

## WELFARE STUDY USING MODELS IN A GLOBAL ECONOMY

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### ABSTRACT

*Social democratic welfare state promotes equality between social classes by equalizing minimum needs like residual model, involving on the one hand, the services and benefits to follow an upward trend, the quality and quantity demands of the middle class, and on the other part of ensuring that workers are entitled to the same services and benefits as the rich. Benefits are granted in relation to earnings, but it is a way to guarantee universal support participation through a system of universal insurance. In this model of welfare state principles decomodificării universalism and social rights were extended to the new middle class. All benefit, all are addicts, and everyone will probably feel obliged to pay. Unlike other systems, this state is not regarded as a second or last resort, but as a primary means of respecting social rights of all its citizens. The ideal is to maximize the dependency on family, but the capacity of individuals to live independently.*

**Cuvinte cheie:** *expression, universalistic, social reforms, economy*

**Clasificare JEL :** *E22, E25*

### 1. Introducerea și contextul studiului

State intervention in social processes characteristic to the configuration of a particular authority, in order to alter them in a direction deemed desirable by political actors, is found in the literature as welfare and can be defined in Romanian under two aspects, interspersed with one another, with reference both to person and the rule itself, which refer to:

- (1) its state at a time,
- (2) the result of social and material conditions of society that contributed to its formation, thus trying their mechanisms of distribution and redistribution of existing resources in the community at a time, making a collective welfare.

Social policy developed as a reaction to the negative consequences of the Community market. How economic policy will impose its own agenda on social policy depends on the manner in which national and European actors manage to reinvent and implement new MSE instead of following the direction of orientation on market criteria.

By seeking explanations on the emergence of the welfare state, it was concluded that there are differences between countries in terms of effort and establishment of a welfare model applicable depending on the degree of industrial development.

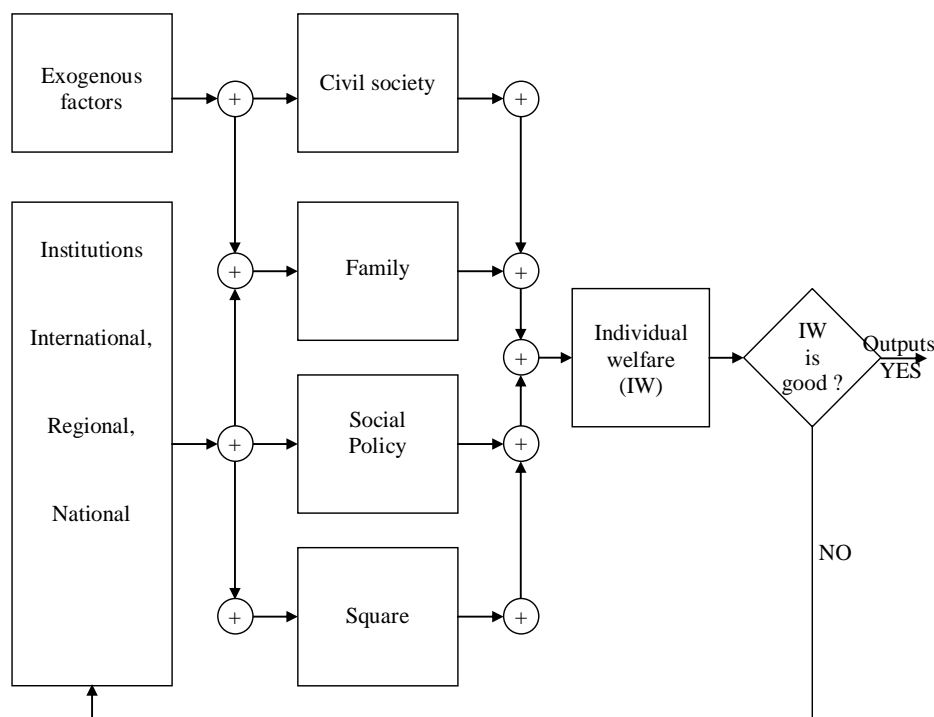
The period consistent with the first occurrence of the of the expression - *the welfare state* can be considered the period between the last years of the Second World War and the years following, the so-called Beveridge period that coincides with the beginning of universalistic social reforms, with direct implications on the modeling of the Keynesian social policies.

In describing the welfare state within the meaning closest to his views, we can define as:

- a) a particular form of state,
- b) a distinct form of government,
- c) a specific type of society.

Depending on levels of economic development which differ from state to state, based on different ideologies and theoretical models we tried capturing different welfare approaches to collective strategy.

In analyzing patterns within strict welfare states encountered in Western countries, the state tends sometimes in direct association with the market, family and nonprofit institutions to form a social safety net type "safety net" based on the principle of subsidiarity, whose social protection system aims to satisfy the minimum needs of every citizen, through complementarity between market protection measures, family, community, charitable institutions and the state, figure 1.



**Figure 1. The individual welfare (IW)**

The state's role in the subsidiarity principle is described in terms of its function to make all people protected and to achieve at least a minimum level of satisfaction of needs, regardless of routes or even by ultimately taking over all protective measures uncompleted or doubtfully met by other institutions.

The minimum social welfare state can be characterized by the fact that only for a defined group of community does the responsible office of beneficence takes responsibility, in which case targeted are the poorest segments of society. The idea of such a model assumes that an individual's basic needs can be fully met through two channels: market economy and family.

In the eventual failure or modification of the two input components, the market economy or family can leverage interventions by welfare state institutions, but only for a short period of time, hence the classification of minimal or residual. Social security in such social welfare state model is confined to a small group of people, ensuring them only a minimum income, at the "periphery" of society.

Starting from this feature it can be established that such social welfare state is based on the existence of:

- a) employment and income taxes on low to result directly in public expenditures, which are also low,
- b) public social spending is limited only to the poorest community, without taking into account the existence of measures to reduce social inequities.

State minimum social welfare ideology does not need to provide the same level of welfare to the entire community, but only for that class, the poor, the latter ensuring a minimum subsistence level, ultimately leading to these groups reaching disadvantages in absolute poverty. Minimal social welfare state is designed by providing social assistance, given the testing capabilities that segment of the population it serves.

In the mechanism of relief, of this state model, in which traditional forms of protection are poorly represented, through means-tested, social assistance is granted and a host of other services designed to improve the situation of the segment for which it occurs, such as free medical care for a certain level, providing jobs in social housing and even advice on labor market integration. The granting of social assistance services without means-tested, also called social services type residue, serves only the poorest category. Minimal social welfare state can be characterized by full employment policy labor, employment and unemployment mechanisms are allowed to operate on the principle of market mechanism, so that the static model does not assume direct responsibility, considering the intervention as an obstacle in the development and strengthening the market economy.

Social democratic welfare state promotes equality between social classes by equalizing their needs like the residual model, involving on the one hand, the services and benefits to follow an upward trend, the quality and quantity demands of the middle class, and on the other part to ensure that workers are entitled to the same services and benefits as the wealthy. The benefits are granted in relation to earnings, but this is a way to ensure universal support for participation by a system of universal insurance. In this model welfare state, the principles of universalism and de-commodification of social rights were extended to the new middle class. All benefit, all are dependent, and probably all will feel obliged to pay. Unlike other schemes, this state is regarded as a second or last resort, but as a primary means of compliance with social rights of all citizens. The ideal is not to

maximize dependence on family, but the ability of individuals to live independently. State take active measures of employment work, unlike the residual model in which the state is not involved, leaving the market to regulate supply and demand for labor. Benefits from social security programs are determined and income, but only as a measure to stimulate participation in the universal social security and support of the population. Social democratic welfare state (socialist) is found in: Sweden and Norway.

To analyze the above models a new model can contribute as an element of analysis and comparison of the type represented by the Latin or southern welfare states. In this model, including Spain, Portugal, Greece, in Italy -but only somewhat south of it, and the least, France – which forms a different regime, a particular welfare state. By excluding France, Anglo-Saxon countries are similar to those states with emphasis on residence and massive entry into the labor market, yet there is a tradition of the Catholic Church-related social welfare, which is not in any Anglo-Saxon countries, nor in the Scandinavian. Latin model provides for social welfare programs that serve as social protection measures for a basic income, minimal, although not created for this purpose, as it happens in southern Italy, where disability pensions are granted. From another perspective, the labor market is mostly inclined to agriculture, combined with a subsistence economy that provides a different kind of welfare state. At the same time, employment to full employment of labor – a fact present in the Scandinavian countries, is missing here and in particular with reference to full employment of women.

Addressing the social security and historical perspective welfare state creates landmarks necessary to consider the facts of social policies in Romania, in order to improve them and to ensure for a prosperous future as a condition imposed by the integration in the great European family. After a period of over four decades of highly centralized society with a socialist command economy, Romania is now in full functioning market economy. Communist welfare state was different from the capitalist market-based economy, of which we mention a few characteristics: legal obligation to work with full employment of labor, providing a collective welfare, which masks the poverty and inequality using income redistribution for compensation arising of wages, benefits were strictly related to work, businesses play an important role in providing welfare, a comprehensive system of social security, free social services (education and health) less unemployment insurance which admittedly was not legal; lack of a well-established welfare system. Ideologically, the communist welfare state in Romania, like all communist states, is very close to institutional redistributive welfare state model, merely because it was the only means of achieving social rights for all citizens. If we analyze the principle of granting rights to work, we find the characteristic pattern of performance achievements industrial state - conservative.

After the Revolution of December 1989, there was a withdrawal of state welfare function that was invested, a trend that is not characteristic only of Romania, it is widespread in other states.

The dynamics of social expenditure as a percentage of GDP in Romania has increased slightly, Table 1, a low level of social spending compared to other European countries, except the former Soviet Union countries, which started from a lower level of spending social, by increasing efforts to offset the losses incurred during the transition.

Table 1 - The dynamics of public social expenditure as a percentage of GDP

Country	1993	1995	1997	1999	2001	2003
Romania	15,2	16,0	15,9	17,0	15,3	14,9
Czech Republic	-	17,2	18,6	19,3	19,5	20,1
Slovakia	-	18,7	20,0	20,2	19,1	18,4
Poland	-	-	-	-	21,5	21,6
Hungary	-	-	-	20,7	19,8	21,4
Slovenia	-	-	24,5	24,7	25,3	24,6
Estonia	-	-	-	-	13,6	13,4
Latvia	-	-	-	-	14,3	13,4
Lithuania	-	-	-	-	14,7	13,6

Source: EUROSTAT – Europe in figures – Yearbook 2006-07; Statistical Yearbook 1990-2005 - [www.insse.ro](http://www.insse.ro)

Statistical projections for the period 2004-2050 in the SM show a slight reduction in social spending as a percentage of GDP for the period 2004-2020 to 0.2 to 0.7 percent, following that for the period 2004 to 2050 they increased slightly located between 1.5% and 3.4% from base year (2004), where they totaled about 23.4% of EU GDP, Table 2, and provided that the percentage of population aged 18-59 years of occupation of the households without MS during 2001-2006 ranged from 4.9 in Cyprus and 14.2 in Belgium, while in Romania it stood at 10.

Table 2 - Public social expenditure projection dynamics in the EU for the period 2004-2050

Country	2004	Changes in % of GDP				
		2004-2010	2004-2020	2004-2030	2004-2040	2004-2050
EU-25	23,4	- 0,7	- 0,2	1,5	3	3,4
Romania	15,1	- 0,7	- 0,1	1,2	1,9	2,3
Czech Republic	19,3	- 0,5	- 0,1	1,7	4,8	7,1
Slovakia	16,2	- 0,8	- 0,9	0,3	1,5	2,9
Poland	23,7	- 3,5	- 5,8	- 6,1	- 6,4	- 6,7
Hungary	20,7	0,3	1,6	2,8	5,7	7
Slovenia	24,2	- 0,2	1,3	4,4	7,5	9,6
Estonia	20,1	- 0,4	0,3	3,3	7,2	8,5
Latvia	16,0	- 0,7	- 0,9	0,3	0,8	1,4
Lithuania	17,5	- 2,9	- 2,9	- 1,5	- 1,3	- 1,3

Source: MISSOC – Joint Report on Social Protection and Social Inclusion 2007, p. 149 and author's calculation for Romania

Comparing the statistics, we can say that the tendency of the welfare state in Romania seems to orient to the southern models, with a reduced role model of the state, in other words, the benefits must not create dependency, but to urge people to seek work through this feature, approaching the residual welfare state model.

Analyzing social policies in Eastern Europe, the welfare state in Romania was called some time ago, during the transition to a functioning market economy as a "post communist conservative corporalist" state as viewed through the doctrine of socialism and egalitarianism that had not disappeared, the democratic tradition being modes, the state having a high reputation in terms of involvement in the economy.

Quality of life largely depends on the quality of society, the quality of the social, economic, ambient, educational, cultural, ethnic, education, employment, recreational environment. Social quality is influenced by regulators such as labor occupation policy, economic and social policies of the country, figure 2.

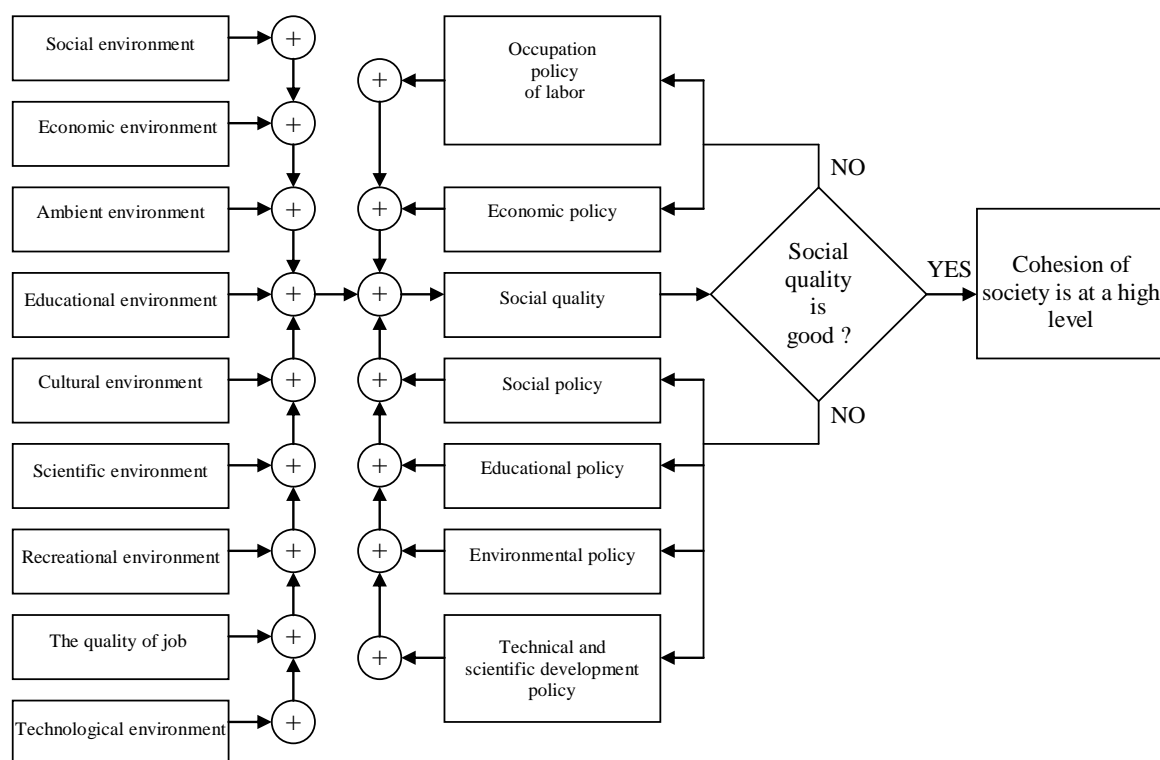


Figure 2. Block diagram "social quality"

An issue that has sparked much controversy is related to how the EU influences and pursues its activities in the social sphere to set ambitious goals in the social field. Strategy for employment, poverty and social exclusion was established through the method of coordination.

This method is gaining more and more popularity from being applied in other sectors of the social sector, and it is increasingly seen more as a way of governing.

The open method of coordination is designed based on five principles: the principle of subsidiarity - to establish responsibilities between Community and national level by establishing objectives at EU and MS accountability in the implementation of action measures adopted for their implementation at national level, the

principle of convergence - involves tracking common objectives through related actions, objectives-based management - concerns re monitoring and assessing progress by establishing indicators for all Member States, monitoring at the country level - to develop studies and reports which record progress and identify the best possible practices in the MS, an integrated approach - involves expanding labor market policy directions within other policy areas - social, educational, entrepreneurial, regional and taxation.

The open method of coordination is different from harmonization or mutual recognition - it is a flexible mechanism that can lead to a certain level of convergence of the results, while the diversity of national policies persist. Flexible nature of this mechanism is given by its instruments which are not binding and involve learning purposes only and, also, a set of guiding rules and objectives, established at Community level, while each state adopts its own national action plan, specifying the context of their particular national policies. Sometimes it is attempted to identify a characteristic method so that it can achieve a degree of obligation, which is why suggestions launched by the promoters of the method imply that "learning" from MS governments will be a convergent process, developed with best practices, calling for national action plans, specific recommendations, rules, the report on action plans, sanctions of weaknesses, the use of performance indicators established by mutual agreement and so on.

## CONCLUSIONS

We conclude that social policy has emerged as a reaction to the negative consequences of the Community market. How economic policy will impose its own agenda on social policy depends on the manner in which national and European actors manage to reinvent and implement new MSE instead of following the direction of orientation on market criteria.

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