

SOCIAL PROTECTION IN THE EUROPEAN UNION IN THE CONTEXT OF THE CURRENT FINANCIAL CRISIS

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Abstract: Although the social practices in the European Union cannot be seen as universal, social protection is at present the main focus of all social policies. Starting off from the variety of roles that the state can play as far as social policy is concerned and under the impact of the social and economic changes of recent years, throughout the European Union, social protection is seen as the main tool that helps ensure one of the universal fundamental rights of individuals, namely the right to social welfare. With a direct impact on the factors that adversely affect human existence, social policies, through social protection, try to reduce poverty, inequality and neutralize social injustice, by promoting social inclusion and ultimately human capital and individual productivity as a driver of future economic growth.

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1. INTRODUCTION

Given the recent shift of the freedom of the individual paradigm, the most widespread presumption throughout the European Union was that of non-state interventionism; however due to the economic recession of the recent years, this aversion towards public intervention was gradually neutralized. Over the past decades, the emphasis has however been placed on the role of the private sector, which would, in turn, act as a provider of all goods and services and thus diminish the financial and logistic burden of the state. Despite this aim, the vital function of public bodies as far as social protection was concerned, could no longer be denied nor ignored. Under these circumstances, at present, the economic theory and practice outline a series of models that shed light on the variety of roles that the state can assume in order to ensure, through means of social protection, the goal of universal welfare.

Defined as „*the set of specific actions intended to address the vulnerability which affects people's lives through social insurance, providing protection against the risks and social adversities; through social assistance, offering payments and transfers*

in kind; and through social inclusion, so that social security and assistance become more accessible to those who fail to meet a minimum living standard” (<http://erd.eui.eu/erd-2010/>, accessed on 12.10.2014), the concept of social protection is at present the main focus of global, European and national social policies.

2. PATTERNS AND FUNCTIONS OF THE STATE IN THE FIELD OF SOCIAL PROTECTION IN THE EUROPEAN UNION

Under the impact of the new economic challenges brought about by the recent global economic downturn, the public concerns towards social issues and the need for non-discriminatory access of the population to financial resources, highlight the role of public intervention in the field of social protection. The states’ pursuit for the individual and collective well-being of the population currently takes a variety of forms which bring forward the functions and mechanisms that are available for the public authorities, in order to be able to meet the interests and needs of their citizens.

The distributive model

The distributive model, probably the sole model working closest to philosophical economic utopias, believes that only market economy is able to produce wealth. Because the model does not ignore nor deny the main issue deriving from market imperfections, namely the uneven distribution of wealth and the subsequent disparities of social policies, it is considered that the resolution of this adverse effect lays in a state-controlled social intervention. Thus, the public bodies, through their levers, can act towards an equitable redistribution of wealth.

From its divergent interest mediator position, the state assumes the responsibility of mitigating any trends that lead to distortion, through: • the creation of a link between the social benefits granted to families earning mid-level incomes and the preservation of existing economic conditions; • ensuring a sufficient level of resource transfers to the disadvantaged social categories, e.g. those without income or those earning a low-level income, so that any shift in their behavior be avoided; • limiting the adverse interests of employers, in order to elude the social response of avoidance of constraint; Thus, the state engages in the regulation of the labor market and workplace safety; • by assuming responsibility in the field of demand management in order to maintain the stability of the economic system during recessions, when, given the zero or even negative economic growth, no wealth is being created in the economy and thus no social redistribution of wealth is possible.

Focused on social justice, the distributive model, in his quest to create a society without financial gaps, supports the need for public intervention, as a tool of bringing this ideal to fruition. Given the above discussion, we believe that, regardless of the political view that influences its de facto characteristics, the redistributive model is aimed at „*satisfying the need for universal social justice*” (Rawls, J., 1999, p. 4).

The community model

According to the redistributive model, the economic function of the state in the field of social protection and mainly in that of social assistance focuses on a series of

tasks and values that are fundamentally different from those of the market. While the private sector aims at carrying out productive activities, thus focusing on efficiency, the government is focused on redistribution and so it concerned with fairness. Due to the fact that there are, however, certain tasks assumed by public bodies that lead to the creation of added value and subsequently to the creation of wealth thus being of productive nature, many theorists have felt the need to provide an explanation for the reasons that support the state's involvement in the production and supply of goods and services.

Therefore, it is considered that „*if the state's role would have been limited to the redistribution of wealth, the simplest way through which this function would have been put into action would have been through collection [of taxes], followed by a redistribution in monetary form*” (Heath, J., 2001, p. 87). This statement is further supported by the assertion according to which „*the state's involvement in the in the manufacturing of certain goods and services derives from the desire to limit market forces*” (Heath, J., Norman, W., 2004, p. 252) and also Walzer, M. 's argument, who believes that „*the state will meet the basic needs of its citizens through a community-based provision of all goods and services available, carried out in a way so that each person is given a guarantee that individual needs are met*” (Heath, J., apud. Walzer, M., 1983-2001, p. 87). From this perspective, the goods and services for community needs lose their marketable function and should not be treated as such. Waltzer's argument, in favor of „*the distribution on common basis*”, does not start off from the belief of a mandatory equity, but rather from the idea that those commodities that are intended to serve the well-being and wealth of the population should not be given a monetary equivalent. The central idea of the community model is, as previously mentioned, based on the premise that „*in certain circumstances, the monetary equalization of community based commodities, diminishes the moral value of the benefit*” (Heath, J., apud. Sandel, M, 1998 - 2001, p. 19).

Therefore, while the redistributive model emphasizes the social benefits that can be obtained by exploiting private initiative, the community model lies in contrast, and also brings forward certain truths that are currently denied in contemporary societies: the individualistic attitudes of the private sector and the high aversion of the favored social classes towards under favored population.

The basic needs model

The numerous debates on the role of the state in the field of social protection, have led to the shaping of a new model, „*the basic needs model*”. In this view, some authors believe that „*although there is no direct connection between the concept of „need” and the state's obligation to satisfy it*” (Heath, J., apud. Frankfurt, H., 1984-2001, p. 24) the decision to support people in need creates the premises of fairness and equality in the community.

From this point of view, the basic needs model assumes that the state must ensure „*a minimum level of welfare for all people*” (Heath, J., apud. Goodin, R., 1998-2001, p. 24), in particular through goods provided in kind, since „*the alternative of monetary compensation is morally prohibited*” (Heath, J., apud. White, S., 2003-2001, p. 26). This option for providing welfare in kind derives from the understanding of the

human susceptibility of not always being able to act rationally and in their own interest. Thus, it becomes clear that only the benefits provided in kind can ensure justice and social equity, and, above all, similar benefits for everyone.

The public goods model

A final model which discusses the role of the state in the field of social protection is the „*public goods*” model, according to which, the main role of the State is to „*resolve the basic problems of citizens*” (Heath, J., apud. Rawls, J., 1999-2001, p. 28), starting off from the assumption that, sooner or later, markets fail.

Thus, this model considers that, in the absence of constraints and political influences, the market economy is being created, a place where freedom of action and private initiative are encouraged. In such an environment the state only interferes when the free initiative and market forces fail to produce optimal effects, but it focuses solely on those areas where favorable effects have not been realized. State interference, under these circumstances, is considered to take a variety of forms such as public agencies, state monopolies and public institutions, thus, public bodies double market action and act on the premises of creating beneficial forms of cooperation. For these reasons, the public goods are seen by some experts as „*an economic model*” (Heath, J., apud. Barr, N., 1998-2001, p. 28).

Therefore, the economic model brings forward the alternative role which the state can play in the field of social protection, namely to delegate public organizations with sufficient freedom of action to resolve issues of collective interest where market forces fail to succeed, through a series of levers: ***state-monopolies*** in those areas where private initiative is not effective and does not lead to equity via the means and instruments at its disposal. In order to avoid the social costs arising from monopoly, the state can either assume ownership, or simply intervene in that branch through specific rules designed to protect public interest; ***control of market imperfections*** - state institutions are often involved in solving the imperfections of the free market, by using rules or various forms of aid; the supply of commonly used goods and services - there are situations where total deregulation of the private sector leads to negative consequences in terms of access to public goods and services. Thus, in certain areas, despite a constant demand, certain commodities may not be nor become available for prolonged periods. In such a case, the state can effectively intervene by posing market penalties or by assuming a supplier status in the respective areas; ***implementing and managing social programs*** – the core of the economic model is social welfare and interest, or, in other words, a variety of social programs. These programs, sometimes called „*social safety nets*” (Zamfir, E., 2012, p. 157) refer to health care services, the various forms of support for the elderly and for those seeking employment or those who find themselves in the impossibility to be able to maintain a paid activity, and are seen as ways to transfer benefits to the population in need, with a positive impact on overall welfare; ***provision of special destination goods and services*** - along with the provision of common goods and services, the state intervenes in order to supply other types of goods and services with low but inelastic demand. The provision of such commodities covers a small number of people (persons engaged in sporting or artistic activities etc.); ***financial incentives for certain social groups*** - usually, the market

economy puts great emphasis on corporations, seeing them as engines of economic progress, hence the well-being of individuals is ignored. This is the reason why certain types of economic activities are often carried out solely by non-profit organizations. In many cases, however, government intervention is needed to ensure continuity and sustainability of such activities or in order to provide the necessary funding so that each person is able to exploit one's potential.

Based on the above discussion, it is our conviction that with the magnitude of mechanisms at its disposal, the stated objectives and roles which it may assume, the state is in a position to be able to fundamentally transform relations between public bodies and the population, favorably bringing its contribution to the reduction of inequalities and mitigation of risks. With regard to the presented models, based on our research, we believe that throughout the European Union, the theory and practice of social policies are similar to that of the economic model, where social intervention does not hinder the freedom of action of private initiative unless market forces fail to create an optimal social effect.

3. SOCIAL PROTECTION IN THE EUROPEAN UNION UNDER THE CURRENT SOCIAL AND ECONOMIC CONTEXT

Although the social practices in the European Union cannot be seen as universal, in broad terms, social protection is accomplished through two main instruments, namely social insurance (security) and social assistance. While social insurance (security) is defined as *„that component of the social security system aimed at compensating the insured population, through various form of benefits, either cash or in kind, for the damage imposed by certain risks (temporary or permanent work incapacity, old age, unemployment etc.)”*, social assistance is seen as *„a set of institutions, programs, measures, activities, specialized services which work to protect individuals, groups and communities who are facing a temporary difficulty which, due to economic, social, cultural, biological or psychological reasons, are unable to achieve through own efforts a normal, decent life”* (Zamfir, E., 2012, p. 123).

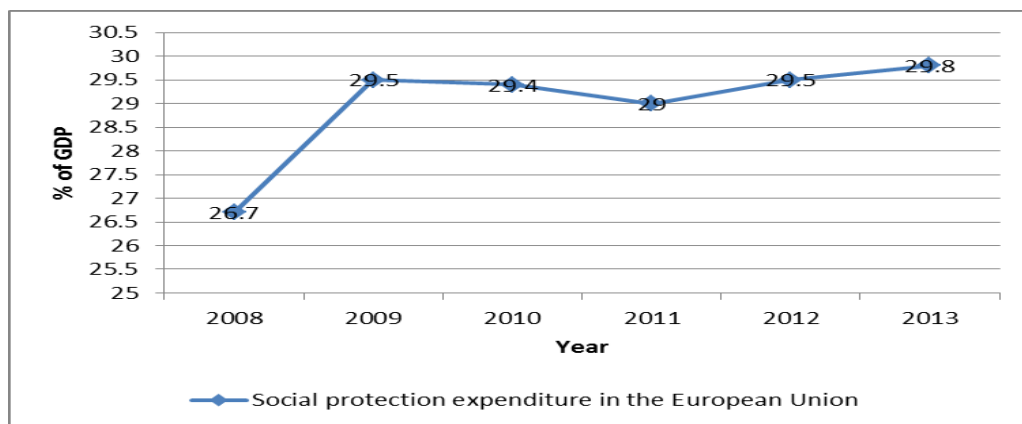
Starting off from the variety of roles that the state can play as far as social policy is concerned and under the impact of social and economic changes of recent years, throughout the European Union, social protection is seen as the main tool that helps ensure one of the universal fundamental rights of individuals, namely the right to social welfare. Amid the recent macroeconomic developments which take the form of an atypical combination between recession and low economic growth and is likely to lead to an increased social polarization of the European population, the importance of social protection is growing new dimensions.

With a direct impact on the factors that adversely affect human existence, social policies, through social protection, try to reduce poverty, inequality and neutralize social injustice, by promoting social inclusion and ultimately human capital and individual productivity as a driver of future economic growth.

In this context, in times of economic downturn, it is considered that social protection expenditure has a stabilizing the effect on the overall economy by compensating, at least partially, the population's income loss. In turn, this course of action is expected to lead to a gradual increase in GDP and thus to a decrease of social protection expenditure. From a theoretical perspective, this compensation function

„acts mostly on the component intended to compensate the loss of income generated by unemployment and all its related adverse effects (shortage of funds necessary to meet basic human needs, food, housing etc.) and only to a lesser extent on the rest of the components (health insurance, pensions etc.)” (Bontoi, O. & Lokajickova, T, 2013, p. 13).

As can be seen in Chart no. 1, between 2008 – 2013, social protection expenditure in the European Union grew steadily from 26,7% of GDP in 2008 to 29,8% of GDP in 2013.



Source: Eurostat

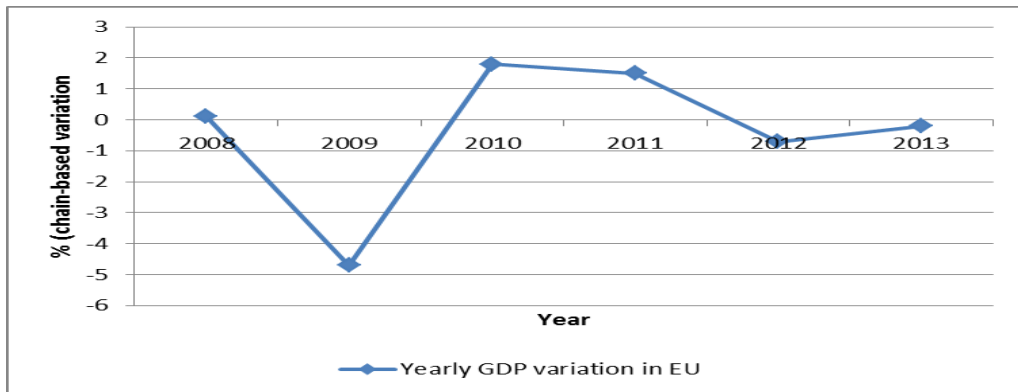
(<http://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tps00098>), accessed on 14.10.2014

Chart no. 1 Total social protection expenditure in the European Union between 2008-2013 (% of GDP)

With a maximum variation of 2,8 percentage points in 2009 compared to 2008, the total social protection expenditure on social protection continues to remain at high levels, despite the recovery of European economies.

Thus, while GDP trends in the European Union have seen an uptrend in the years 2010 and 2011 (according to the Chart no. 2), with a positive growth of 1,8% in 2010 compared to 2009 and 1,5% in 2011 compared with 2010, total expenditure on social protection only decreased by 0,4 percentage points in 2011.

Although such a lag can be argued for, through the parallel analysis of the evolution of the total social protection expenditure that of the gross domestic product, it can be seen that the trends have an atypical evolution, especially during the last two years under consideration, namely 2012 and 2013. Starting off from the fact that, according to Chart no. 2, the GDP growth is presented in a chain based manner, we believe that the downward trend recorded in 2012 and 2013 does not necessarily stand for a negative decline of the GDP of the European Union, but rather for a slight stagnation of economic recovery.



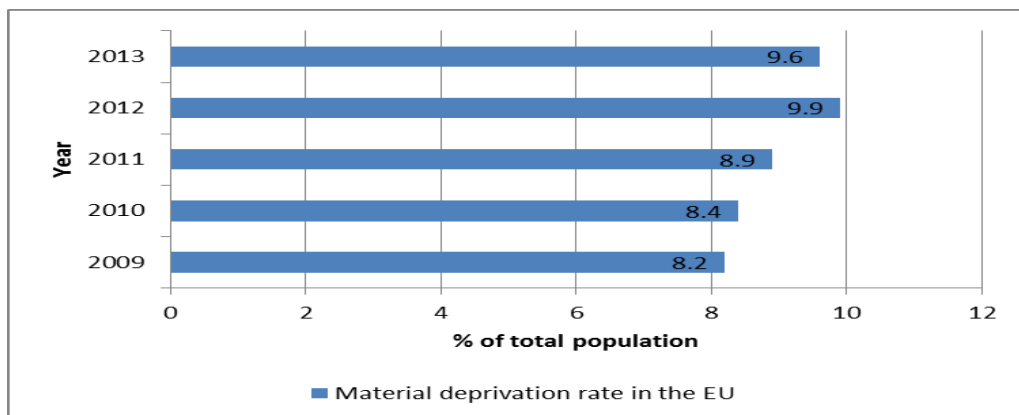
Source: Eurostat

(<http://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tps00098>), accessed on 14.10.2014

Chart no. 2 Yearly GDP variation in the European Union between 2008-2013 (% , chain-based)

Under these circumstances, it would be expected that the overall level of social protection expenditure does not increase, so it is reasonable to consider that, in the context of a generalized macro-economic uncertainty, the level of expenditure is directly influenced by all components of social protection and not only that component that aims at compensating the loss of income generated by unemployment.

Thus, another indicator through which one can analyze and justify the current level of social protection expenditure is the „rate of exposure to material deprivation”, defined as „the percentage of population who face poverty risk; who are living in a situation of severe shortcoming and living in a household with zero or very low work intensity” (European Commission, 2011, pp. 6-9).



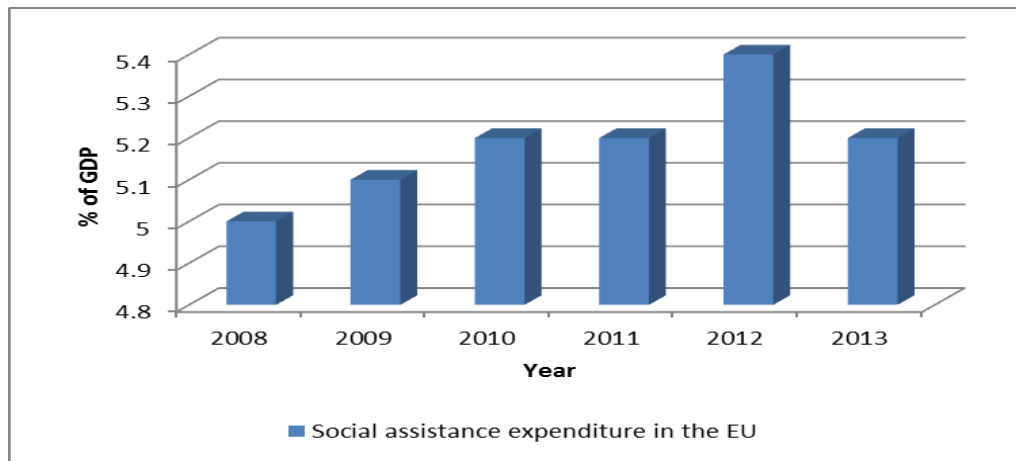
Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/setupDownloads.do>), accessed on 14.10.2014

Chart no. 3 Material deprivation rate in the European Union in 2009-2013 (% of the total population)

Although, apparently, this indicator is, according to the European Commission (2011, p. 9), linked to the unemployment rate, the material deprivation begin to manifest even in people who, although employed, earn an income that is below 60% of the average income in the country. These groups are thus seen as social assistance recipients, and their benefits trigger a direct and immediate consequence on the total social protection expenditure.

According to the Chart no. 3, during 2009-2013, the number of people exposed to material deprivation in the European Union experienced an upward variation from 8,2% of the total population in 2009 to 9,6% in 2013, with a maximum point, targeting 9,9% of the total population in 2012.

As can be seen in the Chart no. 3, between 2010 and 2011, the proportion of the population experiencing material deprivation increased from 8,4% to 8,9%, despite the positive evolution of GDP (Chart no. 2) and the subsequent favorable macroeconomic signals. The high level of this indicator, in conjunction with its reduced rate of variation, leads us to believe that at least for now, we cannot talk about a direct and immediate correlation between the social and macro-economic maps, especially because, the social assistance expenditure in the EU has remained relatively constant (see Chart no. 4).



Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/setupDownloads.do>), accessed on 14.10.2014

Chart no. 4 Total social assistance expenditure in the European Union in 2008-2013 (% of GDP)

It may, however, be noted that the maximum level of expenditure was recorded in 2012 when the percentage of population exposed to material deprivation increased significantly. For these reasons, we consider that economic recovery alone is not likely to lead to an automatic neutralization of social problems.

Based on the above discussion, we can conclude that despite the importance of social protection and its priority throughout the European Union, the objective of social welfare is yet to be accomplished. Under these circumstances it is clear that, despite the

considerable level of funding, the positive effects occur late, most likely due to the timing gap between the manifestation of the state of social need and its actual management. Moreover, given the variety of social policies and practices that exist within the Community, a uniform social policy becomes an obvious necessity.

4. CONCLUSIONS

Despite the multitude of options that the EU has regarding the state's role in social protection, the prolonged crisis has led to a high dependence of the population to social transfers, even in times of economic growth. We thus conclude that despite the positive economic signals of the European economies, the subsequent and expected favorable social effects are either delayed or not recorded at all. The constant and sometimes even increased level of social protection and social assistance expenditure may cause and even impose a reconsideration of the overall social policy and bring into question the need for a new approach, where the focus is less on the amount of cash benefits and to a greater extent on the social reintegration itself.

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