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ECONOMIC PERFORMANCE ANALYSIS OF EUROPEAN SOCIAL MODELS

Constantin SCHIPOR[1]
[1]Ph.D. student University "Alexandru Ioan Cuza", Doctoral School of Economics and Business Administration, constantin.schipor@ymail.com

Abstract:*The European economy faces many problems in the management of micro and macroeconomic aggregates. Over time, in Europe, have arose many European economic models that attempted to explain the efficient functioning of an economic mechanism. Most often many of these models have failed, but it seems that there is still one social welfare model desired by all economic agents operating throughout Europe.The hypothesis of the research assumes that the Scandinavian model is efficient, while Anglo-Saxon model, Continental and Mediterranean are inefficient. The purpose of this study is to highlight the efficient organization of Scandinavian model in relation to the other three. A high employment rate and productivity levels well above the European average places Scandinavia as the best economic model. The results are extracted from the application of statistical descriptive methods and correlation analysis.*
Keywords: *labor productivity, employment rate, economic performance, Pearson correlation coefficient.*

INTRODUCTION

The European Social Model is a generic name used to describe the diverse European experience regarding the simultaneous promotion of sustainable economic growth and social cohesion. Knowing past mistakes and learning from them, we have the chance to take right decisions for the present and future. Given the challenges posed by the current global economic crisis, it becomes necessary impetuous the concern about finding solutions to overcome this and to ensuring the prerequisites for healthy economic growth and sustainable development capable of ensuring the welfare and efficient business environment.
Although in what is understood today by the European social model, social systems differ relatively widely in terms of structure and volume of social spending and target groups of revenue transfers, however, we can talk about the coexistence of four distinct groups of countries with relatively similar social practices.
Scandinavian model is one of the most comprehensive, with high emphasis on redistribution, social integration and universality. These goals are pursued through a strong infrastructure of social services, designed to be both very high quality and very affordable. The dependence of the individual upon the labor market is the lowest. Unemployment benefits are characterized by a high rate of reintegration into employment and healthcare is provided through income redistribution obtained from the tax system. Taxation is progressive and includes elements of property tax, while business taxes are quite low.
The continental model deals employment as the basis of social transfers and benefits register a moderate level and are closely linked with the income. In agreement with these social transfers are made from contributions by employees and employers. Efforts to redistribute the tax system are less pronounced than in the Scandinavian countries and the charging system contains regressive elements (taxing higher income and consumption). Social partners play an important role in industrial relations and wage bargaining is centralized.
Anglo-Saxon liberal model focuses on the individual responsibility for himself and the labor market is not regulated. Social transfers are much smaller than other models, but more focussed. Consequently, social policies serving, typically to low-income social classes.
The latest model is the Mediterranean with a strong family feature. In Mediterranean countries, social transfers are lower than the other European countries. The low level of transfers is partly offset by the strong support of family networks. Families still play a significant role in providing safety and shelter.
The study of the economic performance of social welfare models from Europe is imperative because it provides real results which can help researchers to describe a truly viable model. The analysis explains the influence of labor productivity and employment rate over the economic performance of social welfare models in Europe. In other words, this scientific approach examines the dependent variable economic performance in terms of two independent quantitative variables employment and labor productivity.

MATERIALS AND METHODS USED

The population analyzed in this study is as follows: the Scandinavian model (Sweden, Denmark, Norway), the Anglo-Saxon model (United Kingdom), Continental model (France, Germany, Belgium, Netherlands, Austria and Switzerland), Mediterranean model (Spain , Italy, Portugal and Greece). In order to perform the analysis we selected two independent variables, namely employment and labor productivity, and a dependent variable gross product per capita. The dependent variable is actually the one that ranks every model performance. The values of these variables are listed in Table 1, as follows:

Table 1

Number criterion	Country	Employment rate	Labour productivity
1.	Sweden	73.8%	116.1%
2.	Denmark	72.6%	128.6%
3.	Norway	75.8%	185.5%
4.	Great Britan	70.9%	98.2%
5.	France	63.9%	129%
6.	Germany	72.8%	126.1%
7.	Belgium	61.8%	134.7%
8.	Netherland	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

The methods used in the analysis are descriptive statistics and correlation. Results of the analysis will be supported by studies of other researchers, who have an important contribution to the European social economic models.

RESULTS

The first step of the analysis is to identify the outliners and to calculate the degree of correlation between the dependent variable and the independent variables.
After analyzing the existence of the outliners for variable gross domestic product per capita is observed that there is an outlier exiting in the pattern, namely gross domestic per capita of Norway. The labor productivity variable results are identical, namely labor productivity in Norway is well above the average of the variable. Regarding the variable employment rate is observed that aren’t values out of patern. From these results we can highlight the fact that Norway, which belongs to the Scandinavian model, has performce well above the average of the European social models.
The analysis of the correlation between gross domestic product per capita and labour productivity shows that the Pearson correlation coefficient has a value of 0.813, which is suggesting that there is a direct strong correlation between

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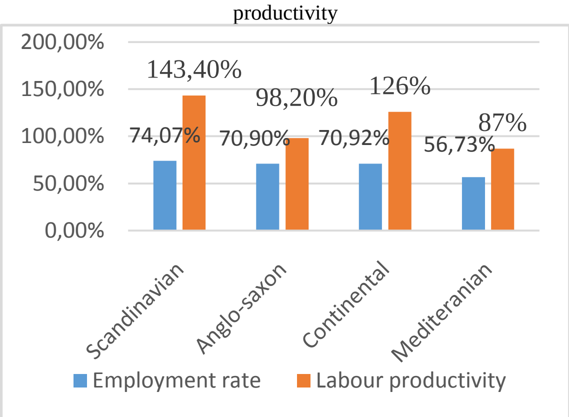
variables, because the coefficient is very close to 1 (the value is corresponding to a perfect correlation).
The significance of the correlation coefficient is performed using the t-test. The value of Sig. 0.000 obtained indicates with 100% conffidence that between the two variables there is a significant correlation.
The relationship between gross domestic product per capita and employment rate achieved a Pearson correlation coefficient equal to 0.771, suggesting that there is a direct strong correlation between variables.After testing the significance it was obtained a Sig. value equal with 0.001,and now we can say with 99.99% confidance that between the two variables there is a significant correlation.
Considering the resuls we can say that employment rate and labor productivity explains the economic performance of European social models based on gross domestic product per capita.
Thus, we see that most of the countries analyzed, more specific 8 of 14 register a gross domestic product below the average of the entire population. At the other extreme, the values register a gross domestic product over the average value, in this case are 5 of the 14 countries, namely Sweden, Denmark, Norway, Netherland and Switzerland. It is obvious that the Scandinavian model has the highest performance in terms of gross domestic product per capita.

Figure 1 Performance based on the employment rate and labor productivity



Source: Own calculations

An analysis of the average values of the variables labor productivity and employment rate highlights the hierarchy of European social models based on performance. Thus, the first place is occupied by the Scandinavian model which leads to both chapters, both the employment rate and labor productivity. At the opposite extreme is Mediterranean model that record low values for both variables.
The results are reinforced by other studies, such as Andre Sapir in the article "Globalization and the Reform of European social models". The author builds a matrix based on efficiency and equity.

Figure 2 Typology of European social models

		Efficiency	
		Low	**High**
Equity	**High**	Continental	Nordic
	Low	Mediterranin	Anglo-saxon

Source: Andre Sapir (2006)

The results show that only the Scandinavian model is at the confluence of fairness and efficient, which reinforces the hypothesis of the study.
The graph above also draws attention to the sustainability of social models. The models that are not effective will fail to secure a high employment rate and will not able to cope constraints that globalization, technological change and aging populations impose to public finances. On the other hand, models that do not provide a high degree of fairness may prove to be unsustainable.
Regardless the position in the hierarchy, each model faces a number of difficulties. The Scandinavian welfare states are undoubtedly expensive in terms of revenue requirements.The main difficulty confronting the Scandinavian model is that financing the welfare state is made more difficult due to high capital mobility, the fiscal and budgetary constraints that European monetary integration impose, and increased political tax resistance.
The Anglo-Saxon experience has sacrificed egalitarian goals for the sake of jobs and budgetary restraint. The model rejects the pursuit of greater equality via redistribution on moral grounds. The central solution is to promote more earnings income via employment.
The Continental and Mediterianan welfare states have many similarities. Here, a main obstacle to private job growth lies in high wage floors – largely created by very high fixed labour costs. At the same time, public employment is constrained by the fiscal burden of supporting a very large inactive population.
As defined by Aiginger-Guger (2005), outlining the European model is based on analysis of the following terms: responsibility, reglementation and redistribution.
Regarding the responsibility, the society assumes individual welfare and reduces individual risks, such as poverty prevention, social aid in case of illness, disability, unemployment, old age. Society also must support and encourage education, health and family.
Regarding the regulation, this term refers to the fact that labor relations are institutionalized, based on social dialogue, are negotiated under legal regulations in the field of labor law and collective agreements.
The redistribution of income between social classes during life: social assistance and social services. These three characteristics reflect the fact that the European model is more than a social model, viewed narrowly. It influences the production, employment of labor, productivity and economic growth, competitiveness, all economic policy objectives overall.

CONCLUSIONS

The study provides an overview of how the European social models can be ranked. We can see from the analisys 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 politicsmeasures could be harmful if the distribution of social benefits is not targeted. States belonging to less efficient models should inspire from Scandinavian Countries.
I conclude by pointing out that the results shouldbe considered to streamline the employment rate and labor productivity indicators, which will increase economic performance in the European social models.
Information extracted from the analysis 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 the optimization of the labor market, to develop social protection only for people who can not work, togrow nominal wage, and hence the real one. Only this way can lead to a truly sustainable social welfare state.
The reform of these models does not necesarily mean their extinction, but transformation towards increasing efficiency, possibly by adopting features of Nordic and Anglo-Saxon models, adapted to the own population. While the commitments towards employment policy coordination at European level are in force, labor market reforms and social fields must be designed and implemented in each member state in accordance with its economic situation, social and political.Coordination is useful as far as it is limited to the exchange of best practices, in order to avoid the transfer of responsibility between national and EU authorities.
In conclusion, there is a strong need for reforming European labour market and social policies, especially in continental and

Mediterranean countries. There are two reasons for focusing on these two groups of countries. First, in many of them the welfare state system has become highly inefficient. By relying on strict employment protection laws at a time of rapid change when old jobs and practices are no longer warranted, it discourages adaptation to change.

The priorities of the European Strategy 2020 should contribute to enhancing European competitiveness by continuing the removal of barriers on the Single European Market, encouraging and supporting investments to increase the innovation sector. Data points out that many countries still need to take action to improve the basic requirements of competitiveness, such as institutional foundations and infrastructure. Also, they must improve the market efficiency, technological training and the skills level.

The strong performance of the Scandinavian countries alongside their generous social security systems has prompted economists to examine the Scandinavian model of growth as an alternative approach to development.Countries which have higher tax burdens due to more social welfare spending, such as Scandinavian countries, Denmark, Norway and Sweden, have also grownto become the richest countries in the world on a per capita basis.The Scandinavian model therefore suggests that the so-called European model of social securities provision is not in conflict with economic growth.

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