

WELFARE, WEALTH AND WORK – A NEW GROWTH PATH FOR EUROPE

A European research consortium is working on empirical foundations for a new socio-ecological growth model



AREA 1: CHALLENGES FOR THE WELFARE STATES

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Feedback Conference II, Vienna

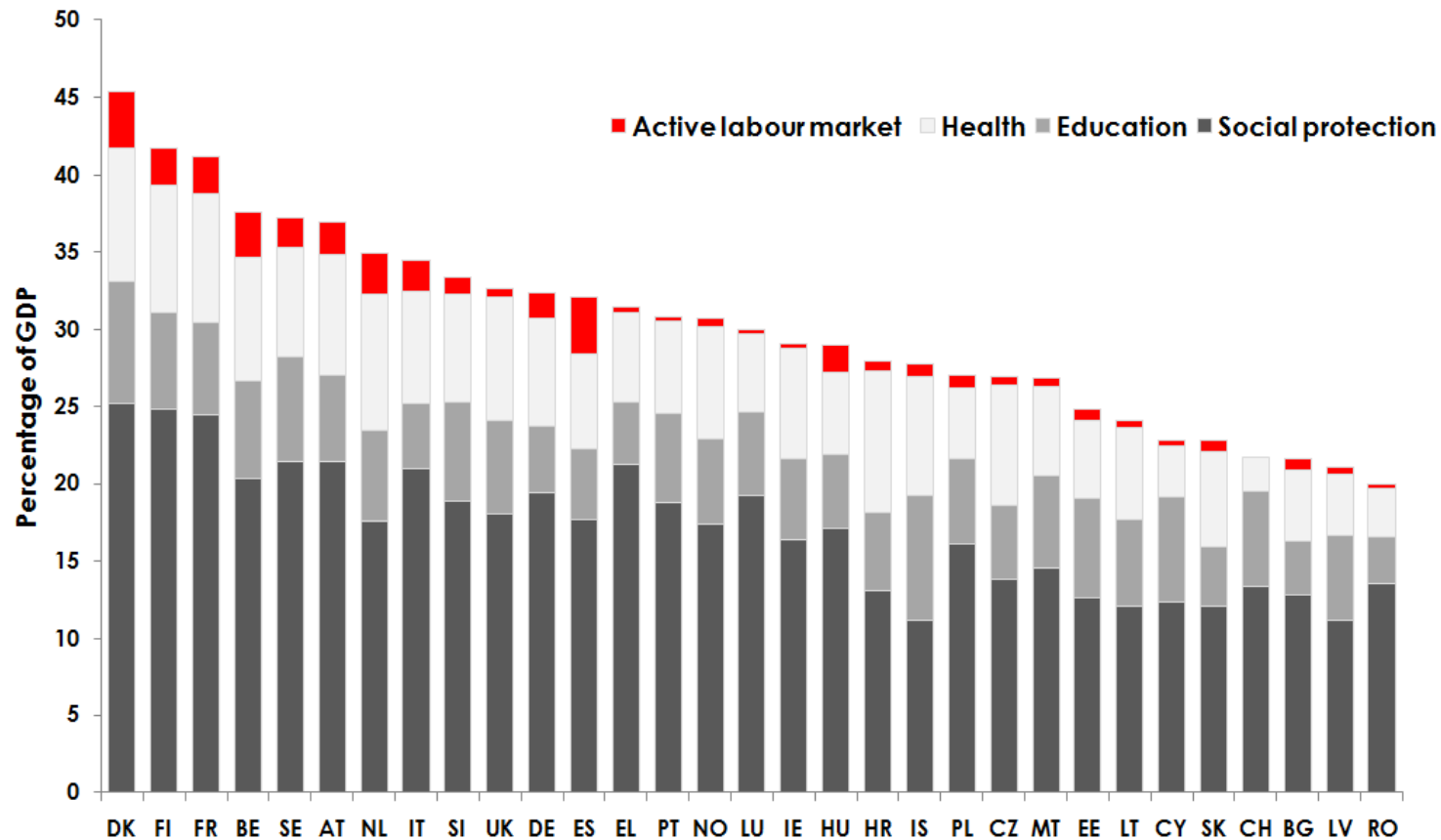
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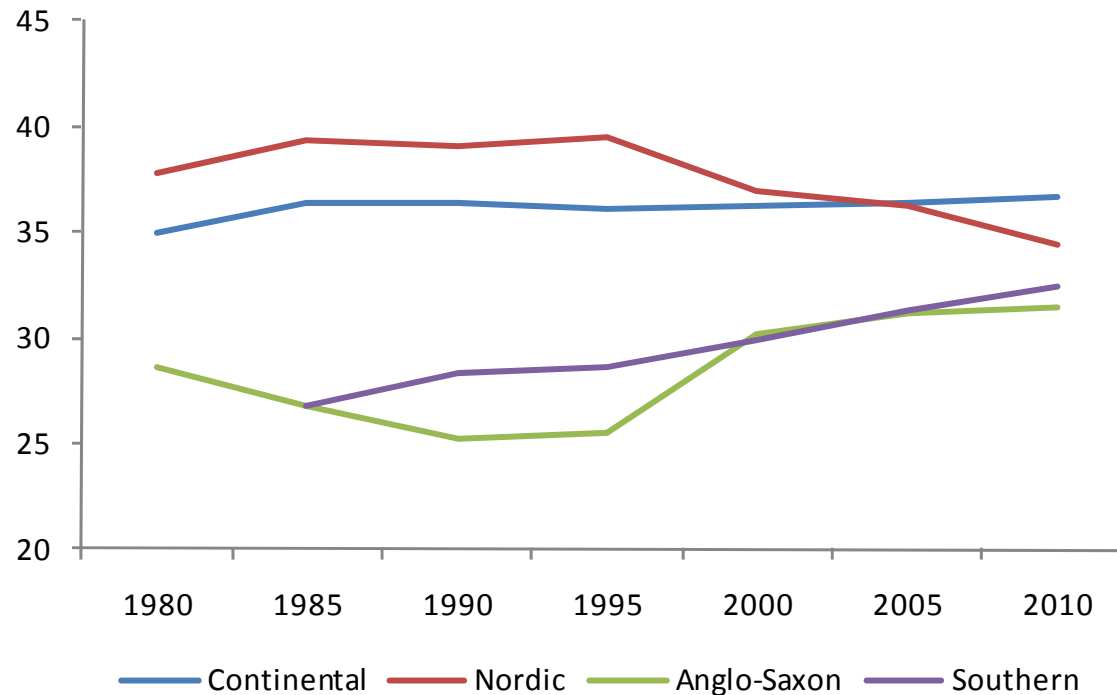
The European welfare states

Welfare state expenditures, 2012



Welfare states in Europe have changed

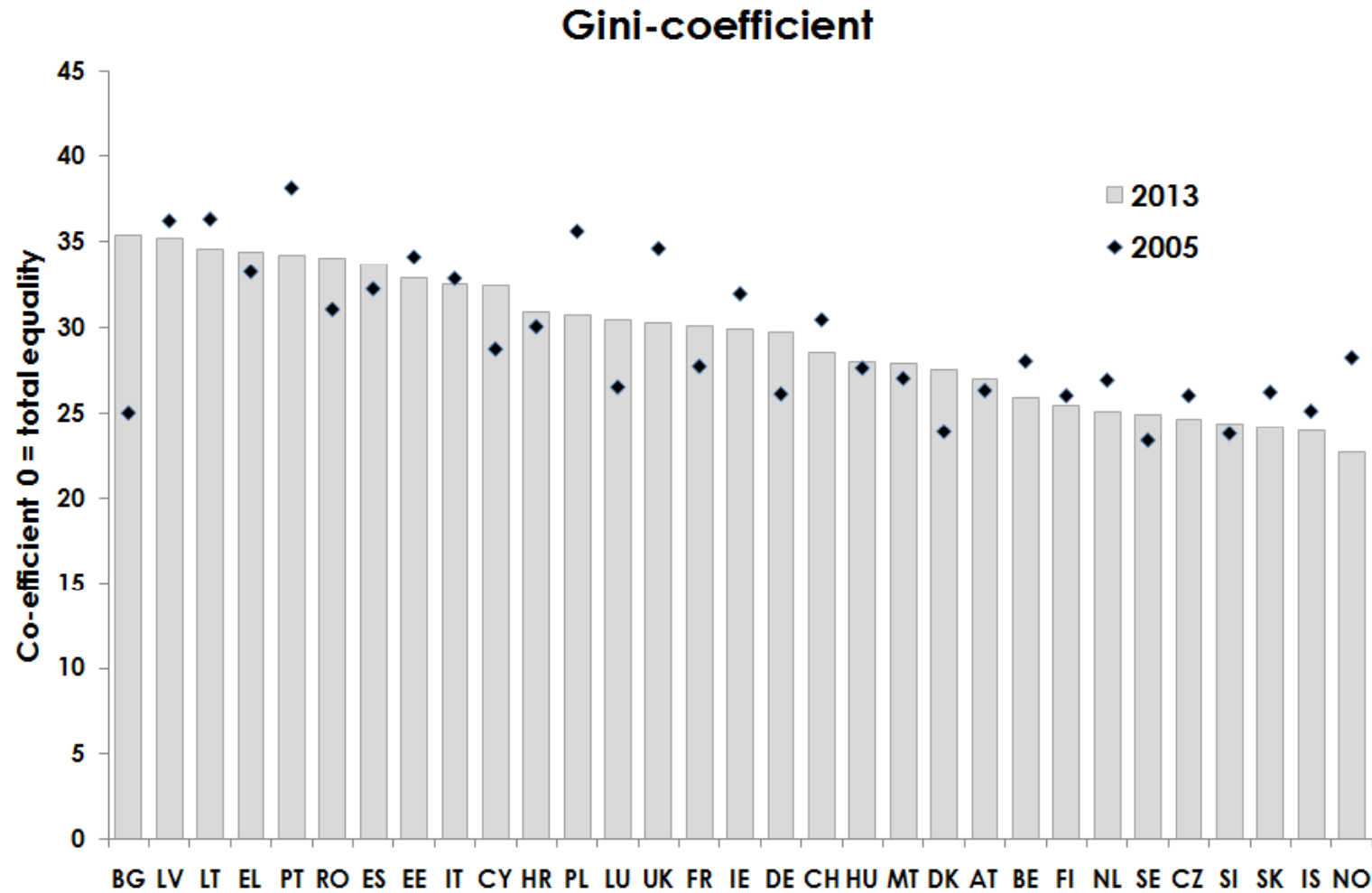
Figure 1: Combined generosity index, by welfare regime group (period 1980-2010)



Source: *Leoni* (2015). Data from CWED (*Scruggs et al.* 2014), author's calculations. Unweighted country averages across welfare regimes. Nordic countries: Denmark, Sweden and Finland; Continental countries: Germany, France, Austria, Belgium; Southern countries: Greece, Italy, Spain; Anglo-Saxon countries: Ireland and UK.



Inequality on the rise (?) (2005-2013)

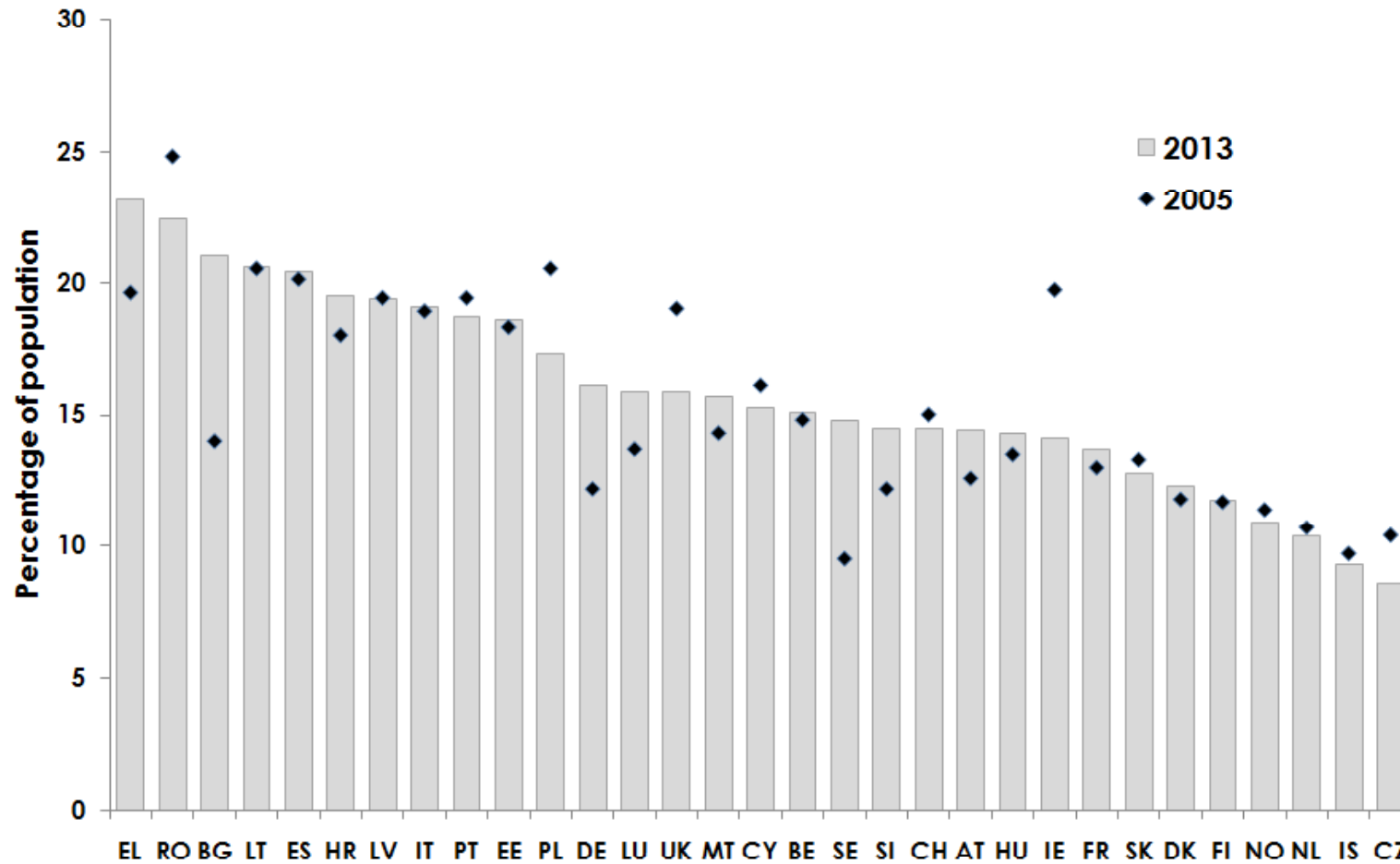


S: Eurostat. Switzerland: 2007/2013, Ireland 2005/2012.
(equivalised disposable income)



Inequality on the rise (?) (2005-2013)

People at risk of poverty after social transfers



The (interrelated) challenges/restrictions

1. Globalisation

- smoother labour market adjustment to pressures from international competition without trimming back the benefits from liberalisation
- compensation of the losers from globalisation

2. Differentiation of social risks

- new social groups affected by income risks
- marginalisation of certain social groups
- risks have become more heterogeneous and less predictable

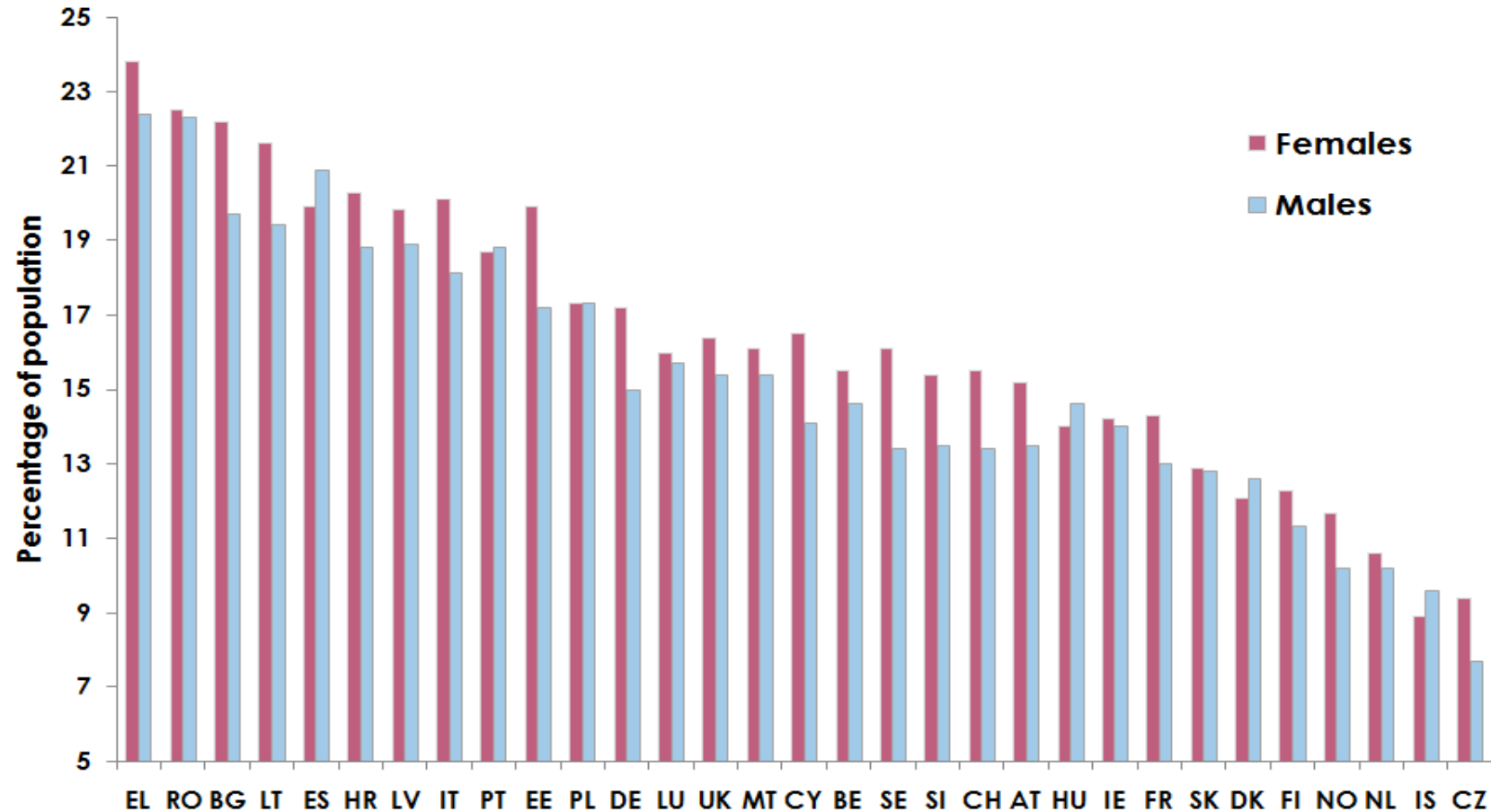
3. New 'life-course' models

- dual-earner families: change of the male-breadwinner model
- reconciliation of family and work as a prerequisite for gender equality and raising the economic growth potential



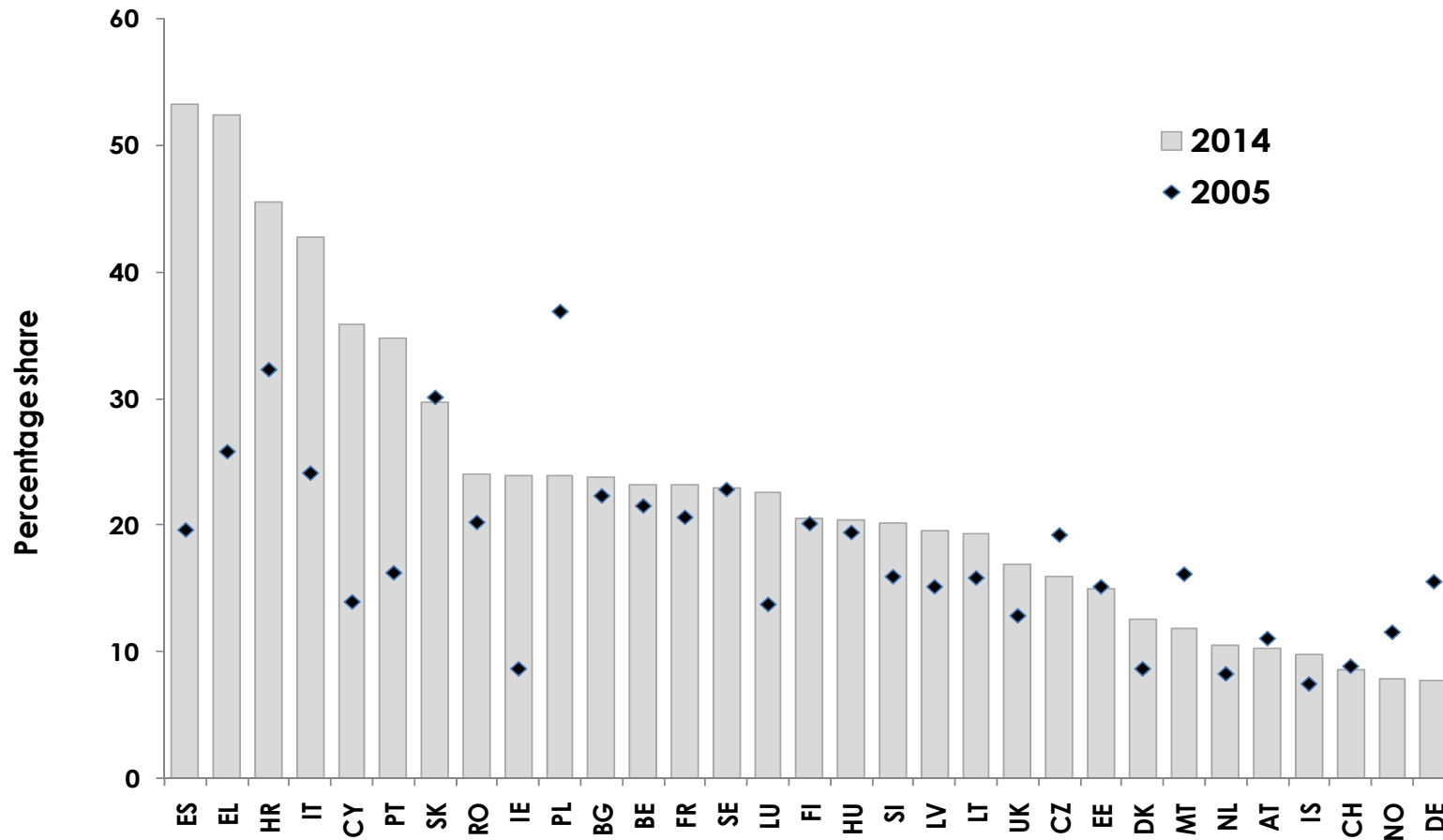
A gender perspective

People at risk of poverty after social transfers, 2013



A youth perspective

Unemployment rate 15 to 24-years-old



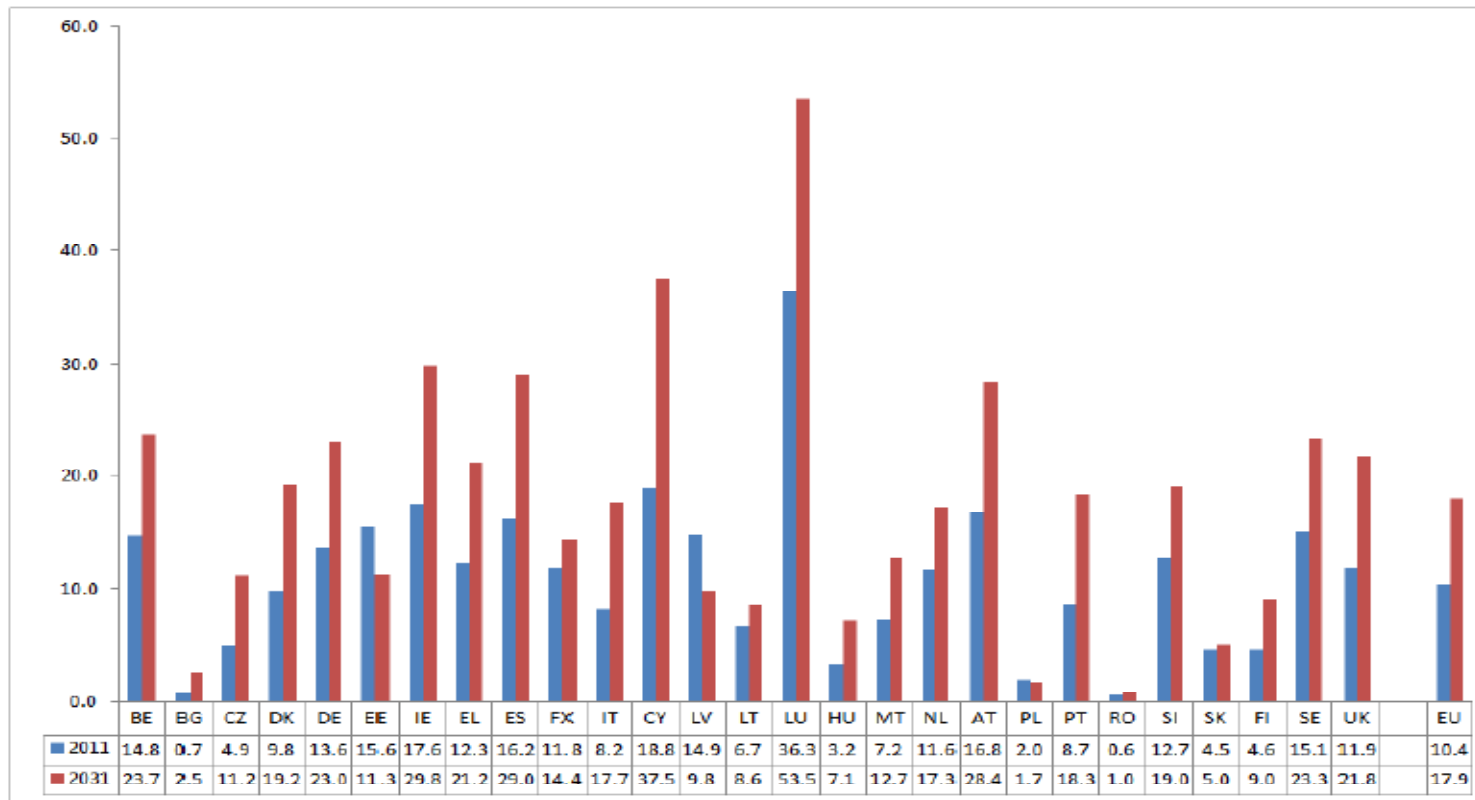
The (interrelated) challenges/restrictions

4. Increasing periods of economic dependency
 - varying age-profiles of economic activity/inactivity
 - transfer dependency during several periods of education, retirement, unemployment, ‚housework‘ at home, ...
(employment-based dependency)
5. Inequality of opportunities
 - intergenerational mobility, educational inequality
 - fairness aspects, economic inefficiency
6. Migration
 - (skill-)composition and economic/social integration of migrants
 - challenges of integration, intercultural conflicts, welfare dependency
 - solution for ageing-problem?



Immigration and integration

Figure 1: Share of foreign born in total population, 2011, and forecast for 2031



Source: Lanzieri, 2011



The ‚common denominator‘: Social investment perspective on welfare state adaptation



- ‚Investment approach to social policy‘ can increase economic efficiency and alleviate „The Big Trade-off“
 - prevention through human capital development and activation
 - improve *ex ante*-abilities to adjust to an ever (faster)-changing economic environment to reduce income risks
 - human capital accumulation linked with overall inequality through educational channel/intergenerational mobility
 - life course perspective required, taking into account various phases of economic dependency and preferences (e.g. as regards reconciliation of family and work)

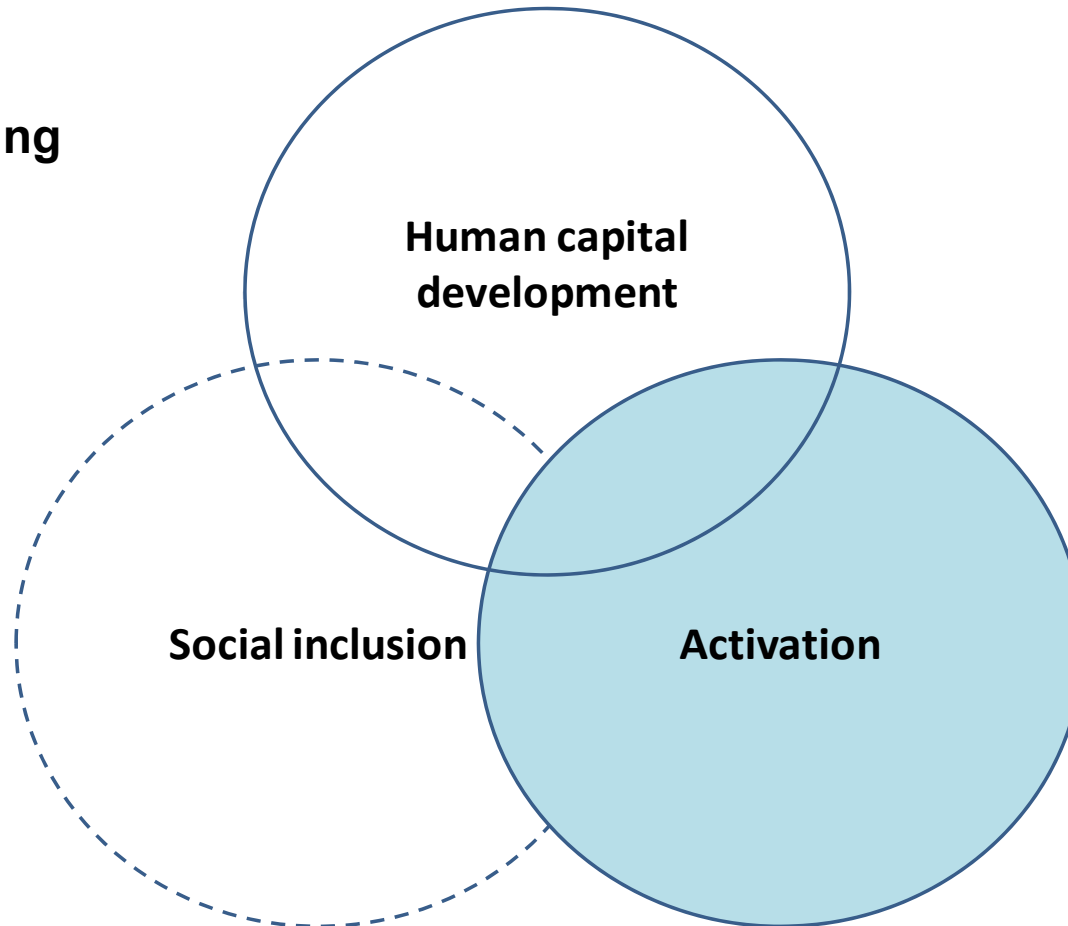


Pillars of a social investment welfare state

Mutually reinforcing relationships

Alternative views and strategies of activation

The role of social protection?



Elements of a social investment strategy



	Youth	Family formation and working age	Old age
Human capital development	Early childhood education and care		
	Education, training, lifelong learning		
		Health promotion and rehabilitation	
		ALMP – up-skilling, vocational training	
Activation		ALMP – employment assistance, incentives	
		Policies for work-family reconciliation	
Social inclusion		Insurance (unemployment,	Pensions
	Safety nets (income assistance)		

Source: Leoni (2015)



Social investment approach may not be sufficient: Supplementary measures required



- New social risks have not replaced old risks; prevention cannot (fully) substitute for protection
 - social stratification and life course are complements in risk determination
 - interrelated risk factors: health, unemployment, age,...
- Migration and ageing generate parallel challenges to social cohesion and sustainability of welfare systems
 - skill-selective and targeted immigration policies
 - complementarities with labour tax and regulation policies



Policy-relevant linkages to other challenges

7. Low-growth scenarios and budgetary pressures
 - ever tighter fiscal constraints
 - tax structure reforms; efficiency in the public sector
 - higher capital to income ratios and wealth inequality (?)
8. Climate change and ecological transition
 - migration impact of climate change, emerging new risks (floods, storms,...)
 - (re-) distributional effects of ecological transition (e.g. energy taxes, new production technologies)
9. ‚New competitiveness‘ and well-being issues
 - productive social investments in health and education increase competitiveness and well-being



10. Implementation of reforms and opposition to change

- any policy change generates winners (uncertain effects, often unorganised large groups) and losers (often politically vocal homogenous groups)
- democratic reform implementation requires compensation: credibility of compensation mechanisms
- perceived fairness of reform process, beliefs about individual life control
- (institutional) trust as a major resource



Conclusions

- Welfare states have been adjusting, but have not gone far enough yet
 - recent crisis fuels certain undesirable developments
- Increasing needs vs. tight budgetary constraints and low growth scenarios
 - required adjustment depends on financial restrictions and change of production modes
- Social investment approach is a feasible option
 - compatible with more than one future scenario as its focus will be on activation and human capital development
 - coordination with 'traditional protection' (e.g. pension system)
 - labour market regulation, tax systems, etc., equally important

