

THE GLOBAL WELFARE SYSTEM

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Abstract: *The aim of this paper is to review the welfare system in several countries worldwide and make a comparison between the European welfare system and other similar systems on different continents. Even though the European welfare system has been studied and analysed in the economic literature, there is a lack of analysis regarding the welfare system on continents like Asia, America or Australia. It is therefore the purpose of this paper to try and update the information available regarding how the welfare state has developed not just in Europe, but on a global scale, determined by key factors like a globalized economy, a well-developed information system and a workforce free to travel.*

Key words: *welfare state, globalization, workforce.*

1. Introduction

In terms of the welfare state, when it comes to the European welfare model, authors like Esping Andersen have defined three types of models: the Scandinavian model, the German conservative model and the Saxon liberal model. Based on these models, the literature has expanded the welfare state types in Europe, and models like the Mediterranean or the east-European ones have developed over the years.

Little information is yet to be given upon the welfare model in developed countries like the United States, Japan, Australia, Canada or New Zealand.

Are the European welfare models valid in these countries? Which of the three welfare types originally described by Esping Andersen have developed on other continents as well? These questions will be answered after presenting a literature overview based upon the work of different authors who have chosen to analyse the welfare system not just in Europe, but at the entire global level as well.

2. Literature overview

Over the years, several authors have studied the social welfare state, but the models that are taken into consideration at European level are those designated by Esping Andersen.

The models described by Esping Andersen are as follows:

- The Scandinavian social model, where the state has an almost permanent control regarding social policies. The name comes from the fact that the social welfare model has first appeared in Sweden, and other Scandinavian countries like Denmark and Norway have chosen to adopt it. The model has been a success in The Netherlands as well.
- The German conservative model is typical of Germany and central Europe, and it is a model where both the state and the NGO offer social services to the public.

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- The Saxon liberal model is the third classic model identified by Esping Andersen, where the state has almost no control of social policies and where the private sector and NGO are the ones offering social services to the population. The full list of European states that apply to these models can be observed in the table below:

Table 1

European Welfare models according to Esping Andersen		
Social welfare model	Conservative welfare model	Liberal welfare model
Sweden	Germany	Great Britain
Denmark	Switzerland	Ireland
Norway	France	
Holland	Italy	
	Belgium	

Other social welfare models have been identified in literature, like the Mediterranean model or the Balkan model.

The social expenditure as divided between these social models is exemplified through the following table:

Table 2

Total social protection expenditure (as%of GDP)									
Year	EU-27	Eu-25	EU-15	EA-16	Continental (conservative) welfare state	Scandinavian welfare state	Anglo-Saxon welfare state	Mediterranean welfare state	Post-communist (Balkan) welfare state
2001	26.6	26.7	27.0	26.8	27.0	28.2	20.8	22.7	16.7
2002	26.9	26.9	27.3	27.4	27.8	28.9	21.4	23.1	16.9
2003	27.2	27.3	27.7	27.8	28.4	29.9	21.7	23.3	16.9
2004	27.1	27.2	27.6	27.7	28.3	29.6	21.9	24.3	16.6
2005	27.1	27.2	27.7	27.7	28.2	29.3	22.2	24.1	17.0
2006	26.7	26.9	27.3	27.3	27.8	28.6	22.2	23.1	17.1
2007	25.7	25.9	26.4	26.8	26.7	27.7	21.6	24.0	16.5
2008	26.4	26.5	27.1	27.5	27.2	28.4	22.9	25.2	17.5

The expenditure revealed through the table [Eurostat, European Commission, social expenditures], give us a perfect example of how social policies are managed in every example of the social welfare models. A large amount of the GDP is spent in states belonging to the Scandinavian, conservative-continental and even the Mediterranean model, while the liberal and Balkan-post-communist model share a small part of the GDP on social services.

At the European Union level, it is demonstrated that social policies represent a large part of the total expenditure, and therefore a conclusion can be drawn from the table. That is the European Union as an entity is interested in supporting and developing a better financed welfare system.

Therefore even though the welfare system is well defined in Europe, we may ask the question: what welfare models can be

applied in other developed states all over the world? Do these classic European models relate to foreign states or are there particular models for each state, depending on what continent we look upon?

3. Global welfare models

First of all, in order to answer such a question, it should be taken into consideration that when analysing these states from a welfare point of view, the percentage of GDP that is used in social policies is a key indicator for understanding which model is best suited for each state in particular [OECD 2001]. For example, European countries like Sweden, Germany or France spend up to 26% of their GDP on social policies. States like Norway, Finland, Poland, Great Britain or Portugal spend between 21 and 26% of the GDP on social policies, while states like Spain, Switzerland and Austria spend between 17% and 21% of their GDP on social policies. Only one state in the entire European Union spends less than 17% on social policies and that is Ireland. It is

obvious that the amount spent on social policies does not necessarily relate to the classic welfare models as identified by Esping Andersen, as England spends a larger amount on social policies than Switzerland; however, the total expenditure on social policies is generally similar to the place identified for each state as part of the classic European welfare model.

What is then the expenditure on social welfare when taking in consideration developed and emergent states outside Europe? It can be seen that states like the United States, Mexico, South Korea and even Japan spend less than 17% of their GDP on social policies, which clearly indicates that these states are part of the liberal model, when comparing them to European states.

As for states like Canada, Australia or New Zealand, they spend an amount between 17% and 21% on social policies, which, from a European perspective, places them somewhere between the liberal and conservative models, with a similar expenditure to Spain or Switzerland.

Table 3

Social expenditures as a percentage of GDP	
Expenditure percentage	States
26%<	Sweden Denmark Belgium Holland France Austria Switzerland
21<26%	Norway Finland Great Britain Poland Italy Greece Portugal
17<21%	Spain Slovakia Hungary Spain Australia Canada New Zealand
<17%	United States of America

	Mexico South Korea Japan Ireland
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Besides these data, the literature also gives us an answer regarding where states outside stand from a welfare point of view.

Nevertheless, if we were to take Esping Andersen into consideration, as presented before, he created the classical European welfare models, but he had an opinion related to the welfare states in North America as well. Out of the three types of social model that Esping Andersen proposed, the Saxon liberal model seemed to best suit the social welfare model of the United States of America and the social welfare model of Canada, from his point of view. This comes as no surprise since the United States has always been a strong promoter of a liberal economy and therefore it was only natural to apply a liberal policy in all areas of administration including social policies. The same pattern can be seen in Canada's social policies.

Regarding countries like Australia and New Zealand, Esping Andersen has labelled them as liberal as well, even though, as presented in the data above, they seem to spend more of their GDP on social welfare than the United States and Canada.

Finally, Esping Andersen included Japan in the conservative model, even though as presented in the data above, Japan seems to spend less than 17% of their GDP on social policies.

Another author, Leibfried, has analysed the United States, Australia and New Zealand, trying to define what social welfare model best suits these states. Leibfried is famous for defining the Mediterranean model, a model in which the state intends to apply social policies to an extent similar to that of the Scandinavian model, but does not have the financial power to do so, and therefore applies social policies similar to those of the liberal model. Leibfried, just like Esping

Andersen, identifies the United States, Australia and New Zealand as liberal states.

Unlike the Esping Andersen Model, the Korpi-Padme model considers European states like the Netherlands and Belgium to be part of the German-conservative model. Even more, the Korpi Padme model considers Japan a state where the conservative model is the most typical, just like in Esping Andersen's, where Japan is included in the same category. As for the United States and Canada, this model considers them to be liberal states, a similar pattern being presented in Andersen's studies as well.

The particular case for the Korpi Padme model relates to more southern countries like Australia and New Zealand. These countries, which were presented as liberal models from Esping Andersen's point of view, are treated differently in this particular case. First of all, Korpi-Padme consider New Zealand a liberal model, just like Andersen did. But the case of Australia is different. A liberal model in Andersen's case, Australia is thought as a particular model, where both social and liberal models tend to follow, depending on what social policies the administration that runs the country chooses to adopt. Therefore, we can relate Australia to the conservative model, which is closer to an administration that chooses both social and liberal policies, depending on what particular need the country is in, at a particular moment in time.

The last models that we will take into consideration are those created by Alan Siaroff. While he considers the United States, Canada and Australia to be liberal states, he gives a particular description of Japan. In his vision, Japan, from a social point of view, resembles European countries like Spain, Switzerland, Greece and Ireland. These European countries have similar social policies, consisting of the fact

that even though social policies are an important part of the administration, the state does not have enough money to fully fulfil social demands. In other words, this category of states would like to adopt the social Scandinavian model, but from a financial point of view, they act like a liberal state. This has been defined in literature as the Mediterranean welfare model, as it is most typical for Mediterranean states like Italy, Portugal and in this case Spain and Greece. From Siaroff's point of view, this type of model is best suited for Japan as well, where even though the state would like to offer more social services, for the time being, the state only offers a minimum range of social service, more typical for the liberal model.

If we were to relate this model to the ones that were already described, it could be said, that Japan can eventually be considered a conservative model, as both social and liberal decisions seem to be taken for managing social policies, even though for the time being, liberal decisions are the ones which represent the majority.

4. Conclusion

In conclusion a general idea can be expressed when countries outside Europe are taken into consideration from a welfare point of view. Even though in Europe classical welfare models are clear and well defined, some general facts can be used in order to identify a social welfare model in other developed countries outside Europe.

When taking into consideration states from Northern America, like the United States and Canada, the literature has shown that these two examples remain liberal in any social policies they adopt.

The same can be said about New Zealand, which almost every author considers a liberal welfare state as well.

Australia has a different story. It is probably the most debated state, as authors seem to have a different opinion on what type of welfare state best suits Australia. Even though most seem to consider it a liberal welfare model, some consider

Australia a model on its own, different from any other social welfare model defined in literature.

The last state that was taken into consideration is Japan. Japan has been included in several types of welfare models, but in the end the type that best suits Japan from a social point of view has to be the conservative model.

As a comparison between continents, a conclusion can be drawn to the fact that the social welfare model is typical for European states and it has not been followed or used by any of the developed states on other continents.

States outside Europe seem to have a clear intent to allow the private sector to invest in social policies and thus allow the local administration to have a small impact on social services. It can therefore be said that outside Europe, the liberal welfare model is the one that prevails, even though in some cases like that of Australia and Japan, the conservative model also seems to be the one preferred by the respective states.

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