

**THE DEFENCE OF THE EUROPEAN VALUES AND SOCIAL MODEL BEFORE  
THE CHALLENGE OF GLOBALIZATION**

**Luís PALMA MARTOS**

Universidad de Sevilla

Sevilla, Spain

*lpalma@us.es*

**Abstract**

*This paper has a clear objective. To reflect about the question: Is the Social Europe fit for globalization? This reflection will be organized in three parts. In first we present the institutional framework of reference: The Welfare State. In the second we try to offer a panoramic about the Welfare State in the European Union across the time. We deal with the concept of European Social model and with the social statistics of the different Member States in the E.U. We try to answer to another intermediate question: do exist really the European Social Model?*

*The third part of the paper we deal with the main question: the Social Europe and the globalization challenge.*

**Keywords:** European integration, social model, welfare state, globalization

**JEL classification:** A13, A14, P36

**1. INTRODUCTION**

The work whose introduction we are about to start is to offer a general view of the current situation of the Welfare States in the countries of the European Union, outlining the characteristics of the so-called European Social Model. This fortunate term was first suggested by Jacques Delors during the 80's on the twentieth century in order to distinguish the typical features of the European social policies from the States' model.

The enlargement of the European Union up to 27 countries has marked a historical milestone which has significantly changed the processes of divergence between Member States, originally expressed as a goal with no deadline. Its economics aspects were later specified in the Treaty of Maastricht, which led to the Economic and Monetary Union and the origin of the Euro as single currency. Nothing similar has happened at the social field. Social policy is a key on the real configuration of the Welfare States and is still a competence of the Member States. Its approach should be found through the coordination of the different national policies. This Fact brought Ferrera (2000) to describe the field of social policy as an “institutional dwarf” in the European Union.

The study we are introducing will enable the gauging of the great divergence that Member States show on welfare spending and its functions. This requires a classification of

the Welfare States into different sub models, so that we could better understand the peculiarities of the different realities that form this almost unmanageable European Union of 27 members.

Además, desde hace más de treinta años, se ha suscitado una crítica al Estado del Bienestar como configuración institucional, por considerarlo ineficiente en el exigente contexto de la globalización, apareciendo voces que alertan de la esclerosis europea para competir en ese nuevo escenario, voces que señalan a los gastos del modelo social como responsables de esta falta de dinamismo de las economías europeas frente a otros modelos como el de los Estados Unidos o Japón. Moreover, some critics to the welfare state model as an institutional arrangement dates back to more than 30 years ago, as it was considered inefficient in the demanding globalization context.

It is probably true that more catastrophic forecast were laid aside by historical facts and also that the current debate about the reorientation of the Welfare State has become more pragmatic, or as it was mentioned by Lopez Gandía and Ochoa Claramunt (2005, p.9), less ideological and theoretical.

It is a fact that the dismantling of the Welfare State was not carried out in any European country. But some new ways of financing, management and social protection are being sought to guarantee the political and economic feasibility of the system and to improve its results in terms of efficiency.

So we found a configuration, consolidation and crisis process that we should analyze to finally outline the elements that might be included in the policies that will redefine and preserve this virtuous institutional structure, which for a long period of the recent history managed to join efficiency and social cohesion, still current objectives in actual societies.

We have tackled the stated subjects in the way it is now explained. Firstly we have a look having a look to the historical and institutional basis that has contributed to establish the Welfare States. Together with the basis we are analyzing which are the main features and the pillars of the classical Welfare State, an institutional structure consolidated in the 1960's of the twentieth century.

We have pointed before the critics at this institutional arrangement and its reforming tendencies. The fourth section deals with the analysis of the explicative factors of this attitude change faced with the Welfare State in the doctrinal as in the political field.

The fifth section is the most important one. A general view of the social policy and the main elements of the Welfare States in the European Union is there presented. It begins with a classification of the current social models in Europe in four sub models: Nordic, Anglo-Saxon, Continental and Mediterranean and their main features. Afterwards we outline a quantitative approximation using the statistics of Eurostat. Then we carry out the analysis of the social spending from different points of view and the financing of the different systems of social protection, as they are indexes that synthesize the basic features of the European social model.

The last section is about the challenges that this social model is to face as well as the reforms brought up in view of the so announced crisis of the Welfare States. The study ends with the exposition of a series of conclusion as a summary of the main issues.

## **2. THE WELFARE STATE AS AN INSTITUTIONAL FRAMEWORK OF REFERENCE WELFARE STATES' MAIN FEATURES AND PILLARS**

### *2.1 Main Features*

As a result of the foundations analyzed in previous section, we could distinguish two main features of the Welfare State. First we have what Anisi (1989) calls "Keynesian Pact". This pact is based on the fact that economic growth is inclusive in relation with the working class. This means, there is an economic growing process in which forced unemployment does not appear in the system. Therefore employment creation becomes an essential element of the growing process. The tacit nature "pact" comes from the fact that this reality is assumed as an inspiring principle of the social model by workers, business people and the State.

The second main feature does not have an economic nature, but social: a set of minimum social services from the public sector is guaranteed to the citizens.

Three main pillars hold up the Welfare State from these two main features.

### *2.2. Three Pillars*

#### *2.2.1. Full Employment*

It is important to highlight the guarantee of full employment from the public sector as first pillar and essential part in the arrangement of Welfare States. Keynes's General Theory presented, as we could have seen before, the necessary intellectual arguments for a crucial intervention in that moment: to eradicate unemployment blot from the system, the worst consequence of the markets' functioning without the necessary corrections by the public sector.

A Welfare State can not be understood with a high involuntary unemployment, because it means an intolerable abandonment of the guarantee function the State had.

Below we focus on the causes of the Welfare State's crisis and the fact that this pillar was the first to weaken by a new theoretical liberal-style paradigm.

#### *2.2.2. Universal and Public Provision of Social Services*

The guarantee of a set of minimum social services provided by public sector is specified in the universal and public provision of this set of services, from health, education and pensions, to the care of dependent people or housing.

After World War II, Welfare States could be regarded according to the social democrat institutional model, distinguished by the universality principle, a wide range of good quality social services, a strong influence of the public production of those services and their financing by means of general taxes (Muñoz de Bustillo, 2000, p.41). It is also true that each country has been shaping its own services offer depending of the socioeconomic process of development, but not until the 1980s can we talk about an extension process of those services. This second pillar has been sustained since that moment to the present. In countries like Spain which has a later developed Welfare State, the services it includes have enlarged from the 1980s. At the beginning of the twenty first century it is observed a light weakening of the basic features of this pillar.

### 2.2.3. *Alert Faced with Alineation and Poverty: Guarantee of a Minimum Standard of Living*

This third pillar has been a key element in the configuration of the Welfare States after the war. It is about not tolerating alienation and poverty situations that can affect the society with unforeseeable consequences<sup>1</sup>. Minimum income policies and poverty prevention policies in its different kinds and causes has become a basic pillar in the classic Welfare State.

The deep social shifts currently taking place as ageing of population, fragility of familiar structure, boom of migrations... are causing a new outbreak of alienation and poverty and past policies are no longer successful. In fact, the number of marginalized and poor people has increased, which becomes a challenge for the system's stability.

Therefore these three pillars have sustain the Welfare State better or worse since the middle of the twentieth century, but now, in the first decade of the twenty first century, they seem to be weakening with no remedy and without an equivalent alternative solid model. The model which seems to decline is what Bauman (2002, p.16. In Bauman and Tester, 2002) calls "modern ethics" and "modern order" and leads in his reform to a "post-modern order". The change from one order to the other will be distinguished by:

"the change from normative regulation to seduction, from political planning to public relations, from obligation to advertising. I think that what supports all these changes is the fact that centralized and closely administrated bodies that used to be in charge of social integration have transfer this task to <market strength>, basically unfocussed and with a lack of coordination."

As Bauman thinks, we are in a post-modern or a "liquid modernity" period, defined as "the modernity less its dreams" (Bauman, 2002, p.106. In Bauman and Tester, 2002). In this current state of modern disappointment Abunda Bruckner (2003, p.195) states:

"Civilization creates as much suffering as it relieves. Not only do we feel its rules hard, when welfare *is set up as a rule, becomes adversity even more unbearable. Modernity does not disappoint for its failure but for having too much success*".

## 3. A GENERAL VIEW TO SOCIAL POLICIES AND WELFARE STATES OF THE EUROPEAN UNION

We have been speaking about the Welfare State in general and comparing it to a model of homogeneous features that could be recognized in any Member State of the European Union. This styling is just a rough approach to a very diverse and complex reality, moreover now after the enlargement of Europe. To enrich the vision of the social Europe we could start offering a classification of the different Welfare States corresponding to the EU-15 countries in four social models.

### 3.1. *Four Current Social Models in the European Union*

Boeri (2002) offers the following classification we are setting out.

#### 3.1.1. *The Nordic Model (Finland, Sweden and Denmark)*

The Nordic model is characterised by five features. First a wide universal provision of public services by the state. Second, it is important to highlight that high level of social protection is achieved by a high fiscal pressure. Third is highly interventionist on working markets. Intervention swings around three axes: a major importance of active policies, a

wide use of tax incentives and a high rate of public employment. Fourth, we find high rates of activity, both in case of men and women. Some time ago this countries achieved the activity rates marked out as objective at the Lisbon Strategy. Fifth, labour markets present compressed wage structure which is favourable to social cohesion.

### *3.1.2. Anglo-Saxon Model (United Kingdom and Ireland)*

This model has been formed in its current features from de so called “*new Labour Movement*” inspired in Giddens’ (1999) *third way* theory, promoted by Prime Minister Tony Blair on the United Kingdom. We could highlight six different features. As for provision of social services, Anglo-Saxon model seems to be generous, although it does not present the universality feature of the Nordic model. Its basic objective is to guarantee a minimum standard of living. It is about reducing the impact of some situations that could cause poverty, as illness, ageing or unemployment. In this model’s context social contribution is important, because they are a key source of funding for the system. On the contrary, fiscal pressure and public spending have kept in relatively low levels. Public employment can also be considered as reduced. Finally we can highlight the relative weakness of trade unions caused by Mrs. Thatcher at the *conservative revolution* period, as well as the important wage dispersion in the pay scales.

### *3.1.3. Continental Model (France, Germany, Belgium, Holland, Luxemburg and Austria)*

The continental model is the most widespread in the central European countries and it is basically based in a social security system, not necessarily linked to employment. This model includes a pension system, retirement pensions as well as disability allowance, which is really important. The existence of a high welfare spending, leaving a limited role to market can be pointed out as main feature that we will see on section 5.3. in more detail. Benefits are usually linked to income and are mainly financed by social contributions. Finally we have to mention the noteworthy importance of collective bargaining in the structure of labour relations.

### *3.1.4. Mediterranean Model (Italy, Greece, Portugal and Spain)*

This model is visible in south Europe countries and it is characterized by a strong protective regulation of employment. During the last years a strong encouragement of early retirement was observed in labour market. Relatively low unemployment benefits and an important segmentation of wage structure are also observed in the context of the labour market. Trade unions still have an important influence in labour relations and in collective bargaining processes.

Social spending concentrates on retirement pensions. In contrast, Spending on family protection is meagre. Families bear with an extra burden in social protection tasks. In the cases of Greece, Portugal and Spain, which come from conservative dictatorships and have a short development of the Welfare State, a clear exploitation of women can be added to this extra burden (Navarro, 2006).

Concerning to financing of social protection systems, a slowly substitution of social contribution for general taxes, moreover on sanitary systems, can be also observed.

### 3.2. Efficiency and Equality in the European Social Models

Safir (2005) has classified the four models analyzed before from two variables, efficiency and equity, inherent in all of them. In table 1 we can see that the Nordic model presents the best record, as it joins high efficiency and equity. In the cases of Anglo-Saxon and continental models a trade-off is produced between equity and efficiency. Incapacity to reach simultaneous high records in both variables determines: a commitment for efficiency in the Anglo-Saxon case and higher attention to equity in the continental model. The Mediterranean model, with low records on efficiency and equity should be widely reformed as it presents a clearly negative situation.

Table no. 1

		Efficiency	
		High	Low
Equity	High	Nordic	Continental
	Low	Anglo-Saxon	Mediterranean

Source: [Safir (2005)]

### 3.3. European Social Model Concept

The expression *European social model* was firstly used in the 1980s by Jacques Delors, who was president of the European commission at that time, to identify the main features of European policies in contrast to the United State's model. These policies tried with reasonable success to combine economic development and social progress. In this sense, a social spending as higher GDP percentage than in other current models in OECD countries not from the European Union, with the dispersion we will see now, is observed in countries of the European Union. We are going to use some data to outline this characteristic profile of the European social model and the noticeable differences we are going to see between Member States.

#### 3.3.1. A Quantitative Aproximation to the European Social Model

We are going to deal with this quantitative approximation focusing on four vectors: social spending as a percentage of GDP, the same social spending but per capita in purchasing power parity, the functions in which this social spending is distributed, the percentage of the total social spending and finally the financing sources of social protection systems.

##### 3.3.1.1. Social Spending as Percentage of GDP (1975-2006)

Table 2 shows a general view of the evolution of social spending in some countries of the UE-27. The period included goes from 1975 to 2006, except for the countries having

joined the EU later. In this way, Portugal shows data from 1995 and from the countries of the 2004 and 2007 enlargements we only have data from the year 2000.

Table no. 2 Social spending as percentage of GDP

Country	1975	1985	1995	2000	2004	2006
Czech Rep.	-	-	-	19.5	19.6	18.7
Germany	27.8	25.8	32.5	29.2	29.5	28.7 <sup>(p)</sup>
Ireland	22.0	25.6	24.1	14.1	17.0	18.2
Greece	10.0	19.5	23.6	25.7	26.0	24.2
Spain	16.2	24.8	26.3	19.7	20.0	20.9 <sup>(p)</sup>
France	26.3	34.2	35.9	29.5	31.2	31.1 <sup>(p)</sup>
Italy	20.6	26.7	28.2	24.7	26.1	26.6 <sup>(p)</sup>
Lithuania	-	-	-	15.8	13.3	13.2 <sup>(p)</sup>
Hungary	-	-	-	19.3	20.7	22.3
Holland	29.3	30.7	32.4	26.4	28.5	29.3 <sup>(p)</sup>
Poland	-	-	-	19.5	20.0	19.2
Portugal	-	-	23.7	21.7	24.9	25.4
Romania	-	-	-	13.2	14.9	14
Slovenia	-	-	-	24.9	24.3	22.8 <sup>(p)</sup>
Sweden	27.4	32.0	39.6	30.7	32.9	30.7 <sup>(p)</sup>
UK	-	20.9	27.1	27.1	26.3	26.4 <sup>(p)</sup>
UE-15	-	-	-	26.9	27.6	27.5 <sup>(p)</sup>
UE-25	-	-	-	26.6	27.3	27 <sup>(p)</sup>
UE-27	-	-	-	-	-	26.9 <sup>(p)</sup>

Source: [Eurostat-Esspros]

The first remark we have is one of a methodological nature, the absence of spending on education in social spending. This spending meant a percentage of 5.2% on GDP in 2004 in UE-15 as well as in UE-27, although Member States present an important dispersion in this sense. In this way, Sweden has a 7.5% of spending in contrast to Greece, 3.9% or Spain 4.3%.

If we stand by the table we can see a growing trend of social spending until the middle of the 90's, except from Ireland. From this moment the trend changes with a generalized fall until the year 2000 in which a new turning point upwards takes place until 2004. Between 2004 and 2006 a light fall takes place, although diversity in performance is significant. In this way, Ireland (which is 9 points under the EU-27 average); Spain (almost 6 points); Italy (on the average), Hungary (almost 5 points); Holland (clearly above the average) and Portugal (a little under the average) alter the general rule. All these countries show a light increase of social spending between 2004 and 2006. This fact allows us to point out other feature which is the strong dispersion of data between countries. The great difference between the 30.7% of Sweden and the 13.2% of Lithuania should reflect the current social model in those countries, which dismisses an easy conception of the European social model, especially in the new Europe.

We should add other typologies to the four models pointed out by Boeri and Sapir, as other newer emerge showing, although vaguely, common features that will enable the formation of other explicative models of the different socioeconomic realities currently in Europe. It is also important to say that according to data from 2004 social protection spending had probably grown under the GDP (Eurostat, 2007a). In general, social protection

spending as percentage of the GDP has been stable since 2003 (Eurostat 2008) both for UE-15 and UE-25.

### 3.3.1.1. Social Protection Spending per Head in Purchasing Power Parity (2006)

The third table shows a new vector to bring us close to those features that can be of help understanding, from a quantitative point of view the European social model concept. The data on the table offer a precise comparison as social protection spending is presented per head purchasing power parity.

Table no. 3 Social protection spending in PPP per head (2006)

HOLLAND	9099.4 (p)	143
SWEDEN	8997.5 (p)	142
FRANCE	8199.8 (p)	129
GERMANY	7705.8 (p)	121
UK	7410.3 (p)	117
UE-15	7277.6 (p)	115
UE-25	6629.7 (p)	104
ITALY	6476.3 (p)	102
UE-27	6349 (p)	100
IRELAND	6320.7	100
GREECE	5525.2	87
SPAIN	5162.7 (p)	81
SLOVENIA	4792.9 (p)	75
PORTUGAL	4450.6	70
CZECH REP.	3439.3	54
HUNGARY	3400.6 (p)	54
POLAND	2373.1	37
LITHUANIA	1770 (p)	27
ROMANIA	1277	20

Source: [Eurostat-Esspros]

We can see again a large dispersion of data: Holland has the highest spending, seven times higher than Romania's, the lowest. It would be really difficult to get round this reality and speak openly of a European social model, formed by equivalent social protection systems. We will see that it is more about sharing values than sharing properly financed institutional designs to meet population's needs. Although a Romanian and a Dutch can share some values, their citizen's rights are completely different.

### 3.3.1.3. Social Spending by Functions (2006)

We have already said that education spending is not on the statistics relating to social spending. The fourth table shows the per cent allocation, by functions of the total social spending, corresponding to 2006. We can see how the weight of the spending in old age and survival pensions is the most important in all countries, except Ireland. We find again dispersion on the values although a bit more nuanced, having excluded Ireland's for being



oddly low and those of Poland and Italy for being oddly high, the distance between the highest, Greece (51.3%) and the lowest, Sweden (40.2%) is a bit more than eleven points.

Table no. 4 Social spending by function (% total social spending) (2006)

Country	Old age/survival	illness/Health	Disability	Family/Childhood	Unemployment	Housing/social excl.
Czech Rep	43.2	34.4	8.6	7.6	3.2	3.1
Germany	44.3 (p)	29.1 (p)	6.2 (p)	11.1 (p)	6.3 (p)	2.9 (p)
Ireland	27.4	41.1	5.4	14.7	7.6	3.9
Greece	51.3	28.7	4.7	6.2	4.3	4.5
Spain	41.3 (p)	31.2 (p)	7.3 (p)	5.7 (p)	12.5 (p)	2.0 (p)
France	44.3 (p)	29.9 (p)	6.1 (p)	8.6 (p)	6.9 (p)	4.3 (p)
Italy	60.5 (p)	26.8 (p)	5.9 (p)	4.5 (p)	2.0 (p)	0.3 (p)
Lithuania	44.8 (p)	32.1 (p)	10.7 (p)	9.0 (p)	1.9 (p)	1.6 (p)
Hungary	42.2	29	9.6	13	3.1	3.0
Holland	41.4 (p)	31.8 (p)	8.5 (p)	5.8 (p)	5.0 (p)	7.5 (p)
Poland	61.1	20.4	9.3	4.4	3.0	1.8
Portugal	49.1	29.2	10	5.1	5.5	1.1
Slovenia	45.4 (p)	32.1 (p)	8.5 (p)	8.6 (p)	3.0 (p)	2.5 (p)
Sweden	40.2 (p)	26 (p)	14.9 (p)	9.8 (p)	5.5 (p)	3.6 (p)
UK	44.7 (p)	31.8 (p)	8.7 (p)	6.1 (p)	2.4 (p)	6.3 (p)
Romania	45.0	34.8	7.4	8.9	2.7	1.2
UE-15	46.0	29.3 (p)	7.4 (p)	8.0 (p)	5.7 (p)	3.6 (p)
UE-27	46.2 (p)	29.2 (p)	7.5 (p)	8.0 (p)	5.6 (p)	3.6 (p)

Source: [Eurostat-Esspros]

After the spending in pensions, next biggest chapter is health. In this case Ireland clearly exceeds the European average (29.2%) with 41.1% and Poland has the lowest percentage 20.4%. We have to highlight that the sum of the two most important chapters, pensions and health, amounts to ca. 75% of total social spending, which makes clear that their importance as key elements on the European Welfare States.

Spending in social protection of disabled people and family tends to be around 16% average, 8% each one, but data show again large distance ones from the others. In the case of disabled allowances Sweden is a clear outlier 14.9%. In the case of family allowances policies some countries stand out as Ireland (14.7%), Germany (11.1%) and some new EU members as Hungary (13%) and Romania (8.9%). It is also important to mention the meagre weight of familiar policy in Spain (5.7%), Italy (4.5%) or Poland (4.4%) all of them with a strong catholic tradition.

Unemployment allowances reach an average of 5.5% in the UE-27, standing out Spain's data (12.5%) and Lithuania (1.9%), the lowest of those on the table. We do not find convergence here either, although maybe employment policies have achieved a better coordination in the European Union.

#### 3.3.1.4. The Financing of Systems of Social Protection (2006)

As we can see on Table 5, the two main sources of social protection systems are state subsidies and social taxes, whether from employers or from employees. Dispersion of data is again the main feature. In this way, state subsidies go from 53.2% in Ireland to 19.6% of Romania and 18.8% in the Czech Republic. As it always happen when we use averages, especially when we talk about UE-27, they say little or hide the reality they try to summarize in a single data. As it was expected the low state contributions correlate with a high share of social contribution in financing.

Table no. 5 Financing of social protection systems (2006)

País	CONTRIBUCIÓN DEL ESTADO	CONTRIBUCIONES SOCIALES	EMPLEADORES	PROTEGIDOS	OTRAS CONTRIBUCIONES
R. Checa	18.8	80.7	53.9	26.4	0.9
Alemania	35.3 (p)	62.7 (p)	35.3 (p)	27.8(p)	1.6 (p)
Irlanda	53.2	40.0	26.2	15.5	5.0
Grecia	31.4	58.4	35.1	22.6	10.9
España	33.9 (p)	64.5 (p)	48.5 (p)	15.4 (p)	2.2 (p)
Francia	30.6 (p)	65.6 (p)	44.7 (p)	20.9 (p)	4.2 (p)
Italia	41.9 (p)	57.0 (p)	41.3 (p)	15.1 (p)	1.6 (p)
Lituania	38.5 (p)	59.9 (p)	54.9 (p)	6.1 (p)	0.5 (p)
Hungría	40.6	57.9	38.6	15.2	5.7
Holanda	20.1 (p)	67.9 (p)	31.8 (p)	37.7 (p)	10.4 (p)
Polonia	33.3	50.4	25.9	22.0	18.8
Portugal	44.1	47.5	30.8	14.5	10.6
Eslovenia	30.7 (p)	67.4 (p)	27.1 (p)	40.8 (p)	1.4 (p)
Suecia	48.9 (p)	49.8 (p)	39.9 (p)	8.9 (p)	2.4 (p)
Reino Unido	50.4 (p)	47.9 (p)	34.2 (p)	13.7 (p)	1.7 (p)
Rumania	19.6	73.3	56.3	13.2	10.8
UE-15	38.0 (p)	58.9 (p)	38.3 (p)	20.7(p)	3.2 (p)
UE-27	37.6 (p)	59.0 (p)	38.2 (p)	20.6 (p)	3.5 (p)

Source: [Eurostat-Esspros]

The fact that social contributions come from two different sources determines once again a mixed range of combinations. The contribution is shared out in a very unequal way among Member States. In the case of Lithuania the 60% is shared out by 54% employers and a 6% employees. The only constant fact, with the exception of Holland and Slovenia, is that employer contributions is higher. In the case of Sweden, so paradigmatic in social policies the sharing of 48,9% social contribution is (39,9% employers and 8,9% employees). Other contributions are just 2,4%.

### 3.3.2. The European Social Model as an Ideal One

From what has already been said we can conclude that *the concept of European social model* presents some difficulties to capture the reality of social protection systems in the Member States of the European Union, even more in the face of the enlargement to 27 countries at the beginning of 2007. Why then is it so much interest in keeping the debate about the concept and outlining its main features?

We are in front of the paradigm of a model to follow in order to combine economic efficiency and social justice (Ferrera et al., 2000; Esping-Andersen, 1999) in the most suitable way. If we come back to the scheme proposed by Sapir (2005) in the first table, we should wonder if we had to identify the Nordic model as the ideal one, as it couples high efficiency with equity and offers a universal system of social security, a fair distribution of income and salaries, an efficient collective bargaining mechanism and a high investment in education and research and development (R&D).

It is paradoxical that the documents which outline the long term European Union's strategy, as those with the objectives of the Lisbon Strategy, have the United States as a reference instead of the countries of the EU which have already achieved the objectives all member states are after to, even when a comparison with the United States is completely inappropriate, because of cultural and economic policy reasons. I will shortly describe three of them. First of all the diverse role of the European Union as an institution versus the Federal

Government, as it has an executive budget of 20% of GDP in the face of the EU with just a 1,1%. This reality makes clear the capacity of political action from one and other governments.

Secondly there is another important divergent element in the objectives pursued by two basic institutions: the Federal Reserve and the European Central Bank. In the case of the latter, their only concern is the control of inflation, concentrating their efforts in this variable, while the Federal Reserve tries to accompany the government's economic policy, in the pursuit of growth, not ignoring the search of price stability.

A third distinctive element is the existence of a Stability and Growing Pact in the EU, which sets restrictions to imbalances as the limit of 3% of GDP for public deficit and 60% of GDP for public debt.

### *3.3.3. The European Social Model as a Group of Values and Common Features*

We have to find a group of values and common features to help us identifying a stylized European social model, from which we could outline different sub-models to explain the wide social and cultural diversity, which is one of the important features of the European reality.

#### *3.3.3.1. Europe's Main Features*

Jürgen Habermas (2006, p. 50) says that during the second half of the twentieth century the Europe on the west side of the Iron Curtain has been developing some recognizable features of a common political mind. In this way the rest of the world notices a European and not a German or French. Habermas states eight main features:

- a) Secularization. Citizens contemplate with suspicion interferences between politics and religion.
- b) Some confidence is given to state organizational and management capacities.
- c) That implies certain scepticism as a third feature. Not a refusal to market role, whose mistakes should be corrected through political initiative;
- d) A very strong feeling to what Habermas calls *Dialectic of Enlightenment*;
- e) although the European understands that technical progress is a key element of economic growth and therefore welfare does not keep unbreakable optimistic expectations in relation to that progress.
- f) Europe has demonstrated a clear preference for security guarantees that the Welfare State provides and social cohesion regulations.
- g) tolerance to violence against people is relatively low.
- h) Europe has expressed a wish to have a multilateral and international order legally regulated. This international order would be associated to the hope of establishing an efficient worldwide policy in a reformed United Nations framework.

#### *3.3.3.2. Common Values*

These European features highlighted by Habermas can be summarized in four common values present in all social assistance and protection systems, social dialogue and labour market. These values are: Freedom, Democracy, Equality and Solidarity.

From these defining features and values that inspire its social dimension, Europe has established some political goals as reduction of poverty and social exclusion, improvement of equality in income distribution, promotion of equal opportunities and establishment of as-

sistance systems able to provide support in order to protect citizens faced with any social eventuality.

*3.3.3.3. Current Features of the Social Model in the European Union. The Social Model as European Political Project.*

The European Commission (2005) stated it considers the basic features of current social models in the EU. They can be grouped into five fields:

- a) Policies are based on solidarity values, cohesion, equal opportunities and fight against discrimination.
- b) Security and health at work policies, universal access to education and health care, quality of life and employment quality, sustainable development and ways for civil society participation are incorporated.
- c) An important public sector.
- d) Enhancement of national systems, at a supra national level, through EU intervention.
- e) Important tradition of social dialogue and establishment of agreements between governments, trade unions and industry.

We previously said that the consolidation of the European social model as an essential element of the European soul has as fundamental goal the promotion of both sustainable economic growing and social cohesion. Different landmarks have taken place in the recent history of Europe having set up a political challenge which has recently lost some strength. We could highlight in this sense the EU council (or Summit?) of Barcelona in March 2002 where it was stated that the European model is based on good economics, a high level of social protection and education and social dialogue.

The European Council of Brussels in March 2004 stated in a similar way some terms that would be reproduced at the European social Agenda, emanated from the European Council of March 2005. It was about achieving a better level and quality of life through strong economic growth, employment creation, social cohesion and environment protection.

In the same line the informal European Council celebrated on 27<sup>th</sup> October 2005 in Hampton Court (Great Britain) highlighted the European dimension of social policies and the common objective of moving towards social justice through a higher economic growth, more employment creation and more flexible social systems.

In July 2008 the European Commission presented a Paper which represents a renovation of the Social Agenda: “Renewed social agenda: Opportunities, access and solidarity in 21st century Europe”. This is a key document to understand the main action lines in the social field in Europe. In this sense the document makes it clear on its 3<sup>rd</sup> page; actions on the social field are first of all Member States’ responsibility, specifying limits to EU’s power on this field.

It is said that this renewed Agenda shouldn’t be limited to traditional domains. It should be transverse and multidimensional, meeting a wide range of fields from labour market policies to education, health, immigration and intercultural dialogue.

The renewed social Agenda established on the Paper is shaped by three concepts: opportunities, access and solidarity. It is said then that the creation of opportunities requires a constant effort to create more and better jobs and to increase welfare.

That means taking barriers down, making mobility easier, fighting against discrimination, strengthen gender equality, helping families and avoiding new ways of social exclusion. Individuals need access to exploit opportunities; access to education, health care

and general interest social services. They should be able to participate and actively integrate themselves in the societies they live. But there are also individuals and regions in Europe that kept out of changes and need some help. This is why solidarity is so important, as it is against poverty and social exclusion.

#### 4. SOCIAL EUROPE AND THE CHALLENGE OF GLOBALIZATION

In a joint survey of the European Commission and the Centre for European Policy Studies (CEPS), March 2008, Begg, Draxles and Mortensen (2008) state that globalization is rather an opportunity for growth than a social threat, although the process may produce winners and losers with severe social results.

They point out the empirical evidence, which we have analyzed in the point 3.3.1., that no demolition of the European social model – institutionally established in the welfare states – has ever happened. It is said the idea that only a free market, putting aside the social agenda, is consistent with sustained prosperity is openly wrong. The EU has small open economies in which high levels of prosperity have been possible also due to large and lavish welfare states.

The survey we are talking about states that globalization is not a zero-sum game. However, it is necessary to point out three issues with the purpose of assessing its benefits and impact:

- a. The benefits are not evenly distributed between individuals, regions and countries.
- b. The costs will probably concentrate in the short term while the benefits will materialize in the long term. As result, the pace of the process is part of the political challenge.
- c. The benefits won't happen automatically but will result from successful adaptation policies; i.e. from reforms in the fields of competitiveness, social regulation, education, research and infra-structures.

Other to be checked put into the Commission survey is that globalization carries out unavoidable adverse consequences. Europeans have pointed out a number of potential threats actually: redistributive impacts, with negative results for some groups and regions; cultural hegemony; environmental damages; political conflicts; instability of public finances; social unrest related to immigration.

In any case those adverse consequences must be nuanced as, at the same time, external positive effects may arise from an increased real income as a result of cheaper imports. Also, the strain on the social budget as a result of the ageing of population would be more intense than those coming from globalization.

The challenges brought about by globalization can be classified into three main groups (Begg *et al.* 2008, p.3):

- a. Equipping the economy to compete. It means to invest in activities with a future and to adapt the EU economy to the requirements regarding climate change, the ageing of population and new competition fronts.
- b. Carrying out adjustments. Economic and social shifts will be necessary bringing about costs and demanding a different resource allocation.
- c. Improving socioeconomic governance. This will require a joint action of the EU and its member states.

The Lisbon Strategy is a response to globalization. Its main goal is to re-accommodate the EU in the world arena. However, it is necessary to clarify that this Strategy has also other key goals as job creation and the assurance of social cohesion.

The Lisbon Strategy intended to growth and employment must be coupled with effective policies to protect the losers of globalization. We mean the policies of skill recycling and other active policies purported to worker re-adaptation. In any case, for those not covered by these measures, it will be necessary to implement modern solidarity policies<sup>ii</sup>.

It has been reiterated, and thus confirmed by the Renewed Agenda on Social Policy, that this is basically a competence of the member states. However, the easiness to carry out the needed adjustments and reforms will be given by the measure in which the member states are able to co-operate both within the EU and in wider fora, with the purpose to avoid a race to the bottom in the environment and social arenas.

Begg et al. (2008, p.4) warn that a fragmentary regulation and the prevalence of national regulations may become a zero-sum game, and even a negative one. On the contrary, an effective coordination process at a EU scale may help to overcome the lack of global trust and reduce that risk. To summarise, the challenge of governance within the EU is to assure that the current processes (Lisbon; Sustainable Development Strategy; Open Method for the Coordination of the Protection and Social Inclusion) are suitable and acceptable for the member states and do not generate any conflict in their goals and guidelines.

May wish to conclude this point with an idea I think is crucial: globalization is not the only reason for the reorientation or reinvention of the welfare state.

To face globalization is just one of the reasons for the needed reorientation on the welfare state and it should go beyond the compensation to those who are supporting the most the cost of the increasing global competition. According to Begg *et al.* (2008, p.5) the core of the responses in social policy issues would be in: education and training, immigration and integration policies, labour market reforms and the redesign of social protection to enhance its activating role.

## 5. CONCLUSIONS

Modern society is the result of a long and successful process that brought it to the institutional configuration we dubbed in this work welfare state. This process reached its highest point in the Europe articulated into the EEC, in the beginning of the 1970s.

In this space and time, the welfare state showed some features that inspired trust: full employment, lavish social services and universal and public, and control of poverty and marginalization.

From the crisis of the 1970s some very diverse transformations took place that finally eroded the foundations of the welfare state representing a fire test its main elements. In the background of this process of critique lays a severe intellectual turnaround in which “the main socializing structures lose their authority, the main ideologies are not longer their vehicle, the historical process don’t mobilize any more, the social ground is already no more than the extension of private life” (Charles, 2007, pp.23-24). This age of vacuum or hyper-modernity (Lipovetsky, 2007) or liquid modernity (Bauman, 2006), is the economical a background of turn back to liberalism, in a historic track both in thought and in the praxis, risky and unable to improve the achievements of modern times, those of the *golden age of growth*, in the middle on the 20<sup>th</sup> century.

In the panoramic view of the European social model offered in this work, we have been able to see how the historic process has been unable to foster the convergence of the social systems of the EU-27, meanwhile it continues enlarging its borders.

The current European political process seems to have put the social dimension in a secondary place, after a peak point in 2005, and after overcoming a paralyzing institutional crisis in 2007. Probably we may point out in the social ground the impulse of the concept of *flexsecurity*<sup>iii</sup> one that should inspire member states' future employment policies, an acrobatic exercise – both in the linguistic and in the political sense – for a like-minded executive and community political atmosphere.

Also, it must be pointed out the impulse in the social field of the EC Communication, July 2008, for the establishment of a Renewed Social Agenda one – as we have stated – being built on the basis of three concepts: opportunity, access and solidarity.

Europe as a homogeneous entity, is something unthinkable beyond the values expressed by Habermas which date back to the 18<sup>th</sup> century Enlightenment. Even thus, we can build a dream generating project requiring high doses of generosity both political and intellectual, in a time in which they are not values on the raise.

In the end of the work we have outlined the challenges facing the model in its current version, with the aim of preserving its most significant and identity features. Sebastien Charles (2007, p.30) expressed the uneasiness of hyper-modern man, a Narcissus living tormented by that worrying:

In the international level terrorism and catastrophes, neoliberal logic and its effects on employment; in the local one, urban pollution, violence in marginalized neighbourhoods; in a personal level anything that weaken body and psychic balance.

Before this reality it is needed a theoretical and smoothing speech. This is, as we know, the demanding endeavour of social scientist, to it we must devote ourselves. The possibility of enjoy civilization and life is at stake.

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- <sup>i</sup> See Galbraith (1992), “La cultura de las satisfacción”  
<sup>ii</sup> v. EC Commission (2008)  
<sup>iii</sup> v. EC Commission (2007)

