HABILITATION THESIS

Essays on Social Security Public Expenditures

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Abstract

The personal scientific contributions presented in this Habilitation Thesis are in the field of public finance, more precisely are focused on social security public expenditures. The personal interest in this field is not a recent one. First, the process of social allocation of resources which gives the fundamental reasons underlying the government intervention through the public social security system was studied from a public choice perspective in Talpoș, Dima, Mutașcu, Enache and Munteanu (2007, 2008). Second, the economic effects of social security public expenditure were investigated during the postdoctoral programme at Bucharest University of Economic Studies (2010-2013).

Part I of the thesis presents the most significant personal scientific contributions to the study of social security public expenditures.

Section 1 includes the contributions concerning Economic Effects of Social Security Public Expenditures.

The study Social Protection Public Expenditures and Income Inequality (Enache, 2012c) (Subsection 1.2) confirmed empirically the beneficial impact of social security public expenditure on income inequality, the controversial Kuznets effect, the positive effect of increasing employment, reducing corruption or increasing education achievement and the adverse effect of raising old age dependency ratio.

There are only several studies on labour market institutions effects that are focused on developing countries. The study Adverse Incentive Effects of the Unemployment Benefit Level in Romania (Enache, 2012a) (Subsection 1.3) proposed an empirical analysis of the effects of the level of the unemployment benefit on the unemployment in Romania. The results of the single-equation cointegration tests provided evidence that there is no long-run equilibrium relation between the two variables. A VAR analysis highlighted that the unemployment is expected to rise in the short-term as the unemployment benefit increases. The variance decomposition analysis pointed out that only a small part (under 5%) of unemployment short-term dynamics could be explained by potential shocks in the unemployment benefit level.

The study Unemployment Benefit, Minimum Wage and Average Salary Earnings in Romania (Enache, 2012g) (Subsection 1.4) filled a gap in the literature by providing fresh empirical evidence on the potential bi-directional links between the wage level and the average unemployment benefit (and the minimum wage). In an ADRL framework the long-run causality was found to run from average salary earnings to unemployment benefit and not vice versa.

The empirical evidence on the hypothesis that the very existence of the welfare state affects household saving decisions is mixed. The study Welfare State, Pension Reform and
Aggregate Household Saving in Central and Eastern Europe (Enache, 2014) (Subsection 1.5) provided new evidence on how welfare state interferes with saving decisions at household level and how this relation changed after a pension reform.

The mainstream literature on the beneficial effect of the pension reforms on the financial development has focused mainly on the case of Latin America countries or developed countries. The study Pension Reform and Capital Market Development in Central and Eastern European Countries (Enache and Milos, 2014) (Subsection 1.6) brings fresh evidence on these issues for a sample of ten CEE countries using an ECM framework.

Section 2 is covering the Demographic Effects of Social Security Public Expenditures.

Empirical studies realized so far focused on long-term effects of family friendly policies, using fertility rate as the primary variable of interest. Instead, the study Family and Childcare Support Public Expenditures and Short-Term Fertility Dynamics (Enache, 2013a) (Subsection 2.2.1) narrowed the focus on short-term efficiency of family and childcare support public expenditures. As main result, only cash benefits proved to be an effective instrument for boosting the birth rate, with a higher efficiency in Catholic countries than in Protestant ones, and in Individualist countries than in Collectivist ones.

The long-run effects of family and childcare public expenditures were tested empirically in the study The Impact of Family Policy Expenditures on Fertility in European Countries (Enache, 2012f) (Subsection 2.2.2) for a sample of 30 European countries in a panel cointegration framework. The results pointed out that higher family and childcare public expenditures are associated with increasing total fertility rate in the long-run.

The insertion of public social security system in the neoclassical fertility models was shown to cause significant distortions in the individual decisions regarding fertility. The results obtained using a GMM in the study Old Age Pensions Public Expenditures And Fertility In European Countries (Enache, 2012b) (Subsection 2.2.3) proved that old age pensions public expenditures have a positive but small impact on the fertility rate for a sample of 30 European countries.

The study Romanian Migration Flows in European Countries: Does Social Security Matter? (Enache and Pînzaru, 2012) (Subsection 2.3) investigated empirically using a panel framework if the various types of social security public expenditures enter in the decision function of a Romanian migrant when it comes to choose the destination country. The obtained results indicated that only family and childcare support public expenditures are positively associated with migration flows.

Section 3 discusses issues concerning the Efficiency and Sustainability of Social Security Public Expenditures.
Given the financial constraints faced by the Government authorities, public expenditure efficiency is a crucial issue. The study *The Efficiency of Expenditure-Related Redistributive Policies in the European Countries (Enache, 2012e)* (Subsection 3.2) provided an overall assessment of social public spending efficiency in reducing income inequality using Data Envelopment Analysis. The recent crisis impact on social public spending efficiency was assessed as well. The efficiency scores were explained by controlling for other environmental factors, using a censored normal Tobit model.

The efficiency of the labour market policy measures which are focused on raising employment was assessed in the study *The Efficiency of Active Labour Market Policies Across Europe: A Non-Parametric Assessment (Enache, 2013b)* (Subsection 3.3). The efficiency scores for each country were derived using Data Envelopment Analysis. As expected, there is no cross national model for success. The least efficient active labour market policies were found for countries with generous programs. The efficiency dynamics were highlighted using Malmquist indexes.

Given that social security public expenditures are managed through separate public budgets, the issue of their sustainability in the long-run is a crucial issue. The study *Social Security System Sustainability in Romania (Enache, 2012d)* (Subsection 3.4) adapted for the case of social security budgets a stationarity and cointegration methodology used in some empirical studies to check the fiscal policy sustainability. The results indicated non-sustainability of Social Insurance Budget and sustainability of Unemployment Insurance Budget. For Health Insurance Budget, the methodology yielded inconclusive results.

**Part II of the thesis** provides a perspective on the personal research and teaching future activities.

**Part III of the thesis** lists the references used throughout the text.