

A New Perspective of the Welfare State in the European Context

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Abstract

The economic environment is facing various challenges in an internationalized context, creating the premises for new structural reforms in the global management. Knowing the deficiencies of the past experiences, the main challenge is to create a unique model of development that should sustain both the social welfare and the economic progress. This paper is based on the assumption that a standard social model can only provide fragmentary results and can lead to a dysfunctional economic relationships.

The main outcomes of this paper sustain the idea of improving the major indicators of the welfare state only after a proper adjustment of the social economic models to the national context. Starting from a structured comparative analysis of the major economic social models, the paper will outline the evidence that a complete model for the welfare state is a composite structure, involving both budgetary and social indicators.

Key words: welfare state, social economic models, Europe

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1. Introduction

The current evolution of the European states is facing various challenges, from high rates of unemployment, demographic problems and environmental issues to low rates of economic growth. The European Social Model framework strengthens a continuous debate in the academic perceptions, being considered that it “almost defies definitions” (Canoy and Smith, 2006, p. 314). Valuable approaches have amplified the interaction between the traditional role of the state and the universal values which are put in common in a globalized context. A strong emphasis is also placed to the labor market and the economic performance, being dominated by the indicators related to the social security system. Starting from the assumption that the employment rate is a key factor for the economic growth, generating the main resources in order to reduce poverty, it will be considered the correlation with the total working hours for the analysed countries.

Table no. 1. The European Models

EQUITY	EFFICIENCY		
		Low	High
	High	Continental	Nordics
Low	Mediterraneans	Anglo-Saxons	

Source: (Sapir, 2005, p. 11)

Relying on the working environment, Atkinson sustains his model based on a complex comparison between US and Europe, considering that „the inflexibilities in Europe’s labour market, it is argued, cause higher unemployment, and hence higher benefit costs and a smaller tax base” (2008, p. 6). The paper will support these considerations through a comparative analysis at the European level, outlining in the same time the most performant countries from the main European social models included in the Table 1: the Continental model, the Mediterranean model, the Nordic model and the Anglo-Saxon model (Sapir, 2005, p. 11). Considering this model which

cover both the efficiency and equity values, it can be noticed that the Nordic model is the social system that includes high rates of equity and efficiency, while the countries from the Mediterranean model is characterized by low levels both in equity and efficiency terms.

The actual theoretical welfare state framework reveals that „welfare is improved through economic progress” (Holcombe, 2009, p. 211), leading to a new pattern in the welfare state conceptualization that is significantly influenced by the labor market. Following the same link between the welfare state, the economic performance and the labor market features, the paper will analyse the European countries flexibility to the demographical and financial challenges.

2. Methodological considerations

In order to analyse the relationship established between the economic progress and the labor market indicators, it will be identified the most powerful countries in terms of progress from each European Social model. In accordance with the research conducted by Sapir (2005), the main sample of the paper is divided into the four European models identified in the previous section, considering 14 representative countries for each model: the Continental model (France, Germany, Belgium, Netherlands, Austria and Switzerland), the Mediterranean model (Spain, Italy, Portugal and Greece), the Nordic model (Sweden, Denmark and Norway) and the Anglo-Saxon model (United Kingdom). The sample of countries was extracted in accordance with the economic and social performance, being used significant data provided by the Eurostat database. These four models have different types of welfare strategies with significant results in terms of macro and micro economic indicators. For example, high rates of employment are associated with high rates of labour productivity and with low working time. The extension of the analysis to the economic progress indicators sustain the idea of a correlation between the economic and social progress through the social welfare regimes, but also the adjustment differences in the four European Social models approach.

3. New patterns in the welfare state: the labor market perspective

Today there is a concern that reforms could lead to loss of the variety of acquired benefits. Comparatively few realise that, even without financial and economic challenges, social institutions need to be modernised. Many social systems have failed to respond to new social demands and risks arising from major changes in social, economic and cultural parameters since the inception of the systems.

Table no. 2. The analyzed sample by labor productivity and employment rate, 2014

Number	Country	Employment rate	Labor productivity
1.	Sweden	73.8%	116.1%
2.	Denmark	72.6%	128.6%
3.	Norway	75.8%	185.5%
4.	United Kingdom	70.9%	98.2%
5.	France	63.9%	129%
6.	Germany	72.8%	126.1%
7.	Belgium	61.8%	134.7%
8.	Netherlands	75.1%	128.7%
9.	Austria	72.5%	115.1%
10.	Switzerland	79.4%	120.1%
11.	Spain	56.2%	108%
12.	Italy	57.6%	102.5%
13.	Portugal	61.8%	65.3%
14.	Greece	51.3%	74%

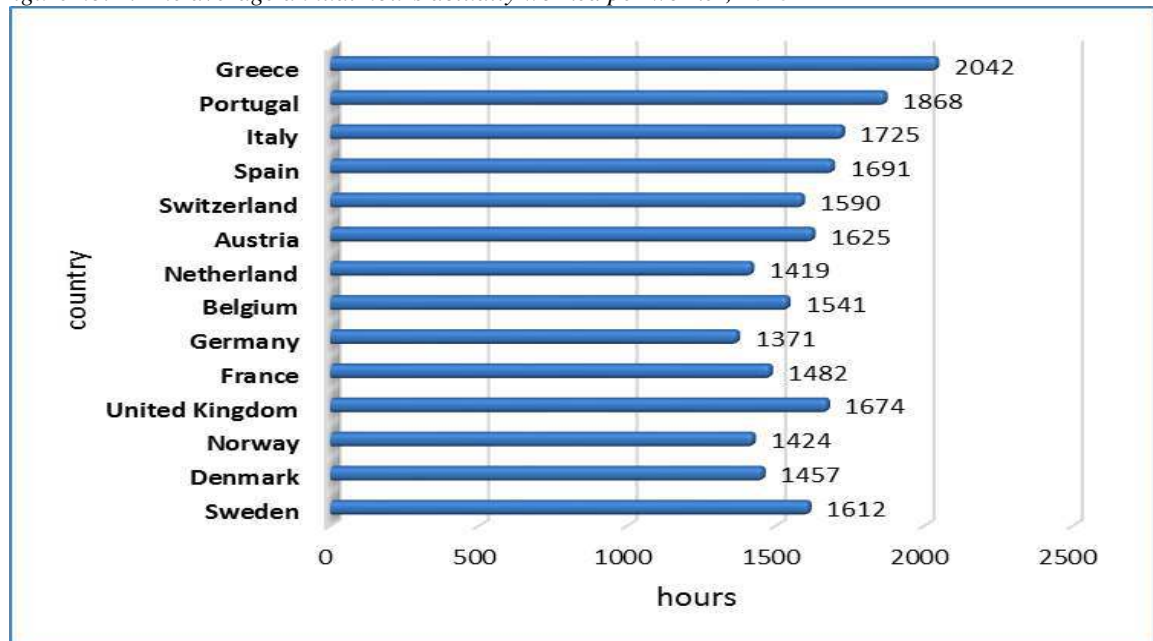
Source: Eurostat, <http://ec.europa.eu/eurostat>

According to the Table 2, an analysis of the average values of the variables labor productivity and employment rate highlights the hierarchy of European social models based on social performance. Thus, the first place is occupied by the Scandinavian model which leads to both chapters, with high employment rate and working force efficiency measured by the labor productivity. At the opposite extreme is the Mediterranean model that record low values for both variables. The employment situation highlights one of the most critical points in the European and national agenda, due to the impact of the human capital for the economic progress. Combining the educational process with the labor market variable, it results a significant advantage for the educated work force in their insertion in the economic sectors.

Moreover, taking into account the related models for the employment rate, the Continental model and the Nordic model are the most efficient, with two countries each in the top four states with higher employment rate. On the other hand, the Mediterranean model has the lowest scores in terms of employment. But the high employment performance of the Switzerland (the Continental model) and Norway (the Nordic model) has different structural basis. While in Switzerland, the activation policies include a good organisation of social assistance and disability insurance, involving key actors in a decentralised set-up, for Norway are important the retirement policies, encouraging senior employment and reducing the sickness absence. It can be summarized that the positive outcomes are dependent of the national context because even if the economic policies focus on the employment priorities, there are different efficient ways to reach the goals.

According to the Table 2, Norway occupies the first place in terms of labor productivity, suggesting a correlation between the analyzed variables. Surprisingly, the models of Belgium and France are in contrast with such a finding, proving that even if these countries report average employment rates, this situation is not translated in the labor productivity indicators. For Belgium, for example, the labor productivity is linked to the total number of hours worked by worker per year. Considering this hypothesis, it can be mentioned that according to the data form the Figure 1 provided by OECD, Belgium has 1541 average hours of worked by workers in 2015.

Figure no. 1. The average annual hours actually worked per worker, 2015



Source: OECD, <https://stats.oecd.org/Index.aspx?DataSetCode=ANHRS>

A contrasting situation is also observed in the Greece case, when even if there are 2042 hours/year worked per worker, the country has also the poorest results in terms of labor productivity and employment rate. These circumstances can be related to the economic situation of Greece in the recent years, which is facing deep structural changes due to the financial downturns. Considering the GDP per capita in 2015 according to the UNCTAD database system, it was noticed

that the Scandinavian model is the most performant, followed by the Continental model, while the countries from the Mediterranean model are at the bottom of the ranking. According to this criterion, Norway is in the top of the ranking with 77894 US Dollars at current prices per capita, followed by Denmark with 51766 US Dollars per capita and Sweden, with 49419 US Dollars per capita.

On the other hand, the roles of women and men have changed, in both their private and their public lives (two-wage earner families, family breakdowns, single mothers, higher cost of children). It is necessary to adapt the existing social institutions by considering the actual risks people face today and those that they will face in the future. The most striking example concerns the lack of consideration given to changes in family functions and structures. As a result, most of the European social systems inherited from the postwar era failed to account for the home and care work as women were becoming full participants in the labour market. Hence fertility rates are below the renewal level in most Member States as parents cannot afford and/or cope with having children and a labour participation of women at the edge of the labour market.

The modern welfare state institutions were designed to deal with the challenges of growing industrial economies, facing various risks that have also changed. The transformation of production modes in the structural evolution to a post-industrial society yields faster obsolescence of skills, discontinuity in professional careers, labour market demands for women's participation, part-time work and short-term contracts. Greater competition creates a need for more mobility and flexibility of workers and firms. Technological advances imply improved productivity, instant communication, the rise of the service economy, development of a knowledge society, new demands on democratic systems. On the other hand, demographic evolutions lead to ageing and a multicultural composition of societies.

4. Conclusions

This paper has emphasized the deficiencies in the welfare state approach, due to the fact that a unique European Social Model can not deny the real national problems that nations are facing. The main assumption of this paper has suggested a clear correlation between economic and social performance, the labor market providing a new way of understanding the welfare state through the working force. Results have outlined the efficiency of the Scandinavian and the Continental model, strengthening in the same time the differences in relation with the national context. Thus, the analyzed countries have adopted various measures to obtain the economic progress, even if the labor indicators were common points in their strategic policies.

The analysis highlights the composite structure of welfare state, being influenced by two major pillars: the financial constraints and the social demands. In line of these results is also the confirmed hypothesis that as a successful new model must be obtained only after a mixture of features from models specified in the present analysis: the Continental model, the Nordic model, the Mediterranean model and the Anglo-saxon model. But a successful new model should articulate more on the national characteristics, integrating practices from every social model, in order to obtain an optimal welfare state.

5. References

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