



## EFFIQUITY: A CONCEPTUAL APPROACH TO THE EUROPEAN SOCIAL MODEL

### EŞİTLİKÇİ ETKİNLİK- 'EFFIQUITY': AVRUPA SOSYAL MODELİNE KAVRAMSAL BİR YAKLAŞIM

**Beyza SÜMER, Ph. D.**

Dokuz Eylül University Faculty of Business Department of Economics

[beyza.sumer@deu.edu.tr](mailto:beyza.sumer@deu.edu.tr)

#### Abstract

Efficiency increases and guarantees the living standards of a society. Equity increases the well-being of people who do not have the opportunities and capacities to obtain a share from the wealth. Equity enhances social inclusion and social cohesion. Efficiency and equity are regarded as contrary topics by a number of economists and policy makers, and therefore a tradeoff between them is brought forward.

My argument in this paper depends on a normative assumption that, with no focus on a tradeoff between efficiency and equity, 'effiquity'<sup>1</sup> best serves for the social Europe.

The purpose of this paper is to display various social models in the EU and to highlight the most efficient and equitable model, namely the Nordic model, which can be used as the European Social Model. The method used in this article is normative and comparative.

The article will proceed as follows: after the introduction part; varieties of societal models will be summarized. In this section, the core values and typologies of social models will be described. Then, the grounds for the trade-off between economic efficiency and social equity will be discussed. The concept of 'effiquity' and its variables in analyzing a social model will take part in the fourth section. A numerical analysis of the effiquity position in the EU15 and Turkey, which is based on the empirical data, will follow the conceptual framework of effiquity. The conclusion part will sum up the discussion and propose the Nordic model best for the social Europe, and make some suggestions for Turkey to promote its social dimensions.

**Key Words:** efficiency, equity, social policy, EU, Turkey

#### Öz

Etkinlik, bir toplumun yaşam standartlarının yükseltilmesini sağlar. Eşitlik, zenginlikten pay alma olanakları ve yetkinlikleri olmayanların refahını artırır. Eşitlik, sosyal içerme ve sosyal kaynaşmayı güçlendirir. Etkinlik ve eşitlik birçok ekonomist ve politika oluşturucuları tarafından birbirine karşıt olarak ele alındığından, takasa konu olmaktadır.

Bu çalışmanın hipotezi; etkinlik ve eşitlik arasında bir takasa yönelmeden, 'effiquity'nin, yani eşitlikçi etkinliğin sosyal Avrupa için en iyi yaklaşım olduğudur. Makalenin amacı; AB'ndeki çeşitli sosyal modellerin gösterilmesi ve en etkin ve en eşitlikçi model olan Nordik modelin Avrupa Sosyal Modeli olarak öne çıkarılmasıdır. Çalışma yöntemi normatif ve karşılaştırmalıdır

Giriş kısmından sonra toplumsal model çeşitleri özetlenecektir. Bu bölümde sosyal model tipolojileri ve temel değerleri ele alınacaktır. Bir sonraki bölümde ekonomik etkinlik ve sosyal eşitlik arasındaki takasın gerekçeleri tartışılacaktır. Bunu takiben, sosyal model analizinde eşitlikçi etkinlik (effiquity) kavramı ve değişkenleri yer alacaktır. AB15 ve Türkiye'de eşitlikçi etkinlik pozisyonu, ampirik verilere dayanarak belirlenecektir. Sonuç kısmında, Nordik modelin Sosyal Avrupa için en iyi model olduğu belirtilecek ve Türkiye'nin sosyal boyutlarını yükseltecek bazı önerilerde bulunulacaktır.

**Anahtar Sözcük:** Etkinlik, Eşitlik, Sosyal Politika, Ab, Türkiye

<sup>1</sup> Effiquity is a term created by me. It is composed of 'effi' of efficiency and 'quity' of equity. It implies equity in an efficient economy.

## **Introduction**

Efficiency and equity are regarded as contrary issues by a number of economists and policy makers, and therefore a tradeoff between them is often brought forward. Efficiency increases the well-being of the society. Equity adjusts the economic activity of the society to increase the well-being of people who do not have the opportunities and capacities to obtain a share from wealth by themselves. In this respect, equity enhances social cohesion.

Neo-liberal advocates claim that social welfare can only be realized by efficient functioning of markets, and any allocation of resources besides the market mechanism for the effort of reducing inequalities will hamper efficiency. The neo-liberal approach is said to have no grounds scientifically, and thus it stands just as a belief. Nevertheless, it is a widely accepted reality that equity can be provided on the basis of an efficient economy. Due to this requirement, the efficiency-equity issue primarily occupies the agenda of policy makers.

In the face of global competition, internationalization of capital, and financial crisis, the pathological fear of losing the competitive position of the EU in the world economy leads to a diversion from the implementation of the social objectives. In this paper it has been asserted that efficiency and equity issues are not substitutes to be traded off. On the contrary, they enhance and support each other, given the political will.

The purpose of this paper is to depict the various social models in the EU and to highlight the most efficient and equitable model, namely the Nordic model, which can be used as the European Social Model. The methodology used in this article is normative in its assertions, and comparative in its numerical analysis.

The article will proceed as follows: after the introduction part; varieties of societal models will be summarized. In this section, the core values and typologies of social models will be described. Then, the grounds for the trade-off between economic efficiency and social equity will be discussed. The concept of 'effiquity' and its variables in analyzing a social model will take part in the fourth section. A numerical analysis of the effiquity position in the EU15 and Turkey, which is based on the empirical data, will follow the conceptual framework of effiquity. The conclusion part will sum up the discussion and propose the Nordic model possible for the social Europe, and will offer some suggestions for Turkey to promote its social dimensions.

### **Varieties of Societal Models**

In addressing the threats and challenges arising from the global competition, various paths of the capitalist system have been traced by the nation states. This pluralization of capitalism has given rise to a diverse and mounting research, which by the late 1990s was typically classified under the varieties of capitalism caption. The varieties of capitalism literature embraces everything from studies of national capitalisms to detailed empirical analyses of phenomena like industrial relations, financial, and training systems (Peck and Theodore, 2007:732).

In the analysis of how capitalism would respond to the economic and social issues, a stylized distinction between the liberal capitalism of the American way, namely the neo-American/neo-liberal model; and the coordinated capitalism of the German way, namely the Rhinish model, is generally made (Peck and Theodore, 2007:733-734). In this distinction, the welfare regime exercised through each model brings forward the typology of welfare states, which was distinguished by Esping-Andersen as liberal, conservative-corporatist, and social-democratic. It has been underlined that this typology basically assumes that each type has a different ideological or cultural base (Oorschot, 2007:135); and that political, institutional and cultural factors explain the differences from one country to another (Alsasua, et al., 2007:305).

Under the liberal welfare-state regime, the market is expected to be the main provider of welfare, the state assuming the role of residual welfare provision for those few who are (temporarily) not integrated into the labour market. The second regime type, the corporatist welfare-state regime that is often referred to as the continental or conservative regime, preserves the societal status differentials by attaching the social rights or benefits to the occupational status of the beneficiary. Under this system, welfare benefits are provided in the framework of social security insurance organized on a corporatist basis and based on previous contributions made by employees and their employers. The third welfare state regime type is the social democratic welfare regime that characterizes the Nordic countries. The Nordic welfare system places a high value on social inclusion through the universal eligibility to welfare services (Follesdal, et al., 2007:77). The core of the Nordic model is universalism, that is, to improve the ability of society to master its problems and to enrich and equalize the living conditions of individuals and families (Greve, 2007: 44). In order to sustain the universal eligibility to social services and welfare benefits, the social-democratic system places a strong emphasis on full employment and,

unlike the liberal model, the social democratic model considers that it is the state's responsibility to promote full employment through macro-economic policy (Follesdal, et al., 2007:77).

Esping-Anderson's typology is often used as an analytical tool in assessing the normative differences in welfare provision and how these differences impact on the policies and practices of welfare systems. Thus, the extent of the welfare provided by the state, the market and the family specifies different societal models. The liberal model thinks that the market is the main source of welfare. The Nordic social-democratic model assigns a key role to the state both directly in terms of the provision of basic welfare services and indirectly in terms of promoting full employment. Finally, under the conservative model, the state's role is mediated through corporatism in the form of close collaboration between employers and employees' associations. In Southern European countries, the family takes over the protective role of the state (Follesdal, et al., 2007:77-78).

The term social model is described as a mode of social reproduction specific to a national, cross-national or regional context over a given period, and that social models are subject to change and typologies should periodically be re-evaluated (Karamessini, 2008:43-44). In this context, it can rightly be said that European Social Model does not imply one model but a hybrid of various models. European Social Model is an abstraction from the specific social models of individual Western European countries. There are indeed some resemblances among these models, but they are also very different (Grahl, 2008:48). Due to those differences, it has been underlined that the notion of European Social Model is misleading, and that there are in reality different European social models, with different features and different performance in terms of efficiency and equity (Sapir, 2005:1). In addition, the European Social Model is said to be a vague concept which is often referred to in political documents and speeches but has not been consensually defined yet (Juhasz, 2006:83).

The European Social Model started to evolve at a national level, in national welfare states. It was in the 1970's that basic values (equality and solidarity) started to get built into the Community's legislation on the gendering of labour and social security law; and was reinforced by the institutionalisation of social dialogue in the 1980's and the introduction of the open method of co-ordination in various domains of European social policy (Juhasz, 2006:84-86).

There is voluminous literature that the European Social Model is based on the core/common values, namely, solidarity, equality, and freedom. Despite the differences in the social systems and in the ways for implementing the common values, it has been pointed out that the EU member states commonly aim to attain a balance between economic growth and social solidarity based on active interdependence. Thus, this is reflected in the European social system as a unity of values with a diversity of systems (Lawniczak, 2007:380). The European welfare states are characterised with highly developed social protection systems to promote the core values by means of policies aiming at the redistribution of incomes and opportunities (Juhasz, 2006:84-86).

The EU is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between men and women prevail (Follesdal, et al., 2007:82). Thus, European Social Model is understood as a reflection of a set of common values such as equality, solidarity; social justice. It has been highlighted by the EU Parliament, and some other EU institutions that the role given to the state, besides the other stakeholders, in the implementation of those values make the difference between the European and the US models (Lawniczak, 2007:380; Rasmussen and Delors, 2007:3-24).

In fact, there isn't a common European Social Policy, except the rules which are commonly referred to as light rules. Wages, unionization and collective bargaining are under the sovereignty of the member states. In this respect, the EU has little influence over the social sphere, since most aspects of social policy remain very firmly in the hands of the member states (Grahl, 2008:48). Moreover, it has been underlined in some studies that European Social Policy predominantly comprises market-enabling measures securing the free movement of factors (Kvist, 2004:302). Nevertheless, European Social Model got to be a term of reference in the making of social policy at a European level (Juhasz, 2006:84-86).

### **Economic Efficiency and Social Equity**

The ongoing discussion about the trade-off between economic efficiency and social equity relies on the *belief* that, in the face of globalization and internationalization of capital, it is highly costly, inefficient, and practically impossible to carry out the expansionist and full-employment

policies which constitute the basis of social welfare regime. According to this belief, governments that expand their public and social expenditures and try to follow full-employment policies will be penalized by the international markets. Firstly stated by Arthur Okun in 1975, the orthodoxy suggests that a fundamental trade-off exists between equity and efficiency, depicting these values as in tension with one another (Hopkin and Wincott, 2006:58). As a proof of this position, liberal authors hold up the United States as an example of economic efficiency with high economic growth and low unemployment, assumed to have been achieved by tolerating levels of social inequality that the European Union would not accept. The low economic growth and high unemployment of the European Union are considered to be a consequence of an excessive concern with equality, a concern that is evident in the European Union's extensive welfare states and its highly regulated labor markets. This idea of a trade-off in efficiency and equality is almost dogma today in many liberal circles. As with many dogmas, however, this liberal dogma is reproduced more by faith than by evidence (Navarro and Schmitt, 2005:613-614).

It has explicitly been proved that the neo-liberal approach which ignores the role of state but which favours the role of market in the provision of social welfare has no grounds whatsoever scientifically (Stiglitz, 2002:9-12; Kleinman, 2002:342). Besides this, it is by no means clear in the neo-liberal approach that a one-sided liberalisation generates the best economic performance (Wincott, 2006:754). For this reason, it can easily be concluded that the neoliberal approach stands as a belief and/or as an ideological preference.

There is a growing tendency in the EU for upraising the neo-liberal model due to a growing fear of not being able to be competitive. This fear leads the states to be locked solely into the efficiency issue and to omit other policies and therefore, as has been rightly stated, it stands as a new determinism (Hopkin and Wincott, 2006:52). At a very generic level, the consensus on basic social values (solidarity, equality, and social justice) exist in the EU. The debate in the EU mainly arises from the various social objectives and the extent of the role of the state in providing egalitarian social welfare. This issue becomes obvious especially in full employment/high employment, and social protection/basic services dichotomies (Follesdal, et al., 2007:82-83).

It's a reality that equity and efficiency outcomes are closely related to the availability of financial resources and government capacity as stated by Robinson (2007:15). In addition, in an increasingly open global economy, it is a main issue whether the welfare states can remain competitive or not (Turner, 2006:93-94). However, the empirical evidence does not provide much support for the idea that liberalisation and social welfare are necessarily at odds with one another. It has clearly been shown and proved in many studies that the countries which became integrated into the international economy and which perform well on the economic efficiency and liberalisation criteria also perform well socially, and thus globalization was not an obstacle to their following social democratic policies (Wincott, 2006:754; Navarro and Schmitt, 2005:231-235; Follesdal, et al., 2007:77; Greve, 2007:43; Hopkin and Wincott, 2006:5-58; Wadsworth, 2002:1-3; Klasen, 2008:257-274).

There is an ever growing number of studies based on empirical findings that there aren't any big trade-offs between efficiency and equity, and that it is not much costly to reach equity goals (Pressman, 2005:83-100; Filges, et al., 2007:5). Moreover, some researchers assert that efficiency and equity are not necessarily substitutes to be traded off against each other in the effort of improving economic performance (Klasen, 2008:257-274; Wadsworth, 2002:1-3). It is evident in other studies that economic efficiency and social equity are mutually supportive, showing a clearly positive and relatively tight relationship between them; and efficiency and equity could be reached without a trade-off (Hopkin and Wincott, 2006:57; Etherington and Jones, 2004:142; Kleinman, 2002:344).

Economic, technological, environmental and social changes have complex interrelations and consequences for each other, and thereof these processes of change demand new, vigorous and coordinated policy responses (Room, 2008:345). It has been put forward that in the face of increasing inequalities in the EU, new strategies and mechanisms have to be created to enhance equity (Vos, 2005:365-367). It has explicitly been shown that the political will stands as the corner stone for an egalitarian social welfare (Navarro and Schmitt, 2005:245-248).

As can clearly be seen in the above stated literature that there are no grounds scientifically that equity hampers efficiency, or that they are substitutes, or that equity should be postponed for a time in the far future for the sake of efficiency. It is a challenge, indeed it is a big challenge to

continue and implement the social values in the face of a growing fear of not being able to be competitive anymore, or of losing the position of being efficient.

If we put aside this groundless fear, it can easily be seen from the researches based on empirical data that equity and efficiency are co-variables, co-pilots, dual-keys for a peaceful world, and thus, effiquity best serves as a route for the social Europe.

Effiquity denotes the prevalence of equity in an efficient economy. The content of effiquity has long been studied and analyzed. In this respect, this term does not suggest a new perspective but rather it is used for the intention of a conceptual contribution to the literature.

### **Conceptual Framework and Variables of Effiquity**

The welfare regime exercised through each model brings forward the typology of welfare states, which was distinguished by Esping-Andersen as liberal, conservative-corporatist, and social-democratic. This typology is often said to be a tool in the analysis of the provision of social welfare. In order to depict the levels of economic efficiency and social equality, similar variables and parameters have been used by many researchers. In this paper, I will try to include two more variables to Andre Sapir's criteria for the European social policy models (Sapir, 2005: 8-10).

Sapir considers a model efficient if it provides high employment rate and considers a model equitable if it generates low poverty rates. If a model is not both efficient and equitable, it is not sustainable. According to his research, Nordic countries (Sweden, Finland, Denmark, Holland) are both efficient and equitable. Mediterranean countries (Portugal, Spain, Italy, Greece) are neither efficient nor equitable. Anglo-saxon countries (UK, Ireland) have high efficiency but low equity. Continental countries (Germany, France, Austria, Belgium) have high equity but low efficiency. Therefore, only Nordic countries have a sustainable social model.

In my analysis, I chose two variables for efficiency, the unemployment rate and the percentage of elementary occupations; and two variables for equity, the poverty rate and the percentage of expenditure on social protection.

The rationale behind the efficiency variables is that the unemployment rate shows whether the economic growth has contributed to the reduction of unemployment, and that the percentage

of elementary occupations in total employment of each country shows how far the economies have generated decent jobs.

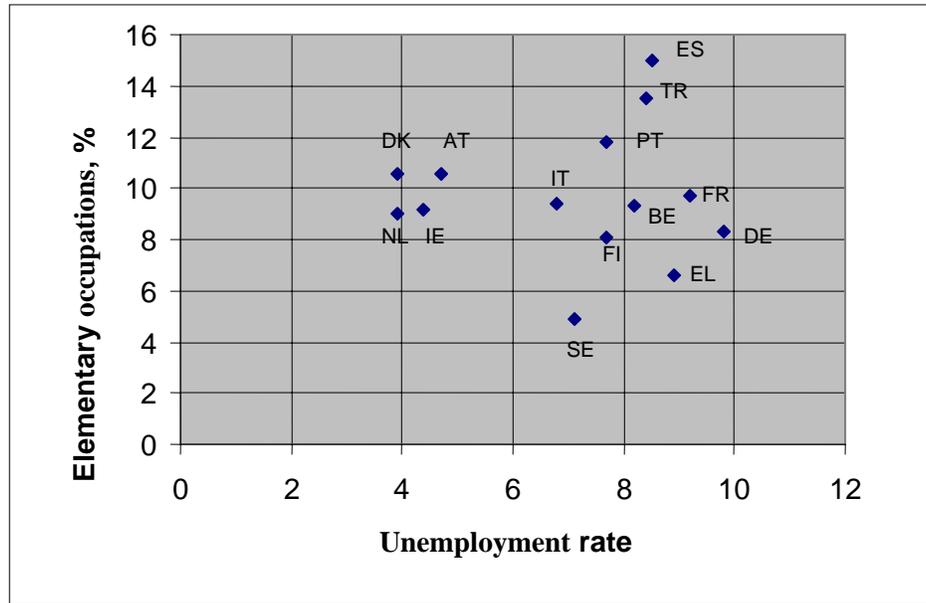
Elementary occupations are under the category of '9' in ISCO88, International Standard Classification of Occupations. The 9th category, elementary occupations, includes occupations with a skill level of 1. First skill level includes ISCED category 1, comprising primary education which generally begins at the ages of 5-7 and lasts about 5 years (Elias & Birch, 1994:1). Therefore, the category of elementary occupations includes the people with low skills and low educational levels where non-decent jobs occur the most.

The reason for choosing the equity variables is that the higher percentage of expenditure on social expenditure is an indicator for how much a state devotes its resources for the incapable people. Though this percentage is very much dependent on the performance of the country's economy, it has a normative and ethical aspect for caring for the incapacities. The other variable for equity is the rate of poverty which is a very reliable indicator for how much the people in the country gets a share from the generated wealth.

In this study, a country will be considered *equitable* if it both provides higher percentage of expenditure on social protection and if it generates low poverty rates. A country will be considered *efficient* if it both generates low unemployment rates and a has low percentage of elementary occupations in total employment.

### **Outcomes of the Analysis**

According to the above stated criteria of efficiency and equity, Figure 1 shows the efficiency positions of the EU15 countries and Turkey for the year of 2006.



**Figure 1: Efficiency in the EU15 and Turkey**

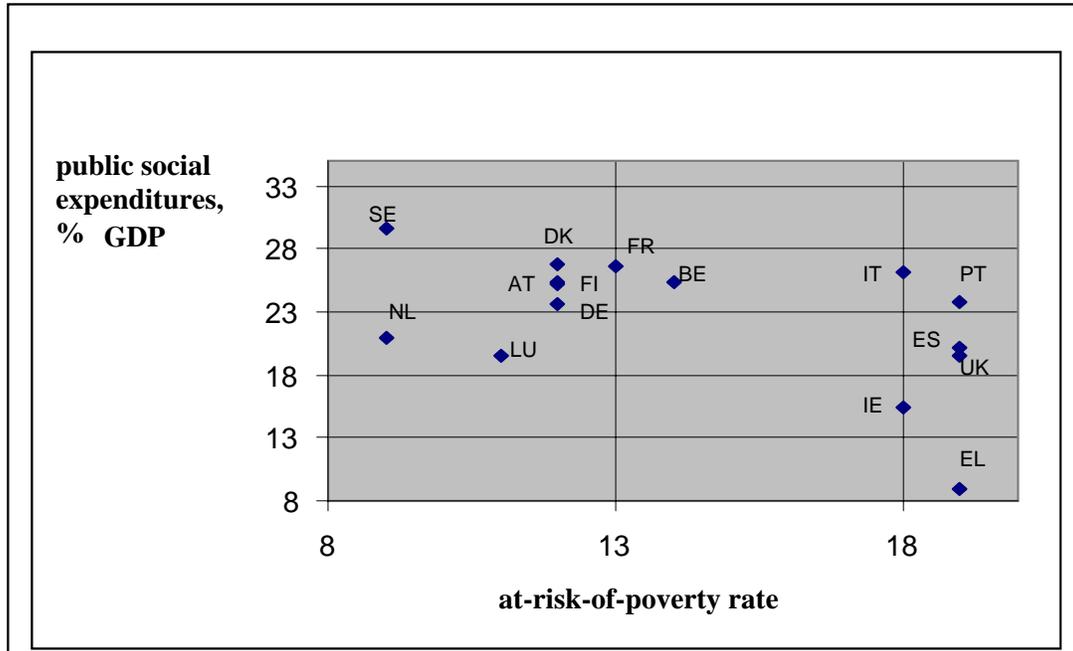
**Source:** Author's calculation. Data for elementary occupations (2006): <http://laborsta.ilo.org>, 2C total employment by occupation, Category 9 (elementary occupations); data for unemployment rate (2006): [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=STRIND\\_EMPLOI&root=STRIND\\_EMPLOI/emploi/em071](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=STRIND_EMPLOI&root=STRIND_EMPLOI/emploi/em071)

The countries with lower unemployment rates are Denmark(3.9), Netherlands(3.9), Ireland(4.4), Austria(4.7), Luxemburg(4.7), and UK(5.3). The countries with lower percentage of elementary jobs are Sweden(4.9), Greece(6.6), Finland(8.1), and Germany(8.3). The data for elementary occupations do not exist for Luxembourg in the database. For the UK, the category 9, namely elementary occupations, are taken together with the category of 6, namely skilled agricultural and fishery workers. For this reason, in figure 1, UK and Luxembourg are not taken into evaluation. Turkey's unemployment rate (8.4) is lower than Germany, Greece, France, and Spain. Turkey's percentage of elementary occupations (13.5) is higher than all the countries except Spain(15).

The area where the percentage of elementary occupations is lower than 10 and the rate of unemployment is lower than 8 includes the efficient countries. As a result, the efficient countries are Sweden, Finland, Netherlands and Ireland. Italy can also be regarded as an efficient country because it has an unemployment rate of 6.8 and a percentage of elementary occupations of 9.4.

This result is just a little different from Sapir's model because Italy is efficient in the above analysis but not efficient in Sapir's analysis. Turkey is within the domain of inefficient countries.

Figure 2 displays the equity positions of the EU15 countries, where total public social expenditures before social transfers as a percentage of GDP and at-risk-of-poverty rates are used as equity criteria.



**Figure 2: Equity in the EU15**

**Source:** European Commission, "Joint Report on Social Protection and Social Inclusion", 2007, pp.151-153. Poverty rate (2005), pg. 151; total public expenditure percentage, pg. 149.

[http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/2007/joint\\_report\\_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2007/joint_report_en.pdf)

Projected total public social expenditures: pension, health care, long-term care, education and unemployment transfers (% of GDP); at-risk-of-poverty rate: Share of persons aged 0+ with an equivalised disposable income below 60% of the national median equivalised disposable income.

The countries that have lower at-risk-of-poverty rates before social transfers are Netherlands (9), Sweden (9), Luxemburg (11), Austria (12), Belgium (12), Denmark (12), Finland (12), Germany (12), and France (13). Italy and Ireland have a poverty rate of 18. Greece, Portugal, Portugal and UK have the highest poverty rate 19.

The countries who have highest total expenditure on social protection as a percentage of GDP are Sweden (29.6), Denmark (26.8), France (26.7), Italy (26.2), Belgium and Finland

(25.4), Austria (25.2), Portugal (23.8), Germany (23.7), Netherlands (20.9), and Spain (20.1). The countries that have a percentage less than 20 are UK (19.6), Luxemburg (19.5), Ireland (15.5), and Greece (8.9). Total expenditure for Greece does not include pensions. In the context of the most recent assessment of the sustainability of public finances based on the Greek stability programme, public spending on pensions was projected to increase by 10.3% of GDP between 2004 and 2050. Long-term care is not included in the total expenditure percentage of Greece, France, and Portugal.

The area where the total expenditure on social protection is greater than 20 and the at-risk-of-poverty rate before social transfers is smaller than 13 includes the countries that are equitable. On the basis of the empirical data, the result is that Sweden, Denmark, Austria, Finland, Germany and Netherlands are the most equitable countries. Greece and Ireland are the most non-equitable countries, with UK following them.

There are several shortcomings in this analysis. One of them is the fact that the income poverty includes both Euro countries and non-euro countries where there is a difference in currency. Another problem lies in the actual effect of the income on the people in every country, which is equal and below the 60% median. Another issue is about the figures of public expenditures, such as pensions are not included in Greece, and long-term care is not taken into account for Greece, France and Portugal.

The poverty rate of Turkey in 2006 is 17.81% with food and other necessities included. The relative poverty based on consumption in Turkey in 2006 is 14.50%.<sup>2</sup> At-risk-of-poverty rate, which is used for the EU countries is 26% in Turkey in 2003 (Buğra & Adar, 2007:51).

An important issue for Turkey's public social expenditures is that access to the official data is not available. Public social expenditures for Turkey cannot be obtained through the database or the statistical division of the Ministry of Finance and the other relevant official databases. However, some research has been made to calculate the public social expenditures (Buğra & Adar, 2007:4; 52). According to Buğra and Adar's study, public social expenditures of Turkey in 2003 is 11.6%. Public social protection expenditures with education expenditures

---

<sup>2</sup> Turkish Statistical Institute, retrieved from [http://www.tuik.gov.tr/PreTablo.do?tb\\_id=23&ust\\_id=7](http://www.tuik.gov.tr/PreTablo.do?tb_id=23&ust_id=7) , November 2008).

included in 2003 is 15.52%, and public social protection expenditures in 2004 is 12.5%. The public social expenditure rate of Turkey is very low when compared with the EU15 countries.

### **Discussion and Conclusion**

According to the efficiency and equity analysis, the countries with high efficiency are Sweden, Finland, Netherlands, Ireland and Italy. There is no data for the elementary occupations for the UK but it is widely accepted that UK is an efficient country. The countries with high equity levels are Sweden, Denmark, Austria, Finland, Germany and Netherlands.

The result of the analysis is that Sweden, Finland and Netherlands are the countries that have both high efficiency and high equity levels. The reasons underlying both high efficiency and high equity in Sweden, Finland and Netherlands are within the scope of another analysis. In this paper, the focus is directed to the possibility of high efficiency and high equity obtained together. Therefore it can clearly be seen that these countries stand as sufficient and ample evidence for the best practice of 'effiquity', with high efficiency and high equity levels.

Economic efficiency is realized through the mechanisms of the markets; equity is materialized outside the mechanisms of the markets. Market imperfections might always happen but we cannot wait long for those imperfections to adjust and clear off. Moreover, the market mechanisms cannot secure equality, because it is not the market's mission to do so.

In the neo-liberal circles, the issue of inequality is regarded as an imperfection of the market. If we handle this proposition as true, then two conclusions might logically be drawn. The first one is to adjust those imperfections within the market mechanisms; and the second is to think of equity as an issue which impedes efficiency. The first assumption leads us to wait for the imperfections to adjust very long where the said-so far future might never come. The second assumption leads us to see the equity issue as a burden for the market.

There are no grounds whatsoever scientifically that equity hampers efficiency, or that they are substitutes to be traded off. It is merely an ideological proposition or a belief that the markets allocate the resources in the best way for welfare. On the contrary, the empirical evidence explicitly shows that the markets are unable to function for the social welfare. In many studies based on empirical data, it is proven that equity enhances and supports economic efficiency. As Stiglitz put it forward rightly, economic activity is exclusively the means to reach the well-being

of people. If and when a trade-off between efficiency and equity is made, the end becomes the means, and equity becomes sacrificed for the sake of economic efficiency.

The best evident example of efficiency is the Nordic countries where high levels of efficiency and equity have been maintained. Therefore, the Nordic model stands as the best model for the European Social Model. The fear of not being able to be competitive and efficient can be put aside and a positive perception about the success of the Nordic countries can be replaced by that fear. To this end, new policies and mechanisms can be developed by the EU and Turkey to emulate the successful Nordic model.

Turkey also needs to free itself from many varieties of fear. Firstly, Turkey does not need to conceal or hide any official data about the public social expenditures. Such concealing is usually made for the sake of domestic political opportunism, that is, not to show the low levels of the relevant rates. However, Turkey has made substantial amounts of transfers to the social security system for a long time. This system was like a black hole and both the transfer and the expenditure figures were very complicated. Therefore, a detailed and clear calculation and harmonization of the public social expenditures of the past years are required. Secondly, Turkey has to formulate and design its national Social Policy on the basis of the article of social welfare state which takes place in the Turkish Constitution. Thirdly, a discussion platform has to be developed for the purpose of determining and disseminating the common values of a social welfare state.

#### **ACKNOWLEDGEMENT**

*This paper is dedicated to Prof. Canan Balkır and Ass. Prof. Canan Erkan*

**REFERENCES**

- Alsasua, J., Bilbao-Ubillos, J., and Olaskoaga, J. (2007). "The EU integration process and the convergence of social protection benefits at national level", *International Journal of Social Welfare*, 16.
- Buğra, A. & Adar, S. (2007). [A comparative analysis of Turkey's Public Social Protection Expenditures] "Türkiye'nin Kamu Sosyal Koruma Harcamalarının Karşılaştırmalı Bir Analizi", [Social Policy Forum] *Sosyal Politika Forumu*, (retrieved from [www.osiaf.org.tr/images/basin/pdf/Sosyal\\_Harcamalar\\_Raporu.pdf](http://www.osiaf.org.tr/images/basin/pdf/Sosyal_Harcamalar_Raporu.pdf) , October 2008).
- Elias, P and Birch, M. (1994). "Establishment of Community-Wide Occupational Statistics, ISCO 88 (COM)", Institute For Employment Research, University of Warwick, (retrieved From <http://www.warwick.ac.uk/ier/isco/BRIFISCO.DOC>, April 2008).
- Etherington, D. & Jones, M. (2004). "Beyond contradictions of the workfare state? Denmark, welfare-through-work, and the promise of job rotation", *Government and Policy*, 22.
- Filges, T. et al. (2007). "Labour Market Policy and the Equity-Efficiency Trade-Off", Institute for the Study of Labor, Bonn, *IZA DP No. 2824*, (retrieved from [www.iza.org](http://www.iza.org), May 2008).
- Follesdal, A., Giorgi, L., and Heuberger, R. (2007). "Envisioning European Solidarity Between Welfare Ideologies and the European Social Agenda", *Innovation*, 20(1).
- Grahl, J. (2008). "A dead end for the EU?", *Soundings*, (retrieved from [http://www.ukwatch.net/article/a\\_dead\\_end\\_for\\_the\\_eu](http://www.ukwatch.net/article/a_dead_end_for_the_eu), November 2008).
- Greve, B. (2007). "What Characterise the Nordic Welfare State Model", *Journal of Social Sciences*, 3(2).
- Hopkin, J & Wincott, D. (2006). "New Labour, Economic Reform and the European Social Model", *British Journal of Politics & International Relations*, 8.
- Juhász, G. (2006). "Exporting or Pulling Down? The European Social Model and Eastern Enlargement of the EU", *European Journal of Social Quality*, 6(1).
- Karamessini, M. (2008). "Continuity and change in the southern European social model", *International Labour Review*, 147(1).
- Klasen, S.(2008). "The Efficiency of Equity", *Review of Political Economy*, 20(2).
- Kleinman, M. (2002). "The Future of European Union Social Policy and its Implications for Housing", *Urban Studies*, 39(2).
- Kvist, J. (2004). "Does EU Enlargement Start a Race to the Bottom? Strategic Interaction among EU Member States in Social Policy", *Journal of European Social Policy*, 14.
- Lawniczak, R. (2007). "Public relations role in a global competition "to sell" alternative political and socio-economic models of market economy", *Public Relations Review*, 33.
- Navarro, V. & Schmitt, J. (2005). "Economic Efficiency Versus Social Equality? The U.S. Liberal Model Versus The European Social Model", *International Journal of Health Services*, 35(4).

- Oorschot, W.(2007). "Culture and social policy: a developing field of study", *International Journal of Social Welfare*, 16.
- Peck, J. & Theodore, N. (2007). "Variegated Capitalism", *Progress in Human Geography*, 31(6).
- Pressman, S. (2005). "Income guarantees and the equity-efficiency tradeoff", *Journal of Socio-Economics*, 34(1).
- Rasmussen, P. N. & Delors, J. (2007). "The New Social Europe", PES, Belgium.
- Room, G. (2008). "Social policy in Europe: paradigms of change", *Journal of European Social Policy*, 18.
- Robinson, M. (2007). "Does decentralization improve equity and efficiency in public service delivery provision?", *IDS Bulletin*, 38(1).
- Sapir, A. (2005). "Globalisation and the Reform of European Social Models", Background document for the presentation at ECOFIN informal meeting, (retrieved from [www.bruegel.org](http://www.bruegel.org) , May 2008).
- Stiglitz, J. E. (2002). "Employment, social justice and societal well-being", *International Labour Review*, 141(1-2).
- Turkish Statistical Institute, poverty rates (retrieved from [http://www.tuik.gov.tr/PreTablo.do?tb\\_id=23&ust\\_id=7](http://www.tuik.gov.tr/PreTablo.do?tb_id=23&ust_id=7) , November 2008).
- Turner, T. (2006). "Industrial Relations Systems, Economic Efficiency and Social Equity in the 1990's", *Review of Social Economy*, 64(1).
- Vos, K. J. (2005). "Americanisation of the EU Social Model", *The International Journal of Comparative Labour Law and Industrial Relations*, 21(3).
- Wadsworth, J. (2002). "Labour Market Efficiency, Equity and Economic Performance", Centre for Economic Performance, London School of Economics and Royal Holloway College, University of London, (retrieved from [www.lse.ac.uk](http://www.lse.ac.uk), May 2007).
- Wincott, D. (2006). "European Political Development, Regulatory Governance, and the European Social Model: the Challenge of Substantive Legitimacy", *European Law Journal*, 12(6).