What is Welfare?

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This article discusses the meaning of "welfare". It asks whether or not it is solely to be understood in monetary terms or whether it is necessary to include non-monetary aspects such as happiness. It asks what the social science understanding of welfare has to offer and what its implications are for the data which is needed to measure welfare—the measurement of welfare being dependant on our understanding of the concept. Furthermore, the article distinguishes between micro- and macro-level understandings of the concept and presents indicators of the two levels. Finally, a tentative ranking of 10 EU countries with regard to welfare is offered.

Keywords: *welfare, social indicators, happiness, well-being, welfare state, social welfare.*

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Introduction

The word "welfare" has now entered into so many and different combinations that hardly anyone thinks about its meaning. However, in order to analyse welfare states or, for that matter, public, fiscal, occupational welfare, and societies' total welfare, it is important to be clear about what welfare is as that has consequences for our understanding of what a welfare state is and how welfare can be measured. This is especially important when making cross-country comparisons or developments.

The notion of welfare has been defined and understood in many and various ways, making it "not only slippery and difficult, but… promiscuous as well" (George & Page 1995, 1). I do not promise that I will resolve the problems here, but the intention is to cast light on the concept and, by doing so, come closer to an understanding of it and ways of measuring it, including for comparative purposes.

We can take our starting point in the Oxford Dictionary's (2001) definition, namely: "welfare **1** well-being, happiness; health and prosperity (of person, community etc.). **2** (**Welfare**) financial support from state."

In some parts of the literature, even when the question of what welfare is is raised, the answer only refers to "perspectives on welfare: happiness, security, preferences, needs, desert, relative comparisons" (Fitzpatrick 2001, 5).

Section 1 presents definitions of welfare put forward in various contexts such as popular discourse, academia, and linguistics. This is done in order to emphasise the variety of understandings of the concept, as this can help clarify the situational position of the term, i.e., the context and time within which it is embedded. The section ends with suggestions for a definition of welfare and indicators which might be used to measure welfare at the macro and micro levels.

Most analyses of welfare states deal with public welfare, fewer with welfare in civil society, and even fewer exist in relation to fiscal and occupational welfare in Titmuss's understanding. The possible consequences of this division will be highlighted in the next section. The section will also examine how we can measure total societal spending on welfare. Section 3 will present, albeit briefly, due to space limitations, data as suggested by the analysis in Section 1. Section 4 will offer some preliminary conclusions concerning the meaning of "welfare" and welfare states.

What is welfare?

Welfare derives from *wel fare,* that is from "*well* in its still familiar sense and *fare*, primarily understood as a journey or arrival but later also as a supply of food" (Williams 1976, 281). The word welfare has historically been related to happiness and prosperity, whereas its current understanding first emerged in the 20th century (Williams 1976).

The concept of welfare has to be understood in the historical and cultural context within which it is embedded. However, there is no intention here to enter into a long historical analysis of the concept.

The Welfare State Reader has a section on approaches to welfare and many references to welfare, but this is only in connection with other words, namely asymmetries, institutions, reforms, regimes, and state (Pierson & Castles 2006). There is, however, no discussion of the concept itself.

Welfare can be interpreted in one way in a person's everyday life perspective, and another when looking at it at the societal macro level. "Welfare" has also seemingly a different connotation depending on whether one understands it from a mainly economic or mainly sociological perspective and this is the reason for the sub-sections later, which are then merged into an attempt to define welfare. The examples given below of the interpretation of the concept are a clear indication of the variety of understandings of "welfare".

Welfare can be related both to the individual and to the collective and involve material as well as immaterial needs. Moreover, it will often be connected to various interpretations of social justice (George & Page 1995). "Welfare" can also include acts of altruism, channels for the pursuit of self-interest, the exercise of authority, transition to work, and moral regeneration (Deacon 1992). Welfare has also been interpreted in a restricted way by looking at it merely biologically, e.g., how many calories are needed to survive (Spicker 1995). This approach resembles in many ways the historical analysis of poverty. Welfare, for others, is "a prominent feature of our common-sense morality" (Sumner 1996, 2).

International approaches to welfare have been dealing with welfare in terms of the social investment state, transitional labour markets, life-course savings schemes, Titmuss's division of welfare, Murray's self-interest, and New Public Management's emphasis on competition and individualism. An attempt to group "Modern Thinkers on Welfare" used the following lists: The New Right, The Middle Way, Democratic Socialism, Marxism, Feminism, Post-industrial Greens, and Race/Anti-Racism (George & Page 1995). Recently, the issue of happiness has also entered the debate on welfare (Easterlin 2001a). It is within this plethora of approaches taken from a very broad variety of academic disciplines and understandings that one needs to examine the concept of welfare. The following sections will discuss the concept of welfare based upon these broad perspectives, especially from the economic and sociological angles.

Economics and welfare

Historically, the concept of welfare has been difficult to disentangle. This is also true for economics. An early example of this is the economist Pigou who simply stated that "it will be sufficient to lay down more or less dogmatically two propositions; first, that the elements of welfare are states of consciousness and, perhaps, their relations; secondly, that welfare can be brought under the category of greater and less" (Pigou 1950/1922, 10). Further, he stressed that the only obvious way of measuring welfare is in terms of **money**. This does not lead to any further clarification of the concept, but still, when looking at a

macro-level understanding of welfare, money can be, and is, used as an indicator (for example, as GDP per capita).

In economic theory more generally, welfare is seemingly just another word for utility. As Van Praag writes in a critique of the utility concept, some concepts are not clear or at least well understood: "a prime example is the *welfare* or *utility* concept" (Van Praag 1993). Alternatively, put even simpler: "welfare is the evaluation assigned by the individual to income or, more generally, to the contribution to our well-being from those goods and services that we can buy with money" (Van Praag & Frijerts 1999, 31). This is also the view of Tinbergen who wrote: "welfare (considered identical, in this article, to utility or satisfaction) is measurable" (Tinbergen 1991, 7).

In economics, welfare is thus mainly connected to individual's perception and utility of the use of income. This also makes it very difficult to measure welfare at the macro level as individuals' evaluation of the utility gained from income will differ, but often the consumers' choice as reflected by the market has been used as a proxy and this explains why GDP per capita is seen as a good indicator.

The approach of using individual utility can also be part of the explanation of why it so far has not been possible to establish a single and clear type of societal welfare function. Individual welfare refers to the micro level and how utility can be maximised by choices made by the individual. Social welfare refers to the sum of all individual welfare in a society (Walker 2005).

In relation to the economic understanding of the term, Panich (2007), for example, states, with reference to Aristotle, that "wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else," and with reference to Ricardo (1817), that the important aspect is "the way in which the gains from economic growth are distributed". Money is thus not the end goal, but an instrument for achieving welfare. This is then used to argue for a broader interpretation of welfare as including GDP per capita, ratio of shares in total income (90/10), the Gini index of income, the population below the poverty line, the probability of dying before one's 60th birthday, obesity, lack of basic literate skills, the economic security index, the corruption perception index, social trust, and the prison population.

Broadening the meaning of welfare into these areas, which, in many ways, is in line with the social indicator movement (Allardt 1975; Allardt 2003; OECD 2007), makes the concept of welfare clearer. However, is also opens up a plethora of difficulties in the evaluation of what welfare is, for example, by employing different types of measurement such as the UNDP's Human Development Index (UNDP 2008). Blurring the boundaries between what welfare is also has implications for the state's role and what is expected to be a public and what a private responsibility. In classical economics, welfare, however, relies on individuals' utility and, thereby, limits the state's role, especially to dealing with market failure (Barr 2003).

Recent year's criticism of the standard economic assumption, i.e. the economic rational man, has questioned the rationality behind using income and utility as a derivate for welfare. This criticism comes from behavioural economics (Wilkingson 2008) and the large group of economists and psychologists interested in happiness and satisfaction (e.g., Layard 2005). We will return to this later.

Thus, the economic analysis of individuals' utility leads to money being a proxy for welfare. However, one can understand the interpretation of welfare not only from an economic point of view, but also from a more classical, social policy tradition.

Sociology, social policy, and welfare

This section will probe into the understanding of welfare from a sociological and social policy perspective.

Sometimes, the concept is used by referring to a set of instruments, thus "the term **welfare** is used to refer to the goals of social security systems and to measures of the performance of systems, schemes or programmes. Distinctions are made between, first, the welfare or well-being of individuals and families, and (…) secondly, between individual well-being and that of societies as a whole" (Walker 2005).

In social policy, welfare has been defined by Titmuss as "all publically provided and subsidized services, statutory, occupational and fiscal" (Titmuss 1968). He does this despite what he has also pointed out, namely that public welfare for some might be ill-fare for others (Walker 1997). Still, Titmuss's definition is not a clear and comprehensive guideline to what should be included in the analysis, but it emphasizes the importance of including more than the public aspects of welfare such as what is happening on the labour market through the tax-system, and in the civil society. Strangely enough, Titmuss, despite having used the gift relationship as a metaphor for voluntary involvement in society, does not include civil society when discussing the delivery of welfare. Privately or individually delivered welfare is thus seemingly outside Titmuss's definition, despite the fact that substitution effects might exist.

In sociological theory, "the most basic form of welfare means well-being" (Walker 1997, 212). For long time, there has been the aim to assign values to individual experience in such a way that "welfare is the sum of individual well-beings" (Fleming 1952, 366). This is despite the fact that the same author sees

"welfare as an ethical concept" (Fleming 1952, 369) and, therefore, also ends with a rather vague definition: "welfare relates to situations, well-being to individual moments" (Fleming 1952, 379). Well-being, consequently, has an impact on the level of welfare in society.

Another very broad interpretation of welfare, which also includes well-being, has been used in part of the approach to happiness, as "I use the terms happiness, subjective well-being, satisfaction, utility, well-being and welfare interchangeably" (Easterlin 2001a, 465).

Thus, in this understanding, welfare is a narrower concept than well-being which also includes more broader aspects such as satisfaction, the quality of work, health, belongingness, etc. These aspects have often been included in the research on social indicators which originated in the Nordic countries beginning with writers such as Allardt (Allardt 1975) and which have later been taken up by the OECD as part of a social indicator project. The latest information including comparative data can be found in *Society at a Glance* (OECD 2007).

Using Allardt's sociological approach of having, loving, and being also suggests that "welfare" at its core has something to do with fulfilling essential needs of the individuals and families. This implies that welfare can change over time, and, to a certain degree, be dependent on the level of income and/or having a job. An indication of how welfare can be measured by this is that a clear relation can be found, for example, between objective poverty and those who find that having a good job is the most important necessity for having a good life (Eurobarometer 2007). Therefore, in this sense, welfare and a good life are connected to having a job. However, in countries with higher levels of income, a good relation with a partner is more important and raising income does not necessarily imply increased happiness (Layard 2005). This is often referred to as the Easterlin paradox (Peiro 2006). It reflects that welfare can not only be understood at the societal macro level, but also at the micro level and, furthermore, that more affluent welfare states might have new areas or risks to deal with or discuss. To put it another way, non-monetary aspects become more important for the good life when a certain economic level has been achieved. Welfare might therefore not be the same in rich and poor countries, i.e., it is a relational concept dependent on time and place.

Welfare can, as indicated, be understood as well-being, although this raises the question of "whether well-being or satisfaction should refer solely to individual experiences" (Barry 1990, 7). This also opens up the possibility for a broad understanding of the concept of welfare and, at the same time, shows the difficulty in moving from the individual to the collective level, as individuals' perception of welfare can be difficult to add together and the valuation of the same good can be different for different persons.

Options and possibilities can be seen as elements in defining and understanding welfare from the perspective of the individual. Sen has used the expression "capabilities" as a way of describing a whole set of elements which the individual could use in order to achieve a valued functioning (doing or being). Sen has further defined the set of options so that the notion of basic capabilities is: "a person being able to do certain things" (Sen 1982, 367). This implies that the approach focuses on an individual's capability to achieve valuable "functionings" as seen from that individual's perspective. This can further be represented by various combinations of "functionings". In this way, Sen, on the one hand, continues to build upon the concept of utility and well-being from economic theory, but at the same time, points out that the sociological aspects, including capabilities, are important.

A certain problem, as in most welfare analyses, arises if an individual's choice has an impact later on in their life. If, for example, at one point in his/her life an individual decides not to undergo education, this can have an impact later in life. Twenty or thirty years later, one person may have fewer options than another person; this might reflect a historical choice and not inequality in a society. This points to one of the problems of measuring inequality as part of welfare, which may be influenced not only by societal but also individual decisions earlier in the course of life.

Sen's analysis can also be understood as trying to answer the question of what a good life and a good society is (Sugden 1993). Sugden also points out that in the classical utilitarian tradition, "happiness is the only ultimate value, and so utility provides the metric with which to assess a person's well-being" (Sugden 1993, 1951). Therefore, from this viewpoint, the concept of happiness and the measurement thereof can have an impact on welfare and might reflect the level of welfare in a society, implying the need to integrate sociological and psychological elements in the analysis. From a utilitarian perspective, happiness is merging the economic and social aspects of welfare. Another approach, but linked, is the discussion on justice and fairness where a welfarist position "means that the relevant metric of equality is happiness, satisfaction, or some desirable psychological state of the person" (Shapiro 1997, 128).

Happiness as a measure for welfare, sometimes referred to as subjective well-being, has been increasingly researched (Layard 2005). The link to utility and Bentham in the 18th century is obvious (Burchardt 2006). This connection might be attributed to the fact that welfare (and social welfare) has been associated with individual perception of utility, and thereby, the old version of how to value and add up individual utilities to the societal level of welfare. The contemporary emphasis on individualism means that the total happiness of a society is often understood as the aggregation of individuals' perceptions of their lives.

The theoretical combination of a more classical, economic, understanding of welfare (utility) with the more social and psychological understanding of well-being connected to the sociological understanding of social indicators and the context of welfare is, therefore, an important element in the modern understanding of what welfare is and, thereby, also important when trying to empirically evaluate welfare in a country and/or in comparative perspective.

Sociological and social policy analysis thus points to happiness and well-being, and not living in poverty, as essential elements of a definition of welfare.

The essential question is, therefore, how one can empirically measure happiness as a metric for individual welfare including whether and how this can be linked to other areas having an impact on welfare.

Summing up

The concept of welfare has many elements, its relations to and ideas emanating from a variety of disciplines and approaches, including economics, psychology, sociology, and philosophy, can be clearly established. Understanding welfare in terms of just one discipline would, therefore, be to overlook central aspects of the concept.

"Welfare" has gradually been attached to several other words: welfare manager (1904), welfare policy (1905), welfare work (1916), welfare centres (1917) (Williams 1976). The attachment of the word welfare to "state" took place in the 1930's, but the more common understanding of the word only developed later (Alcock, Erskine, & May 2003). The attachment of the word welfare to other words goes some way to clarifying but still leaves one with an unclear notion of what the basic concept is.

Welfare is thus seldom used by itself. Especially when one is connecting the concept of welfare to the concept of the state, the signifier implies a clear role for the state with regards to helping members of society to have a good life by, for example, the financing and delivery of services and income transfers. Still, the concept of the welfare state can have different connotations, ranging from a British perspective where it customarily refers to a society in which the government accepts the responsibility for ensuring citizens' good welfare, to the US where welfare implies means-tested benefits (Deacon 2002). This last understanding is also the definition used in one of the classical textbooks about the welfare state (Barr 2003). For some, the connection of welfare and state has a negative connotation, as this quote indicates: "the Welfare State has grown and grown like Topsy, as it were—or more accurately, like a cancer sucking the life-blood out of the people" (Marsland 1996, xiii). Marsland also argues that the welfare state is too expensive, "in any case it doesn't work. However generously its resources, the Welfare State does not and cannot produce its intended outcomes" (Marsland 1996, 19).

The negative view of the word "state" which, some hold, can be one reason for the lack of a clear discussion and presentation of the concept of welfare, might lie in the fact that "the concept of welfare has been constructed largely through the state's organisation of domestic life" (Hanmer & Hearn 1999: 112). However, the interaction and use of the variety of different theoretical underpinnings of the concept can be a vital element in understanding and defining welfare.

A problem is that "welfare" can be understood in one way at the macro level but, at the same time, it is rooted in normative, individual perceptions of society and individual living standards. This makes it necessary to have an understanding of welfare which distinguishes between the understandings of the concept at the macro and micro levels. How to move from micro- to macro-level understanding is then, as it has, historically speaking, also been with regard to ordinal or cardinal welfare (Fleming 1952), important in empirical analysis as this will be the only way to try to depict policy learning from and understanding of how societies develop. Furthermore, this also implies that looking at welfare by only looking at more traditional social policy (e.g., state interventions) would give us the wrong understanding of the concept and its use in modern societies.

Welfare is not easy to define, at least in a way that can commonly be agreed upon, but Gross National Product, societal spending on welfare policies, happiness, and avoiding poverty could be good indicators. This can be confirmed by the fact that "after controlling for the characteristics of people and countries, macroeconomic forces have marked and statistically robust effects on reported well-being. GDP affects a country's happiness" (Tella, MacCulloch, & Oswald 2003, 809).

I would, therefore, suggest the following definition of welfare:

Welfare is the highest possible access to economic resources, a high level of well-being, including happiness, of the citizens, a guaranteed minimum income to avoid living in poverty, and, finally, having the capabilities to ensure the individual a good life.

This makes it important to be aware of the various channels and ways to receive and finance welfare (Greve 2007), but it also makes the concrete content of the concept change over time and space, with different aspects being important in different welfare states. As options and possibilities in societies are changing, so too is what should be included in our understanding of welfare.

However, based on the definition and discussion presented above, as a minimum, the following elements need to be included when trying to measure welfare:

Macro level	Gross National Product and total societal spending on welfare policies (indicators of resources)
Micro level	Subjective feeling of happiness, numbers living in poverty (indicators of well-being and avoiding of poverty)

These indicators are relatively straightforward, therefore, I will only give a few words on the measurement of happiness and, in section 2, a more elaborate analysis of how to measure total societal spending on welfare.

Happiness is measured by asking individuals about their perception about being happy using different scales. This is, therefore, the way to measure welfare on the individual level and the aggregation takes place by adding the scores to an average score when trying to compare between countries. "General happiness is the measure of subjective well-being examined most frequently" (Yang 2008, 204). Happiness will, therefore, be used as one of the proxies for welfare at the micro level. We will discuss this in Section 3.

Total societal spending on welfare

Access to resources including the financing of a variety of benefits and services are other important aspects of welfare. Welfare can, based on the definition above, be delivered through a variety of channels. It is, therefore, complicated to find the necessary data in order to depict total societal spending on welfare. In the following, methodological considerations regarding how to depict total welfare spending at the macro level are described.

Furthermore, this way of calculating the size of welfare contrasts with the fact that in the international literature, welfare delivery has mainly been understood and analyzed as the welfare delivered and/or financed by the state. Most of the literature concerning the comparative analysis of welfare state spending thus concentrates on public sector spending (cf., for example, Dixon 2000; Obinger & Wagschal 2001; Castles 2004). A few international analyses have indicated spending on the other ways of delivery of welfare: fiscal and occupational (Greve 1994; Kvist & Sinfield 1996; OECD 1996; Ervik 1998; Brixi, Vanlenduc, & Swift 2004). The analyses also often touch upon the distributional consequences of tax expenditures, which tend to be upside down.

The OECD has published, for several years now, information on net public welfare. This has been corrected for the differences in welfare states' approaches to whether or not they give the claimants the income transfer in the form of a taxable or non-taxable income (cf. the latest version Adema & Ladaique 2005). It has also included certain mandatory benefits which resemble public delivery of welfare but are delivered by the labour market.

The various approaches to the delivery of welfare—public, occupational, and fiscal—are sometimes, but not always, interrelated. They are interrelated when, for example, tax incentives are used to support companies' willingness to increase social spending on welfare delivered as part of being on the labour market. Several countries use tax reductions for companies so that they get an extra tax rebate when they increase payment to pension funds. Depending on the tax system, receiving occupational welfare can also be taxed at a lower level or not at all. This would be preferable for the individual especially when it is possible to shift from having taxable income to receiving occupational welfare, given that the individual utility of the good is at least the same as the one which could have been bought for the after-tax income. This also applies to cases where substitution between different goods is an option.

If both employers and employees have tax incentives to use occupational welfare and/or fringe benefits, it changes the interests of both partners to look for fringe benefits instead of traditional wage increases.

The state's interest might be that by giving economic incentives, welfare can be at least partly be financed from outside the public sector without increasing direct public spending, thereby perhaps reducing the pressure on the welfare state whilst, at the same time, keeping or increasing the overall level of welfare. Marketization and increased choice in the welfare state can also be part of the reason for shifting away from public delivery (Dixon 2001). For an overview of the consequences of choice, cf. Appleby, Harrison, and Devlin 2003.

The various ways to achieve and spend on welfare imply that they can be both supplementary and substitutes for each other. They are supplementary when, for example, the employers, based on individual decisions or part of a collective agreement, pay a full wage during sickness and then, if possible, claw back the public or social insurance system's sickness benefit. Substitution takes place when the increase in the supply of welfare goods in the occupational system reduces the size of the public sector, which can be the case in several countries with regard, for example, to pensions. Most countries today support pensions through the fiscal welfare system, e.g., tax incentives for private pensions, in one way or another (Antolin, Serres, & Maisonneuve 2004).

The three ways of delivering welfare are thus to a very high degree intermingled. This further emphasises the need for stressing that "welfare policy … is usually seen as encompassing the government's stance towards such occupational and fiscal welfare, as well as the benefits and services that it provides itself" (Deacon 2002, 4).

Naturally, the use of public, fiscal, and occupational welfare does not necessarily exhaust the resources welfare can come from, it is also the case that "a very high proportion of what we usually think of as 'welfare' is not in fact directly delivered by the state at all. It is provided by individuals, separately or collectively, by families, by informally or formally organised voluntary associations, or purchased in the market" (Deakin 1994, XIV).

Analysing welfare and welfare states by only looking at public welfare would thus entail a high risk of missing the point of the total societal level of welfare spending in various countries. Although the concept of welfare can be contested, the flaws following from analysing welfare state by only including the traditional emphasis on states delivery of welfare are sufficiently high to emphasise the need for a broader-based empirical analysis of welfare by including fiscal and occupational types of welfare delivery. Fiscal and occupational welfare are thus examples of elements which are often overlooked when trying to depict total societal spending on welfare.

In principle, including public welfare in addition to fiscal and occupational welfare would enhance and improve the understanding of total societal spending on welfare issues. Still, naturally, one would need to define fiscal and occupational welfare.

Fiscal welfare, or tax expenditure, as it is often labelled, is defined as follows: "a departure from the generally accepted or benchmark structure which produces a favourable tax treatment of particular types of activities or groups of taxpayers." (OECD 1984, 7)

This definition presents two main problems for measuring and calculating tax expenditure:

1. What is a generally accepted or benchmark structure?
2. When is there a favourable tax treatment of particular groups?

It is not clear theoretically, and even less empirically, what a generally accepted benchmark structure is. This could be the one decided by the democratic processes in parliaments with a majority voting for a specific structure (if one accepts that a parliament is the best place to make decisions that can be understood as generally acceptable). If, however, parliamentary decisions are taken as part of the political bargaining process, then the situation is blurred and one is left without any clear landmark of what an acceptable structure is. Political compromises are made to ensure a majority in parliament (also for fiscal expenditure proposals). In the process, changes in the tax structure are made. This is, for example, the reason why fiscal welfare through the tax system is often labelled the hidden welfare state (Howard 1993; Howard 1998; Greve 1994).

One way to solve this problem could be, following Wilkingson (1986, 27), to say that something is tax expenditure if it is "identical for everyone". She continues: "if it can be obtained only by undertaking a specific role or behavior then it is not structural." This means that only allowances and deductions that can be reached by taking a specific action are tax expenditure.

The point in this article is not to enter into a detailed analysis of these differences, but merely to point out that in order to establish what the societal spending on welfare is, one needs to investigate this area, which can be a large part of GDP, as is the case in several countries (Brixi, Vanlenduc, & Swift 2004).

Occupational welfare has been defined in various ways. One definition emphasises that occupational welfare "include[s] pensions for employees, wives and dependants; child allowances; death benefits; health and welfare services; personal expenses for travel, entertainment, residential accommodation; children's school fees; cheap meals, unemployment benefit, medical bills and an incalculable variety of benefits in kind" (Titmuss 1987).

Another definition of occupational welfare stresses that it consists of "market-driven social benefits provided by private employers and the state in its role as employer" (Goodin & Rein 2001). Another way of expressing this is that it is the welfare provided through employment (Sinfield 1999) or, to elaborate, that "occupational welfare covers benefits received by an employee through or as a result of his employment over and beyond the public benefits such as national insurance" (Sinfield 1978).

A recent analysis focuses on the fact that "non-statutory provisions include a range of voluntary social benefits that are provided by employers" (Farnsworth 2004, 438).

These approaches are both related to the fact that certain kinds of goods and services, which can resemble welfare benefits, can be obtained via the employers. This does not imply that the employers necessarily are paying for it, but they might do if they, for example, trust that it is good for business (Buchmueller 2000).

Occupational welfare is thus goods and services provided for by the employers which can be seen as a functional or near-functional equivalent to public welfare. They can consist of both a group of cash benefits and services such as health care, education, housing, and childcare offered on the condition of employment (Cutler & Waine 2001). The borderlines are not always clear-cut and the timescale for receiving the benefit can also make the boundaries blurred. Contributions to pension funds can be seen as an example of the blurred distinctions between the groups, but pensions at a sufficiently high level have been seen as a necessity in order to have welfare. Here, the payment to the pension fund might not explicitly give a higher income to the individual, but it will reduce the necessity for the individual to put money aside for pension purposes. Savings for pension purposes also, at least in the longer run, reduce the pressure on public sector spending for welfare purposes, especially for state pensions.

Nevertheless, fiscal and occupational welfare have become important in several welfare states, and whether this is as a supplement to or a substitute for public welfare is less important for this analysis. The central point is that looking only at the public sector's role with regard to welfare delivery and financing would mean to overlook important aspects of the total access to and availability of welfare in a country. The state's role is not neglected by doing so. The point is not to neglect the role of the state, but to make clear that other actors, such as the labour market, also have an important role in providing and financing welfare benefits and services.

Methodological problems related to measurement will not be discussed here. Instead, cf., for example, Adema & Ladaigue (2005) and Greve (2007).

Some comparative data on welfare at the micro and macro levels

In order to try to throw some light on the situation in European countries in relation to the welfare indicators discussed earlier, this section will present some indicative data for a selection of EU countries. The choice of countries is based upon data availability, but also, as far as possible, it is intended to cover different regions and classical welfare regimes in Europe.

Focus will be placed on those indicators mentioned earlier, namely total societal spending on welfare policies, GDP per capita, happiness, and poverty, as they are indicators that cover both the macro and micro levels of welfare.

In Table 1, data for 1996 and 2001 on public spending and public plus occupational welfare is shown for selected European countries representing the traditional categorisation of welfare states, but also including new Eastern European members of the EU. The last column of the table is an indication of the total societal spending on welfare.

Table 1 is a clear illustration of the fact that fiscal and occupational welfare have a role in relation to the provision of welfare and total societal level of spending in relation to welfare. There are differences, with the highest spend-

Table 1—Public spending and public plus occupational spending on welfare as a percentage of GDP in 2001 both before (gross) and after tax (net)

	Public Spending		**Public + occupational welfare spending**	
	Net	Gross	Net	Gross
Czech Republic	18.7	20.1	20.2	21.8
Denmark	22.5	29.2	27.5	34.3
France	27	28.5	33.0	35.4
Germany	27.6	27.4	31.8	32.9
Hungary		20		23.3
Italy	22.1	24.4	22.8	25.8
Poland		22		22.9
Spain	17.0	19.6	18.3	22
Sweden	26.0	29.8	32.4	36.7
United Kingdom	23.3	21.8	30.0	29.3

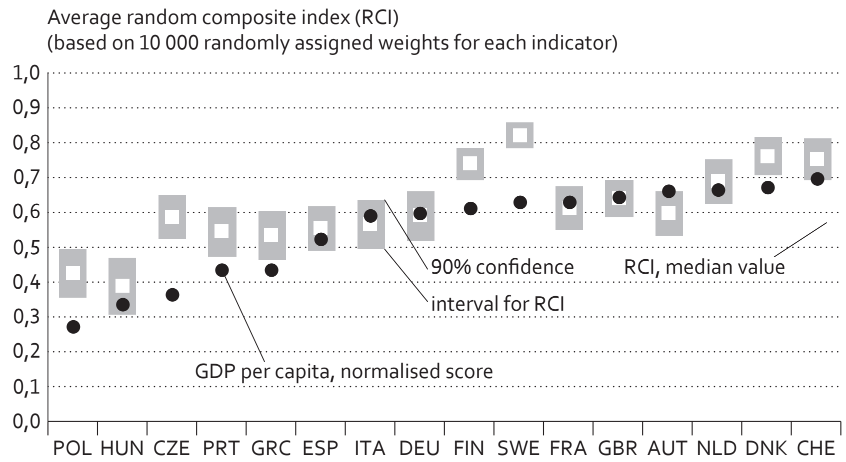
Sources: Net public spending Adema & Ladaigue (2005); public spending Eurostat; public and occupational welfare, own calculations, cf. Greve (2007).
Note: The difference between the first and third columns shows occupational welfare net of tax, whereas the difference between the second and the fourth columns shows gross occupational welfare. In both cases, this is in addition to those factors included in Adema & Ladaigue (2005). Data on Hungary and Poland are from Eurostat. The data do not include, as would have been desirable, all types of fiscal welfare. They do include differences in taxation of benefits.

ing in the Nordic countries, the UK, and Central European welfare states and less spending in Southern and Eastern Europe. The aim here is not to explain these, instead cf. Greve (2007), but more to indicate that looking only at public sector spending on welfare could be misleading as welfare is also provided for by the labour market and through the tax system.

One of the consequences of both fiscal and occupational welfare can be an even more divided society as fiscal welfare has an upside-down effect and occupational welfare prolongs existing inequalities on the labour market (along the lines of gender, ethnicity, and the level of educational attainment). The same types of division are often found in studies of happiness (Peiro 2006). This makes it even more important to be clear about the consequences of various approaches to the understanding and delivery of welfare.

Spending was regarded as one element of welfare. Social indicators are used in order to depict well-being at the micro level and GDP is used for access

Figure 1—Composite index of social indicators and GDP per capita



Source: http://dx.doi.org/10.1787/275423732624 (which is from the OECD 2006 *Society at a Glance*, Social indicators).

to resources at the macro level. In Figure 1, the relation between these two indicators is shown.[23]

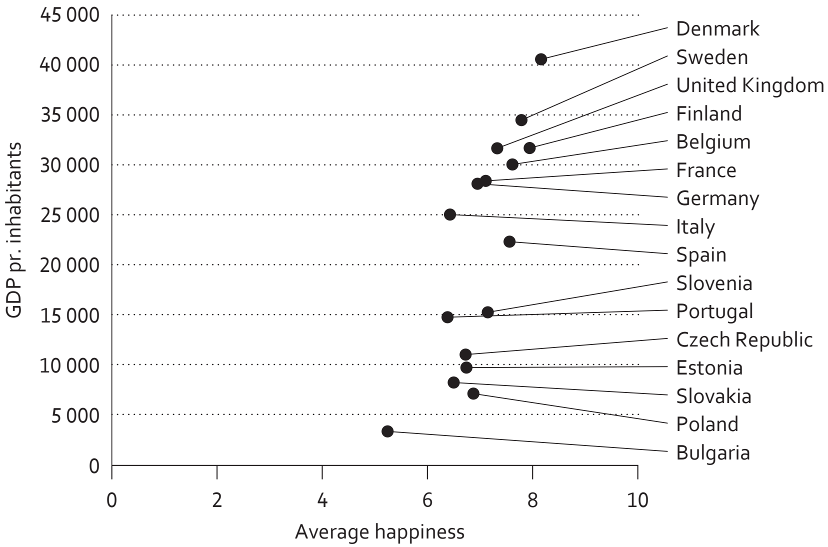
Figure 1 is an indication of the fact that GDP per capita is, in most countries, clearly related to well-being when captured by a composite indicator where at least 13 out 16 indicators were available. This is a further argument for using GDP as a proxy for welfare at the macro level.

If one accepts that traditional GDP measures are lacking in several respects (non-market activities, well-being, and externalities), it can be important to include other elements in order to fully depict welfare.

Happiness is, as shown earlier, also an important aspect of individual welfare. Figure 2 depicts the average degree of happiness and GDP per capita in 2006 in order to show the variation of happiness across countries, but also to see if there is a link between the macro- and micro-level understandings of welfare.

23 It has not been possible to have the same countries and the same year in all tables, but this can be regarded as less of a problem because the main issue here has been to show how to measure welfare empirically in a comparative perspective.

Figure 2—GDP per capita and average happiness, 2006[24]



Source: See note ii

As can be seen from the figure, there is seemingly, when looking at just one year, a clear connection between the degree of happiness and the economic wealth measured in terms of GDP per capita. Therefore, it could be argued that it would be sufficient to concentrate on GDP, but as several studies have shown (Easterlin 2001a; 2001b), this relation disappears over time due to the hedonic treadmill. Still, the figure informs us that income as well as happiness is an important variable for welfare in societies.

Poverty is also important as it has implications for the level of happiness. Poor people often have a lower level of happiness (Lelkes 2006; Peiro 2006). Thus, emphasis on how to reduce people's poverty is important. One way to measure poverty is in terms of the risk of having a disposable income below a certain threshold after social transfers. In Table 2, this is shown for the year 2006.

24 Average happiness is calculated based upon the European Social Survey, wave 3, 2006, based on the question "How happy are you." The scale is from extremely unhappy, 1, 2 … 9, extremely happy. In the calculations, the value 1 is given for extremely unhappy and 9 for extremely happy. Eurostat data is used for 2006 GDP per capita in Europe to make it comparable. One could question whether to use purchasing power parities, but this would not alter the conclusion. For Italy and the Czech Republic, it is based upon wave 2.

Table 2—Risk of poverty (60 % median equivalised disposable income after social transfers) in EU countries in 2006

	Percentages at risk
Austria	13
Belgium	15
Czech Republic	10
Denmark	12
Finland	13
France	13
Germany	13
United Kingdom	19
Greece	21
Ireland	18
Italy	20
Luxembourg	14
Netherlands	10
Poland	19
Portugal	18
Slovak Republic	12
Spain	20
Sweden	12

Source: http://epp.eurostat.ec.europa.eu/portal/page?=199,39140985, accessed 22nd May, 2008.
Note: This is one of Eurostat indicators on social cohesion.

The table is a clear example of the diversity among the EU countries with regard to being in risk of poverty, but also the fact that many countries are clustered around the same level.

In order to try to combine the information from both the macro and micro levels, Table 3 shows the relative position of 10 EU countries. This final comparison and attempt to draw together the various types of information only includes 10 countries as it is only in these that data on total social spending is available (cf. Table 1).

Table 3—Ranking of 10 countries on four welfare indicators and total ranking

	Total spending on welfare	GDP per capita	Risk of poverty	Happiness	Total	Overall ranking
Czech Republic	10	8	1	8	27	6
Denmark	3	1	2	1	7	1
France	2	4	4	5	15	3
Germany	4	5	4	6	19	4
Hungary	7	9	5	10	31	9
Italy	6	6	9	9	30	8
Poland	8	10	7	6	31	9
Spain	9	7	9	3	28	7
Sweden	1	2	2	2	7	1
United Kingdom	5	3	8	4	20	5

Source: Based upon the data from previous figures and tables.

Table 3 shows that the ranking puts the two Nordic countries, Denmark and Sweden, at the top, with France, Germany, and the UK closely behind. Southern European and Eastern European countries together form another clustering. Welfare is thus unevenly distributed in Europe, but at the same time, a clustering based upon two clusters seems to be sufficient to describe the various degrees of welfare in Europe.

A few concluding remarks

The concept of welfare is not clear. The presentation of the concept made here includes the understanding of welfare in terms of economic aspects based upon the amount of money available for spending irrespective of how it is used. Another understanding includes the broader perspective of happiness and well-being of the individual which employs a very diverse group of social indicators in order to try to catch important aspects of welfare. The intention of this article has been to show that a broader understanding of welfare can be an important element in the perception of the nature of the welfare societies, including

what should be incorporated in the data in order to describe welfare. Recent continued interest in social indicators as a way of measuring not only objective aspects of societal development, but also more subjective features including satisfaction and happiness, has led to a new and broader interpretation of what welfare is.

Despite having different approaches to the understanding of the concept of "welfare", and perhaps not even a clear single definition of the concept, it is useful to analyse development in relation to welfare spending and the understanding of what welfare is when societies are deciding to spend money. Using the analytical perspective, the data presented on total spending on welfare through various channels informs us that societies in Europe are still very diverse with regard to the level of welfare spending and, at the same time, a relatively high level of societal income is spent on welfare. This does not by itself tell us about the outcome and effectiveness of the welfare policies in different welfare states, e.g., whether or not, for example, a reduction in inequality is achieved by reducing the number living in poverty, increasing social inclusion, or improving gender balance. Nevertheless, it shows that welfare and welfare states are important elements of societies around Europe and also for their citizens.

In contrast to this, an increase in income does not necessarily imply an increase in the total level of happiness, although higher incomes are seemingly connected to higher levels of happiness across European welfare states. Therefore, if happiness, as suggested in this article, is part of our understanding of welfare, economic measures cannot stand alone, but instead, we will have to combine economic indicators (especially GDP per capita) with measures relating to happiness, poverty, etc.

An understanding of welfare, as defined here, also has implications for welfare state interventions. The welfare state will thus not only have to ensure access to the classical benefits and services, but also be aware of how citizens can be happy. This does not imply that the welfare state will be the provider of happiness, but rather that it is not only money that matters.

The indicative data used also points to a new division of welfare regimes making a division in Europe between the North/West and the South/East.

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