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Tamilina, Larysa

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SOCIAL POLICIES AND TRUST IN THE SOCIAL SECURITY SYSTEM

Larysa Tamilina

Independent Research
Diakogianni Str. 7
Marousi Athens
15126 Greece
Phone: +30 210 7777640
E-mail: larysa.tamilina@gmail.com

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Author Note
Correspondence concerning this paper should be addressed to Larysa Tamilina (E-mail: larysa.tamilina@gmail.com).
1. Data source and method of analysis

This extended analysis investigates the relationship between social policies and only one element of institutional trust, namely trust in social security systems. The main scope of this investigation consists in comparing the patterns of the relationship with relevant social spending between institutional trust and trust towards social security systems. The data come from the European Quality of Life Survey which was launched by the European Foundation for the Improvement of Living and Working Conditions in 2003.

The survey covers a range of questions mainly aimed at assessing quality of life in 28 European countries from a different perspective. The survey examines the quality of life in core life domains covering a broad spectrum of circumstances in the surveyed countries. Generally speaking, the EQLS explores both subjective and objective aspects of quality of life in major areas that shape living conditions and opportunities for individuals. This survey also contains a traditional question on generalized trust and a question on the trust of individuals towards social security systems. We include in the sample only those countries which are present in the previous analysis. Moreover, the choice of countries is stipulated by the availability of data on different aspects of welfare state development. The final sample includes Austria, Belgium, Denmark, Finland, France, Germany, the United Kingdom, Ireland, Italy, the Netherlands and Sweden with the total amount of observations equal to 11,149.

The main research method used for the analysis is an ordered multilevel logit of the following form: \[ ologit = \beta_0 + \beta_1 X_{ij} + \beta_2 Z_j, \] where X are the individual-level characteristics and Z are country-level characteristics. The final model will take the following form what again will only have one variable at the second level.
Where $X$ is the set of individual-level control variables and Welfare_State is the main independent variable at the second level that again will sequentially include measures of all three dimensions of the proposed multidimensional approach to describing welfare state development.

Operationalization of the dependent variables in the EQLS is done in the following way. Institutional trust is limited to trust towards social security systems and measured with the relevant question, with answers based on a four point scale, ranging from ‘great deal’ to ‘no trust at all’.

As in the previous case, we control for individual level characteristics that are selected based on the theory about social trust determinants provided in subchapter 2.2. as well as on the data availability in the EQLS. The final list of individual-level control variables includes gender, employment status, volunteering, religiousness, socializing, education level, income, age, optimism level, and the perception of safety in the living area.

To control for gender, we include a male dummy that takes a value of 1 if the respondent is male and 0 if female. Employment status reflects whether the respondent is unemployed or not. It takes a value of 1 if he or she is unemployed at the moment the survey was conducted and 0 if the respondent is employed. The education variable measures the highest degree of education the respondent has and is grouped into three categories: ‘primary’, ‘secondary’, and ‘university’. Religiosity is defined on the basis of the self-rated frequency of church attendance ranging from 1 as ‘more than once a week’ to 7 as ‘never’. Optimism is operationalized on the basis of the self perception of an individual about his or her optimism level. The answers range from ‘agree
completely’ to ‘disagree completely’. Socializing reflects how often an individual meets with friends and ranges from ‘more than once a day’ to ‘less than several times per year’. Volunteering is operationalized on the basis of a question about the time spent on volunteer activities and varies from ‘too much’ to ‘too little’. The age variable reflects the actual age of the respondent at the time the survey was conducted and is combined into three categories: ‘16 – 29’, ‘30 – 44’, ‘45 and more’. The income variable is grouped into four quintiles of OECD equivalent household incomes.

As in the previous case, we distinguish between the three dimensions formed around functional, outcome, and qualitative axes. The results of the analysis are summarized in the table below.

Table 1.: The effects of welfare states on trust towards social security systems in a multidimensional approach.

<table>
<thead>
<tr>
<th></th>
<th>Trust towards social security system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUNCTIONAL DIMENSION</strong></td>
<td></td>
</tr>
<tr>
<td>*Total social spending</td>
<td>-0.025</td>
</tr>
<tr>
<td>*Pension spending</td>
<td>0.061</td>
</tr>
<tr>
<td>*Unemployment spending</td>
<td>-0.531**</td>
</tr>
<tr>
<td><strong>OUTCOME DIMENSION</strong></td>
<td></td>
</tr>
<tr>
<td>Decommodification</td>
<td></td>
</tr>
<tr>
<td>*benefit generosity index</td>
<td>-0.058**</td>
</tr>
<tr>
<td>Stratification</td>
<td></td>
</tr>
<tr>
<td>*Liberalism</td>
<td>-0.025</td>
</tr>
<tr>
<td>*Social democratic</td>
<td>-0.040</td>
</tr>
<tr>
<td>*Conservatism</td>
<td>0.041</td>
</tr>
<tr>
<td><strong>QUALITATIVE DIMENSION</strong></td>
<td></td>
</tr>
<tr>
<td>*Universalism</td>
<td>-0.887***</td>
</tr>
<tr>
<td>*Categorization</td>
<td>-0.007**</td>
</tr>
<tr>
<td><strong>CONTROL VARIABLES</strong></td>
<td></td>
</tr>
<tr>
<td>Male dummy</td>
<td>-0.059</td>
</tr>
<tr>
<td>Variable</td>
<td>Value</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Unemployed dummy</td>
<td>0.000</td>
</tr>
<tr>
<td>Volunteering</td>
<td>-0.066</td>
</tr>
<tr>
<td>Religiousness</td>
<td>0.066***</td>
</tr>
<tr>
<td>Socializing</td>
<td>0.059***</td>
</tr>
<tr>
<td>Education Low</td>
<td>Ref/category</td>
</tr>
<tr>
<td>Middle</td>
<td>0.022</td>
</tr>
<tr>
<td>Higher</td>
<td>-0.288***</td>
</tr>
<tr>
<td>Income 1st quintile</td>
<td>Ref/category</td>
</tr>
<tr>
<td>2nd quintile</td>
<td>-0.075</td>
</tr>
<tr>
<td>3rd quintile</td>
<td>-0.135**</td>
</tr>
<tr>
<td>4th quintile</td>
<td>-0.084</td>
</tr>
<tr>
<td>Age 16 – 29</td>
<td>Ref/category</td>
</tr>
<tr>
<td>30 – 44</td>
<td>0.238***</td>
</tr>
<tr>
<td>44 and more</td>
<td>-0.150**</td>
</tr>
<tr>
<td>Optimism</td>
<td>0.456***</td>
</tr>
<tr>
<td>Safe</td>
<td>0.178***</td>
</tr>
</tbody>
</table>

Before proceeding to the analysis of the dimensions, one should say that the inclusion in the model of the proposed measures of welfare state development helps explain only a small portion of the total variance. This is possibly due to the fact that there is a small variance of social trust levels at the second level compared to the first level. More specifically, only 3.6 percent of the total variance is attributed to the country level, while the rest of the variation occurs at the individual (first) level. However, controlling for welfare state development helps reduce variance at the second level by 12 percent, which is a sufficiently large number.
When analyzing the proposed three dimensions, a straightforward conclusion is that welfare states are rather neutral in their influence on trust in social security systems since most of the coefficients on the measures of welfare state development are not statistically significant. However, this should be taken with some caution since the small number of cases at the second level, namely the number of countries included in our analysis, may contribute to the failure of their significance test. We hence refer to the coefficients’ sign and values regardless of their significance level.

2. The functional dimension

The analysis of the functional dimension supports the plausibility of policy specific effects to some extent. Relating total social spending to trust in social security systems among the whole population points out that in general, crowding-in effects can be expected. Hence, social policy can be expected to generate confidence in social security systems. The support of an individual’s wellbeing through a social security system tends to generate positive feelings not only among its direct recipients but also among the whole population. The redistributive effect of welfare state activities leads to less inequality and hence more trust towards such systems. Likewise, the replacement of lost sources of income by social provisions plays a crucial role in defining trust levels compared to the negative effects expected of from the traditional assumption about erosion of trust through volunteering.

When limiting the sample only to pensioners, the results partially support the idea about policy specific effects, although the significance test fails to prove them. Relating spending on pensions to trust in social security systems among pensioners tends to erode trust levels. The fact
that the state supports retired people through providing them with a source of income does not
generate higher regards about the state or higher confidence in social security systems. The nature
of these effects remains however unexplained while the negative mechanism of pension spending
on social trust formation still constitutes a ‘black box’. The recent instability in pension systems,
especially in countries with high pension spending, the constant curtailment of pension funds, and
a gradual shift to a multi-pillar system with an increasingly residual role for public pensions mostly
likely undermines the level of trust in social security systems. It is hence possible to argue that
recent changes in pension policy are the main reasons for the negative effects of pension spending
on people’s confidence in social security systems since pension reforms are more often discussed
and implemented in the countries where pension spending is higher.

As far as unemployment spending is concerned, the results advocate for the presence of
crowding-in effects which are also statistically significant. The fact that the state supports
individuals when they have difficulties might play a crucial role in forming trust levels among the
unemployed. Even recent changes in unemployment systems aimed at tightening entitlement
conditions, reducing replacement rates, and shortening the period of payment for unemployment
benefits do not negatively affect confidence of in the welfare state. The positive effect probably
comes as well from the fact that the state does not simply try to reduce unemployment spending
but rather focuses on reducing the duration of unemployment spells by replacing the traditional
passive payment of unemployment benefits with active labor market policies.

The analysis of the functional dimension provides results that advocate for the presence
of policy specific effects. Although the analysis on the basis of different data sources creates some
controversy about the impact of total social spending on social trust among the whole population,
the EQLS results in general support the previous findings based on the WVS. More specifically,
pension spending may be detrimental to general trust in institutions and to trust in social security systems in particular, whereas unemployment policy tends to enhance trust levels among the unemployed.

3. The outcome dimension

The analysis of the outcome dimension provides results that differ slightly from what is found before. Decommodification tends to positively correlate with trust in social security systems. Moreover, the results are statistically significant, allowing for a statistical inference about the effects of decommodification on trust in social security systems. The results suggest that welfare state efforts increase confidence of people in social security systems.

The stratification function of welfare states is found to be rather neutral towards trust in social security systems since the case of statistical significance is not seen at all. Although the coefficients are not statistically significant, their signs and the values are in line with the effects of institutional trust in general. More specifically, preserving existing class structures tends to erode trust in social security systems. A universal approach aimed at guaranteeing individuals’ independence enhances trust levels. The same impact is seen in liberalism with its stigmatizing approach to organizing welfare provision.

The analysis based on the EQLS advocates the positive impact that the level of decommodification and stratification may have on social trust. The supportive attitude of the state regardless of the type of stratification tends to enhance trusting behavior in society. These results do not differ much from what was found on the basis of the WVS for institutional trust.
4. The qualitative dimension

The qualitative dimension again supports the results obtained for institutional trust in general. More specifically, the positive effects are present for both forms of the institutional design of benefits schemes. They enhance trust in social security systems regardless of whether they are non means-tested or means-tested. The positive effects are however stronger for non means-tested social spending compared to means-tested spending.

The analysis of the qualitative dimension therefore provides results that advocate the prevalence of crowding-in effects over crowding-out effects. Moreover, these results are consistent with the previous findings based on the WVS for institutional trust. It is hence possible to say that trust in social security systems shows a lot of conformity and consistency with institutional trust. The effects of the different measures of welfare state development on trust in social security systems are always in line with what is found for institutional trust.

As far as the individual-level control variables are concerned, we find results that are completely in line with the theory. More religious people tend to have higher scores on trust. Socializing with friends is also found to enhance trust levels. Education seems to have a strong impact on trust scores. Less educated and moderately educated people show almost the same levels of trust. Highly educated people have higher trust in social security systems. Income tends to have non-linear effects on trust. The effects tend to first increase as income goes up, reaching its peak in the third quintile and slowing down afterwards. Optimism can also be regarded as a determinant of trust: optimistic people show more trusting behavior towards social security systems. Trust is also influenced by the safety level in the area the respondent lives in. High regards of safety are associated with higher trust levels. Volunteering is found to have no impact on trust in social security systems. But this is probably due to the imperfect operationalization of this control
variable. Employment status is found to have no effect on trust in social security systems. Gender has a certain influence on trust: men show more trust in social security systems than women, although this effect is not statistically significant.

5. Overview and concluding remarks

The main objective of this paper is to analyze the effects of welfare states on trust in social security systems. The analysis is based on estimating the effects of all three dimensions on one specific element of institutional trust. The analysis thus demonstrates that there is strong conformity in the direction and the size of the effects of social policies between institutional trust and trust in social security systems. Both forms of trust develop the same pattern of relations with different measures of welfare state development. Trust in institutions can be considered a good proxy for trust in social security systems. Although it is a synthetic construct, institutional trust approximates possible changes in levels of trust in social security systems as the result of state intervention in society in the form of social policies. However, institutional trust must be regarded as a wider concept compared to trust in social security systems since it is based on confidence in various public welfare state institutions while including trust in social security systems as one of its elements.
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