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Karl Aiginger

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E-mail address: Karl.Aiginger@wifo.ac.at
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Performance differences in Europe: tentative hypotheses on the role of institutions*

Low growth in Europe and persistently high unemployment raised the question whether it was the specific features of the European Social Model, which lead to these disappointing results. This paper defines the characteristics of the model, and the differences between submodels applied in different European countries. Then it carves out which specific characteristics of the Nordic European Model, which changes in economic policy and strategy made these countries successful over the past ten to fifteen years – after the same countries had experienced recurrent crises in the decades before. Specifically, we look at the role of institutions and of their changing priorities for making the Scandinavian countries better able to cope with change as compared to Germany, Italy and France.

JEL: A13, E60, H10, J50, P10

Keywords: Welfare models, corporatism, economic performance, models of capitalism

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Performance differences in Europe: tentative hypotheses on the role of institutions

1. Objective and outline:

Low growth in Europe and persistently high unemployment raised the question whether it was the specific features of the European Social Model, which lead to these disappointing results. This paper defines the characteristics of the European Socio-economic Model, and the differences between submodels in different European countries (following Aiginger, Guger, 2006A, B). It then carves out which specific characteristics of the Nordic model and which changes and strategies made these countries more successful over the past ten to fifteen years – after several crises in the seventies and eighties and even the first half of the nineties. Specifically we look at the role of institutions in making the countries better able to cope with change. The paper is structured as follows: the next section defines the European Socio-economic Model and its variants. Then we compare the performance of the model types in the long and in the short run. Section 4 delineates the strategy of the successful European countries. Then we analyze the differences in the ability of the Scandinavian countries and the continental countries to adapt to changes and the role strong inclusive institutions might play in this context. Section 6 summarizes.

2. The European model: its variants and performance

We pragmatically define the European Socio-economic Model in terms of responsibility, regulation and redistribution (see also Aiginger, Guger, 2006A, B):

- Responsibility: a rather broad responsibility of society exists for the welfare of individuals, sheltering them against poverty, and providing support in case of illness, disability, unemployment and old age; society actively promotes and often provides education and health. It supports families (either through transfers or by the provision of care and housing facilities);

- Regulation: labour relations are institutionalised; they are based on social dialogue, labour laws and collective agreements. The business relations are rather regulated and are partly shaped by social partners (on the branch and firm level). Administrative and economic regulation for product markets exists. Business start ups depend on permits and partly on qualification of owners or managers.

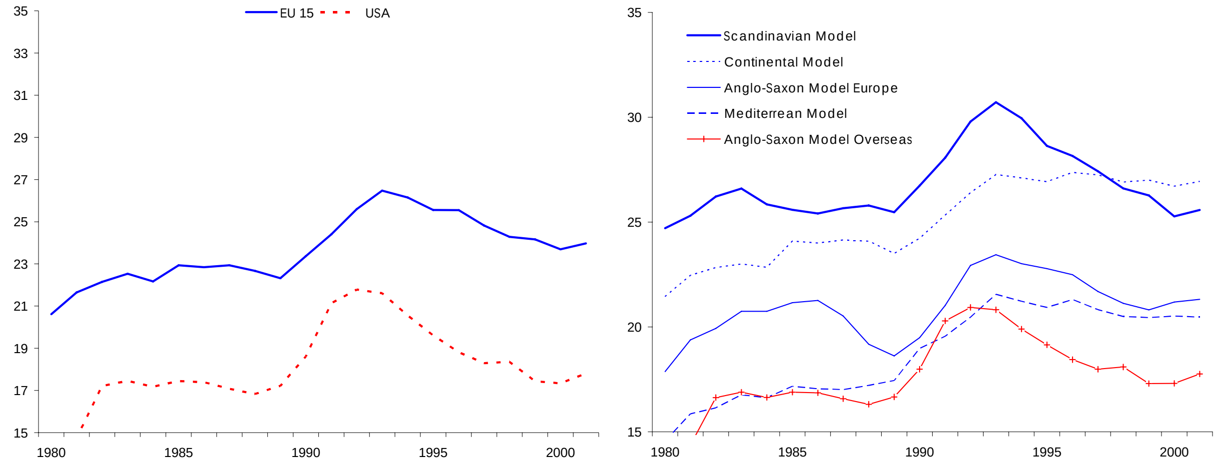
- Redistribution: transfers, financial support and social services are open to all groups; differences in incomes are limited by redistributive financial transfers, taxation, taxes on property and on bequests.

These three basic characteristics reflect the fact that the European Model is more than just a social model in the narrow sense. Indeed, it also influences production, employment and productivity and thus, growth and competitiveness and all other objectives of economic policy. Furthermore, the European Model influences social relationships, cultural institutions and behaviour, learning, and the creation and diffusion of knowledge. Finally, and this is specifically relevant to this paper, it defines the ability to cope with external shocks and changes like globalisation. We therefore prefer to speak about a European Socio-economic Model rather than merely a social model.

The Socio-economic Model of Europe may look rather homogenous from the outside, but there are many important differences across countries. It is standard practise to distinguish between a Scandinavian Model (often called the Nordic Model), a Continental Model (also known as the Corporatist Model and sometimes as the Rhineland Model) and a liberal model applicable to countries with less market interference, low transfers and underdeveloped public safety nets (the Anglo-Saxon Model). The "Anglo-Saxon Model" typically aims at a lower degree of intervention in general, but then targets assistance to the poor people ("means tested approach"). We furthermore ascribe the name "Mediterranean Model" to the southern European countries, in which a still low level of expenditures is combined with existing family networks. A fifth model, not yet elaborated, may emerge in the future, consisting of the new member countries (former socialist countries). Several social institutions have been founded after the transition only; they are short of the financial means for a comprehensive welfare system and the determination to catch up with the old member countries. We will therefore call this fifth model the "Catching-up Model". Outside of Europe, the US Model has lower levels of social expenditures, a low regulation, thus sharing characteristics with the liberal model in Europe. We therefore group Canada, Australia, and New Zealand into the "Anglo-Saxon Overseas Model". Japan, as well as the other industrialised Asian economies, remains an outsider to this discussion.

The Scandinavian Model is the most comprehensive, with a high degree of emphasis on redistribution; social benefits are financed by taxes. The Nordic Model relies on institutions working closely together with the government, Trade Unions are strongly involved in the administration of unemployment insurance and training, and the model is characterised by an active labour market policy and high employment rates. The Continental Model emphasises employment and wages as the basis of social transfers. Transfers are financed through the contributions of employers and employees. Social partners play an important role in industrial relations, and wage bargaining is centralised. Redistribution and the inclusion of outsiders are not high on the agenda. The Anglo-Saxon Model emphasises the responsibility of individuals for themselves, its labour market is not regulated and its competition policy is rather ambitious. Social transfers are smaller than in the other models, more targeted and "means tested". Labour relations are decentralised, and bargaining takes place primarily at the firm level. In the Mediterranean countries, social transfers are small; families still play a significant role in the provision of security and shelter. Trade unions and employer representatives are important to the rather centralised bargaining process for wages and work conditions. Employment rates, specifically those of women, are low.

Figure 1: Social expenditures as a percentage of GDP



S: OECD;
As to sub-aggregates and EU 15 weighted average over countries.

The Scandinavian Model is practised in five countries, namely the three countries with the best (overall) performances over the past 15 years (Denmark, Finland and Sweden, they are called the top 3 countries in Aiginger, 2004) plus Norway and the Netherlands. The inclusion of the Netherlands in this group is the most contentious choice, because the Dutch model is less ambitious, redistributes less and places less emphasis on gender equality (at least up to the nineties).[1] We pool five countries in the Continental Model - France, Germany and Italy, which are the three big continental countries, plus Belgium and Austria, two high-growth countries with top positions in per capita GDP.[2] It is striking that the Social Model typology groups Germany and France together into one group. When analysed in terms of intervention (high in France, low in Germany), mode of industrial policy (sectoral in France, horizontal in Germany) or the importance of nationalisation and competition policy (with France favouring nationalised champions, while in Germany competition policy is similar to a holy grail), these two countries would be ascribed to different policy approaches. But the literature is undivided when it comes to the inclusion of France and Germany into the same group of "Social Models". There is a certain amount of disagreement as to whether Italy fits better into this group or into the Mediterranean group. Since we have delegated Italy to the Continental group, the Mediterranean Model comprises Spain, Portugal and Greece. The Anglo-Saxon Model is championed in Europe by the United Kingdom. As far as the low degree of regulation and the social system are concerned, Ireland exhibits a certain degree

[1] Some authors classify the Netherlands as member of the Continental Model group.

[2] It is interesting that at least four of the six founding members of the EU belong to this group. The Netherlands is on the border line between the Continental and the Scandinavian Models, and Luxembourg is between the Continental and the Anglo-Saxon Models.

of similarity to the United Kingdom, but policy interventions have been intense, as is typical of a catching-up country: high shares of inward FDI, low taxes for business, and a regional policy supporting small and medium sized firms. In Europe, these strategies are now the paradigm for catching-up economies. Outside of Europe, we group Canada, the USA, New Zealand and Australia together, under the heading "Anglo-Saxon Model Overseas".

Table 1: Performance: Short and long run growth of GDP

	1960/1990	1990/2005	Unemployment rate		Employment rate	
	Annual growth in %		1990	2005	1990	2005
Scandinavian Model	***3.3***	***2.3***	***4.7***	***5.6***	***73.3***	***74.2***
Denmark	2.7	2.2	7.2	4.6	76.4	77.2
Finland	3.9	2.0	3.2	8.4	73.9	68.6
Netherlands	3.4	2.2	5.8	5.1	64.9	73.6
Sweden	2.9	2.0	1.7	6.8	83.0	73.7
Norway	3.9	3.2	5.2	4.0	74.8	77.7
Continental Model	***3.5***	***1.7***	***7.3***	***8.9***	***64.1***	***66.2***
Germany	3.2	1.7	6.2	9.5	69.6	70.0
France	3.8	1.9	8.5	9.6	61.2	63.8
Italy	3.9	1.3	8.9	7.7	57.4	62.0
Belgium	3.4	1.9	6.6	8.0	58.3	61.8
Austria	3.5	2.2	3.1	5.2	74.6	74.8
Anglo-Saxon Model Europe	***2.6***	***2.7***	***7.3***	***4.6***	***70.7***	***71.9***
Irland	4.1	6.5	13.4	4.3	54.6	68.6
United Kingdom	2.5	2.4	6.9	4.6	71.8	72.1
Mediterrean Model	***4.6***	***2.8***	***11.0***	***9.1***	***55.7***	***63.6***
Greece	4.5	3.0	6.4	10.4	54.7	55.0
Portugal	4.8	2.1	4.8	7.4	70.0	70.5
Spain	4.6	2.9	13.1	9.2	53.2	64.1
Anglo-Saxon Model Overseas	***3.6***	***3.1***	***5.7***	***5.2***	***72.0***	***72.9***
USA	3.5	3.1	5.5	5.1	72.3	72.9
Canada	4.0	2.8	8.1	6.8	71.2	74.1
Australia	3.8	3.5	7.0	5.2	69.2	72.1
New Zealand	2.4	3.2	7.8	4.0	53.7	59.6
EU 15	***3.4***	***2.0***	***7.5***	***7.9***	***64.5***	***67.2***
Japan	6.1	1.3	2.1	4.5	74.8	77.2
Catching-up Model	***.***	***2.5***	***.***	***7.5***	***.***	***61.2***
Czech Republic	.	1.3	.	7.9	.	65.4
Hungary	.	3.9	.	7.0	.	56.2
EU 15/USA	0.96	0.65	1.36	1.55	0.89	0.92

S: Eurostat (AMECO); as to sub-aggregates weighted average over countries; EU 15 reported.

3. Surprising similarity in the long run and even more surprising differences in the short run

Looking at economic performance the long run there are surprisingly little differences between the European submodels and no difference in economic growth between the US and the EU-15. If anything the Mediterranean countries did achieve a slightly higher growth (which is interpreted as catching up process), and the European Anglo Saxon countries suffered from the plights first of old labour and then of iron Thatcher. The interesting divide occurred since the 9oties, whether measured from 1990 to 2005 or from 1995 to 2005 (or extended to 2006). Europe's growth trails that of the US, and more surprisingly and with a larger difference that of the continental countries, France, Germany and Italy. In contrast the Scandinavian countries reached an average growth of 2.6% and the Anglo Saxon countries in Europe enjoyed a growth very near to US growth. The greatest surprise to our view is the recovery of the Scandinavian model. This is the most comprehensive social model, with the largest share of taxes and government in GDP. This destroys the usual foregone conclusion that Europe's growth problem origins in the high cost of its social system.[3]

If we extent the performance evaluation to other indicators than economic growth, the difference becomes even larger. Unemployment is much lower, employment rate higher in the Scandinavian model, specifically if compared to the continental model. The fiscal balance shows a surplus in the Scandinavian countries, while the continental countries and the Anglo Saxon model in Europe as well as in the US run deficits.

4. Carving out five strategy elements

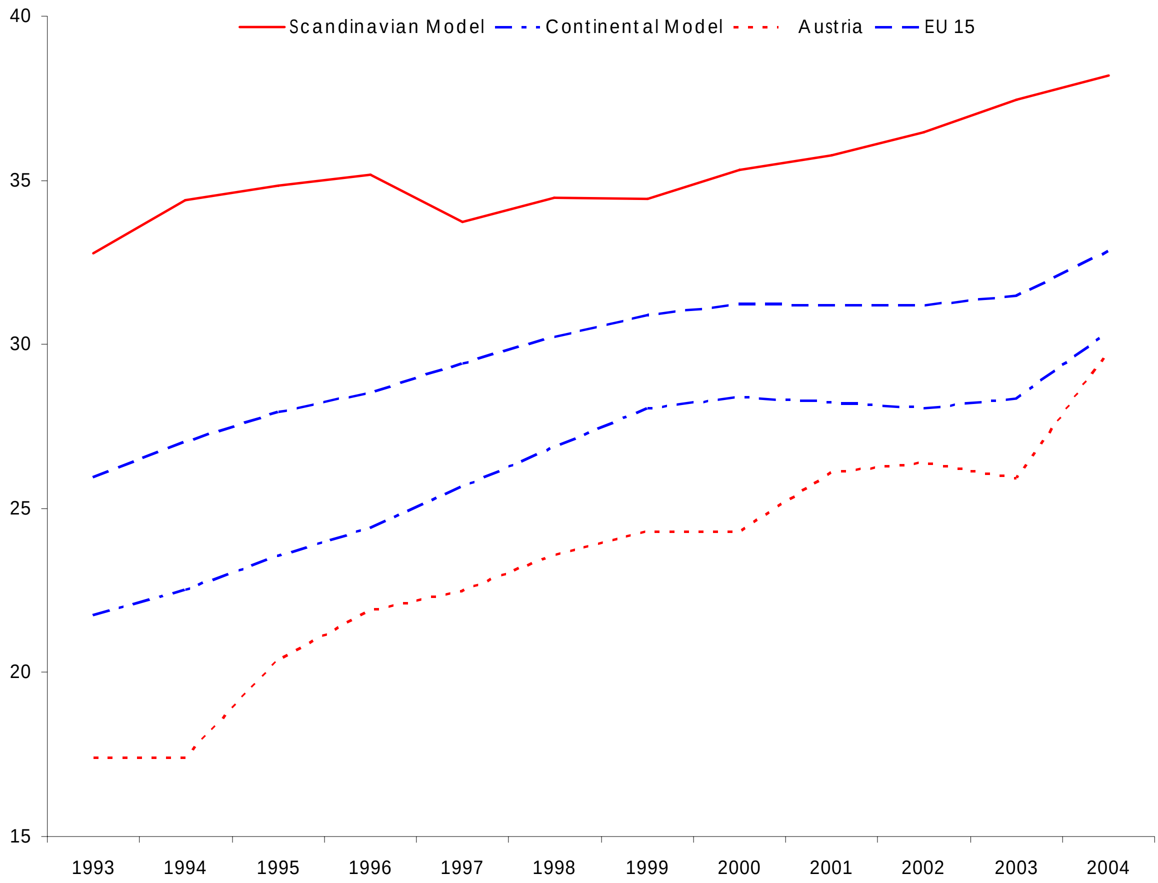
If we look at the economic policy of the successful Scandinavian countries over the past ten to fifteen years, the success strategy rests on five pillars.

Pillar 1: Managed and balanced flexibility

Many economists stress the importance of flexibility for firms. Firms which can hire and fire can adjust production to demand. Reducing regulation and specifically labour regulation is high on the agenda of many liberal or neo liberal economic think tanks. But it is not this notion of flexibility which has been pushed recently in the Scandinavian countries. Flexibility of firms is supplemented and even enabled by security for the individual persons. Those loosing their job are either offered new ones or a training program. Replacement ratios (unemployment benefit in relation to wages) are high, specifically for low incomes. Part-time work and temporary contracts are rather common, and connected with social benefits and individual choices. The share of male employees in flexible contracts is much large than in continental countries. Reduction of work time is often voluntary and reversible and adjusted to personal choices. Thus it is flexibility for firms and persons, embedded in a system of security, skill upgrading, and choice and gender equality, which characterises the model. And the decision about the specific work time and income does not only depend on the needs of the market, but also on the preferences of individuals. Government interferes a little bit in the rules (e.g. making pro rata entitlements obligatory) and guarantees the balance between firms and employees. This new type of flexibility – different from the liberal notion of hiring and firing out of a large pool of low qualified labour (the Marxian "reserve army") – is sometimes called flexicurity. I prefer to call it "managed and balanced flexibility".

[3] The second surprise is that the two extreme models proved better than the medium model (the continental model). However, if is not clear whether the recovery of the Anglo-Saxon countries have become permanently, or is the reflex of poor growth in the decades before, or will not last if the budget deficits e.g. in the United Kingdom will be trimmed and if external finance into Ireland will fade out.

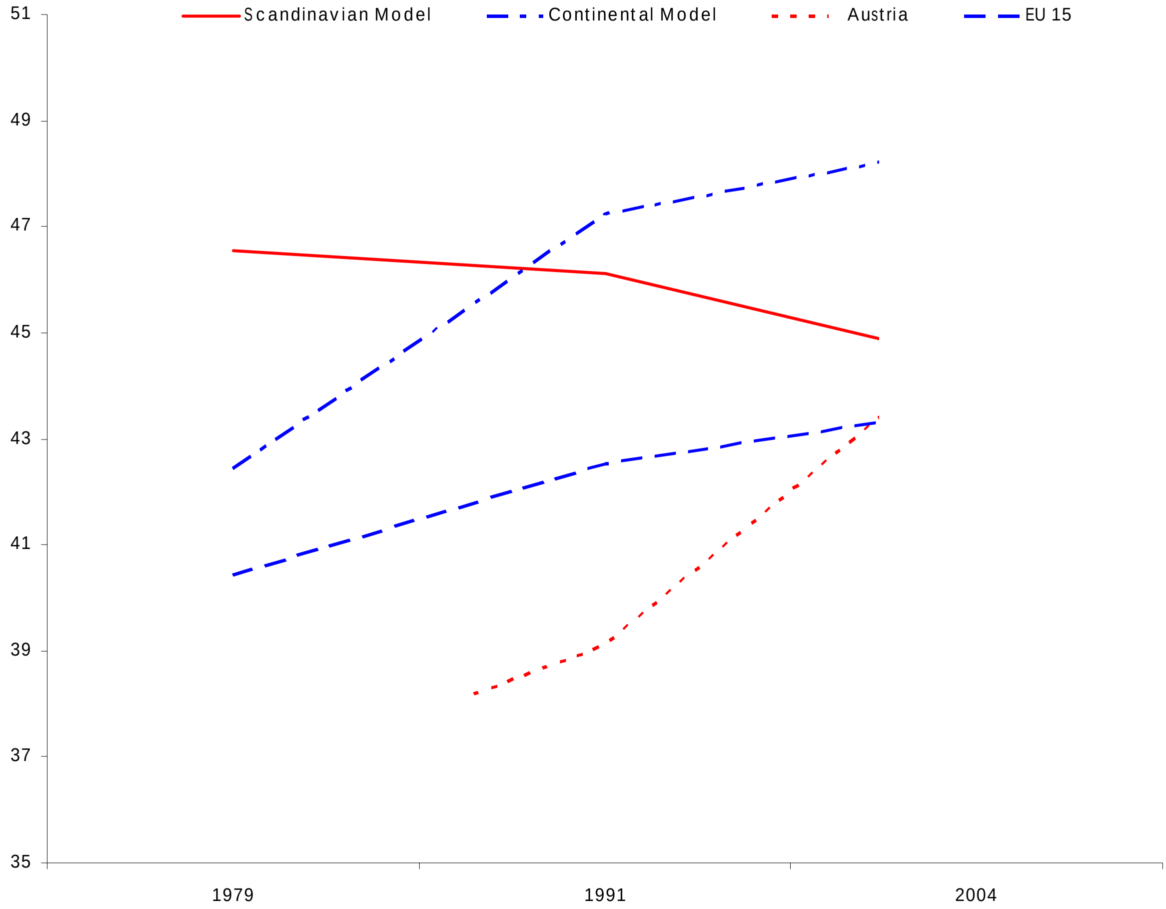
Figure 2: Flexible contracts: Share of part-time plus fix-term contracts



Pillar 2: Work pays and training is an obligation

Economies specifically those under the stress of rapid change, offer jobs with different wages and individual have different capabilities. Government tries to limit income differences by offering either subsidies or tax credits to those earning low wages. Then it is always better to work, than to rely on subsistence payments. Wages are held high in the short run by tax credits or subsidies, and people in this situation are trained in the job and off the job. The tax wedge is low, increasing the incentive to work for the employee and to hire for firms. Despite of the higher taxes in general, tax wedges in the Scandinavian countries are now lower than in the continental economies. Business taxes are relatively low, wealth and energy is taxed in the Nordic countries. Mobility in retraining is an obligation, by the means of financial instruments but also by pressure of efficient labour market institutions and trust.

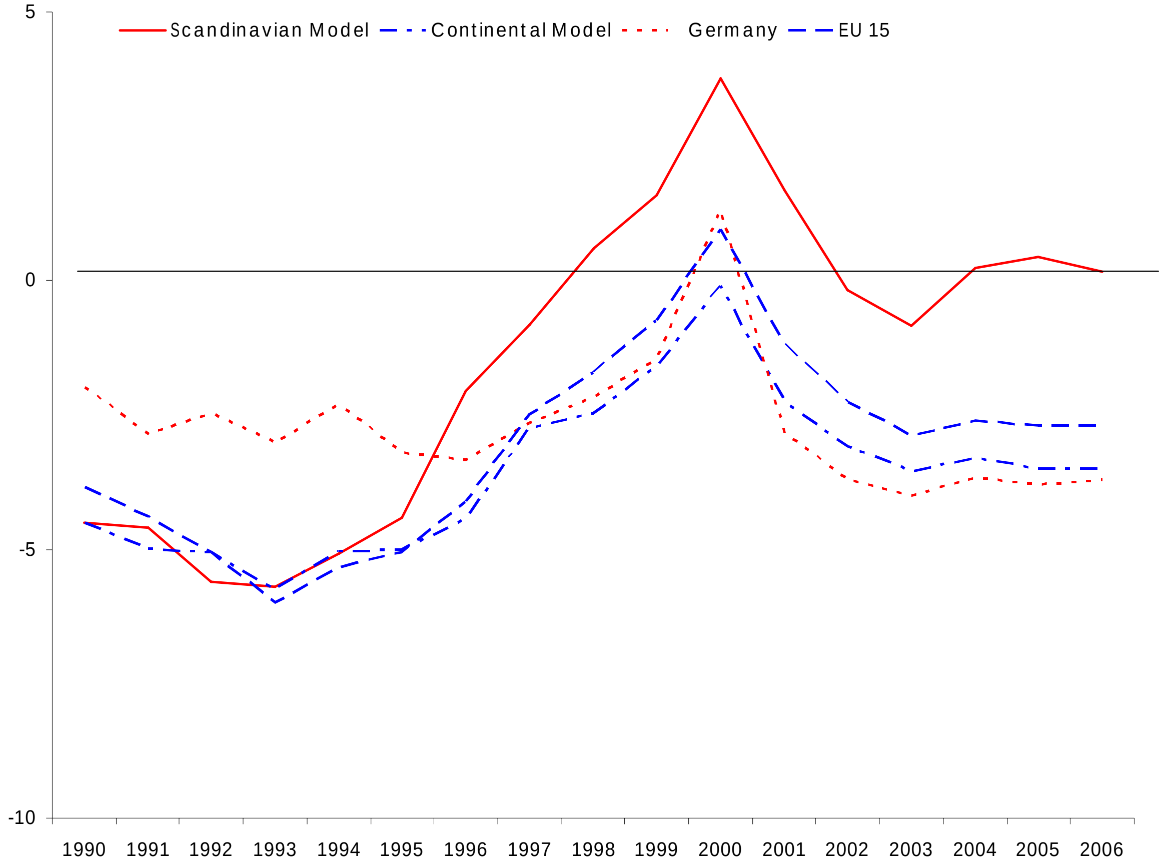
Figure 3: Tax wedge: difference between gross and net wages



Pillar 3: Fiscal prudence plus quality of government

The Scandinavian countries were known in the seventies and eighties for their permissive fiscal policy, suffering one unsuccessful fiscal consolidation after the other. Since mid nineties they target to achieve fiscal surpluses, first by capping the raise of expenditures. They now all have fiscal surpluses, a success reinvigorated by accelerating economic growth. Within the budget the priority of future investment and new activities is visible. Quality of budgets is important, in the sense of boosting growth stimulating expenditures. Public sector management has been installed, schools are efficient and quality is monitored.

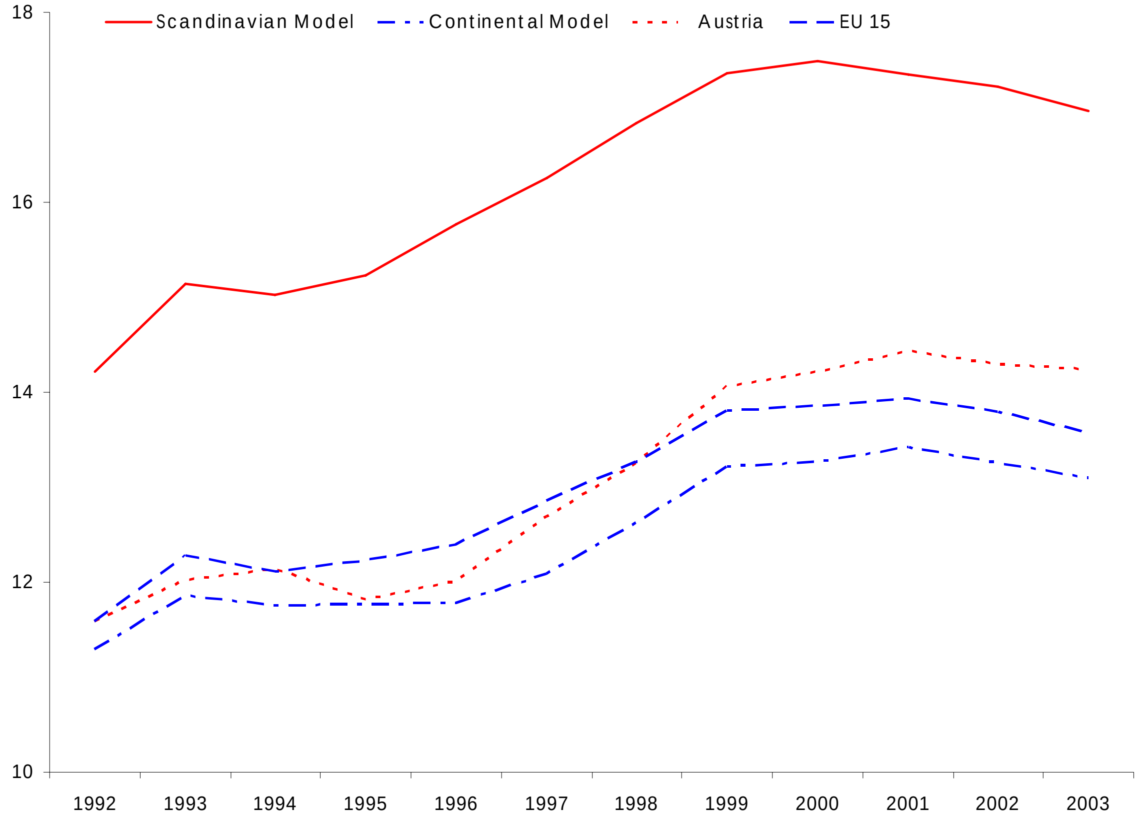
Figure 4: Budget surplus/deficit



Pillar 4: Investment into the future

The Scandinavian countries invest into research, education, life long learning and modern technologies like ICT and biotechnology. All these expenditures are targeted also in the Lisbon strategy, but without success in other countries. The countries are striving for excellence in innovation and education, regional policy is innovation oriented.

Figure 5: Investment into the future (in % of GDP: R&D, education, ICT expenditures)



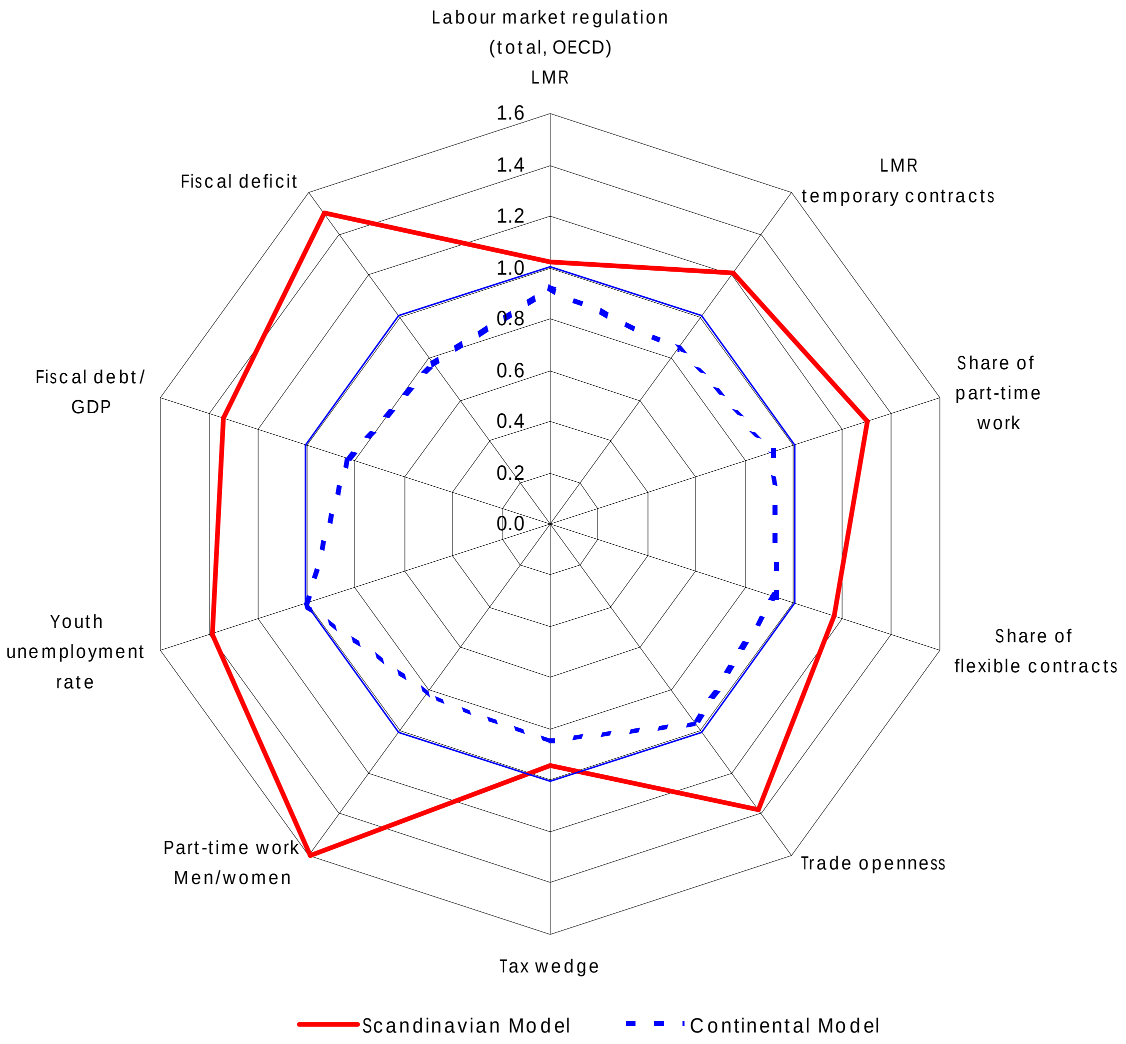
Pillar 5: Consistent long-run strategy

The countries follow a systematic four partite economic policy making. The strategy is shared by the trade unions, employer's organisations, economic experts and government. The strategy is continued, if the political party in power changes. Long-run strategies are followed; they are not only discussed but implemented, not only on one level of government but on all, and also in schools and organisations. The societies are inclusive, supporting specifically the poor, including immigrants. Income differences are limited. People are trusting in the society and the government, and changes are interpreted as new opportunities, not as imminent danger.

Common elements in extreme models

It is interesting that some of these changes (summarised in Appendix 1) are implemented in the Scandinavian model as well as in the liberal model, albeit at a different level. Wage supplements exist in both model, the same holds for stick a carrot strategies, policies to balance the budget by limiting expenditures. But the greater surprise is that the Scandinavian economies are able to make there social economic system fit for change, despite of high taxes, and government regulation.

Figure 6: Adaptivity profiles: Scandinavian vs. Continental Europe



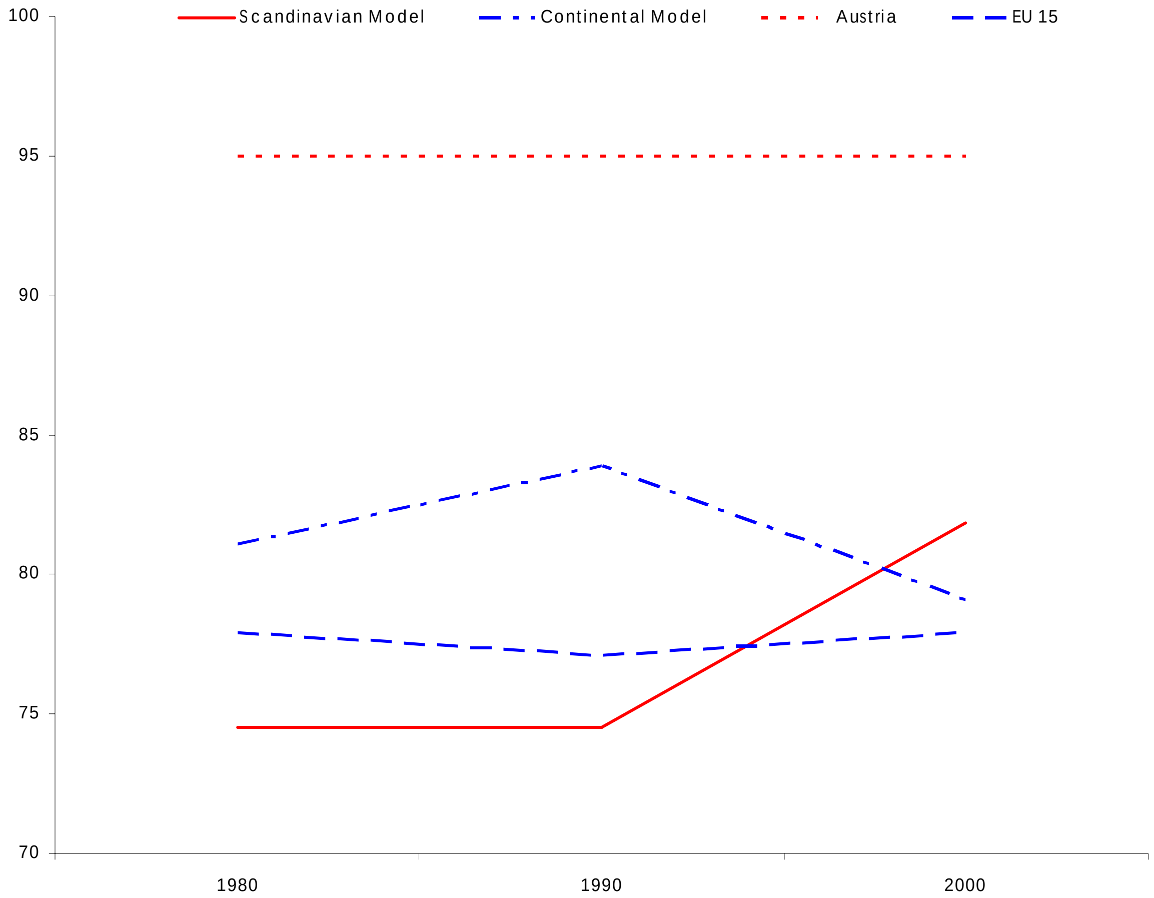
Note: Data refer to 2003, 2004 or 2005; values outside the unit circle delineate less regulation, more flexible contracts, lower tax wedge and lower unemployment, lower deficits and debts (relative to the average of EU-15).

5. The ability to change and the role of institutions

Why had the continental economies been unable to change, having lower burden of taxes and lower wages at least for the low skill segment? There is no definite answer, but let us venture five hypotheses.

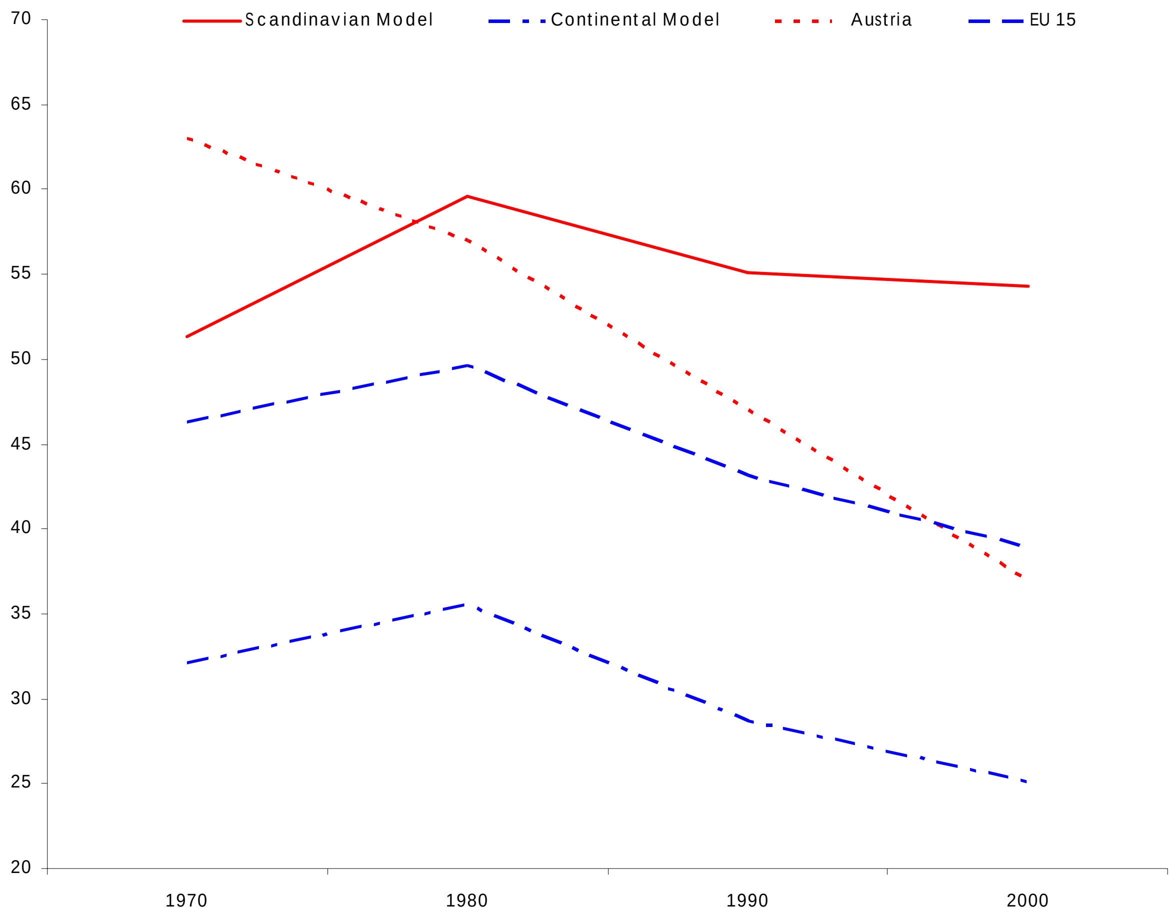
The continental countries underestimated the need for change. This may have been the case for the large countries Germany, France, Italy, since export ratios are rather low in big countries and the countries are home to large successful firms producing for the world markets. These countries had experienced no big crisis in the nineties, but enjoyed an albeit modest growth. The countries were further detracted by some experiments and shocks: this may have been the late and radical privatization and the reduction in working hours in France, unification of very different economies under the pressure of a single currency in Germany, or regional conflicts and political turmoil in Italy. The big continental economies furthermore had the "middle of the road" problem: since taxes were not specifically high, social expenditures not excessive and research and education expenditures not really low, the countries thought they could go on without policy change and without monitoring carefully the quality and efficiency of institutions. Deregulation was low on the agenda, despite of the fact that the labour markets in all countries and product markets in France and Italy were rather strictly regulated. Investment into the future did not increase, neither expenditures in research nor in education. The Scandinavian countries realized that they could finance their – marginally trimmed- welfare model only if they excelled in future investment and generated higher economic growth.

Figure 7: Collective bargaining coverage



The continental countries did not pay attention to the problem that their institutions were less comprehensive, specifically favouring insiders. The Scandinavian countries have more inclusive institutions and maintained this approach in the nineties: they always had a high union density and succeeded to keep it high despit of booming flexible contracts (part time plus fix term) as well as to increase the coverage of collective agreements. This inclusiveness allowed the reduction of regulation specifically for irregular contracts, since people felt sheltered by minimum wages, social assistance (with high replacement ratios specifically for the lowest wage segment) and trust.

Figure 8: Trade Union density

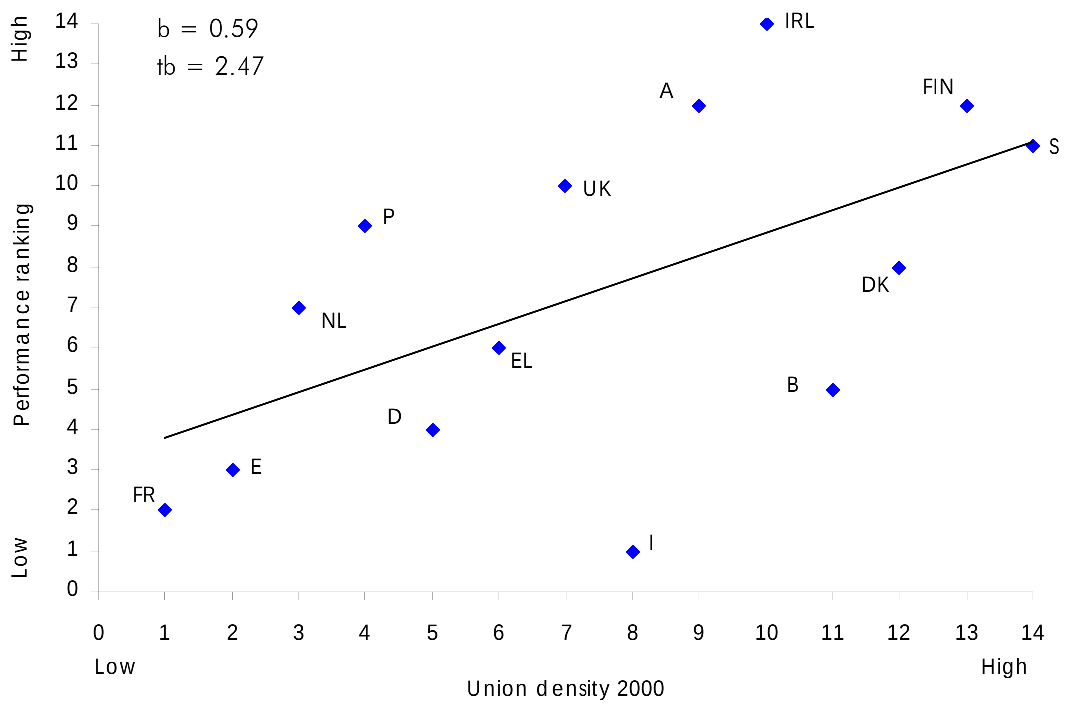


The economic role of government and the role of experts is greater in Scandinavian countries, complementary to the influence of the Social Partners. This cooperation between government and social partners is often called tripartite decision making, in contrast to two-partite if only employers and employees cooperate. We prefer to call the system four-partite decision making, since the experts are a fourth constituent group. Consistent, consensual decision making, with two groups focusing on special interests and two agents on more general interests allows a quick response to changes in the economic environment (e.g. made necessary by globalization). Two-partite systems sometimes favour special interests and rents, be it rents of oligopolistic firms or of existing employees in large sheltered firms. We use the term "sometimes", since there are examples in which social partners are pursuing general economic interest on their own (like integration into EU or fostering technological change in the printing industry in Austria) and others in which they serve more special interests.

The development of institutions was in general not smooth in most countries. There had been some pacts and partnerships brokered with and without government, like the Waasenar Agreement and the Haarlem Agreement in Netherlands, National Mediation Commission (Rehnberg Commission) in Sweden. Less successful examples in the same direction may have been the Alliances for Jobs for Germany, Italy, Spain. Complementary institutions were created like the Socio-Economic Council in the Netherlands, National Economic and Social

Forum in Ireland. Existing institutions like TEKES in Finland were complemented with institutions focusing on smaller firms or regional activities. There were periods of conflicts, the demise of intersectoral wage negotiation, the opting out of employer's organization, breakdown of bilateral negotiations. Alternative trade unions were founded to cover new employment contracts (Netherlands), conflicts between big firms and SME in employer's organisation came up. This all means that external shocks lead to conflicts in existing institutions, and the economies and the social system had to adapt.

Figure 9: Trade Union density and economic performance



Trade Union Density is one of the best documented indicators on the importance of institutions in general and on social partners in specific. It is declining from 50 % in 1980 to 39 % on 2000 in the EU 15. This average figure hides that it is plunging from 36 % to 25 % in the continental countries, while being the highest and deceasing only from 59 % (1980) to 54 % (2000) in the Scandinavian countries. And it is higher in 2000 in the Scandinavian countries than in 1970. On the level of individual countries the is a modest positive correlation between Trade Union density and economic performance (see Figure 9). Sweden, Denmark, Finland, but also Austria and Ireland have an above average ranking in an indicator on economic performance (including growth, per capita GDP, employment[4]) and these countries have the highest Trade Union density. On the other side of the relation, France and Spain have low Trade Union density and low performance. Coverage of social bargaining - another well-

[4] See Aiginger (2004) fort he composition of the performance indicator.

documented indicator on social partnership - is increasing in the nineties in the Scandinavian countries and decreasing in the continental countries.

Why could it be the case that strong, inclusive institutions could be good for performance? The role of institutions in a world of globalization, technological chance has to change from defending self interest of insiders to providing solutions for outsiders and those disadvantaged by rapid change (thus leading to growth, employment and competitiveness). Or let us say it in a more economic language institutions change from preserving rents to creating positive externalities. Modern Institutions encourage new abilities and qualification and are shaping and balancing flexibility rules. Strong, inclusive institutions – is our tentative hypothesis - will be better able to internalise positive externalities and to manage flexible contracts, than weak, decentralized institutions, which can only protect the small and decreasing members.

6. Summary

The European model is no barrier to competitiveness, if it is reformed in the direction of fostering change and growth, improving incentives and qualifications. This is demonstrated specifically by the Scandinavian countries, which now combine - after several crises, devaluations, unsuccessful fiscal consolidation - rapid growth, full employment, with a comprehensive welfare system and a high priority for ecological concerns and fairness.

The successful countries had to undergo substantial changes to be able to adapt their specific version of the European Socio-economic Model to the challenges of globalization. The strategy rested on five pillars: Managed and balanced flexibility, making work pay and training an obligation, fiscal prudence plus quality of government, fostering investment into the future and following a consistent long run strategy, embedded in trust and strong institutions.

As far as institutions were concerned, the Scandinavian countries always had more inclusive institutions, and less insider-outsider problems. They managed to maintain and to exploit this property: the coverage of collective agreements is increasing, trade union membership is stable, both in contrast to continental economies. The inclusiveness of institutions and the trust in society enabled these countries to deregulate contracts, to make use of part-time work and fixed-term contracts without increasing poverty and exclusion. Four-partite decision making seems to be more open for radical change, than two-partite policy making, since at least two partners (government and experts) will represent general interests. And the strong position of firm representatives and of Trade Unions enables the countries to cope with the burden of change and with the reintegration of losers (than in case of government or experts led change). The burden of change is acceptable if it are derived from a positive vision and if the burden is distributed in a fair way. Complex reforms – like increasing flexibility and security at the same time – are feasible in trusting societies. Strong and inclusive institutions – including strong Trade Unions and strong employers' organisation, will not over exaggerate for specific interests, thus preventing Olson's petrification hypothesis. In the ideal case they will help to foster externalities (e.g. innovation, education, lifelong leaning) thus making the economies more competitive, while reducing enemployment, uncertainties and ecological problems.

Appendix:

Table A1: Labour relations in different Socio-economic Models

	Trade union density				Career or job-related training		Collective bargaining coverage		
	1970	1980	1990	2000	1999		1980	1990	2000
	In %				Participation rate	Average annual hours	In %		
Scandinavian Model	***52***	***59***	***56***	***54***	***50***	***17***	***75***	***75***	***82***
Denmark	60	79	75	74	53	22	70	70	80
Finland	51	69	72	76	50	18	90	90	90
Netherlands	37	35	25	23	41	15	70	70	80
Sweden	68	80	80	79	61	18	80	80	90
Norway	57	58	59	54	.	16	70	70	70
Continental Model	***32***	***36***	***29***	***25***	***35***	***11***	***81***	***84***	***79***
Germany	32	35	31	25	32	9	80	80	68
France	22	18	10	10	46	17	80	90	90
Italy	37	50	39	35	26	8	80	80	80
Belgium	41	54	54	56	41	13	90	90	90
Austria	63	57	47	37	31	9	95	95	95
Anglo-Saxon Model Europe	***45***	***51***	***40***	***31***	***49***	***13***	***70***	***40***	***30***
Irland	53	57	51	38	41	17	.	.	.
United Kingdom	45	51	39	31	***49***	***13***	70	40	30
Mediterrean Model	.	***19***	***17***	***18***	***22***	***10***	***53***	***60***	***68***
Greece	.	39	32	27	15	6	.	.	.
Portugal	.	61	32	24	17	7	70	70	80
Spain	.	7	11	15	25	11	60	70	80
Anglo-Saxon Model Overseas	***28***	***24***	***17***	***14***	.	.	***29***	***22***	***18***
USA	27	22	15	13	.	.	26	18	14
Canada	32	35	33	28	.	.	37	38	32
Australia	44	48	40	25	.	.	80	80	80
New Zealand	56	69	51	23	.	.	60	60	25
EU 15	***46***	***50***	***43***	***39***	***38***	***13***	***78***	***77***	***78***
Japan	35	31	25	22	.	.	25	20	15
Catching-up Model	.	.	***54***	***24***	***12***	***8***	.	.	***27***
Czech Republic	.	.	46	27	.	10	.	.	25
Hungary	.	.	63	20	12	5	.	.	30
EU 15/USA	1.72	2.25	2.88	2.99	.	.	3.00	4.28	5.57

Table A2: Adaptivity indicators: Scandinavian vs. Continental Europe

		Scandinavian Model			Continental Model			Scandinavian Model - Continental Model
		1990	2005	2005-1990	1990	2005	2005-1990	2005
Labour market regulation All contracts; 1990/2003	(-)	2.81	2.32	-0.49	3.11	2.58	-0.53	-0.26
Labour market regulation Regular contracts; 1990/2003	(-)	2.65	2.59	-0.07	2.30	2.38	0.08	0.21
Labour market regulation Temporary contracts;	(-)	3.01	1.67	-1.34	3.92	2.40	-1.52	-0.73
Share of part-time work 1993/2004	(+)	21.77	26.20	4.44	12.50	18.32	5.81	7.89
Share of fix-term contracts 1993/2004	(+)	10.99	11.97	0.98	9.23	12.08	2.85	-0.11
Share of flexible contracts 1993/2004	(+)	32.75	38.18	5.42	21.73	30.39	8.66	7.78
FDI/GDP 1995/2004	(+)	3.17	0.89	-2.28	1.33	0.95	-0.38	-0.06
Trade openness 1990/2004	(+)	59.80	62.08	2.28	42.84	43.21	0.38	18.86
Tax wedge 1991/2004	(-)	45.35	43.25	-2.10	47.24	48.56	1.32	-5.31
Share of part-time work Men in relation to women 1993/2004	(+)	0.27	0.36	0.09	0.15	0.19	0.04	0.18
Long-term unemployment 1992/2004	(-)	1.26	1.35	0.09	3.49	4.42	0.94	-3.08
Youth unemployment 1993/2004	(-)	17.17	11.99	-5.18	16.05	16.53	0.48	-4.54
Fiscal debt in % of GDP; 1991/2004	(-)	58.44	48.22	-10.22	57.94	77.71	19.77	-29.49
Fiscal deficit/surplus in % of GDP; 1990/2005	(+)	-4.51	0.44	4.96	-4.49	-3.51	0.99	3.95

Note: + means not inverted, - means inverted if the indicator is to be used as adaptivity indicator (as in Figure 6).

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Medieninhaber (Verleger), Hersteller: Österreichisches Institut für Wirtschaftsforschung • Wien 3, Arsenal, Objekt 20 • A-1103 Wien, Postfach 91 • Tel. (43 1) 798 26 01-0 • Fax (43 1) 798 93 86 • http://www.wifo.ac.at/ • Verlags- und Herstellungsort: Wien