crowding-in effects can be found in the case of total social spending and unemployment spending. An explanation of these effects among pensioners and the unemployed is provided based on the attitudinal theory of trust formation.

The analysis presented in this chapter does not intend to provide theoretical explanations of welfare state effects on social trust. Instead, we focus on discussing the empirical results of our cross-sectional analysis. Only a few explanations of the mechanisms of crowding-out and crowding-in effects are delivered, which do not provide a complete picture. Moreover, additional arguments are needed to explain why relevant social spending can differ in their effects on social trust. This must become a subject for further research that should take a form of qualitative studies rather than quantitative studies to make the explanation of mechanisms underlying the phenomenon under study possible.

Moreover, the desegregation of total social spending on a functional basis still relies on using relevant social spending. This however neglectes the fact that this measure of welfare state development does not reflect the actual level of decommodification of individuals from the labor market. The need hence consists in introducing an outcome spectrum in the social trust analysis which will be done in the next section.

BIBLIOGRAPHY

Adelantado, J. and Cuevas, E.C. (2006), "Globalization and the welfare state: the same strategies for similar problems?", *Journal for European Social Policy*, Vol. 16, No. 4, pp. 374 – 386.

Agresti, A. (1996), *An Introduction to Categorical Data Analysis*. University of Florida Press.

Alesina, A. and La Ferrara, E. (2002), "Who trusts others?", *Journal of Public Economics*, Vol. 85. No. 2, pp. 207- 234.

Alesina, A., Devleeschauwer, A., Easterly, W. and Kurlat, S. (2003), "Fractionalization", *Journal of Economic Growth*, Vol. 8, pp. 155-194.

Allport, G. (1961), *Pattern and Growth in Personality*. New York: Holt, Rinehart and Winston.

Aust, A. and Arriba, A. (2005), "Towards activation? Social assistance reforms and discourses", In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 100 - 123.

Babchuk, N. and Booth, Al. (1969), "Voluntary association membership: a longitudinal analysis", *American Sociological Review*, Vol. 34, No. 1, pp. 31-45.

Bambra, C. (2006), "Decommodification and the worlds of welfare revisited", *Journal of European Social Policy*, Vol. 16, No 1, pp. 73-68.

Bannink, D. and Hoogenboom, M. (2007), "Hidden changes: disaggregation of welfare state regimes for greater insight into welfare state change", *Journal of European Social Policy*, Vol. 17, No. 1, pp. 19-32.

Barber, B (1983), *The logic and Limits of Trust.* New Brunswick, NJ: Rutgers University Press.

Bianchi, S., Milkie, M., Sayer, L. and Robinson, J. (2000), "Is anyone doing the housework? Trends in the gender division of household labor", *Social Forces*, Vol. 79, No. 1, pp. 191-228.

Billiet, J. and Cambree, B. (1999), "Social capital, active membership in voluntary associations and some aspects of political participation", In: J. Van Deth, M. Maraffi, K. Newton and P. Whiteley (Eds.), *Social capital and European democracy*, London: Routledge, pp. 240-262.

Bjornskov, Ch. (2005), The determinants of trust. Working paper of University of Aarhus.

Blomberg, H. and Kroll, C. (2002), "Who wants to preserve the 'Scandinavian service state'? Attitudes to welfare services among citizens and local government elites in Finland 1992-1996", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 52 – 86.

Bode, I. (2006), "Disorganized welfare mixes: voluntary agencies and new governance regimes in Western Europe", *Journal of European Social Policy,* Vol. 16, No. 4, pp. 346 – 359.

Boiix, C. and Posner, N. (2005), "Social capital: explaining its origins and effects on government performance" (on-line: http://www.socialcapitalgateway.org/index.htm).

Bonein, A. and Serra, D. (2007), "Gender bias in trustworthiness". MPRA Paper No. 2523.

Bönker, F. (2005), “Changing ideas on pensions: accounting for differences in the spread of the multi-pillar paradigm in five EU social insurance countries”, In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 81 - 99.

Bonoli, G. (2001), “Classifying welfare states: a two-dimensional approach”, *Journal of Social Policies*, Vol. 26, pp. 351 – 372.

Bonoli, G. (2004), “Modernizing post-war welfare states. Explaining diversity in patterns of adaptation to new social risks”, Paper presented at the 2nd ESPAnet annual conference, Oxford, September, 2004.

Booth, A. (1972), “Sex and social participation”, *American Sociological Review*, Vol. 37, No. 2, pp. 183-193.

Booth, J. and Richard, P. (2001), “Civil society and political context in Central America”, In: R. Edwards, M. W. Foley and M. Diani, (eds), *Beyond Tocqueville: Civil Society and Social Capital Debate in Comparative Perspective*. Tufts University Press, pp. 43 -55.

Bouckaert, G. and Van de Walle, S. (2003), “Comparing measures of citizens trust and user satisfaction as indicators of good governance: difficulties in linking trust and satisfaction indicators”, *International Review of Administrative Sciences*, Vol. 69, pp. 329-343.

Bourdieu, P. (1980), “Le capital social”. *Acte de la recherche en Science Sociales*, Vol. 31, pp. 2-3.

Bourdieu, P. (1986), “The forms of capital”, In: Johm G. Richardson (ed.): *Handbook of theory and research for the sociology of education.* New York: Greenwood Press, pp. 241-258.

Branas-Garza, P., Rossi, M. and Zaclicever, D. (2006), “Individual’s religiosity enhances trust: Latin American evidence for the puzzle”, DECON Working Paper, No. 05/06, 25 p.

Breen, R. and Cook, L. (2005) “The persistence of the gendered division of domestic labor”, *European Sociological Review*, Vol. 21, No. 1, p. 43-57.

Brehm, J. and Rahn, W. (1997), “Individual Level Evidence for the Causes and Consequences of Social Capital”, *American Journal of Political Science*, Vol. 41, No. 3, pp. 999-1023.

Brines, J. (1994), “Economic dependency, gender, and the division of labor at home”, *American Journal of Sociology,* Vol. 100, pp. 652-88.

Buchan, N., Croson, R. and Solnick S. (2003), “Trust and gender in the investment game”. Working paper, March 2003.

Burrows, R. and Loader, B. (1994), *Towards a post-Fordist welfare state?* Routledge, London.

Bussemaker, J. and van Kersbergen, K. (1994), “Gender and Welfare states: some theoretical reflections”, In: Sainsbury, D. (edit), *Gendering Welfare States*, Sage publications, London.

Camoes, P. (2003), “Political Trust, Democratic Institutions, and Vote Intentions: a Cross-National Analysis of European Democracies”, NEAPP Series III(7).

Cattell, R. (1965*), The scientific analysis of personality*. Baltimore: Penguin Books.

Chaudhuri, A. and Gangadharan, L. (2002), “Gender differences in trust and reciprocity”, Paper presented at Annual Meeting of the Economic Science Association, Boston, 2002.

Christoforou, A. (2004), “On the determinants of social capital in countries of the European Union”, Paper prepared for the ESPAnet Conference, Oxford, England, September 9th – 11th, 2004.

Christoforou, A. (2005), “On the determinants of social capital in Greece compared to countries of the European Union”, Working paper.

Coleman, J. (1982), “Systems of trust: a rough theoretical framework”, *Angewandte Sozialforschung*, Vol. 10, No. 3, pp. 277-299.

Coleman, J. (1990), *Foundations of Social Theory*. Cambridge, M.A.: Harvard University Press.

Costa, D. and Kahn, M. (2003), “Understanding the American decline in social capital, 1952-1998.”, *Kyklos,* Vol. 56, No. 1, pp. 17-46.

Croson, R. and Buchan, N. (1999), “Gender and Culture: International experimental evidence from trust games”, *The American Economic Review*, Vol. 89, No. 2, pp. 386 – 391.

Daniszewski, K. (2004), A Dewian social capital development theory. Preliminary dissertation draft. 89 p.

De Hart, J. and Dekker, P. (1999), “Civic engagement and volunteering in the Netherlands”. In: J. Van Deth & M. Maraffi & K. Newton & P. Whiteley (Eds.), *Social capital and European democracy*. London: Routledge, pp. 75-107.

de Swaan, A. (1988), *In Care of the State*: *Health Care, Education and Welfare in Europe and the USA in the Modern Era*. Polity Press/Oxford University Press/New York.

Delhey, J. and Newton, K. (2003), “Who trusts? The origins of social trust in seven societies”, *European Societies,* Vol. 5, No. 2, pp. 93-137.

Delhey, J. and Newton, K. (2005), Predicting Cross-National Levels of Social Trust: Global Pattern or Nordic Exceptionalism? *European Sociological Review*, Vol. 21, No. 4, pp. 311-327.

Deutsch, M. (1958), “Trust and Suspicion”, *Journal of Conflict Resolution*, Vol. 2, pp. 187 – 197.

Doney, P., Cannon, J. and Mullen, M. (1998), “Understanding the influence of national culture on the development of trust”, *The Academy of Management Review*, Vol. 23, No. 3, pp. 601 – 620.

Edlund, J. (2002), “Progressive taxation farewell? Attitudes to income redistribution and taxation in Sweden, Great Britain and the United States”, In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 106 – 134.

Edlund, J. (2006), “Trust in the Capability of the Welfare State and General Welfare State Support: Sweden 1997-2002”, *Acta Sociologica*, Vol 49, No. 4, pp. 365-389.

Erikson, E. (1950), *Childhood and Society*, New York: Norton.

Espinal, R., Hartlyn, J. and Kelly, J. (2006), “Performance still matters: explaining trust in government in the Dominican Republic”, *Comparative Politcial Studies*, Vol. 39, No. 2, pp. 200-233.

Esping – Andersen, G. (1990), *The three words of welfare capitalism*, Cambridge: Polity press.

Esping-Andersen, G. (1996), *Welfare States in transition, national adaptations in global economies*, Sage, London.

Esping-Andersen, G. (2001), *Why we need a new welfare state*, Oxford: Oxford University Press.

Etzioni, A. (1995), *The spirit of community*. London: Fontana Books.

Evans, P. (1996), "Government Action, Social Capital and Development: Reviewing the Evidence on Synergy", *World Development,* Vol. 24, No. 6, pp. 1119-1132.

Farell, H. (2005), "Trust and political economy", *Comparative Political Studie*s, Vol. 38, No. 5, pp. 459 – 483.

Fedderke, J., Dekadt, R. and Luiz, J. (1999), "Economic growth and social capital", *Theory and society*, Vol. 28, No. 5, pp. 709 – 745.

Fisher, C. and Oliker S. (1982), "A research note on friendship, gender and the life cycle", *Social Forces*, Vol. 62, No. 1, pp. 124 – 133.

Flaquer, L. (2000), *Family policy and welfare state in southern Europe*. University de Barcelona.

Flora, P. (1986), *Introduction to growth to limits. The European Welfare States Since World War II*, Berlin: De Grueter.

Forma, P. (2002),"Welfare state opinions among citizens, MP candidates and elites: Evidence from Finland", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 87 – 105.

Forma, P. and Kangas, O. (2002), "Need, citizenship or merit: public opinion on pension policy in Australia, Finland and Poland", In: S. Svallfors and P. Taylor-Gooby (eds)

The End of the Welfare State? Responses to State Retrenchment, Routledge London and New York, pp. 161 – 189.

Fox, J. (1996), "How Does Civil Society Thicken? The Political Construction of Social Capital in Rural Mexico", *World Development*, Vol. 24, No. 6, pp. 1089 – 1103.

Frane, A. (2008), "Mapping social capital across Europe: findings, trends and methodological shortcomings of cross national surveys", *Social Science Information*, Vol. 47, No. 2, pp. 159 – 186.

Freitag, M. (2001), "Das Soziale Kapital der Schweiz: vergleichende Erzählungen zu Aspekten des Vertrauens und der sozialen Einbindung", *Schweizerische Zeitschrift für Politikwissenschaft,* Vol. 7, pp. 87-117.

Freitag, M. (2003), "Social capital in (dis)similar democracies: the development of generalized trust in Japan and Switzerland", *Comparative Political Studies*. Vol. 36, No.8. pp. 936-966.

Fukuyama, F. (2000), "*Social capital and civil society"*. Washington: IMF working paper, 00/74.

Glaeser, E., Laibson, D., Scheinkman, J. and Soutter, C. (2000), "Measuring trust", *The Quarterly Journal of Economics*, Vol. 115, No. 3, pp. 811-846.

Gooding R. (1993), "Moral atrophy in the welfare state", *Policy sciences*, No. 26, pp. 63-78

Gornick, J. and Meyers, M. (2004), "Welfare regimes in relation to paid work and care.", In J. Zollinger Giele and E. Holst. (eds) *Changing life patterns in western Industrial Societies*. p. 45-67.

Goul Andersen, J. (2002), "Changing labour market, new social divisions and welfare state support: Denmark in the 1990s", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 13 – 33.

Haas, D. and Deseran, F. (1981), "Trust and symbolic exchange", *Social Psychology Quarterly*, Vol. 44, No. 1, pp. 3-13.

Hackl, F., Halla, M., and Pruckner, G. (2009), "Volunteering and the State", Working paper No. 0901. Austrian Center for Labor and Welfare State.

Hall, P. (1999), "Social capital in Britain", *British Journal of Political Science,* Vol. 29, No. 3, pp. 417-461.

Hardin, R. (2001), "Conceptions and explanations of trust", In: Cook, K.S (ed.) *Trust in Society*, New York: Russell Sage Foundation, pp. 2-39.

Hardin, R. (2006), *Trust*. Polity Press: Cambridge.

Held, V. (1968), "On the meaning of trust", *Ethics*, Vol. 78, No.2, pp.156 – 159.

Heller, P. (1996), "Social capital as a product of class mobilization and state intervention: industrial workers in Kerala, India", *World Developemnt*, Vol. 24, No. 6, pp. 48 – 84.

Helliwell, J. and Putnam, R. (1999), "Education and social capital", Working paper 7121. *National bureau of economic research*, 25 p.

Henriksen, L., Koch-Nielse, I., and Rosdahl, D.(2006), "Formal and informal volunteering in a state friendly society", Paper presented at CINEFOGO conference on the 15-17th December, 2006.

Herreros, F. and Criado, H. (2008), “The state and the development of social trust”. *International Political Science Review*, Vol. 29, No. 1, pp. 53-71.

Hosmer, L.T. (1995), “Trust: the connecting link between organizational theory and philosophical ethics”, *Academy of Management Review*, Vol. 20, pp. 379 – 403.

Huinink J. and Schröder, T. (2008) *Sozialstruktur Deutschlands*, UVK Verlagsgesellschaft mbH, Konstanz.

Inglehart, R. (1999), “Trust, well-being and democracy”, In: M. Warren (ed.), *Democracy and Trust*, Cambridge University Press, New York & Cambridge.

Innocenti, A. and Pazienza, M-G. (2006), “Altruism and gender in the trust game”, Working Paper, University of Siena, NO, 5/2006.

Jamal, A. (2007), “When is social trust a desirable outcome?” *Comparative Political Studies*, Vol. 40, No. 11, pp. 1 – 22.

Jones, K. (1996), “Trust as an affective attitude”, *Ethics,* Vol. 107, No. 1, pp.4-25.

Kananen, J. (2005), “Current employment policy paradigms in the UK, Sweden and Germany”*,* In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 124 - 144.

Kawachi, I., Kennedy, B., Lochner, K. and Prothrow, D. (1997), “Social capital, income inequality and mortality”, *American Journal of Public Health,* Vol. 87, No. 9, pp. 1491 - 1498.

Khodyakov, D. (2007), “Trust as a process: a three-dimensional approach”, *Sociology,* Vol. 41, No.1, pp. 115-132.

Knack, S. (2002), “Social Capital and the Quality of Government: Evidence from the States”, *American Journal of Political Science*, Vol. 46, No. 4, pp. 772 – 785.

Knack, S. and Keefer, P. (1997), “Does social capital have an economic pay-off? A cross-country investigation”, *The Quarterly Journal of Economics,* Vol. 25, No. 3, pp. 1251-1288.

Knack, S. and Zak, P. (2001), “Building Trust: Public Policy, Interpersonal Trust, and Economic Development”, *Supreme Court Economic Review*, Vol. 12, pp. 134-151.

Kolberg, J. and Uusitalo, H.(1992), “The interface between the economy and the welfare state: a sociological account”, In: Z.Ferge and J. Kolberg (eds) *Social policy in a changing Europe*, Campus Verlag: Frankfurt, pp. 77-94.

Kumlin, S. and Rothstein, B. (2007), “Making and breaking Social Capital: The Impact of Welfare State Institutions”, *Comparative Political Studies.* Vol. 38, No. 4, pp. 339 – 365.

Kvist, J. and Ploug, N. (2003), “Active labour market policies when do they work – and where do they fail”. Paper to be presented at the RC 19 annual conference ‘New challenges for welfare state reserach’, University of Toronto, August 21-24, 2003.

Kwak, N., Shah, D. and Lance Holbert, R. (2004), “Connecting, trusting, and participating: the direct and interactive effects of social associations”, *Political Research Quarterly*, Vol. 57, No. 4, pp. 643 – 652.

La Porta, R., Lopez de Silanes, F., Schleifer, F. and Vishny, R. (1999), “The quality of government”, *Journal of Law and Economics*, Vol. 15, No. 3, pp. 222-228.

Ladd, E. (1996), “The data just don't show erosion of America's social capital”, *Public Perspective,* Vol. 7, pp. 1-30.

Larsen, T. (2005), "The myth of an adult worker society: new policy discourses in European welfare states", In: P. Taylor-Gooby (ed.) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 54-80.

Lewicki, R.J., McAllister, D.J. and Bies, R.J. (1998), "Trust",*The Academy of Management Review,* Vol. 23, No. 3, pp. 438 – 458.

Lewis, D. and Weigert, A. (1985), "Trust as a social reality", *Social Forces*, Vol. 63, No. 4, pp. 967 – 985.

Lewis, J. (1992), "Gender and the development of welfare regimes", *Journal of European Social Policy,* Vol. 3, pp. 159 – 173.

Li, Y., Pickles, A. and Savage, M. (2005), "Social capital and social trust", *European Sociological Review*, Vol. 21, No. 2, pp. 109 – 123.

Lin, N. (2000a), "Gender inequality in social capital: theory and research". Paper presented at the International Sunbelt Social Network Conference, Vancouver, Canada, 13-17 April.

Lin, N. (2000b), "Inequality in social capital", *Contemporary Sociology*, Vol. 29, No. 6, pp. 785-795.

Lin, N., Ensel, W. and Vaughn, J. (1981), "Social resources and strength of ties: structural factors in occupational status attainment", *American Sociological Review*, Vol. 46, No. 4, pp. 393-405.

Lowndes, V. (2000), "Women and social capital", *British Journal of Political Science,* Vol. 30, No. 3, pp. 533 – 537.

Luhmann, N. (1979), *Trust and Power: Two works by Niklas Luhmann*. Chichester: Wiley.

Luke, D. A. (2004), *Multilevel Modeling*. Series in Quantitative Applications in the Social Sciences, Sage Publications, Inc.

Mandel, H. (2005), "A welfare state paradox: state intervention and women's employment opportunities in 22 countries". Paper presented at the ISA Research Committee on Social Stratification and Mobility, August 2005, Los Angeles.

Matheson, G. and Wearing, M. (2002), "Within and without: Labour force status and political views in four welfare states", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 135 – 160.

Mayer, R., Davis, J. and Schoorman, F. (1995), "An integrative model of organizational trust", *The Academy of Management Review*, Vol. 20, No. 3. pp. 709 – 734.

McPherson, J. M. and Smith-Lovin, L. (1982), "Women and weak ties: differences by sex in the size of voluntary organizations", *The American Journal of Sociology*, Vol. 87, No. 4, pp. 883 – 904.

McPherson, J. M. and Smith-Lovin, L. (1986), "Sex segregation in voluntary associations", *American Sociological Review*, Vol. 51, No. 1, pp. 61-79.

Mellinger, G.D. (1956), "Interpersonal trust as a factor in communication", *Journal of Abnormal Social Psychology*, Vol. 52, pp. 304 – 309.

Mihaylova, D. (2004), "Social capital in Central and Eastern Europe. A critical assessment and literature review". Centre for Policy study. Central European University, 167 p.

Miller, A. and Mitamura, T. (2003), "Are surveys on trust trustworthy?", *Social Psychology Quarterly*, Vol. 66, No. 1, pp. 62 - 70.

Mishler, W. and Rose, R. (2001), “What are the origins of political trust? Testing institutional and cultural theories in post-communist societies”, *Comparative Political Studies*, Vol. 34, No. 1, pp. 30-62.

Mishler, W. and Rose, R. (2005), “What are the political consequences of trust? A test of cultural and institutional theories in Russia”, *Comparative Political Studies*, Vol. 38, No. 9, pp. 1050 -1078.

Misra, J. (2000), “Women as agents in welfare state development: a cross national analysis of family allowance adoption”. SADRI Working paper series, June 2000.

Mizrachi, N., Drori, I. and Anspach, R. (2007), “Repertoires of trust: the practice of trust in a multinational organization amid political conflict”, *American Sociological Review*, Vol. 72, No. 1, pp. 143 – 165.

Möllering, G. (2005), “Rational institutional and active trust: just do it”, In: Katinka Bijlsma-Frankema and Rosalinde Klein Woolthuis (eds) *Trust under Pressure: empirical investigations of trust and trust building in uncertain circumstances*, Edward Elgar, pp. 17-36.

Möllering, G. (2006), *Trust: Reason, Routine, Reflexivity*. Elsevier Ltd.

Molm, L.D., Takahashi, N. and Peterson, G. (2000), “Risk and trust in social exchange: an experimental trust of classical proposition”, *The American Journal of Sociology*, Vol. 105, No. 5, pp. 1396 – 1427.

Moore, G. (1990), “Structural determinants of men's and women's personal networks”, *American Sociological Review,* Vol. 550, No. 5, pp. 726-735.

Moreno, L. (2002), “Mediterranean Welfare and Superwomen”, Working Paper 02-02. Unidad de Politicas Comparadas.

Moreno, L. and Palier, B. (2005), "The Europeanization of welfare: paradigm shifts and social policy reforms", In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 145 - 175.

Murphy, J. (2006), "Building trust in economic space", *Progress in Human Geography,* Vol. 30, No. 4, pp. 427-450.

Myles, J. and Quadagno, J. (1991), *States, Labor markets and the future of old-age policy,* Temple University press, Philadelphia.

Naldini, M. (1999), *Evolution of Social Policy and the Institutional Definition of Family Models. The Italian and Spanish cases in Historical and Comparative Perspective*. Ph.D. thesis. Florence: European University Institute.

Newton, K. (1999a), "Social trust and democracy in modern Europe", In: J. van Deth, M. Maraffi, Ken Newton and P. Whiteley (eds) *Social Capital and European Democracy*, London: Routledge, pp. 3-24.

Newton, K. (1999b), "Social and political trust in established democracies", In: P. Norris (ed.), *Critical citizens: Global support for democratic government*. Oxford: Oxford Univeristy Press.

Newton, K. (2001), "Trust, Social Capital, Civil Society, and Democracy", *International Political Science Review*, Vol. 22, No. 2, pp. 201 - 214.

Newton, K. and Norris, P. (2000), "Confidence in public institutions: faith, culture or performance?", In: S.J. Pharr and R.D. Putnam (Eds), *Disaffected democracies: What's troubling the trilateral countries.* Princeton, NJ: Princeton University Press, pp. 52 – 73.

Nooteboom, B. (2006), "Social trust, institutions and trust", CentER working paper No.2006-35, Tilburg University, 22 p.

Orloff, A. S. (1993), “Gender and the social rights of citizenship: the comparative analysis of gender relations and welfare states”, *American Sociological Review*, Vol. 58, No. 3, pp. 303 – 328.

Orloff, A. S. (1993), “Gender and the social rights of citizenship: the comparative analysis of gender relations and welfare states”, *American Sociological Review*, Vol. 58, No. 3, pp. 303 – 328.

Orloff, A. S. (1996), “Gender in the Welfare State”, *Annual Review of Sociology*, Vol. 22, pp. 51 – 78.

Orloff, A. S. (1996), “Gender in the Welfare State”, *Annual Review of Sociology*, Vol. 22, pp. 51 – 78.

Orloff, A. S. (2002) “Women’s employment and welfare regimes: globalization, export orientation and social policy in Europe and North America”, Program paper No. 12. United nations research institute for social development.

Orren, G. (1997), “Fall from grace: the public’s loss of faith in government”, In: *Why Americans mistrust government*, Cambridge, Mass: Harvard University Press.

Orsini, K. (2006), “Tax benefits reform and the labour market: evidence from Belgium and other EU countries”, Working paper, KU Leuven.

Oyen, E. (2002), “Social capital formation as a poverty reducing strategy”, In: *Social capital and poverty reduction: which role for the civil society organizations and the state?* UNESCO publication, pp. 11-14.

Patulny, R. (2005), “Social Rights and Social Capital: Welfare and Co-operation in Complex Global Society”, *American Review of Public Affairs*. Vol. 6, No. 1, pp. 59-75.

Paxton, P. (1999), “Is social capital declining in the United States? A multiple indicator assessment”, *American Journal of Sociology,* Vol. 105, No. 1, pp. 88-127.

Paxton, P. (2002), “Social capital and democracy: an interdependent relationship”, *American Sociological Review,* Vol. 67, No. 2, pp.254 – 277.

Pierson, P. (1996), “The new politics of the welfare state”, *World politics,* Vol. 48, pp. 143 – 179.

Platt, L. (2006), “Social participation: how does it vary with illness, caring and ethnic group?” ISER Working Paper, No. 2006 – 18, 32 p.

Portes, A. (1998), “Social capital: Its origins and applications in modern sociology”, *Annual Review of Sociology*, Vol. 24, pp. 1-24.

Portes, A. (2000), “Social capital: promise and pitfalls of its role in development”, *Journal of Latin American Studies*, Vol. 32, No. 2, pp. 529 – 547.

Putnam, R. (1993), *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, N.J.: Princeton University Press.

Putnam, R. (1995), “Bowling alone: America's declining social capital”, *Journal of Democracy,* Vol. 6, No. 1, pp. 65-78.

Putnam, R. (2000), *Bowling alone*. New York: Simon & Schuster.

Read, W.H. (1962), “Upward communication in industrial hierarchies”, *Human Relations,* Vol. 15, No. 3, pp. 3 -15.

Rosenberg, M. (1956), “Misanthropy and political ideology”, *American Sociological Review*, Vol. 21, pp. 690- 695.

Rosenberg, M. (1957), “Misanthropy and attitudes towards international affairs”, *Journal of Conflict Resolution,* Vol. 34, pp. 340 – 345.

Rotenberg, K. (2007), “The socialization of trust: parents’ and children’s interpersonal trust”, *International Journal of Behavioural Development*, Vol. 18, No. 4, pp. 713-726.

Rothstein, B. (1998), *Just institutions matter: the moral and political logic of the universal welfare state,* Cambridge university press, pp. 144-170.

Rothstein, B. (2000), “Trust, social dilemmas and collective memories”, *Journal of Theoretical Politics,* Vol. 12, No. 4, pp. 477- 501.

Rothstein, B. (2001), “Social capital in the social democratic welfare state”, *Politics & Society,* Vol. 29, No. 2, pp. 207 - 241.

Rothstein, B. and Stolle, D. (2001), “Social capital and street-level bureaucracy: an institutional theory of generalized trust”. Paper prepared for “Trust in Government Conference” at the Centre for the Study of Democratic Politics, Princeton University, November 30, 2001.

Rothstein, B. and Stolle, D. (2002), “How political institutions create and destroy social capital: an institutional theory of generalized trust”. Paper prepared for the 98th meeting of the American Political Science Association in Boston, MA, August 29 – September 2, 2002.

Rothstein, B. and Stolle, D. (2003), “Introduction: Social capital in Scandinavia”, *Scandinavian Political Studies*, No. 26, pp. 1-26.

Rothstein, B. and Uslaner, E. (2006), “All for All: Equality and Social Trust”, Working paper Series No. 117, Center for European Studies.

Runkel, P.-J. (1959), “The social-psychological basis for human relations”, *Review of Educational Research,* Vol. 29, No. 4, pp. 317 – 331.

Rus, A. (2005), “Trust and performance: institutional, interpersonal and network trust”, In: Katinka Bijlsma-Frankema and Rosalinde Klein Woolthuis (eds) *Trust under Pressure: empirical investigations of trust and trust building in uncertain circumstances*, Edward Elgar, pp. 80-104.

Schuller, T., Baron, S. and Field, J. (2001), “Social capital: a review and critic”, In: Stephen Baron, John Field and Tom Schuller (eds) *Social Capital: critical perspectives.* Oxford University Press.

Scott, J. (1957), “Membership and participation in voluntary associations”, *American Sociological Review*, Vol. 22, No. 3, pp. 315-326.

Scruggs, L. and Allan, J. (2006a), “Social Stratification and welfare regimes for the 21st century: revisiting ‘The three worlds of welfare capitalism’”, Paper prepared for delivery at the 15th international conference of Europeanists, Chicago, March 30 – April 1, 2006.

Scruggs, L. and Allan, J. (2006b), “Welfare state decommodification in eighteen OECD countries: a replication and revision”, *Journal of European Social Policy*, Vol. 16, No. 1, pp. 55 – 72.

Seligman, A. B. (1997), *The Problem of Trust*. Princeton, Princeton University Press.

Seligson, A. (1999), “Civic association and democratic participation in Central America: a test of the Putnum thesis”, *Comparative Political Studie*s, Vol. 32, No.3, pp. 342 – 362.

Sell, P. (1999), “The transformation of the voluntary sector in Norway”, In: Jan van Deth, Marco Maraffi, Ken Newton and Paul Whiteley (eds) *Social Capital and European Democracy*, London: Routledge, pp. 144 – 166.

Shapiro, S. (1987), "The social control of impersonal trust", *The American Journal of Sociology,* Vol. 93, No. 3, pp. 623 – 658.

Shaver, S. (1998), "Extension amidst retrenchment: Gender and welfare state restructuring in Australia and Sweden", SPRC Discussion paper No.92. Social Policy Research Center.

Siisiainen, M. (1999), Voluntary associations and social capital in Finland", In: J. Van Deth & M. Maraffi & K. Newton & P. Whiteley (Eds.), *Social capital and European democracy*. London: Routledge, pp. 120-143.

Simpson, B. (2006), "The poverty of trust in the Southern United States", *Social Forces,* Vol. 84, No. 3, pp. 1625 – 1638.

Slemrod, J. and Katuscak, P. (2005), "Do trust and trustworthiness pay off?", *The Journal of Human Resources*, Vol. 40, No. 3, pp. 621 – 646.

Soroka, S., Johnston, R. and Banting, K. (2003), "Ethnicity, trust and the welfare state", Paper presented at the conference 'Social Cohesion and the Policy Agenda: Canada in international perspective' at Kingston, Ontario, August 2002.

Stark, B. (2003), *A connection between social capital and political ideology?* Minnesota: Report of the Minnesota Social Capital Research Project.

Stier, H. and Lewin-Epstein, N. (2001), "Welfare regimes, family-supportive policies and women's employment along life-course", *American Journal of Sociology*, Vol. 106, No. 6, pp. 1731-60.

Stolle, D. and Rochon, T. (1999), "The Myth of American Exceptionalism: A Three Nation Comparison of Associational Membership and Social Capital," In: J. Van Deth, M.

Marraffi, K. Newton and P. Whiteley (eds.), *Social Capital and European Democracy*, London, Routledge, pp. 192 – 209.

Svallfors, S. (1997), "Worlds of Welfare and Attitudes to Redistribution: A Comparison of Eight Western Nations", *European Sociological Review*, Vol. 13, pp. 283 – 304.

Svallfors, S. (2002), "The middle class and welfare state retrenchment: attitudes to Swedish welfare policies", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 34-51.

Szreter, S. (2002), "The state of social capital: bringing back in power, politics and history", *Theory and society*, Vol. 31, No. 5, pp. 573 – 621.

Taylor-Gooby, P. (2002), "Hollowing out versus the new interventionism: public attitudes and welfare future", In: S. Svallfors and P. Taylor-Gooby (eds) *The End of the Welfare State? Responses to State Retrenchment,* Routledge London and New York, pp. 1-12.

Taylor-Gooby, P. (2005a), "Ideas and policy change", In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 1 – 11.

Taylor-Gooby, P. (2005b), "Paradigm shifts, power resources and labour markets reform", In: P. Taylor-Gooby (ed) *Ideas and Welfare State Reform in Western Europe,* Palgrave Macmillian, pp. 12-29.

Thomas, C. (1998), "Maintaining and restoring public trust in government agencies and their employees", *Administration & Society,* Vol. 30, No. 2, pp. 166-193.

Tillmar, M. and Lindkvist, L. (2007), "Cooperation against all odds: finding reasons for trust where formal institutions fail", *International Sociology*, Vol. 22, No. 3, pp. 343 - 366.

Tonkiss, F. and Passey, A. (1999), "Trust, confidence and voluntary organizations: between values and institutions", *Sociology*, Vol. 33, No. 2, pp. 257-274.

Torcal, M. and Montero, J.R. (1999), "Facets of social capital in new democracies", In: J. Van Deth, M. Maraffi, K. Newton, and P. Whiteley, (eds.), *Social capital and European Democracy*. London, Routledge, pp. 167 -191.

Trampusch, Ch. (2006), "Industrial relations and welfare states: the different dynamics of retrenchment in Germany and the Netherlands", *Journal of European Social Policy*, Vol. 16, No. 2, pp. 121 – 133.

Tschannen-Moran, M. and Hoy, W. (2000), "A multidisciplinary analysis of the nature, meaning, and measurement of trust", *Review of Educational Research*, Vol. 70, No. 4, pp. 547 – 593.

Uslaner, E. (2000), "Trust, Democracy and Governance". Working paper prepared for the European Consortium for Political Research (ECPR) Workshop 13 on 'Voluntary Associations, Social Capital and Interest Mediation: Forging the Link', April 2000, Copenhagen, Denmark.

Uslaner, E. (2000-2001), "Producing and Consuming Trust", *Political Science Quarterly*, Vol. 115, No. 4, pp. 569 – 590.

Uslaner, E. (2002a), *The moral foundations of trust*. Cambridge: Cambridge University Press.

Uslaner, E. (2002b), “The moral foundation of trust”. Paper prepared for the symposium, ‘Trust in the knowledge society’, University of Jyvaskyla, Jyvaskyla, Finland, 20 September 2002.

Uslaner, E. (2004), “Political Parties and Social Capital”, In: R. Katz and W. Crotty (eds) *Handbook of Political Parties*, London, Sage Publications.

Van Oorschot, W. (2003), “Welfare State Effects on Social Capital and Informal Solidarity in Europe: Evidence From the 1999/2000 European Values Study”, Paper presented at the RC19 Annual Conference ‘New Challenges for Welfare State Research’, University of Toronto, Canada, 21-24 August, 2003.

Van Oorschot, W. and Arts, W. (2005), “The social capital of European welfare states: The crowding out hypothesis revisited”, *Journal of European Social Policy*, Vol. 15, No. 1, pp. 5-26.

Vyrastekova, J. and Onderstal, S. (2005), “The trust game behind the veil of ignorance: a note on gender differences” Working paper, Tilburg University, ISSN 0924-7815, No. 2005-96, 14 p.

Walby, S. (2001), “From gendered welfare state to gender regimes: national differences, convergence or re-structuring?”. Paper presented to Gender and Society Group, Stockholm University, January 2001.

Whiteley, P. (1999), “The origins of social capital”, In: Jan van Deth, Marco Maraffi, Ken Newton and Paul Whiteley (eds) *Social Capital and European Democracy*, London: Routledge, pp. 25 – 44.

Wolfe, A. (1989), *Whose keeper? Social science and moral obligation*. San Francisco: University of California Press.

Woolcock, M. (1998), "Social capital and economic development: towards a theoretical synthesis and policy framework", *Theory and Society*, Vol. 27, No. 2, pp. 151 – 208.

Woolcock, M. (2002), "Social capital in theory and practice: reducing poverty by building partnership between states, markets and civil society", In: *Social capital and poverty reduction: which role for the civil society organizations and the state?* UNESCO publication. pp. 20-44.

Yamagishi, T., Cook, K. and Watabe, M. (1998), "Uncertainty, trust and commitment formation in the United States and Japan", *The American Journal of Sociology*, Vol. 104, No. 1, pp. 165 – 194.

You, J. (2005a), "A Study of Social Trust in South Korea". Paper prepared for delivery at 100th Annual Meeting of the American Sociological Association, Philadelphia, 13-16August 2005.

You, J. (2005b), "Corruption and Inequality as Correlates of Social Trust: Fairness Matters More Than Similarity". Paper prepared for the 100th annual meeting of the American Sociological Association, Philadelphia, August 13-16, 2005.