



European social models: A short discussion

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A confused discussion

- **“Preserve the European social model”, or**
- **“Give priority to economic efficiency”**

Questions:

- **Is there a European social model? Are the NMS part of it?**
- **Is there a trade-off between economic efficiency and social solidarity?**
- **What are the policy choices?**



Is there a European social model? Are the NSM part of it?

- **Simple indicators from the OECD:**
 - [Public spending](#)
 - [Average tax wedge on low-skill labour](#)
 - [Employment protection legislation](#)
- **Evidence suggests:**
 - There are differences between European and non-European countries
 - But there is wide dispersion within Europe
 - NMS-4 do not differ from EU15



Is there a trade-off?

- **Simple views suggest there is a trade-off between efficiency and solidarity**
- **But is there one?**
- **Most competitive countries in Europe have comprehensive social coverage (Scandinavia)**
- **Need to refine the analysis**



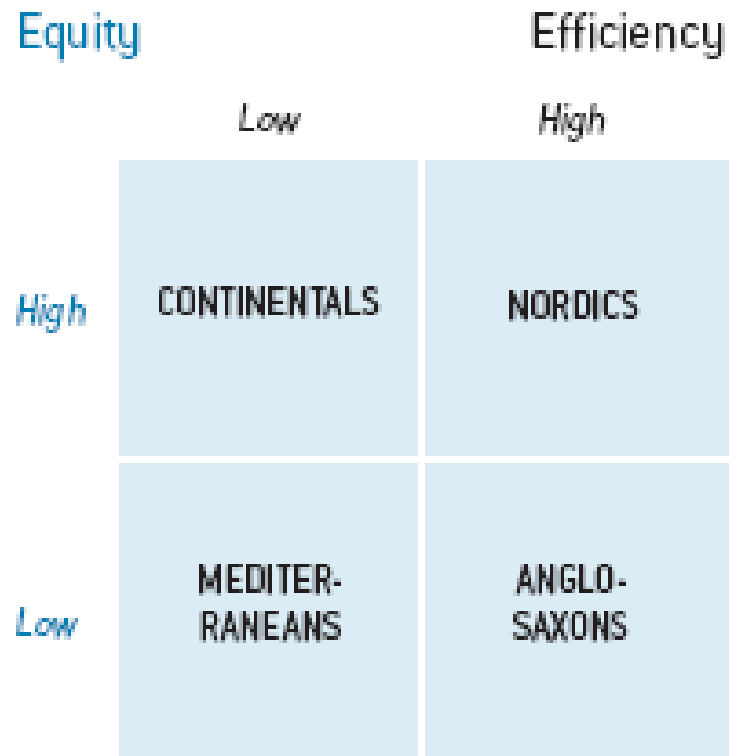
The Analysis of Social Models

- Two dimensions: efficiency and equity
- 4 possibilities:
 - 2 efficient
 - 2 inefficient
- Efficiency not a matter for social choice, but equity is
- Therefore need to move towards efficiency, not to converge

(André Sapir, Bruegel Policy Brief n° 2006-01)

FIGURE 1

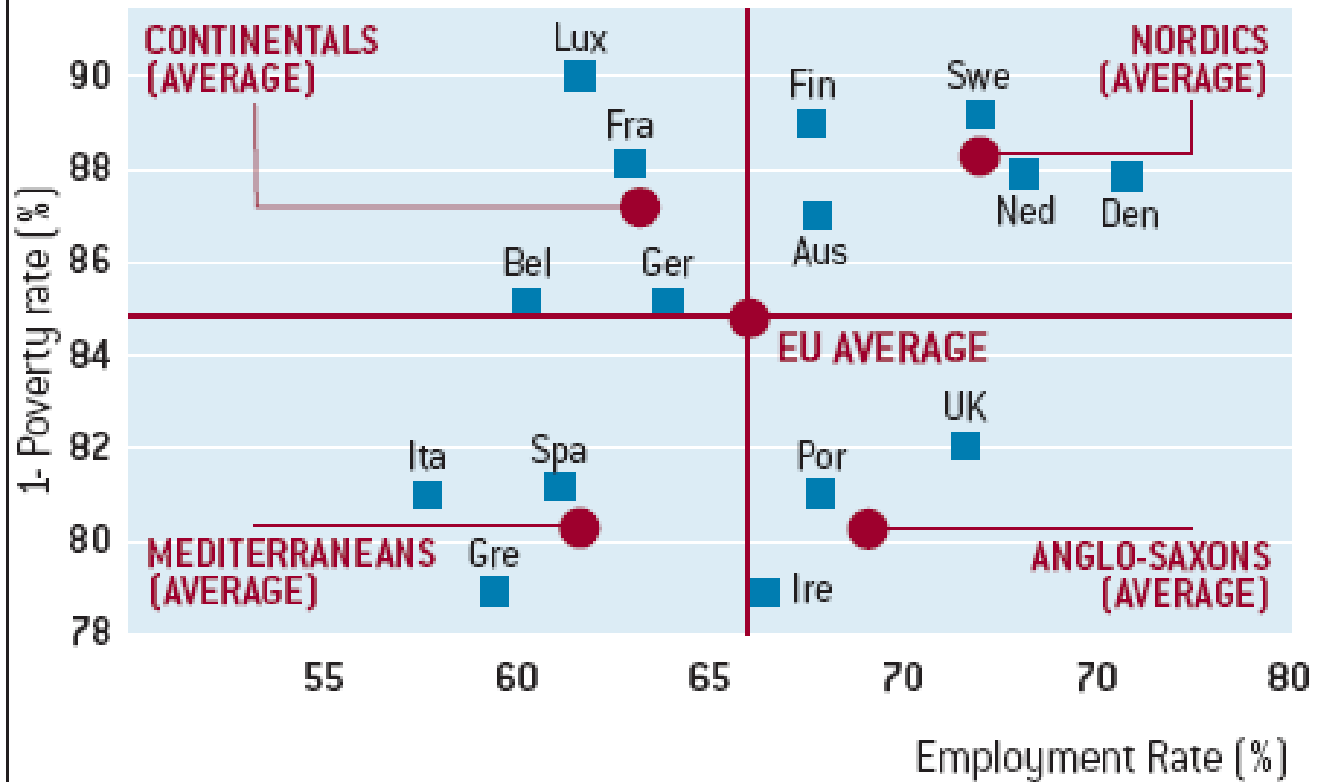
THE FOUR EUROPEAN MODELS A TYPOLOGY





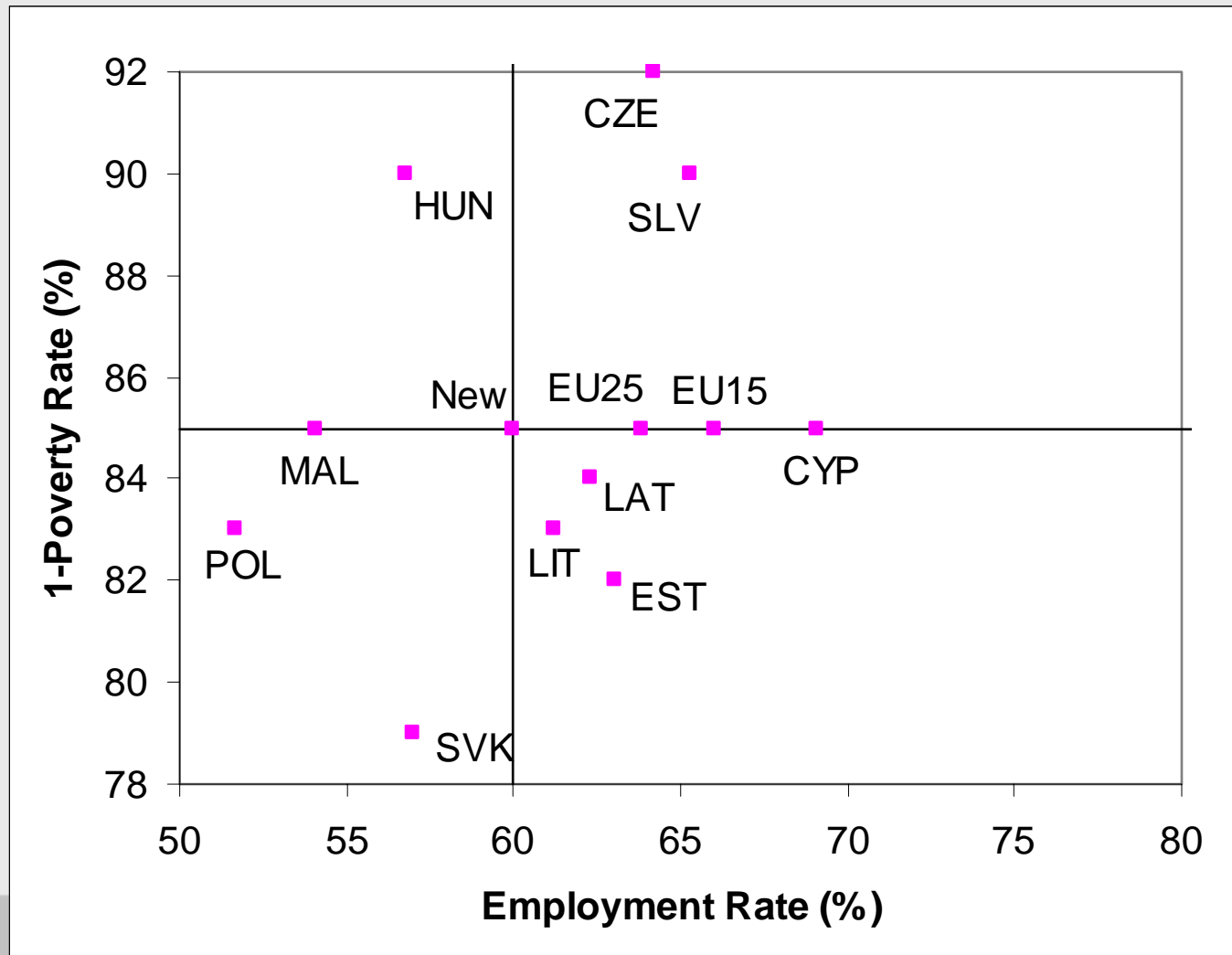
Sapir's mapping

FIGURE 3
EMPLOYMENT RATES AND PROBABILITY OF ESCAPING POVERTY





The analysis applied to the NMS



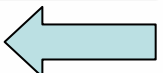
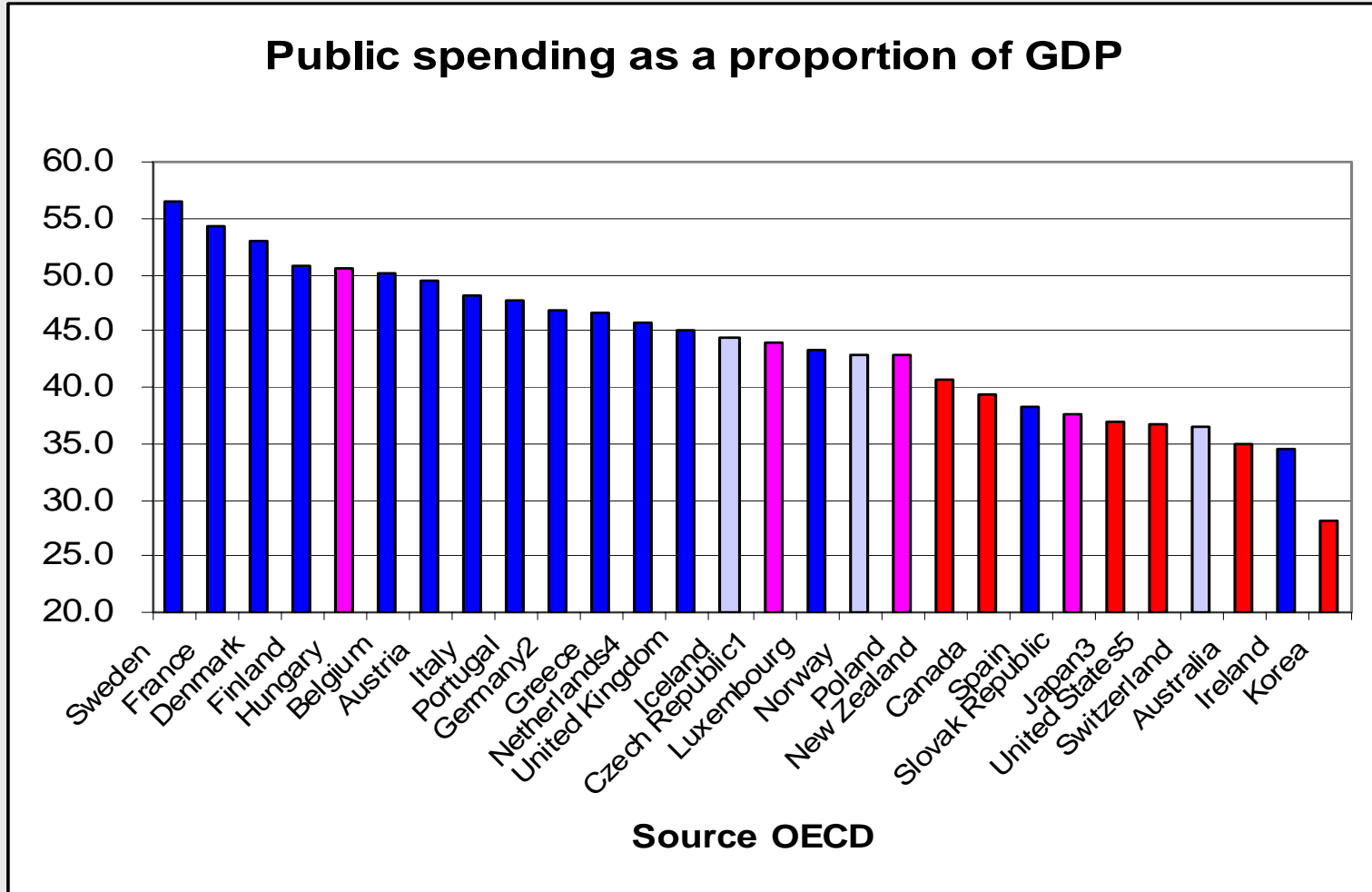


Conclusions

- **There is no single European social model, but variety within the EU**
- **The NMS are not very different from the EU15**
- **Inefficient social models must be reformed**
- **However equity does not imply inefficiency**

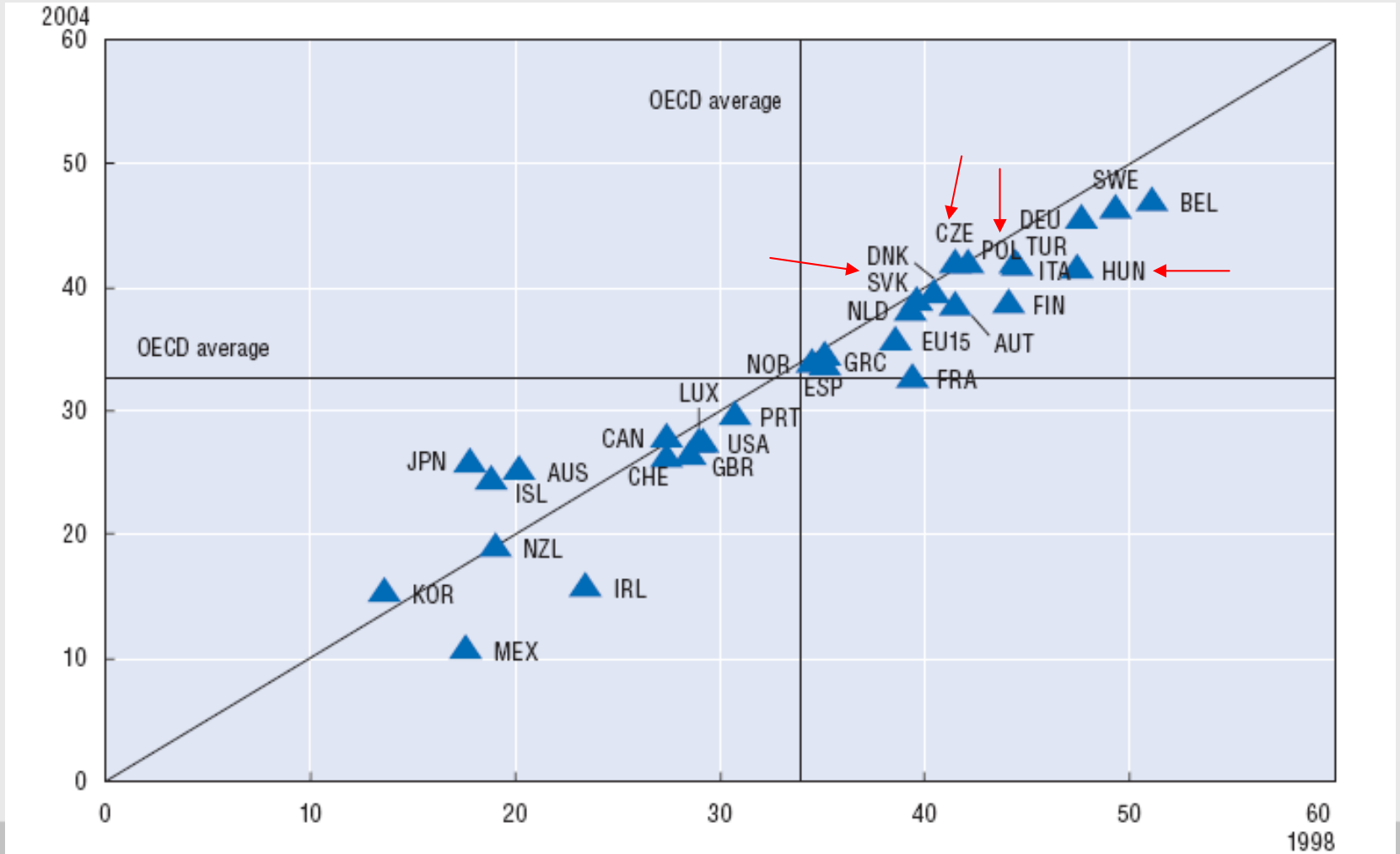


Public spending

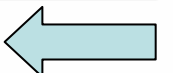




Tax wedge on unskilled labour



Source OECD





Employment protection legislation

A. Restrictiveness of protection legislation on regular employment¹

