The Age-Orientation of the Euro Crisis

SUBMITTED BY

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I. Introduction

The welfare state as we know it may no longer be sustainable. While the European population is ageing, and family structures are changing, the welfare model designed in Europe after World War II to suit the needs of a young society based upon a male breadwinner model is showing serious shortcomings.[1] This has long been pointed out both by international actors such as the OECD[2], the IMF[3] and the European Commission[4], as well as by a wide range of scholars.[5]

Despite this wide consensus regarding the need for policy change, governments have been reluctant to undertake structural reforms that include cuts in pension spending. This can be explained as the result of a *blame-avoidance mechanism*[6]: since welfare state retrenchment is generally unpopular, governments will tend to avoid doing this if they have any alternatives, and they will try to postpone or even *disguise* their decisions in order to minimize their electoral costs.

In such a context, the Euro crisis can be seen as an *opportunity* for welfare state reform in some countries, by providing a source of external pressure that has made reforming unavoidable,

1. G. Esping-Andersen, The Incomplete Revolution (Cambridge: Polity Press, 2009), 1-15
2. See, for instance, OECD, Pensions at a Glance 2011: Retirement-income Systems in OECD and G20 Countries (Paris: OECD Publishing), 9-11
3. IMF, Fiscal Monitor: Fiscal Adjustment in an Uncertain World, (Washington: IMF, 2013)
4. European Commission, Ageing and Welfare State Policies, retrieved 01 May 2017 https://ec.europa.eu/info/business-economy-euro/growth-and-investment/structural-reforms/ageing-and-welfare-state-policies_en
5. There is a wide literature on the topic of welfare state sustainability. For a review, see Z. Barta, 'Fiscal Sustainability and the Welfare State in Europe', Journal of Finance and Risk Perspectives 4, no. 3 (July 2015): 145. For a more detailed approach to the topic, see G. Esping-Andersen, Why We Need a New Welfare State, (Oxford Scholarship Online: 2002); also V. Galasso, The Political Future of Social Security in Aging Societies, (Cambridge: MIT Press, 2006)
6. P. Pierson, 'The New Politics of Welfare', World Politics 48, no. 2 (1996): 143-179

allowing governments to overcome the logic of blame-avoidance.[7] Either under the pressure of market forces, or as an explicit quid pro quo in exchange for bailout packages, the crisis has triggered a set of structural reforms in some countries that has affected welfare states. This is especially the case in those countries which have undergone a bailout program from the EU (in the case of Greece, Ireland, Portugal and Spain), or where external pressure was especially relevant even in the absence of formal mechanisms (in the case of Italy). These five countries that will be referred to under the acronym of GIIPS, will be the focus of this paper.

These adjustment measures brought in by the crisis included in many cases pension sustainability as a core objective of structural reforms.[8] However, it seems that European governments strongly prioritized not applying austerity measures to pensioners. This is especially true when comparing different age groups within these countries' populations. While it seems that pensioners have remained largely untouched by the crisis, other policies targeted towards the young, children or new social risks were condemned to disappear in many cases.[9] In a country such as Spain, child and family policies that were implemented during the early 2000s as a shift towards a more age-distributive welfare state almost disappeared during the crisis, while pensioners saw their purchase power being increased.[10]

Why did governments in Europe decide to follow welfare state reforms that favored the elderly over the younger population? A possible explanation for this phenomenon, coming from the *institutionalist* literature, would be to consider that these choices are determined by the structure of welfare states that are unlikely to undergo structural change. This line of reasoning would argue that welfare state structures determine the options for the reform available, and thus that the reforms undertaken during the crisis could be explained by the *structure* of European welfare states.[11]

This paper aims to assess the validity of this approach in explaining these policy choices. It will do so through the

7. G. Bonoli, 'Blame avoidance and credit claiming revisited', The Politics of the New Welfare State, ed. G. Bonoli & D. Natali (Oxford: Oxford University Press, 2012): 93-110
8. K. Hinrichs, 'In the Wake of the Crisis: Pension Reform in Eight European Countries', ZeS Working Papers, no. 01/2015 (2015): 12-18
9. European Youth Forum, Youth in the Crisis: what went wrong? (2014)
10. P. Mari-Klose, La economía política de los recortes: un relato para niños y mayores, (Agenda Pública: 2015), retrieved 01 May 2017
11. This idea is summarized in C. Arza and M. Kohli, 'Introduction', in Pension Reform in Europe, ed. C. Arza and M. Kohli (New York: Routledge, 2008), 7

analysis of two clearly age-defined policy areas: old-age pensions (referred to as pensions throughout the paper) and family policy. While pensions are probably the most clear age-oriented social policy; family policy has a clear youth-oriented component to it, targeting both children and recent parents (who tend to be part of the young sectors of the population). Through the analysis of the evolution of these two policies in the GIIPS countries during the Euro crisis years, this paper aims to contribute to a better understanding of the age-orientation of policy decisions in Europe.

The paper is laid out as follows. Section 2 will establish the theoretical framework of the analysis, as well as set the methodological grounds for it. Section 3 will be dedicated to the analysis itself, through the study of the evolution of age orientation, pensions and family policy. Section 4 concludes.

II. Analytical framework

When it comes to explaining welfare state evolution and policy choices, one of the most prominent theories is what has been called *welfare state institutionalism*. This has its foundations on Esping-Andersen's seminal work *The Three Worlds of Welfare Capitalism*[12], where he develops what is now known as 'regime theory'; the idea that welfare states can be grouped in clusters with "similar institutional design, similar political orientations and similar outcomes[13]". This implies a "static conception of welfare"[14], according to which welfare state structures generate a lock-in effect that will lead to path-dependent policies. In summary, the way in which welfare states were organized when originated would create "lasting patterns of political solidarity and political mobilization that shape definitions of what is just, how groups define their interests and the political coalitions that are likely to emerge"[15].

This idea from regime theory can be embedded in Paul Pierson's *New Politics* approach, where he argues that the logic consequence of blame avoidance mechanisms is that it is very

12. G. Esping-Andersen, Three Worlds
13. C. Arza and M. Kohli, 'Introduction', 6
14. Ibid, p. 7
15. E. Immergut and K. Anderson, 'The political-institutional framework for pension politics', in The Handbook of West European Pension Politics, ed. E. Immergut, K. Anderson and I. Schulze (New York: Oxford University Press, 2006), 11

unlikely "to find radical changes in advanced welfare states"[16]. Following this line, when it comes to retrenchment, welfare state structures, and thus the *type* of welfare state one country belongs to, will "have implications for the decisions rules governing policy change . . . and for how visible cutbacks will be".[17]

Pierson identifies three variables in welfare reforms that that he considers would entail a structural change in welfare, and therefore that he expects to remain stable in well-established welfare states, even in cases of retrenchment. These are reliant on means-tested benefits, transfers of responsibility to the private sector or *dramatic* changes in benefit and eligibility rules[18].

In the context of the Euro crisis, this institutionalist approach would expect countries to undertake reforms *within* the scope given by the welfare state type they belong to. Following this line, the age-orientation of policy measures would be explained as the result of already existing patterns of welfare structure. This has been challenged in the past by Lynch, who finds that age orientation of the welfare states does not seem to be related to welfare state regimes.[19] Her analysis, however, focuses on a static moment of time, whereas the analysis of this thesis is concerned with the *evolution* of welfare state structure. In this dynamic context, the expectation from this theoretical approach would be to see welfare state structures remaining still over time, and thus Pierson's indicators of structural change being stable during the crisis.

In order to test the validity of this theory, the analysis will look at quantitative data on several indicators of pension reforms and family policy. This has been decided in order to provide a broad overview of the evolution of these policies, and to allow for comparisons in the way different indicators evolve among countries. The study of welfare state structure during the crisis will be divided into three main parts: age-orientation, pension structure, and family policy.

Age-orientation will be analyzed through three indicators. First, an elderly/non-elderly spending ratio (ENSR) based on

16. P. Pierson, 'The New Politics of Welfare', 176
17. P Ibid, p. 147
18. Ibid., p. 157
19. J. Lynch, Age in the Welfare State, (New York: Cambridge University Press, 2006), 4-9

the one created by Lynch in her seminal work on age-orientation[20] will be calculated in each country for the years 2000, 2005, 2010 and 2012, in order to look at its evolution during the crisis. This ratio will be computed by using SOCX data from the OECD, and will compare per capita spending on the elderly with per capita spending on the unemployed and on families.[21] A second indicator of age-orientation will be the evolution of spending on the elderly. Since most of our sample countries are in a context of ageing populations, increases in this spending area may be triggered by an increase in the number of the population over 65. This fact will be accounted for by dividing the total spending on old age by the total number of elderly in the population, and expressing it as a % of GDP per capita. The last indicator will be the evolution of family spending as a % of social spending instead of a % of GDP, with the aim of controlling the impact of GDP variations in the analysis.

Concerning pensions, the analysis will use OECD data from the period 2005-2014 in relation to the evolution of three main indicators; pension spending as a % of GDP, net replacement rates, and minimum pensions. These indicators will allow the analysis of whether there have been significant changes going on the structure of this policy as a result of the crisis years.

As for family policy, the analysis will use OECD data from the *Family Database* to look at the evolution of public spending on cash benefits for families, on services and in-kind benefits for families, and on tax breaks for families.

The analysis will, for each of the three parts, assess whether the *structure* of welfare state in these areas seems to have undergone *structural* changes or whether it has remained stable, as welfare state institutionalism would predict.

20. Ibid., p.4
21. In order to compute the ENSR ratio, the numerator includes the total social spending on the elderly divided by the number of the population over 65. The denominator consists of the sum of family allowances divided by the total of population aged 0-14, unemployment benefits and active labor market policies and by the total number of unemployed.

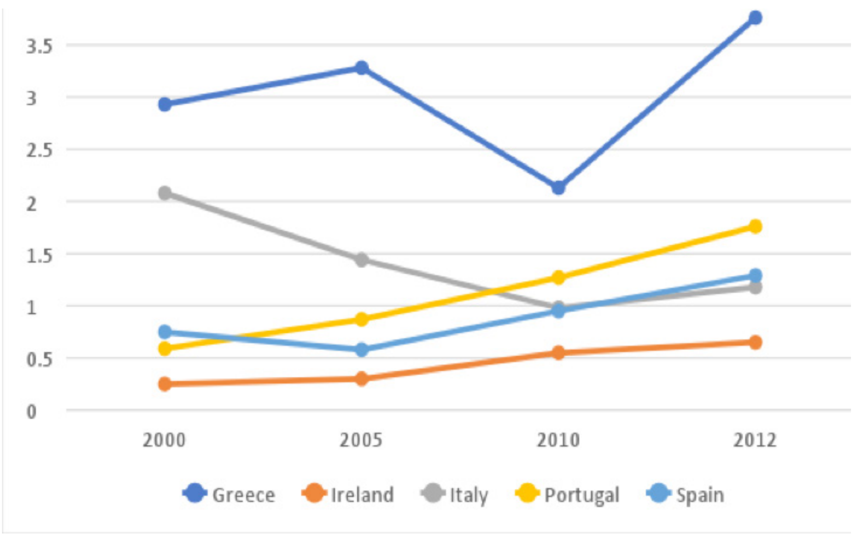
III.The evolution of age orientation during the Euro crisis

After having set the analytical framework of the paper in section 2, this section will now present and assess the evolution of welfare states in the GIIPS countries during the Euro crisis years. This will be done through three subsections: the first on the age-orientation structure of welfare states, followed by a closer analysis of first pensions and then family policy.

A. Age orientation structure

In order to assess the evolution of *age orientation*, the first indicator that will be computed is the ENSR. Figure 1 and Table 1 showing the evolution of this ratio during the crisis years for our set of countries:

Figure 1. Elderly Non-elderly Spending Ratio (ENSR), 2000-2012[22]



22. Data for calculations retrieved from 'Social Expenditure Database (SOCX)', OECD, last accessed 18th September 2017, http://www.oecd.org/social/expenditure.htm

Table 1. Elderly Non-elderly Spending Ratio (ENSR), 2000-2012

	2000	2005	2010	2012
Greece	2,93	3,28	2,13	3,76
Ireland	0,25	0,3	0,55	0,65
Italy	2,08	1,44	0,98	1,18
Portugal	0,59	0,87	1,27	1,76
Spain	0,75	0,58	0,95	1,29

The data show that, except in the case of Italy, all other countries are more elderly-oriented nowadays than they were in the year 2000. This general increase in the value of the ENSER ratio indicates that per capita spending on the elderly has grown almost everywhere at a higher pace than spending on younger sectors of the population. This tendency has been especially strong in the case of Portugal, where the ENSR value for 2012 is three times that of the year 2000, and also in Ireland, where spending on the older sectors of the population has increased more than twice as fast as spending on the younger ones.

Further research into Italian welfare state policies is needed to understand the decrease in the ENSR ratio for this country, but the results from everywhere else suggest that there is an evolution occurring towards a more elderly-oriented welfare state in the studied countries.

Figure and Table no. 2 serve as a complement to the ENSR ratio by presenting the results for the *old age spending ratio*, an indicator that assesses the evolution of spending on the elderly while accounting for the ageing of the population and the variations in GDP per capita. In addition, the fact that these data are available annually allows for a better understanding of the evolution of these phenomena.

Figure 2. Old age spending ratio, 2005-2013[23]

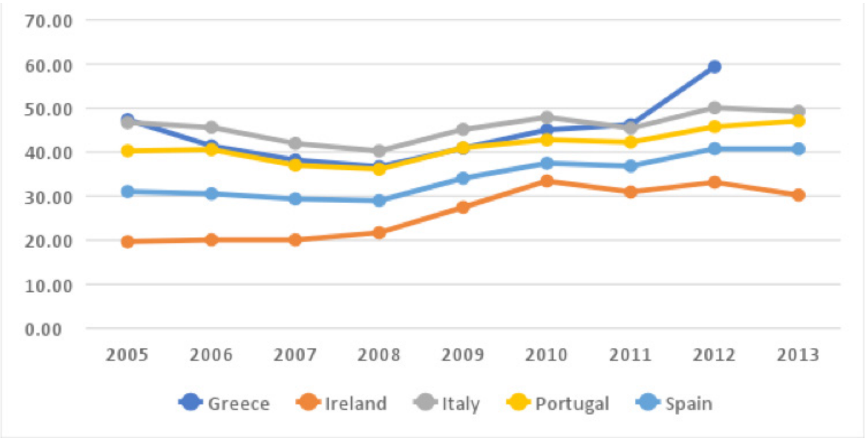


Table 2. Old age spending ratio, 2005-2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	47,36	41,41	38,21	36,71	40,89	45,06	46,22	59,38	
Ireland	19,64	20,08	20,07	21,70	27,46	33,44	30,94	33,15	30,25
Italy	46,68	45,62	41,97	40,28	45,15	47,88	45,41	50,08	49,24
Portugal	40,31	40,57	37,01	36,10	40,98	42,78	42,26	45,76	47,07
Spain	31,06	30,54	29,37	28,99	34,06	37,48	36,83	40,79	40,74

The data reproduces a similar tendency to the one observed with the ENSR. In fact, we see spending on the elderly rising in all countries, even when accounting for the amount of people over 65 and the evolution of GDP per capita. This is the case even in Italy, which appeared as an outlier in the case of the ENSR.

The evolution of this *old age spending* ratio shows a clear tendency towards an increasing elderly-orientation of welfare states in the GIIPs countries, which spend more and more on this

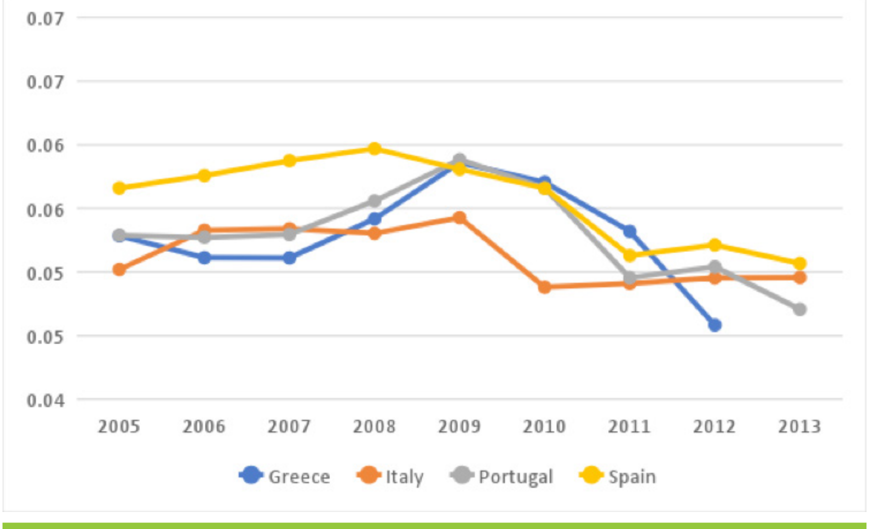
23. Data on spending retrieved from 'Social Expenditure Database (SOCX)', OECD. Data on GDP per capita retrieved from 'GDP per capita (current US$)', World Bank, last accessed 18th September 2017 https://data.worldbank.org/indicator/NY.GDP.PCAP.CD. Data on population retrieved from 'Population data', Eurostat, last accessed 18th September 2017 http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-data

sector of the population, even in times of deep economic crisis. This may be seen as an indicator of *structural change*, to the extent that spending is not only rising because the population is increasing, but it is doing so in absolute terms.

Furthermore, this tendency seems to cut across welfare state types: one of the major increases in this ratio takes place in Ireland, which has traditionally been considered as a rather youth-oriented welfare state. [24]

The last indicator of age orientation is the evolution of spending on family policy as a percentage of social spending, which is represented in Figure and Table no. 3

Figure 3. Family policy as a % of social spending[25]



Here, the tendency is inversed from the case of spending on the elderly: the crisis seems to have triggered a decrease in family spending in all the countries of our set. Figure 3 shows how all of them reach a peak on family spending between 2008 and 2009, right before the Euro crisis, and then lower their spending on this area as soon as the crisis starts.

24. J. Lynch, Age in The Welfare State, 32

25. Ireland has been excluded from the graph for better visualization, given the broad difference between its level of social spending and that of the rest of the countries.
All data retrieved from 'Social Expenditure Database (SOCX)', OECD

Table 3. Family policy as a % of social spending

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	0,05	0,05	0,05	0,05	0,06	0,06	0,05	0,05	
Ireland	0,18	0,18	0,18	0,18	0,18	0,17	0,17	0,16	0,16
Italy	0,05	0,05	0,05	0,05	0,05	0,05	0,05	0,05	0,05
Portugal	0,05	0,05	0,05	0,06	0,06	0,06	0,05	0,05	0,05
Spain	0,06	0,06	0,06	0,06	0,06	0,06	0,05	0,05	0,05

This shows a contrast with the two indicators represented above, and at the same time helps explain the relative rise in elderly spending during the crisis years; governments indeed seem to have decided to cut more youth-oriented policies such as family spending. Once again, this is a tendency that crosses country groups, even in the case of Ireland, where the proportion of family spending is higher than in the southern countries, and family spending represents a smaller part of social spending in 2013 than it did in 2005.

In summary, the data presented above in age orientation suggest that the age structure of welfare states in the GIIPS countries is becoming more elderly-oriented, and that the crisis has actually increased this tendency; in all of the countries in our analysis, spending on the elderly has increased proportionally faster than spending on younger sectors of the population, even when accounting for the increase in ageing population and GDP variations.

These results thus challenge the institutionalist idea that welfare state structures do not change, and therefore welfare state institutionalism would fall short in explaining the policy choices that trigger this change of weights in policies. The following subsections will continue to assess this.

B. Pension policy

After assessing the evolution of age orientation during the crisis years, this subsection will focus on one of the most clearly age-oriented social policy areas: that of pensions. A first approach to this policy will be the analysis of the evolution of pension spending as a percentage of GDP.

Figure 4. Pension spending as a % GDP[26]

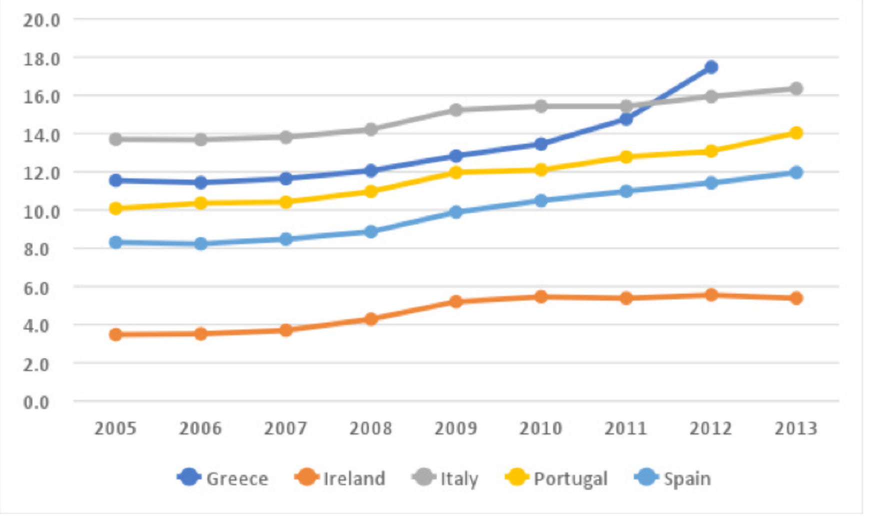


Table 4. Pension spending as a % GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	11,6	11,4	11,6	12,1	12,8	13,5	14,8	17,5	
Ireland	3,5	3,5	3,7	4,3	5,2	5,5	5,4	5,6	5,4
Italy	13,7	13,7	13,8	14,2	15,2	15,4	15,4	15,9	16,4
Portugal	10,1	10,4	10,4	11,0	12,0	12,1	12,8	13,1	14,0
Spain	8,3	8,2	8,5	8,9	9,9	10,5	11,0	11,4	12,0

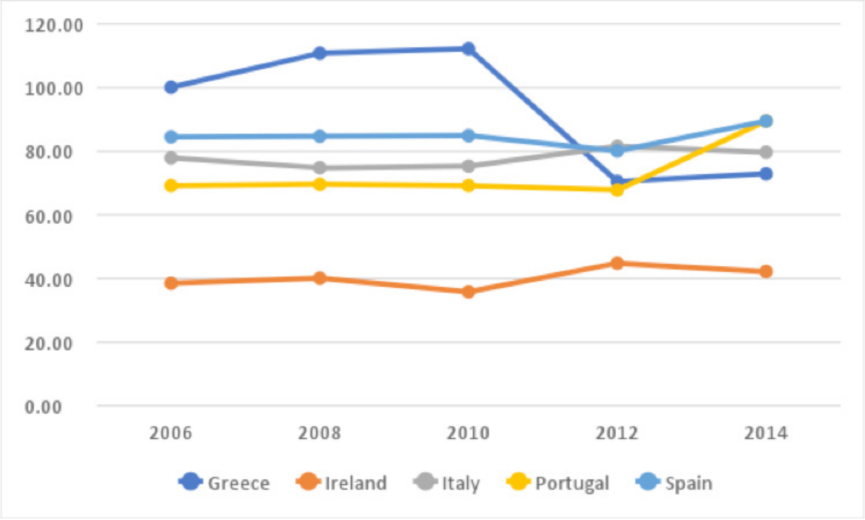
26. Data retrieved from 'Social Protection – Pension Spending', OECD. Last accessed 18th September 2017 https://data.oecd.org/socialexp/pension-spending.htm

Figure and Table no. 4 show that, in line with what has already been seen in the age orientation subsection, pension spending increased in all the GIIPS countries between 2005 and 2013. While the scope of the increase varies among countries, the tendency is clear in all of them.

As at least part of this increase can probably be explained by an increase in the over 65 population, we now know, having seen the evolution of the old age spending ratio in the previous subsection, that this factor cannot explain the whole tendency. This suggests that the pension systems of our analyzed countries could actually be increasing in generosity.

The next indicator, net replacement rates, will also shed light on the generosity of pension systems. The evolution of these can be seen in Figure and Table no. 5.

Figure 5. Net replacement rates, 2006-2014 [27]



27. Data from OECD, Pensions at a Glance, (Paris: OECD), editions from 2007, 209, 2011, 2013 and 2015

Table 5. Net replacement rates, 2006-2014

	2006	2008	2010	2012	2014
Greece	100,10	110,80	112,20	70,50	72,90
Ireland	38,50	40,10	35,80	44,80	42,20
Italy	77,90	74,80	75,30	81,50	79,70
Portugal	69,20	69,60	69,20	67,80	89,50
Spain	84,50	84,70	84,90	80,10	89,50

Data on net replacement rates do indeed suggest an increase in the generosity of pension systems during the crisis years, with the only exception being Greece. This can probably be explained by the emphasis on pension reform present in the conditionality of Greek bailout packages.

For all other countries, replacement rates are shown to be higher in 2014 than they were in 2006. While these data should be analyzed with caution, given that they may not incorporate the features of the pension reforms undertaken during the crisis years, the tendency is clear and similar in most of them, which is something that suggests an increase in the generosity of the system even in times of crisis and austerity measures.

So far, the data do not show major changes in the structure of the pension system, although the increase in spending and generosity during the crisis years suggests that there may be a structural change going on towards a more elderly-oriented welfare state. This is in line with the data observed in the previous subsection.

The final indicator for this policy area is that of the evolution of minimum pensions, represented in Figure and Table no. 6.

As with the case of previous indicators, these data suggest that minimum pensions were barely affected by the crisis: they were frozen in Ireland and Greece, and continued to grow in the rest of countries. Even if this can be seen as the mere result of indexation, we know from the data on age orientation that these increases happened at a faster pace than they did in other policy areas. We are thus, once again, in a case of increasing generosity of welfare systems towards the elderly, even in a period of crisis and austerity measures.

Figure 6. Minimum pensions, 2006-2014[28]

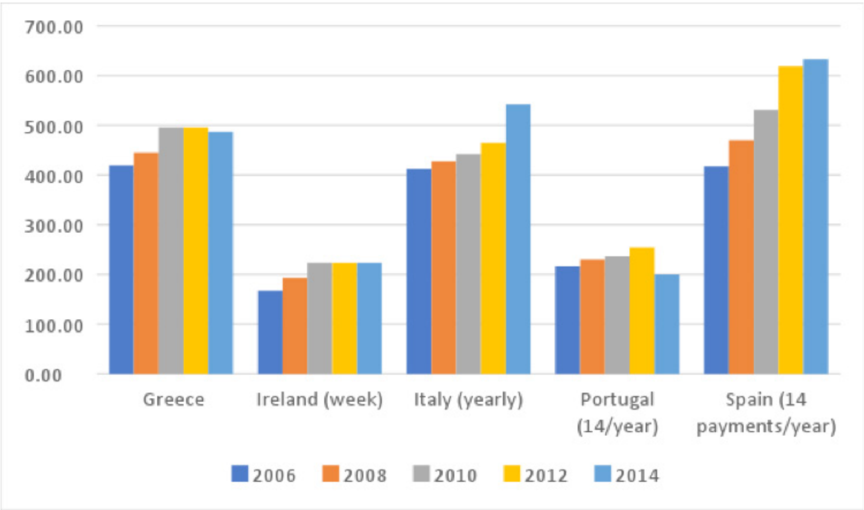


Table 6. Minimum pensions, 2006-2014 (in €) [29]

	2006	2008	2010	2012	2014
Greece	419,48	445,37	495,74	495,74	486,84
Ireland	167,30	193,30	223,30	223,30	223,30
Italy	412,67	427,50	442,55	465,17	542,62
Portugal	216,79	230,16	236,47	254,00	
Spain	417,81	469,73	530,63	618,90	632,90

Hörbelt

28. Ibid.
29. The variation among countries here is partly explained by the differences in the number of payments pensioners receive. In the case of Greece and Italy, the value corresponds to monthly payments on a basis of 12 months. For Ireland, the value is for weekly payments. The cases of Spain and Portugal correspond to monthly payments, from a total of 14 per year.

The analysis of pension systems in the GIIPS countries shows that this policy area remained rather stable during our studied period; there are no dramatic changes in the structure of pensions. This does not entail, however, a total absence of change; the data above show a steady increase in the generosity of pension systems that cannot be fully accounted for by the fact that the population is ageing.

The absence of dramatic changes in pensions is in line with the expectations coming from the welfare state institutionalism theory. On the other hand, the increases in the levels of pension spending, replacement rates and minimum pensions are probably at least partially explained by policy choices; something that shows the shortcomings of this theory in providing a full explanation.

Furthermore, the increase in generosity could be especially relevant in a context of crisis and austerity measures, where increasing spending on pensions probably entails cuts in other policy areas. This will be explored in the case of family policy in the next subsection.

C. Family policy

This final subsection of the analysis will focus on family policy. While this policy area does not have the same budgetary impact as pensions, it is clearly a youth-oriented policy, targeted towards parents and children. Its study will enable us to have a better understanding of the age-orientation component of social policy choices during the crisis.

Figure and Table no. 7 represent the evolution of public expenditure on cash benefits for families as a percentage of GDP. The data show similar levels in 2013 compared to those from 2005 in all countries, but it is important to look beyond this and analyze the evolution of this expenditure post.

In fact, we observe that the pattern is rather similar in all countries: there is a trend of increasing spending during the first five years of the analysis, with a peak being reached right before the start of the crisis. Once the crisis hits, however, there is a general decrease in cash benefits for families: with the exception of Spain, all countries have lower spending in 2010 than they did in 2009, and the percentage decreases even further in 2011 in the cases of Ireland, Portugal, and Spain.

Figure 7. Public expenditure on cash benefits for families, 2005-2013[30]

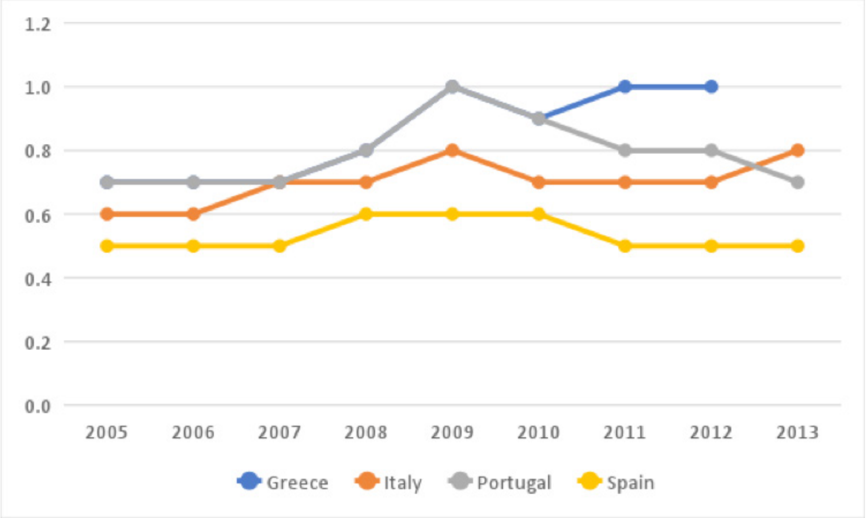


Table 7. Public expenditure on cash benefits for families, 2005-2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	0,7	0,7	0,7	0,8	1,0	0,9	1,0	1,0	
Ireland	2,1	2,1	2,2	2,6	3,1	2,9	2,6	2,6	2,4
Italy	0,6	0,6	0,7	0,7	0,8	0,7	0,7	0,7	0,8
Portugal	0,7	0,7	0,7	0,8	1,0	0,9	0,8	0,8	0,7
Spain	0,5	0,5	0,5	0,6	0,6	0,6	0,5	0,5	0,5

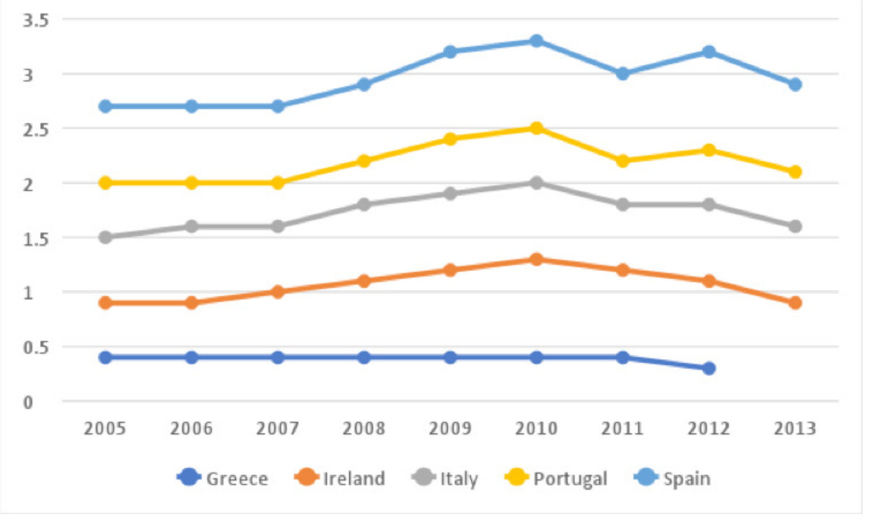
30. Data retrieved from 'OECD Family Database', OECD, last accessed 18th September 2017 http://www.oecd.org/els/family/database.htm

Ireland has been excluded from the graph because of it having too different spending levels from the other countries.

While the variations in spending can hardly be seen as dramatic, they do reflect a policy choice of implementing cuts in this policy area, which was not present in the case of pensions.

Figure and Table no. 8 show the evolution of the other main family policy spending positions, together with cash benefits: that of services and in-kind benefits for families. The tendency pictured is indeed similar to the one seen in Figure and Table no. 7, meaning that spending follows either a steady or an increasing pattern prior to the crisis, and then starts decreasing in 2010 and 2011.

Figure 8. Public expenditure on services and in-kind benefits for families[31]



Once again, when contrasted with the trends seen in the previous subsections, it becomes clear that welfare structures did not remain fully stable, but rather that policy choices were made to implement cuts in certain areas while still increasing the generosity of others.

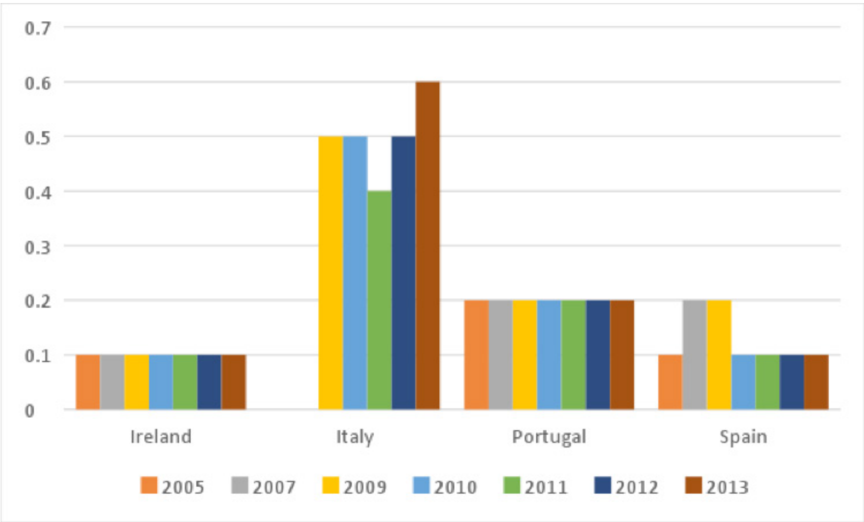
31. Ibid.

Table 8. Public expenditure on services and in-kind benefits for families

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,3	
Ireland	0,5	0,5	0,6	0,7	0,8	0,9	0,8	0,8	0,9
Italy	0,6	0,7	0,6	0,7	0,7	0,7	0,6	0,7	0,7
Portugal	0,5	0,4	0,4	0,4	0,5	0,5	0,4	0,5	0,5
Spain	0,7	0,7	0,7	0,7	0,8	0,8	0,8	0,9	0,8

A final indicator of family policy evolution will be public spending on tax breaks for families, as represented in Figure and Table no. 9.

Figure 9. Public expenditure on tax breaks for families [32]



Spending on tax breaks for families proves to have been rather steady with the crisis, with the exception of Spain, where the same pattern of the previous indicators is reproduced. For Ireland and Portugal the percentage does not change, while in Italy it even increases after the crisis. Before drawing conclusions from this,

32. Ibid., no data availability for Greece

however, it should be noted that the spending percentage is rather low in all countries, with the exception of Italy.

Table 9. Public expenditure on tax breaks for families

	2005	2007	2009	2010	2011	2012	2013
Ireland	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Italy			0,5	0,5	0,4	0,5	0,6
Portugal	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Spain	0,1	0,2	0,2	0,1	0,1	0,1	0,1

Consequently, data in family policy have shown that this policy was less protected from the crisis than pensions. While spending levels are in general similar in 2005 and 2013, the spending pattern that we have seen in most crises is that of a progressive increase up to 2010 and a posterior decrease between 2010 and 2013. As stated above, this reflects a policy choice to implement austerity cuts in this policy area, something that was not present in the case of pensions.

In fact, cuts in family policy happen at the same time as the increase in pension spending, something that shows that policy choices did indeed affect the structure of welfare systems; some policies (in this case, elderly-oriented ones) seem to have been more shielded than others. Returning to welfare state institutionalism, it is true that the crisis does not lead to *dramatic* changes in the structure of family policy. However, when combining the data from the three subsections, the level of generosity of some policy areas has clearly increased in comparison to others, with age-orientation playing a big role in this.

IV. Conclusions

The analysis of this paper has aimed to contribute to a better understanding of the reasons behind the age-orientation of policy choices during the Euro crisis. More specifically, the analysis has studied the impact of welfare state structures on the decision made by governments to protect certain social spending areas targeted towards the elderly such as pensions, while imposing much harder cuts on youth-oriented policies such as family policy. The study has assessed the expectations coming from the *welfare state institutionalism* literature that expected policy choices to be the result of existent welfare state structures.

In order to ensure that the case studies selected countries where the crisis came together with a strong component of *conditionality*, the paper has focused on the GIIPS countries, which were amongst those most affected by the crisis. The assessment of age-orientation has been done through specific indicators, as well as through the evolution of two clearly oriented policy areas: pensions and family policy.

The analysis of the evolution of the age structure of welfare states has shown both the usefulness and the shortcomings of the welfare state institutionalism literature. Indeed, there are no apparent *dramatic* changes in pensions or in family policy, something that suggests structures did play a role during the crisis. On the other hand, the analysis has shown a contrast between an increase in generosity in pensions and a decrease in family policy, something that comes together in an increasing elderly-orientation of welfare states, and is apparent in our *age-orientation* subsection.

In addition, there is a general tendency in all of the analyzed countries to move towards a more elderly-oriented welfare structure. This suggests that institutions are not the only factor influencing welfare state change and that other elements probably pay an important role for governments when taking these policy decisions. Whether these come from electoral concerns, interest groups' action or other factors, is a case for further research.

There are certain limitations related to the analysis that should be acknowledged. First, while the Euro crisis seems to be over in the analyzed countries, with the exception of Greece, its impact will probably still be visible for years to come. Many of the decisions and reforms that were undertaken as a result of the crisis have not been implemented yet, and thus it is only possible to speculate concerning their future effect. For this reason, it may be too early to reach strong conclusions on the impact of these 'Euro crisis policies' on welfare state structures. A second limitation concerns policy areas. While family policy and pensions have been traditionally used to assessing age-orientation, family policy is far from the only youth-oriented social policy area. There is, thus, scope for further research to analyze the impact of the Euro crisis on youth-oriented policies such as labor market or unemployment policies.

The relevance of this analysis is not only theoretical but also has practical implications. Europe is facing an increasingly ageing society that challenges the sustainability of welfare states as we know them. In addition, it seems that the features of most European welfare states are not able to incorporate new demographic challenges such as the entrance of women into the labor force or the increase in the number of new family models, which has been called an "*unstable equilibrium*". In this context, a better understanding of the political reasons behind welfare state-related decision-making also contributes to better knowing how to reform these structures in order to make them sustainable.

While the analysis performed throughout this thesis has shown that there are strong political obstacles for welfare state reform, the results also give room for some cautious optimism. The shortcomings of the institutionalist approach to explaining policy decisions show that welfare state structures are actually able to change, and have changed during the Euro crisis. This shows that welfare states are not immutable, unchangeable structures, and thus that there is scope for reform. Whether these reforms will keep moving in one or another direction will largely depend on political factors.