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► **To cite this version:**

Marju Medar, Kandela Öun, Merle Loring. Economic growth versus development of social welfare structures in Europe. international Conference "Sustainable economics within the new culture of development", Liège 2011, Sep 2011, Liège, Belgium. p. halshs-00665707

HAL Id: halshs-00665707

<https://halshs.archives-ouvertes.fr/halshs-00665707>

Submitted on 26 Jul 2012

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ECONOMIC GROWTH VERSUS DEVELOPMENT OF SOCIAL WELFARE STRUCTURES IN EUROPE

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Kokkuvõte :

Artikli eesmärgiks on pakkuda välja metoodika heaoluriikide kontseptuaalse raamistiku ning riikide majanduse struktuuri, rahaliste ja sotsiaalsete reformide analüüsimiseks. Metoodika töötatakse välja baseerudes Eurostat'i ja Euroopa Sotsiaaluuringu andmebaasidest kättesaadavatele andmetele järgmiste alateemade kaupa.

Summary : The article describes a methodology for analysing a conceptual framework of welfare states including economic structures and financial and social reforms of the states. Methodology is formulated on the basis of Eurostat database which is comparable to all European countries.

Key words: social welfare regimes, economic and structural reforms.

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INTRODUCTION

Well-being is one of the most important aspects of people's lives both as individuals and as societies. However, despite unprecedented economic prosperity in the last 35 years people do not necessarily feel better individually or as communities. According to Miller-Keane (2003) the Centre for Well-being at NEF (New Economics Foundation) seeks to understand measure and influence well-being. In particular, people ask the question: "What would policymaking and the economy look like if their main aim were to promote well-being?" (Well-being... 2011) Although assessment tools are available to evaluate physical and social dimensions, an individual's general sense of well-being or satisfaction with the attributes of life is more difficult to evaluate.

Well-being is often measured as happiness or satisfaction with life, but well-being is about having meaning in life, about fulfilling one's potential and feeling that our lives are worthwhile (Eckersley 2004). The discussion of well-being draws on several recent reviews of literature, including Bond (2003), Hamilton (2003), Diener and Seligman (2004), Eckersley (2004), Myers (2004), Shah and Marks (2004) and measuring well-being (Feasibility study..., 2010). While a number of individual nations and international organisations have already used (or are in the process of setting up) some measures of well-being, currently no nation or organisation regularly and systematically collects a full spectrum of measures of subjective well-being currently. This state of affairs has led several researchers and public figures to express the need for developing and systematically using national accounts of well-being in recent years (Diener 2000).

Diener and Seligman (2004), in an article titled "Beyond money: Toward an economy of well-being", also argued that nations should create ongoing assessments of well-being to complement existing economic indicators (e.g. GDP, savings rates, consumer confidence) and social indicators (e.g. crime rates, longevity, infant mortality rates) used by country leaders to make governmental decisions. They emphasised that monitoring well-being at a national level will alert the citizenry to important information beyond economic growth that should help guide policy, and which can help improve the quality of life in societies.

The above publication seeks to discuss how we think about national progress, and especially about how we

equate progress with economic growth. Increasing scientific interest in well-being is contributing to this re-evaluation. Discussions of well-being seek to consider other dimensions such as people's perceptions of social well-being or national quality of life; patterns and trends in physical and mental health; and alternative measures of progress. It is also discussed how different qualities such as people's social welfare and social reforms, structure of economy, fiscal and structural reforms, innovation, research, innovative activities and coordination of industrial policies and transition to a socio-ecological model in the future (best practices across welfare states, strengths, weaknesses, unregulated areas) affect personal and social well-being and influence territorial intelligence.

Socio-economic analysis of welfare states seeks to answer this question: how welfare states intend to resolve a dilemma of preserving or enhancing their commitments whilst ensuring budget consolidation and innovation which enable the application of green economy principles under budget deficit conditions in the forthcoming years.

This article explains the concept of welfare from three aspects: social, economic and ecological, and aims to draw in related indicators available in the EUROSTAT database. It is planned to use data from the 27 Member States of the European Union as well as candidate and EFTA (European Free Trade Association) countries in the analysis. Additionally we suggest applying the cluster analysis method for comparison of the different countries and bringing them together into territories which will serve as a basis of territorial intelligence research. The authors intend to use the EUROSTAT databases (a major quality indicator for research data) because they contain data collated using a common methodology across all countries included in the research. The authors will now explain what is understood under these three concepts.

1. THE MAIN CONCEPTS

1.1. The approach of social welfare and welfare policy

As portrayed in the preceding discussion, welfare of people and institutions is clearly linked to welfare regimes of the country they are living in. Welfare regimes are primarily targeted at improving people's welfare and this is directly connected to the concept of ensuring quality of life.

Modern welfare policies play an important role in guaranteeing a basic level of equality of life chances and social integration. In the process of modernisation, the meritocratic triad of educational degree, occupational standing and level of work-related income became the leading principle of social stratification. (Siegrist, 2006) Conversely, adult healthy people who deviate from this norm of economic independence and individual autonomy, depending on public welfare or informal subsidiary support, are confronted with negative attitudes of disregard, often irrespective of reasons of their dependence. (Sennet, 2002)

The way welfare regimes are organised in modern states varies considerably. A welfare state is a "concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The general term may cover a variety of forms of economic and social organisation" (Britannica Online Encyclopaedia). There are differences in welfare structures and economic growth between European countries and territories. At a national level welfare states can be divided into four welfare regimes by using economic, ecological and social indicators. These indicators are used in welfare state modelling, a longstanding strand within the comparative social policy literature (Cutright, 1965; Esping-Andersen, 1990; Therborn, 1987; Titmus, 1974; Wilensky, 1975; Wilensky & Lebraux, 1958), and a strong focus on mapping welfare regimes (Pierson, 1998) with ongoing research into welfare state regimes and welfare state typologies (Bambra, 2004).

1.2. The economic approach

Theories considering welfare states provide an adequate framework for the understanding of levels of measurable effects engendered by political orientations, and especially the key relationships between market institutions and social spending and their effects on levels of poverty. However, theories of welfare states should not be considered ultimately unique with respect to importance attributed to relationships between political variables and poverty, on the one hand, and then labour markets and welfare state institutions, on the other. In general, it is possible to distinguish between two approaches: (i) structural – an approach that emphasises the importance of structural-functional factors, and (ii) a political-economic approach that emphasises roles played by political factors. The latter underlines the key role of political orientation in determining the

level and dynamics of poverty in developed democracies. Market and welfare state institutions are strongly influenced by the political processes. Left-wing parties are often associated with the strengthening of the welfare state institutions while the right-wing parties give emphasis on the deregulation i.e. the implementation of market mechanisms in solving social problems. On the basis of this it is possible to further distinguish between two basic approaches in the implementation of social policy: (i) liberal – primarily favoured by conservative and right wing parties and (ii) the redistributive – closer to social democratic and leftist parties. The division of liberal welfare into the state and redistributive models represents a rough theoretical framework within which specific types of welfare states are profiled, also recognisable in the specific practices of individual countries. Having in mind the diversities present in the sources, the EU is characterised by four main models: the Social-democratic, Corporatist, Mediterranean and the Liberal welfare state regime. (Josifidis *et al*, 2011:2) Total welfare economics is, thus, more of a hypothesis as it requires perfect market structure-like conditions to be implementable. However, some or the other form of welfare economics mechanisms are always at play, be it in the regulation of market forces or the fixing of remunerations and prices of various factors of production and utilities, respectively. Most economic mechanisms are of an automatic nature and they exist in the economic system whether or not we deliberately interfere. Welfare economics is no exception (Shukla, 2011: 2).

1.3. The ecological approach

Eco-efficiency links economic efficiency with environmental efficiency. The main purpose of the concept is to identify and implement activities to enable production that is both economically more efficient and cleaner. This means that parameters with a high indicative value have to be used (Wursthorn *et al* 2011). Eco-efficiency is a key concept which can help individuals, companies, governments or other organisations become more sustainable. It brings together the essential ingredients – economic and ecological progress – which are necessary for economic prosperity to increase with more efficient use of resources and lower emissions of substances that can have adverse environmental consequences. (Verfaillie and Bidwell, 2000)

Sustainability indicators are essential in illustrating to policymakers and the public alike the relationship and trade-offs among the three dimensions of sustainable development. It is also crucial in monitoring progress and performance in terms of

achieving economic, social and ecological goals over time, and in evaluating the future implications of existing decision and policy direction. However, capturing the dynamics of sustainable development and presenting them in terms of measurement indicators that could be unambiguously interpreted and easily communicated to policymakers for public policies remain a challenging task. (ESCAP, 2009:6) Measuring sustainability needs to review every aspect of economic, environment and social linkages but it also requires simple measures and an adequate framework that informs policymakers about major trends and issues as well as support in-depth analysis and identify concrete policy options. For Asia and the Pacific, as one of the most ecologically vulnerable regions on the planet, there is a pressing need to present an easy tool clearly showing the direction for economic growth with less resource consumption and pollution, a key ingredient of and prerequisite for sustainable development. In this region particularly, eco-efficiency indicators have been used in the analysis of efficiency of the use of resources and measuring environmental impact of economic activities. (ESCAP, 2009:7)

Politics commonly focuses on certain key economic indicators, such as gross domestic product (GDP) and employment, for the quantification of economic prosperity. Widely accepted eco-efficiency indicators could fulfil a comparable function by additionally incorporating the environmental impact of economic activities. Furthermore, the concept of eco-efficiency, if adequately defined, could also be used to assess the efforts to decouple economic activities from emissions. To achieve this, ongoing monitoring of macroeconomic eco-efficiency is necessary (Wursthorn *et al* 2011). EEI (eco-efficiency indicator) presents a set of indicators that demonstrate the linkage between economic activity, resource usage and environmental impact in order to evaluate economic policies more effectively and thereby assist policymakers in improving the eco-efficiency of economic growth. Rather than presenting a single index, EEI provides a range of economy-wide and sector-wide indicators that clearly establish the pattern and relationship between economic activity and environmental issues. (ESCAP, 2009:7)

EEI is defined as:

$$\text{Eco-efficiency} = \frac{\text{Environmental Cost}}{\text{Economic Output}},$$

where environmental costs can be: pollution emissions (CO₂ or SO_x emissions, biochemical oxygen demand, etc.), resource-use (energy or water used), cost associated with an environmental burden (traffic congestion costs), and where economic outputs can be: value added of benefit (GDP per

capita), unit of product or service (per km, per m²), and cost associated with an environmental burden (traffic congestion costs). (ESCAP, 2009:3)

A number of measures have been suggested in recent years, such as the ecological footprint, sustainability and other indicators and indices, but none has clearly shown the path to economic growth with less resource consumption and pollution, a key ingredient and prerequisite of sustainable development. The authors will investigate relevant indices in more detail in their research but in Table 1 they show some indices what they think to be useful.

2. RESEARCH METHOD

The presentation describes a suggested methodology for analysing a conceptual framework for welfare states including economic structures and financial and social reforms of the states. The wider goal of the methodology is to analyse socio-economic indicators, structural reforms and fiscal policies in European countries which preserve or enhance income redistribution in Europe, and also the coordination of research, innovation and industrial policies in preparing society for a transition to a socio-ecological model in the future. The authors propose using cluster analysis because despite having many obvious benefits for welfare state classification, it is a surprisingly underused approach in comparative social policy (Gough, 2001). In cluster analysis, countries are classified on the basis of the combination of predetermined selection criteria (defamilisation factors) so that each country in a cluster is similar to the others in that cluster and different from countries in the other clusters (Gough, 2001; Grimm and Yarnold, 2000). Clusters thus represent different regime types. There are two more commonly used forms of cluster analysis: hierarchical and K-means (Gough, 2001; Pitruzzello, 1999). Hierarchical cluster analysis locates the closest pair of countries and combines them to form a pair; this (joining cases into pairs or joining two pairs) continues until all cases are in one cluster. Once countries are joined in a cluster, they remain joined throughout the rest of the analysis (Cramer, 2003; Gough, 2001). Thus the clusters emerge from the data, facilitating the emergence of welfare state taxonomies. However, hierarchical cluster analysis is rather theoretical and so it is often conducted alongside the K-means cluster analysis (Cramer, 2003; Gough, 2001; Grimm and Yarnold, 2000; Pitruzzello, 1999). The K-means analysis enables the *a priori* specification of the number of clusters to be formed (Gough, 2001). This has a benefit for the classification of welfare states, as it enables the testing of the number of different types of welfare

state regimes (3, 4 or 5) suggested by the welfare state modelling literature (Bambra, 2004).

DISCUSSION

The research and methodology are currently under preparation and thus one cannot describe the course of study or research results yet. This is a research topic in its initial stage and further discussion aims to analyse earlier studies into socio-economic and ecological data of the target countries. Through the discussion the authors expect feedback and recommendations regarding indicators which could best cover socio-ecological sustainability of the countries and which could form a platform for further studies into the topic of 'territorial intelligence' deriving from the concept of welfare regimes of the countries.

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Table 1. EUROSTAT indices to describe different countries social, ecological and economic situation

social indicators	ecological indicators	economic indicators
Total long-term unemployment rate	Components of domestic material consumption 1000 tonnes	Employment rate
Healthy live years	Final energy consumption 1000 toe	GDP
Suicide death rate	Total fresh water abstraction millions m ³	Consumption patterns
Religion and cultural background	Built-up areas	Production patterns
...	Greenhouse gas emissions, Kyoto base year (source: EEA)	Development of services
	Generation and discharge of wastewater	Networks of entrepreneurship
