

THE EUROPEAN SOCIAL MODEL

Raluca Bughea*

Abstract

The European Social Model is a fundamental part of what Europe stands for, but a very important issue to know is that this model is not only European, not wholly social and not a model. The European Social Model is not limited to social policy in the narrow sense: welfare, healthcare, pensions, but it includes also employment policy such as labour market rules, equality policies, benefit rules. The European Social Model is only possible because Europeans accept the importance of the state.

The European Social Model is a fundamental part of what Europe stands for, but a very important issue to know is that this model is not only European, not wholly social and not a model. A *model* is a notion often developed in order to explain what one is not, rather than what one is. The European Social Model is seen as a political counterweight to the European Union fiscal rules limiting excessive government deficits. The European Social Model is not limited to social policy in the narrow sense: welfare, healthcare, pensions, but it includes also employment policy such as labour market rules, equality policies, benefit rules. And finally, the word “European” in European Social Model does have another dimension – the institutional one. Values and principles alone are important but not sufficient for effective action, there is also need for institution and rules to implement them. The European Social Model is only possible because Europeans accept the importance of the state.

What is means European Social Model? On one hand means having effective welfare institutions, limiting inequality, on the other means a community of values, an expression of the common characteristics of national welfare systems present in Europe. The Nice European Council of December 2000 elaborated a definition: “The European Social Model, characterized in particular by systems that offer a high level of social protection, by the importance of social dialogue and by services of general interest covering activities vital for social cohesion, is today based, beyond the diversity of Member States’ social systems, on a common core of values.”

The European Union has driven forward the European Social Model to make this continent a space of prosperity and social progress, and the solidarity

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and social justice are at the base of European integration since its beginnings. The Treaty of Rome made the achievement of equal pay for equal work one of the primary objectives of the Community. Nonetheless, the “European Social Model” as a concept began to develop precisely when the Anglo-American counter-revolution was beginning. The term “social cohesion” was used for the first time in the Single European Act (1987) at the insistence of poorer states and it referred to regional inequality, and only subsequently acquiring its connection to problems within existing societies. In 1989, the Charter of Fundamental Social Rights was adopted, establishing rights in relation to freedom of movement, employment and remuneration, improvement of living and working conditions, social protection, vocational training, equal treatment for men and women, the protection of children and adolescents, rights for elderly persons and disabled persons.

The European Social Model ensures universal protection against social risks such as unemployment, illness, poverty, or old age, through redistributory policies and insurance-based systems.

A lot of people think that the European Social Model is currently under great strain, or even failing. Some of the problems are internal, or at most only loosely connected with wider transformations that happens in the whole world such as demographic changes, especially the ageing population, the issue of pensions, decline of birth rates. There are also some other problems related family – there are more and more one-parent families than before, and more women and children are living in poverty.

Dysfunctional labour market and social policies are not only a threat to globalization and Single Market, but also endanger the currency union. Any European country is bound to suffer from structural changes caused by enlargement, globalization or technological progress, if its markets are inflexible and do not allow the necessary transfer of resources across sectors or regions.

There are some good reasons that support the conclusion regarding the sustainability of the European Model has become more and more questionable.

European Social Model is not a unitary concept, but is a mixture of values – protecting the most vulnerable citizens through active social intervention, accomplishments and aspirations. European Social Model has different institutional paths as *the continental path*, *the British path*, *the Nordic path*, *the Mediterranean path* and *the Central and Eastern European path*.

The *Nordic path* (Denmark, Finland, Sweden and Netherlands) it has often been described as a classical social democratic system. It is designed to provide a universal, high level of social protection – equality in high standards – rather than aiming to provide only for minimum needs. These countries feature the highest levels of social protection expenditures and universal welfare provision. There is extensive fiscal intervention in labour markets based on a variety of active policy instruments, and also the unions are strong ensuring highly compressed wage structures. There is generally a high level of services and benefits, giving low-

income and disadvantaged citizens the same quality of rights as higher income and privileged citizens. Work and welfare are strongly related, because financing the welfare system is strongly dependent on full employment and social safety nets include strong incentives to work. The Nordic countries are in last years in the top of the best performing economies in the world.

The British path (Ireland and United Kingdom) has its roots in the reform strategy implemented by the Labour government in the end of the 1940s and feature relatively large social assistance of the last resort. On the labour market side, this path/model is characterized by a mixture of weak unions, comparatively wide and increasing wage dispersion and relatively high incidence of low-pay employment. The UK's first minimum wage was introduced in 1997 and has risen above inflation to lift low-earners out of working poverty. Pensioner households are no longer at risk of poverty thanks to an increase in the minimum pension guarantee, among other measures. The tax-financed welfare state in the UK is not as extensive and universal as in the Nordic countries and more experimentation has been undertaken with the involvement of the private sector in the provision of public goods. The UK is moving towards a dual-earner family model, with higher gender equality.

The continental path (Austria, Belgium, France, Germany and Luxembourg) rely extensively on insurance-based, non-employment benefits and old-age pensions. Its roots are in the Bismarkian policies for workers and it has been described as a corporatist system. Non-governmental and para-state organization are involved in public service, social insurance organization and delivery. The continental path is historically very much centred on the idea of the male-breadwinner family, in which men work and women are staying home, taking care of the family. There are some differences between the countries regarding unionization and social dialogue – France has the lowest level in Europe, whereas the other countries have far higher levels and strong social dialogue. Also in the provision of child care there is far higher in Belgium, France and Netherlands than in Germany or Austria.

The Mediterranean path (Greece, Italy, Portugal and Spain) is characterized by a lesser role for the welfare state and centred on the premise of the male-breadwinner family. Their social spending is concentrated on old-age pensions and allow for a high segmentation of entitlements and status. The state and the economy are highly clientalistic, which can exclude the least advantaged. Their social welfare systems typically draw on employment protection and early retirement provisions to exempt segments of the working age population from participation in the labour market. Trade unions density is generally lower and social dialogue more conflictual than in the continental or Nordic countries.

The Central and Eastern European path is characterized by the recent past of these countries, their communist past. All of these countries shared a

highly collectivist welfare state, in which universal welfare rights were the rule. The condition for iN

International Monetary Fund (IMF) and World Bank loans was implementation of Washington Consensus – which consisted of establishing a free market economy with minimal state management or institutions. The result has been a sharp rise in inequality and a weakening of welfare state. Upon the opening of negotiations for European Union membership, they have worked to incorporate elements of the European Social Model, including an effective role for the welfare state in raising social and environmental standards.

As a conclusion the experiences of social policies during the first decades of the 20th century in Europe underline the important role of informal systems for income security and personal services at low levels of economic development. A very important role in public sector in Europe is played by social transfers in protecting citizens against risks; social transfers include pensions, disability and sickness schemes, unemployment benefits. This is one of the principal tools for ensuring inclusiveness in European societies and a main feature for European Social Model. European Union is facing with challenges as unification, globalization and demography that's way is necessary better economic, social and environmental policies to make European society inclusive and sustainable.

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