

Comparative Social and Economic Policy

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## Causes:

From block 1, I can tell country one is Scandinavian, country two is a Continental European country, and country three is Anglo Saxon. This is most evident at the bargaining level, as each country represents a different type of bargaining. In Scandinavian countries, the workers practice wage restraint. This means they keep wages at a reasonable level, so wages do not exceed potential productivity. Since wages are kept at a reasonable level, revenues are increased. Ultimately, this is beneficial for employment because companies can afford to hire more workers. Firms are also able to invest in deeper training and longer apprenticeships for workers, as well as more expensive equipment and better technology. In this case, wage restraint is a beneficial public good. To obtain wage restraint, unions merged. This is reflected in the data. Scandinavian countries have economy wide bargaining. This type of bargaining represents a large percent of the population and involves two actors: unions and businesses. Similarly, Continental European countries unions' are relatively encompassing, although they are not as widespread as Scandinavian unions. In Continental European countries, they practice industry-wide bargaining, which is built on industry-based unions. As evident by union contract coverage, the Scandinavian country has the highest percentage at 75%, while the continental European country has the second highest at 60%. This can be compared with the Anglo-Saxon country which has 38% union contract coverage. In Anglo-Saxon countries, organizations are not centralized; instead, they are Liberal Market Economies (LME's) with segmented organizations. Bargaining is done on the basis of individual firms and organizations. Unions do not lobby the government together. Workers do not practice wage restraint. In fact, unions demand high wages. However, since unions are extremely decentralized, they have minimal bargaining power and firms will refuse high wages.

Although this data is typical for union contract coverage and bargaining level, this is not reflected in union membership as a percentage of all workers. This deviation is most noticeable in the Scandinavian country, where union membership is 55%. Even though this is the highest of all three countries, it is not as strong as the Scandinavian country comparison, Sweden, with an 85% union membership. Next, the Anglo-Saxon comparison is closer, with only a 13% variation. The main data has a 28% union membership, while the U.S. has a 15% membership. Still, 28% is high due to LME's decentralized preconditions. Lastly, the Continental European country in the main data is 7% lower than the comparison Continental European country. However, based on the relatively broad bargaining strategy, this is more typical data.

From block 4, I can tell this is typical for each country's service component of the welfare state. The first country almost entirely runs on public health care as a percent of total healthcare in both funding and delivery. This is typical of a Scandinavian country because the state crowds out both the market and the family in welfare and employment. First, this is shown in welfare as public health care expenditure is 96% of all total healthcare expenditures. This means citizens in the country rely on public, not private, funding of welfare services. Second, public healthcare employment is 90% of total healthcare employment. Not only does this demonstrate that delivery is public (as only 10% of healthcare employment is private) but also that the state provides almost all employment in this sector.

Compared to the first country, the second country spends considerably less on health care employment as a percentage of total health care employment. However, the difference in public health care expenditure as a percentage of total healthcare expenditure between country one and country two is not so extreme. This is typical of a continental European country. First, the amount spent on public healthcare is still reasonably high when compared to Scandinavian

countries because Continental European countries use public funding for welfare services. This is due to their Catholic roots. Historically, Continental European countries have a Conservative approach to poverty, born from the French Revolution. First, Continental European countries were undemocratic during this time; however, to contain electoral threat from the poor and ensure socialists did not win votes, the state acted as a father. The religious belief for Catholics was that man is dignified, as he is the image of God. Because of this, the Conservative approach is against the commodification of labour in society. Further, they believe commodification undermines natural communities. Ultimately, because labour is not a commodity, the poor should receive generous cash benefits from the state. These preconditions help explain the cash generosity of Continental European states today. Still, the Continental European country did not spend as much on public healthcare as Scandinavian countries. One reason for this is because Continental European countries believe that hierarchies are natural, therefore inequality is natural. This is based on the idea of corporatism, or that individuals belong to their "natural groups". An example of these types of groups are unions, business federations and professional associations. In addition, this approach believes class conflicts can result from attempting to reduce inequality. They see class conflicts as harmful to an organic society. It is for these reasons that the Continental European country has a high percentage of public healthcare expenditure, but not as high as the Scandinavian country. While Continental European countries believe in public funding, the opposite is true for delivery. This view is evident in the data, as public health care employment is only 33% of total healthcare employment. This is put in context when it is compared to the Scandinavian country, where public healthcare comprises 90% of total healthcare employment. This number is low in Continental European countries because of the principle of subsidiarity. This principle states that services should be carried out by the smallest

link in society - the family. Only when this fails, should the state become involved. In other words, while the state crowds out the family and market in Scandinavian countries, the family crowds out the state and market in Continental European countries. Because of this, the delivery of services is private, as it is done by the family (women) or the church. Although this is especially the case in child services such as daycare, it is reflected in the data sheet of Block 4.

The third country in block 4 is an anomaly. This is because the data does not fit with regard to the welfare state this country represents. In an Anglo-Saxon country, it is the market that overrides the family and the state in welfare. Consequently, both funding and delivery are privately funded. However, this is not the case in the data set. When comparing the third country to the previous two countries, the third country (Anglo-Saxon) is similar to the Continental European country. Specifically, the Anglo-Saxon country is only 1% lower in term of public health care expenditure with 75%. Since Continental European countries rely on public funding and Anglo-Saxon countries rely on private funding, this data is not typical of the welfare state. This can also be seen when compared to the data sheet of the U.S., which only spends 42% on public health care. Another anomaly, but not as drastic, is the employment of public health care. When compared to the U.S. with 17%, the Anglo-Saxon country employs 30% to publicly deliver health care. This is not typical as, again, delivery is privately funded in this type of state.

The data in block 3 is not entirely typical. I would expect the unemployment benefits as a percent of previous income to be higher in the Scandinavian country. This is because benefits are both generous and universal. This means that all citizens receive a high, flat rate welfare benefit not dependent on income. Due to this, I would expect the Scandinavian country to have a larger replacement rate percentage. I would also expect this because of the principle of solidarity in Scandinavian countries. This means cash handouts are given so workers can gain employment.

This handout is not a form of charity. However, I am more surprised at the high level of unemployment benefits of the Continental European country. The percentage is even larger than the Scandinavian percentage. This is surprising because Continental European countries use an earnings related system. Although cash handouts are still generous, this type of distribution leaves out those who are unemployed. This is because a certain portion of wages are deducted on a monthly basis. Without wages, an individual can not contribute. Since Scandinavian countries run on a universal system, I am surprised the unemployment benefits are lower than Continental European unemployment benefits.

The data for pensions in the Continental European country is also surprising because it is consistent at 48% for both the minimum and average. This is not typical preconditions because Continental European countries use an earnings related system. However, since benefits are generous, this could raise the minimum pension amount, making it similar to the average. Regardless, this data is not typical because I believed Continental European countries would have a larger gap between the minimum amount and average to reflect the order of society. This idea is reflected in the comparison data from Germany, where the minimum is 18% and the average is 75%.

Another anomaly is the fact that the Anglo Saxon country has similar percentages for unemployment benefits and pensions. In this data, the Anglo Saxon country provides 50% unemployment benefits, while a 42% pension minimum and 54% pension average. This is not typical because a program with a wider support such as pensions normally means the benefit will be more generous. Since Anglo Saxon countries provide means-tested benefits, the bulk of the population is not entitled to the welfare benefits. Anglo Saxon countries also do not provide large welfare benefits to those who are entitled. It is for these reasons I believe the data is not typical.

This is reflected in the comparison data of the U.S, where unemployment benefits are 29% as opposed to 50% in the main data sheet.

Based on the preconditions discussed earlier, data from block two reflects typical welfare state patterns. Both Scandinavian countries and Continental European countries have high total taxes because of public funding of welfare services. On the other hand, Anglo Saxon countries have lower taxes because their welfare states rely on private funding. The data from the Continental European country is slightly larger for transfer payments. This is larger than expected because it exceeds the Scandinavian country (26% compared to 15%) as well as the comparable Continental European country (16%). This is surprising because I believed the Scandinavian and Continental would be fairly comparable because they each have large transfer benefits.

### **Consequences:**

The consequences from block 5 can be linked to the causes in block 1. For this reason, the wage dispersion data is typical. This is because strong unions and union centralization reduce wage dispersion due to wage restraint. By practicing wage restraint, this will keep wages more equal. In the Anglo Saxon country, the wage dispersion ratio is high compared to the other two countries (4.2 compared to 2.0 and 2.6). The cause behind this is the large private sector and the consequence is polarized wages between high and low end jobs. These three sets of data are consistent with the comparable countries' data.

In block 6, I found the data to be anomalous for percent of aged living in poverty. First, I theorized that the Scandinavian country would have one of the lower percents of aged living in

poverty. Instead, it is at 14% compared to 3% in the Continental European country and 6% in the Anglo Saxon country. I thought the Scandinavian data would be lower because of their focus on large, universal welfare benefits. Oppositely, I thought the Anglo Saxon percent would be higher because of private funding of welfare services and minimal focus on transfer programs. However, I think this data is a consequence of the anomalies in unemployment benefits from block 3. In this block, the unemployment benefits were lower than expected for Scandinavian countries and higher than expected for Anglo Saxon countries.

The Gini index of disposable income for each country is expected, based on the preconditions and causes. The Scandinavian country has a lower Gini index because of the effect of the distribution of the welfare state. Continental European countries believe inequality is natural, and because they have earnings-related benefits, they have a higher Gini index compared to the first country. Lastly, the Anglo Saxon country has the highest Gini index because they do not have a generous welfare state, and the inequality gap is more noticeable. However, this index is not as high as the other comparable data (28 compared to 34). Based on these consequences, we can tell the redistributive effect of tax and transfer systems is also typical. The Scandinavian country has the most effective and powerful welfare state in reducing inequality (31%) while the Continental European and Anglo-Saxon do not have as effective welfare states with 26% reduction from *Wage Gini* to *Disposable income* each. This is a consequence of their system of transfer size and distribution.

The differing policy principles regarding whether women should work or stay at home results in the data in block 7. First, Scandinavian countries believe women should work (the principle of solidarity). This was displayed by generous cash transfers in block 3. Because of this, Scandinavian countries have a higher percentage of women working, both in total female

labour force as well as those between the normal child-bearing age of 24-35. Anglo Saxon countries also have a high percent of females in the labour force. Although the policy principle is liberal, and believed to be the individuals "own business" whether they work or not, this decision is not really a choice in order to avoid poverty. Ultimately, women should work because they receive no special treatment in the market. This was evident in block 2 as Anglo Saxon countries had the lowest taxes and social expenditure in all three categories: total taxes, social security expenditure and transfer payments. This results in a higher labour force participation rate for women as the welfare state is too inadequate to support women being unemployed.

Continental European countries have the lowest female labour force participation rate, with only slightly more than half of all females working. These results occur because the policy principles in these types of countries are pronatalist, and encourage women to stay at home to take care of their children. This is most evident by the data from block 4. In Scandinavian countries, where labour force participation for females is higher, they rely on public funding and delivery of services. This makes it easier for them to work because services such as daycare are funded through the welfare state (taxes) and provided by government employees. This means that women are free to work; she does not need to substitute for high prices with "self-service". The opposite is true for Continental European countries. These types of welfare states believe in private delivery because of the principle of subsidiarity. Because of this, the public sector is small. Further, the private sector is also small. This is due to the fact that service jobs such as daycare have been priced out of the market, a consequence of wage compression. This results as a consequence from the labour market data in block 1, including bargaining level. Ultimately, because the service economy is not large enough, or it is too expensive in these countries, it forces women to make a decision between having employment and providing personal childcare.

Anglo Saxon countries have private funding and private delivery of services. Therefore, it is in their best interests to put their children in daycare. Since Anglo Saxon countries have a larger private sector (as evident by the data in block 4) this daycare is cheap. This is also due to the polarization of wages. The consequence for Anglo Saxon countries is evident in the high percent of single mothers in poverty. This is because women work, and both the funding and delivery of services are private, so women in Anglo Saxon countries must be able to afford it. However, if they cannot afford daycare, funding is also private, and the government has minimal welfare benefits. This means the government minimally subsidizes services such as daycare. Ultimately, with only one income and one person able to take care of the child, it can lead to a higher number of mothers in poverty.

This does not occur as often in Scandinavian countries because of public funding and delivery. This happens more commonly in Continental European countries because of private delivery; however, not as common as in Anglo Saxon countries Continental European countries have because of public funding.