



# European Social Model(s)?

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## Introduction

The European Social model is a common vision European States have for a society, which presents *high living standards, economic growth* and *good working conditions*.

Such a vision was manifested in a Treaty of the European Community and included certain social objectives to be aimed for. Among them are promotion of employment, proper social protections, improved living and working conditions, dialogue between management and labor, the development of human resources with a view to lasting high employment and the combating the exclusion.

We base our argument mainly on the work, written by Andre Sapir in 2005, called "*Globalization and the Reform of European Social Models*", stating that "the notion of the one coherent European Social System is misleading". There are in reality four different European social models, which by their significant distinction present an obstacle for Europe to be competitive on a global arena in face of globalization, technological progress and dynamic economic change.

## Characteristics

### Nordic

Denmark, Finland, Sweden, the Netherlands

- The highest levels of social protection expenditures based on "citizenship";
- Universal welfare provision
- Strong labour unions ensure highly compressed wage structures;
- Rapid reinsertion of the unemployed into the labour market
- High tax wage

### Anglo-Saxon

Ireland and the United Kingdom

- Weak labour unions
- Wide and increasing wage dispersion
- High incidence of low-pay employment
- Social assistance of last resort
- Cash transfers oriented to people in working age
- Active labour market policies

### Continental

Austria, Belgium, France, Germany, Luxembourg

- Higher share of the expenditures are devoted to pensions
- Trade-unions have important decision-making power in collective agreement
- Rely extensively on insurance-based, non-employment benefits and old-age pensions

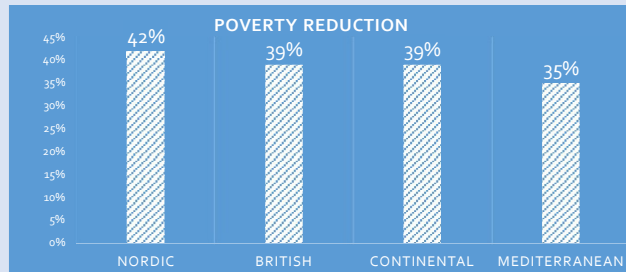
### Mediterranean

Greece, Italy, Portugal, Spain

- Concentrate their social spending on old-age pensions
- Low level of social assistance
- Rigid employment protection legislation
- Frequent resort to early retirement
- Wage structure covered by collective bargaining and strongly compressed

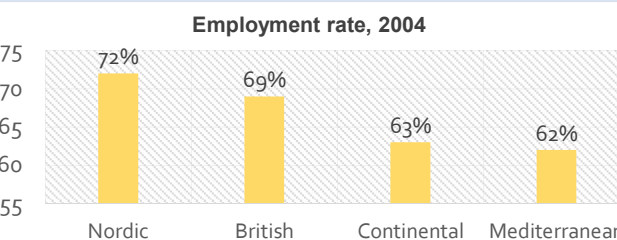
1. **Efficiency:** highest employment rate
2. **Equity:** low poverty risk + social inclusion

1. Reduction in poverty
2. Protection against labor market risks
3. Rewards for labor participation



As the graph above shows, **reduction of income inequality and poverty** is highest in Nordic countries with 42% of reduction of inequality, the lowest in Mediterranean with 35%. Anglo-Saxon and Continental countries are in the middle and have succeeded to reduce poverty by 39%.

**Employment rates** are much higher in Nordic and Anglo-Saxon countries (72% and 69%), than in Continental and Mediterranean (63% and 62%). There is a great difference between them in the age spectrum too. "For workers aged 55-64, the employment rate is considerably higher in Nordic (56%) and Anglo-Saxon (53%) countries than in continental (34%) and Mediterranean (40%) countries. For workers aged 15-24, the unemployment rate is significantly lower in Nordic (13%) and Anglo-Saxon (10%) countries than in continental (17%) and Mediterranean (22%) countries." (Sapir, 2005)



**Protection against uninsurable labour market risk** may be implemented through employment protection legislation (EPL) or through unemployment benefits (UB). EPL protects those, who already have a job and do not present a tax burden, while UB insure population as a whole and provided by the tax on those, who employed. "Having a generous unemployment insurance system reduces the need for firing restrictions, and vice versa." Nordic model provides generous UB, while EPL is not efficient enough. The British model has the lowest level of EPL, however provides as much unemployment insurance, as Nordic model. Continental countries have rather generous UB together with rather strict EPL. Mediterranean model is characterized by very strict EPL, but UB are implemented poorly.

## Efficiency

	low	high
Equity	Continental Mediterranean	Nordic Anglo-Saxon

According to Sapir, models that are not equitable can perfectly be sustainable, given they are efficient. Then, both Nordic and Anglo-Saxon models are sustainable, while Continental and Mediterranean models are not and must be reformed.

## Conclusion

The European social model is a historic attempt to combine equal opportunity (equity) and economic growth (efficiency). We have argued that there is no one European model. Instead, there are four social models, disparities of which have been increased due to the economic crisis and the austerity measures implemented to safeguard the stability of public budgets (Frazer et al., 2014; European Commission, 2017a).

As Sapir suggests, the Single Market and an active competition policy are the cornerstone of efforts at EU level to improve the functioning of markets and, thereby, Europe's capability to respond to the challenges of globalization and technological change. Thus, it would be wise to concentrate on completing the Single Market Project, since it has never actually been fully implemented. Tools for that may be more opportunity for companies to enter new markets, more retraining of labour, greater reliance on market financing and, the most important, less investment into agriculture, while more investment in both research and development and higher education. Sapir also suggests, the liberalization of labour markets is crucial, should the EU aim for higher growth.

Finally, service markets should be opened up, as a part of a Lisbon agenda, for they account for 70% of European economic activity and therefore would the greater opportunity for employment growth.

Hence, in order for citizens of the EU to enjoy globalization and technologic change, EU reforms of labour market and national reforms of social policies should take place.

## References

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