A New Way for Europe through the Damage Control

Constantin Schipor
University "Alexandru Ioan Cuza"
Doctoral School of Economics and Business Administration
constantin.schipor@ymail.com

Abstract

The construction of a European social economic model becomes impetuous necessary because in the recent years the middle class of society was eroded significantly. Now more than ever, the authorities need to develop a viable strategy to contain structural and functional elements of a European social economic model. Based on the four models we have foreshadowed in our research the socio-economic policy mix that can build a strong and sustainable economy, which meet the requirements of the European social model.

Information extracted from the article is useful because it indicates the direction to be taken into account to optimize the "welfare state" of the other European social models. In this regard it should be considered efficient labor market, develop social protection only for deprived people and nominal wage growth, and hence the real one. Only this way can lead to a social welfare state sustainable in all the evolution stages.

Keywords: European social models, economic crisis, austerity.
J.E.L. classification: F20

1. Introduction

The European economy faces many problems in the management of micro and macroeconomic aggregates. Over time arose in Europe more European social economic models that have attempted to explain the efficient functioning of an economic mechanism. Most times, many of these models have failed, but it seems there is still one approaching social welfare model desired by all economic agents operating throughout Europe. This paper strives to outline the link between the social and financial performance, strengthening in the same time the role of the social tools in the damage control mechanism.

The study of the economic performance of social welfare models from Europe is imperative because its results offer a real support in our endeavor to describe a truly viable model. Analysis explains the influence of the labor productivity and the employment rate on the economic performance of social welfare models in Europe. In other words, this scientific approach examines economic performance dependent variable in terms of two independent quantitative variables employment rate and labor productivity. In this respect, the Europe 2020 strategic framework provides the main tools of action in the socio-economic harmonization, being still limited by the mainstream dependences in the current demographical evolutions.

2. The social growth limits in the Europe 2020 strategy

The main goal of Europe 2020 strategy is to deliver sustainable growth, significantly contributing to the global social cohesion. It responds to the social pressures, proposing targets for improving the working market conditions and fighting with the unemployment rate and the poverty. Due to the demographic ageing problems and the globalization challenges such as migration, structural weaknesses of the EU member states strategies were emphasized. Europe 2020 was created in order to add value to the national strategies, forcing a cooperation plan that was sufficiently powerful to engage different economies, but limited enough to ensure the global

path for social and economic prosperity.

The mentioned strategy sustains interrelated objectives, considering that the educational progress has direct effects on the labor market indicators and indirect effects on the quality of life. There are three key-priorities of this initiative under the smart growth umbrella: (1) innovation; (2) education, training and lifelong learning; and (3) digital society. Even if the sustainable growth puts more emphasis on the competitiveness issues, the energy goals and the climate change, little attention is paid to the human capital sustainability.

But the most inclusive growth premises require "modernising, strengthening our employment education and training policies and social protection systems by increasing labour participation and reducing structural unemployment, as well as raising corporate social responsibility among the business community" (The European Commission, 2010, p. 18). This challenge rise attention to the labor potential that facilitates the social equality by acquiring new skills to improve the lifecycle. On the other hand, in the current circumstances, the employment rate has a major impact on the fight against discrimination, ensuring the fundamental needs for the deprived people.

Starting from the aforementioned priorities, Pasimeni grouped three subindexes to compose the Europe 2020 Index: Smart Growth Index, the Sustainable Growth Index and the Inclusive Growth Index (2013, pp. 613–635). In this perspective, the single market objective can be achieved only using an efficient combination between the public responsibility and the private one, in social, economic and environmental terms. Moreover, the main instruments in the globalization framework remains the people, due to their mobility on the international labor market, supported by the common priorities on human rights.

Kedaitis and Kedaitiene pay a special attention to "the soft qualitative factors of economic growth, especially to managerial and administrative capacities, to networking and society involvement, which as recent economic crisis show, are very important for overcoming the negative consequences" (2014, p. 708). Even if investing in people must be considered costly, the current evolution of the global economy confirms that reinforcing the human capital position in the international policies offers long-term solutions for recovering the global stability.

3. The labor circumstances of the European social models

The countries analyzed in this article are as follow: for the Scandinavian model (Sweden, Denmark, Norway), for the Anglo-Saxon model (UK), for the Continental model (France, Germany, Belgium, Holland, Austria and Switzerland) and for the Mediterranean one (Spain, Italy, Portugal, Greece). Grouping these countries in accordance with dominated social welfare models leads to a more structured view of the benefits and disadvantages of every model, creating a basis for an optimized welfare state. This priority is highly integrated in the social perspective, being considered that the labor market circumstances, the social protection policies and their impact on the financial mechanism must be taken into account in order to generate a social economic model adjusted to the current economy.

In order to perform the analysis were chosen two independent variables, namely the employment rate and the labor productivity, and a dependent variable: gross domestic product per capita. The dependent variable is actually one that ranks models based on performance. In this way, it was created a link between social and financial performance of the analyzed countries, as it is suggested in the Table 1.

One of the most obvious remark is that countries with a high GDP/capita have also high employment rates and labor productivity. It is the case of Norway, with 99.636 euro/capita and an employment rate of 75.8%. There is also the case of Switzerland, with GDP/capita totalizing 83.295 euro/capita, 120.1% for labor productivity and an employment rate of 79.4%. As regards the methods used in the analysis descriptive statistics and correlation meet. The first step in the analysis was to identify outliner and calculating the degree of correlation of the dependent variable with independent variables. At the opposite side, there are countries from the Mediterranean model, such as Greece or Portugal. For the mentioned countries, medium rates of employment are also reflected in the labor productivity and GDP/capita. Thus, Greece has the minimum GDP/capita (15.200 euro/capita) and less than half of the labor productivity reached in Norway. With 74% of the labor productivity and 51.3% of the employment rate, Greece is the poorest country in terms of

human resources efficiency.

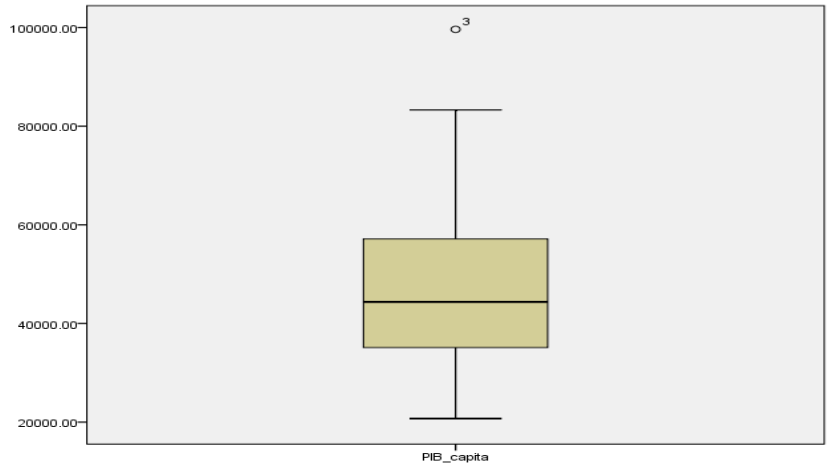
Table no. 1. The economic performance of countries in the social welfare models from Europe

Number criterion	The membership	Country	The employment rate in 2014 [%]	Labor productivity in 2014 [%]	Gross domestic product per capita in 2014 [euro/capita]
1.	Scandinavian model	Sweden	73.8%	116.1%	57.134
		Denmark	72.6%	128.6%	57.637
		Norway	75.8%	185.5%	99.636
2.	The Anglo-Saxon model	UK	70.9%	98.2%	41.054
3.	The continental model	France	63.9%	129%	40.908
		Germany	72.8%	126.1%	43.932
		Belgium	61.8%	134.7%	44.828
		Netherlands	75.1%	128.7%	49.128
		Austria	72.5%	115.1%	48.348
		Switzerland	79.4%	120.1%	83.295
4.	The Mediterranean model	Spain	56.2%	108%	28.993
		Italy	57.6%	102.5%	35.132
		Portugal	61.8%	65.3%	20.733
		Greece	51.3%	74%	15.200

Source: Eurostat

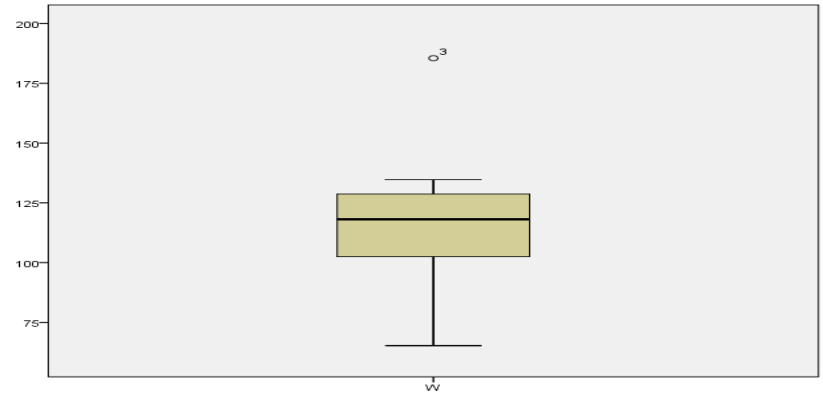
After analyzing the existence outliner variable gross domestic product per capita (Figure 1) is observed that there is an outlier that comes out of print, namely GDP per capita of Norway. If labor productivity variable is identical to the gross domestic product per capita, namely labor productivity (Figure 2) is well above the average variable Norway. Regarding the variable occupancy rate is observed that there are values out of print. From these results we can emphasize that Norway, a country belonging to the Scandinavian model, performs well above the average European social models.

Figure no. 1. Diagram box plot for variable gross domestic product per capita



Source: SPSS

Figure no. 2. Diagram box plot for variable labor productivity



Source: SPSS

The analysis of the correlation between GDP per capita and labor productivity show that has been achieved Pearson correlation coefficient equal to 0.813, suggesting that between variables there is a direct, strong correlation, because the coefficient is almost equal to 1 (value of a perfect correlation). Testing the significance of the correlation coefficient by using the t-test is performed. The value of Sig. appropriate, equal to 0.000, highlights that yielded a correlation coefficient of 0.000 significant at a threshold, means that 100% between the two variables there is a significant correlation.

Table no. 2. The Pearson Correlation

Correlations				
		Gross domestic product per capita	Labor productivity	The employment rate
Gross domestic product per capita	Pearson Correlation	1	.813**	.771**
	Sig. (2-tailed)		.000	.001
	Sum of Squares and Cross-products	6135647155.429	6579559.514	1874776.48
	Covariance	471972858.110	506119.963	144213.576
	N	14	14	14
Labor productivity	Pearson Correlation	.813**	1	.566*
	Sig. (2-tailed)	.000		.035

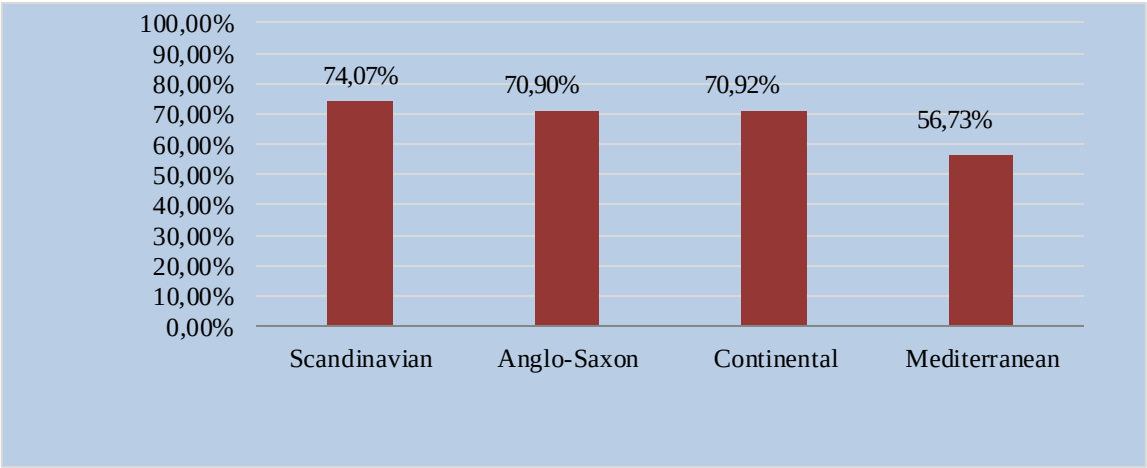
Correlations				
		Gross domestic product per capita	Labor productivity	The employment rate
	Sum of Squares and Cross-products	6579559.514	10681.752	1815.328
	Covariance	506119.963	821.673	139.641
	N	14	14	14
The employment rate	Pearson Correlation	.771**	.566*	1
	Sig. (2-tailed)	.001	.035	
	Sum of Squares and Cross-products	1874776.486	1815.328	964.672
	Covariance	144213.576	139.641	74.206
	N	14	14	14

Source: author calculations

The relationship between GDP per capita and the employment rate, included in the Table 2, gave the Pearson correlation coefficient equal to 0.771, suggesting that there is a direct correlation between variables, strong Sig value appropriate equal to 0.001, highlighted that yielded a correlation coefficient of 0.000 significant at a threshold, means that 99.99% between the two variables there is a significant correlation.

Following the results, it can be said that the employment rate and labor productivity explains the economic performance of European social models based on GDP per capita. These results confirm the main assumption of the paper, that emphasize the link between the social indicators and the financial ones.

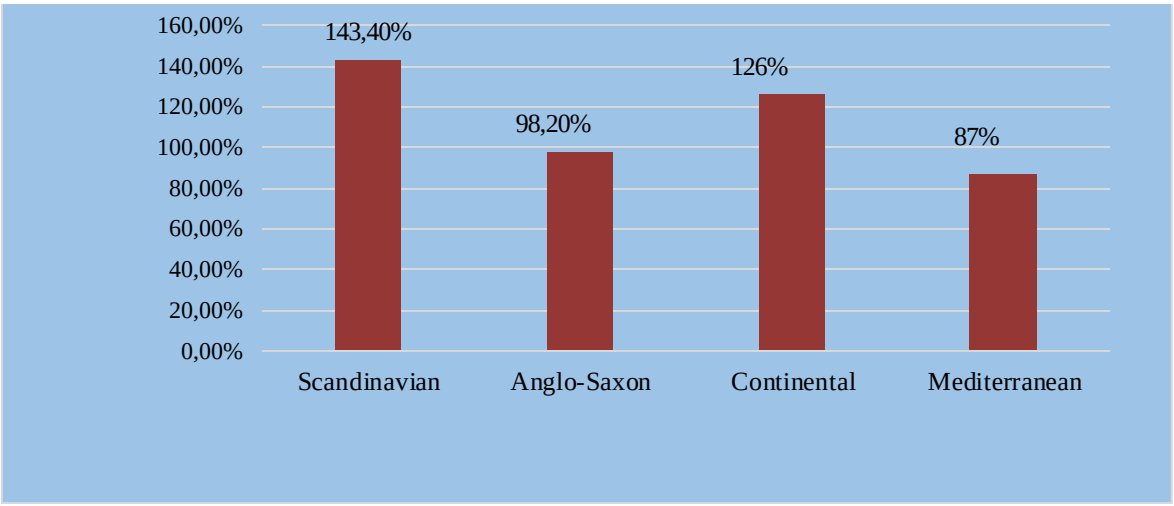
Figure no. 3. Performance ranking based on average occupancy rate in 2014 for each model



Source: author calculation

Thus, we see that most of the sample, 8 states of the total 14 countries analyzed, records a GDP value below average. At the other extreme, were recorded values higher than the average of 14 countries, namely Sweden, Denmark, Norway, the Netherlands and Switzerland. It is obvious that the Scandinavian model has the highest performance in terms of GDP per capita, as it is reflected in the Figure no. 3, followed by the Anglo-Saxon model. According to the same figure, the Mediterranean model is at the bottom of the ranking, with a total performance of 56,73%.

Figure no. 4. Hierarchy of performance based on average labor productivity for each model, 2014



Source: author calculation

An analysis of the average values of the variables labor productivity and the employment rate highlights the hierarchy of European social models based on performance, according to the Figure 4. Thus, the first place is occupied by the Scandinavian model which is leading to both chapters, the employment rate and the labor productivity. At the opposite extreme is the Mediterranean model record lows for both variables.

4. Conclusions

The study provides an overview on how the European social models can be ranked. Throughout the analysis we have seen that the Scandinavian model is far more efficient than other models. Social policies could be a positive and effective response to the failures of the market economy. But such measures could prove harmful if social policies are not distributing aid targeted. States that belong to underperform models should draw inspiration from the policies adopted by the Scandinavian countries. It has been proven over time that investment in education is the pillar for economic growth on the long term. It is true that the effects of such a policy is emerging after decades of the measures, but the results will be as expected. The European context prove the structural weaknesses of the global realm, suggesting in the same time the main actions to design a sustainable and smart economy. Thus, the Europe 2020 strategy meet the requirements of both financial and social performance, being a common agenda that involve different needs of the Member States through the human capital.

5. References

1. The European Commission, 2010. *Europe 2020. A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020 final, Brussels.
2. Pasimeni, P., 2013. The Europe 2020 index. *Social Indicators Research*, vol. 110(2), pp. 613–635.
3. Kedaitis, V., and Kedaitiene, A., 2014. External dimension of the Europe 2020 strategy. *Procedia - Social and Behavioral Sciences*, vol. 110, pp. 700 – 709
4. Eurostat, [online] Available at: http://ec.europa.eu/eurostat [Accessed 20 June 2016].