

The European Social Model – or the one American Way?

ELM Session #3

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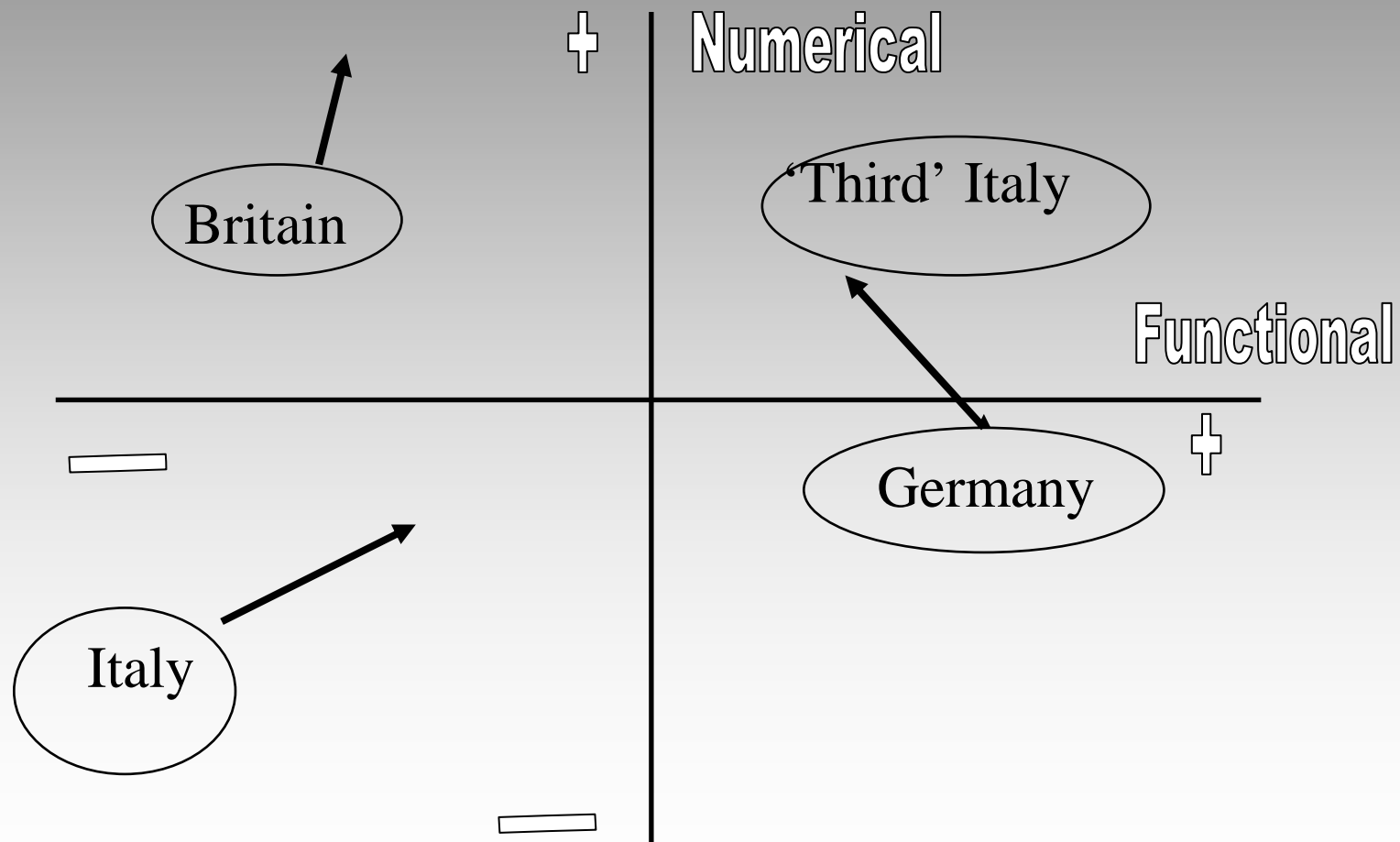
Overview

- Greater flexibility?
- European Social Model
- Challenges to European Social Model

Regulation issues

- Regulation by
 - » State
 - » Formal associations
 - » Informal norms
- Trade offs:
 - » Numerical versus functional flexibility
 - » Flexibility on all dimensions

Greater flexibility



Flexibility and poverty

Employment, poverty and labour market regulation in the mid 1990s

	Employ- ment rate (% pop 15- 64)	FTE employment rate (% pop 15-64)	Poverty all individu (50% mean)	Poverty working age (new, 50% mean)	EPL Ranking
	(1)	(2)	(3)	(4)	(5)
DK	73.4	66.8	7.7	9.2	5
Ger (w)	64.6	59.7	12.7	12.0	15
F	59.5	56.5	12.8	12.0	14
Ire	54.4	50.8	18.7	14.8	na
Italy	50.8	49.5	19.7	18.7	21
NL	64.5	51.4	8.1	8.0	9
S	69.9	63.9	12.4	11.6	13
UK	68.5	59.2	19.1	15.3	7
Pearson corr with (1)		0.877356	-0.6311	-0.58786	-0.85694

Flexibility and job quality

Job quality indicators

(Pay)

Stress

Training

Control over working hours

Participation

Promotion routes

All (except pay?) lower in non-standard jobs

BUT starter jobs?

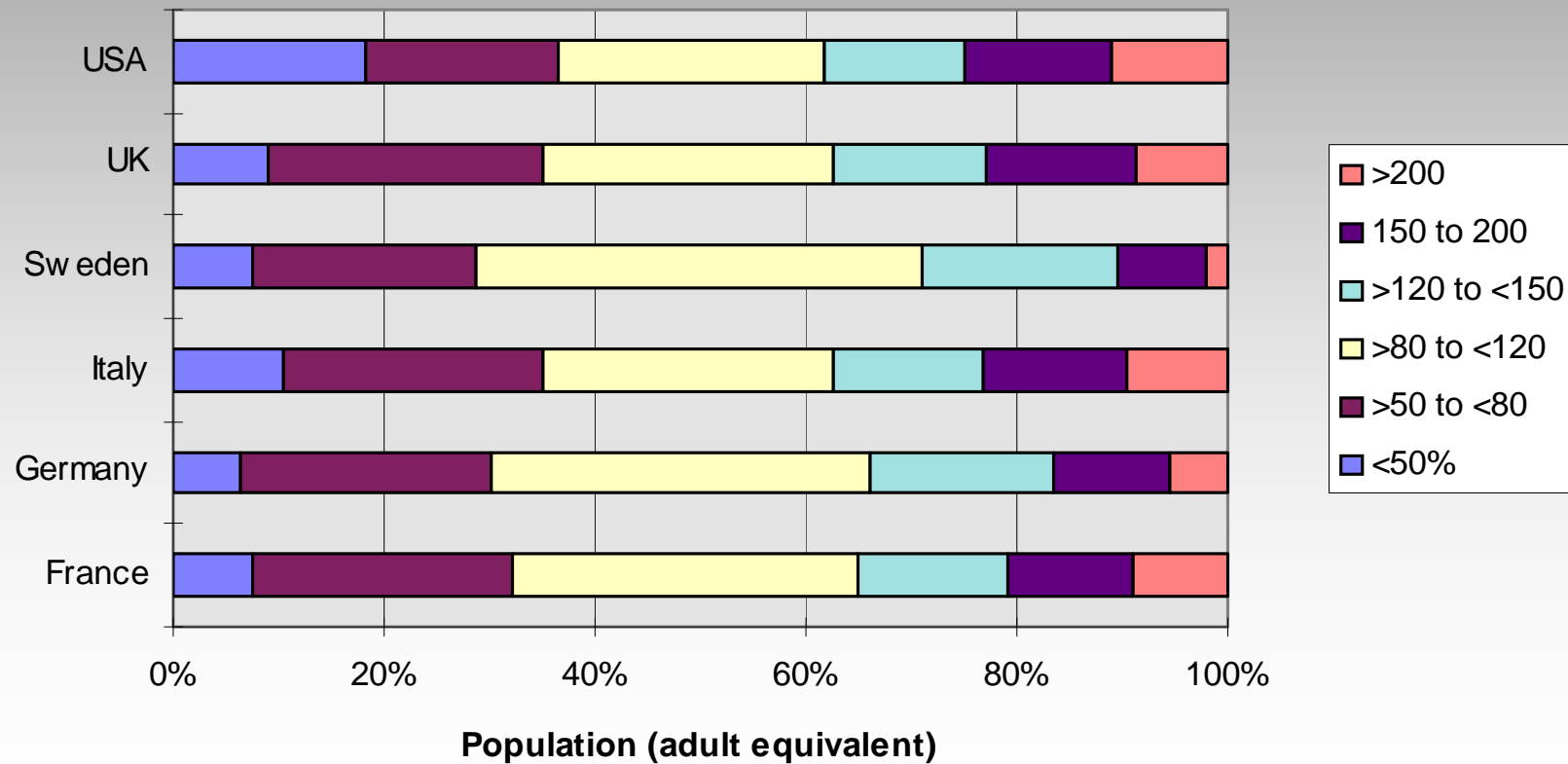
A European Social Model

- **Relative** social equality
- Welfare state
- Economic citizenship

BUT part of nation states more than EU

Income Inequality

Proportion of Population in Income Bands



Attitudes to inequality

	Swe	Ger	Aus	NZ	Can	USA
'It is the responsibility of the government to reduce the differences between people with high incomes and those with low incomes' (% agreeing)	53.7	65.5	42.6	53.1	47.9	38.3
Legitimate income difference between 'unskilled factory worker' (income=100) and 'Chairman of a large national company'	239	711	480	419	512	1,114

Welfare states

- Social citizenship
 - » Rights to education, housing, income support, care...
- Varieties of welfare states
 - » Social democratic
 - » Corporatist
 - » Liberal (including USA?)
 - » Mediterranean (?)

Economic citizenship

- Regulation of employment
 - » Health and safety
 - » Protection against discrimination
 - » Working hours
- Rights to representation
 - » Trade unions (membership / bargaining)
 - » Works councils (EWC, Betriebsrat)
 - » Co-determination (Aufsichtsrat)

Backbone state

‘This social capability is supported by a conception of the **public realm** whose underwriting of public science, public transport, public art, public networks, public health, public broadcasting, public knowledge and the wider public interest gives European civilization its unique character while offering many of its enterprises **competitive advantage**.’ (Hutton, 2002: 258-259).

Challenges to the European Social Model

- Numerical flexibility
 - » Bad jobs and/or poverty?
 - » Fragmenting the workforce?
- Privatisation of state services
 - » Undermine trade unions?
 - » Undermine citizenship?

Blocked Societies?

- France, Germany and (especially) Italy
- Wide belief that change needed, but inability to achieve it
- Insider/outsider labour markets
 - » Those with permanent employment protected, but extensive unemployment and marginalised short term employment
- Crisis in higher education
 - » Low expenditure on Research & Development (R&D)
 - » Low returns to education since qualifications disconnected from labour market
 - » No selection for third level, so universal low quality
 - » Rely exclusively on limited state funding, state control
 - » Flight of best students and researchers ('Brain Drain')
 - » Change through Bologna Process?

Flexicurity

- Right to employment, not to specific job
 - » Low employment protection against dismissal
 - Limited restrictions on non-standard work (part-time work, temporary contracts, agency work)
 - » Denmark as example: low poverty rate, high turnover, easy dismissal
- High state support for unemployed but conditional on 'activation'
- Active Labour Market Policies
 - » Counselling
 - » Training
- Conclusion: Successful, expensive, replicable?
 - » Assumes that supply side problems decisive
 - » Requires effective state and social consensus
 - » Scandinavian countries can build on long traditions of social consensus, effective state, but also life long learning, trade union support of structural change and effectively policed minimum wages and working conditions.