

The New Welfare State – An Answer to New Social Risks?

Joakim Palme
Institute for Futures Studies

The Characteristics of the Nordic Welfare States

Shaping the Nordic Model

- Gerhard Lenski's perspective on inequality:
 - *inequalities in human societies are shaped by political conflicts as well as economic structures*
- The emergence of universalism
- 1930s Population crisis and Depression
- Social citizenship
- Earnings-related social insurance
- Modern family policy
 - dual-earner model
- *What about ageing societies?*

Nordic model of social protection

- Universal benefits
 - Earnings-related social insurance
 - Targeted benefits to poor
 - Social services
 - universal
 - decentralized
 - separated from cash benefits
 - Individual social rights
- Taxation
 - Employer contributions
 - Central/local taxes
 - Local taxes with state subsidies
 - Dual-earner model

Full employment and active labor market policies

The merits of the model

- Low life-cycle poverty
- Reduced inequalities
- High employment
- High female participation
- Strong support for social security
- Incentives and cost control?!

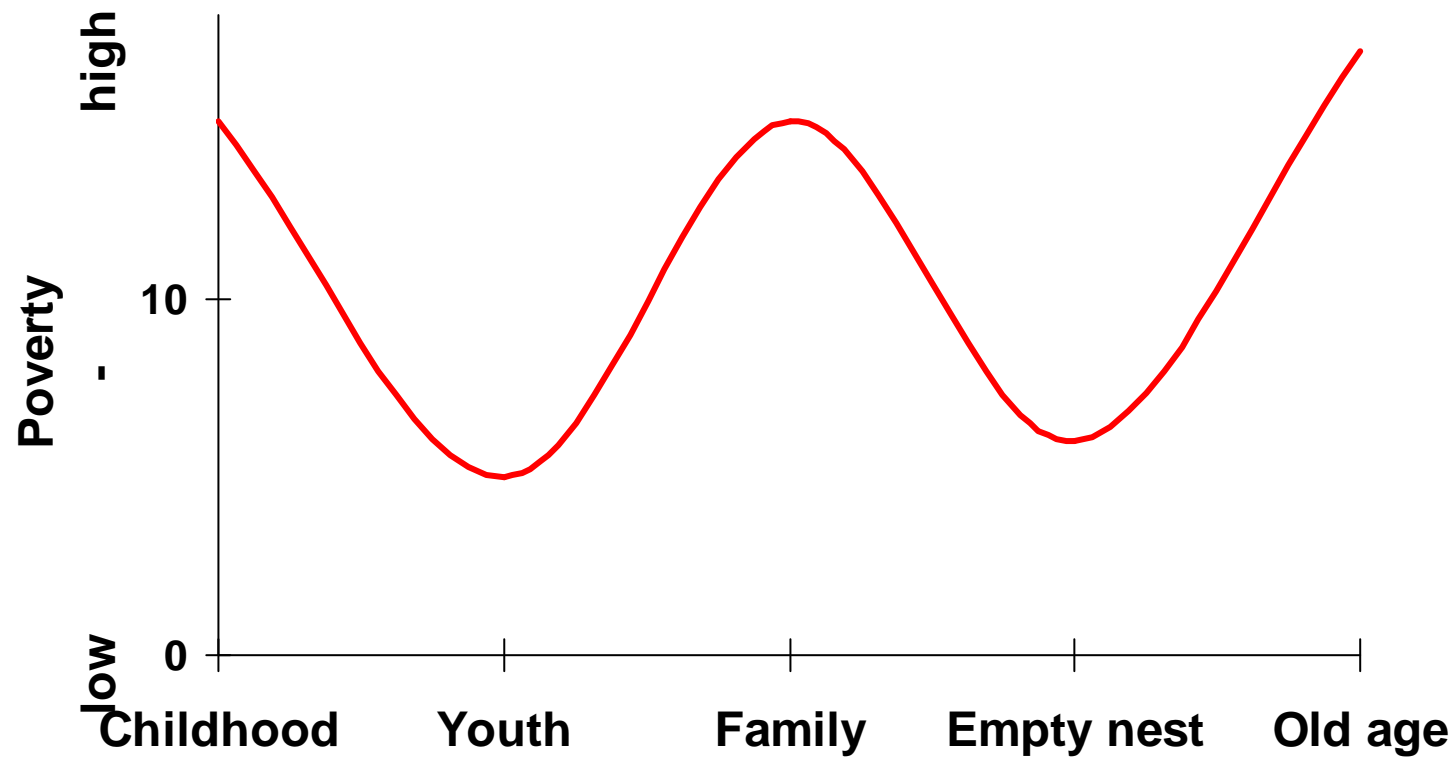
Strategies of Redistribution

- R H Tawney
 - *Welfare State as a Strategy of Equality*
- G Tullock and J Le Grand
 - *middle class inclusion damages the poor*
- *The Paradox of Redistribution*
 - Robin Hood
 - Simple Egalitarianism
 - Within Group Redistribution
 - Matthew's principle: Give to those who have

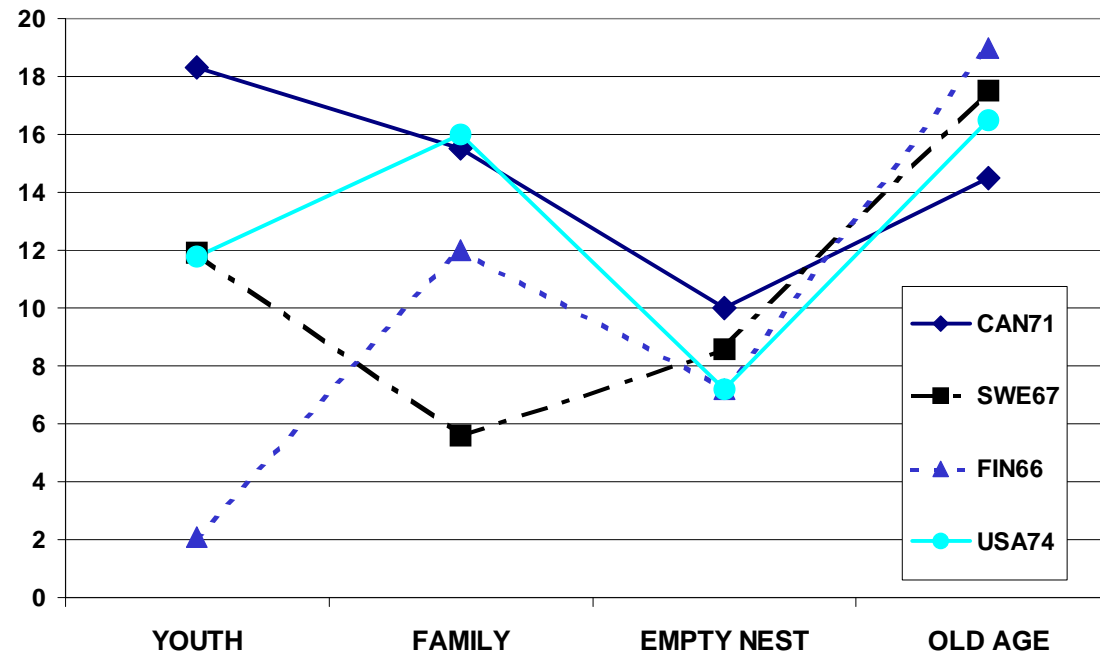
Equality *and* efficiency

- Universal coverage – combating poverty and exclusion
- Transaction costs - low with nationwide systems
- Portability – good for labour mobility
- Incentive structure – poverty traps avoided
- Investments in health and education – productive labour force
- Stable institutions positive for growth: social rights as property rights
- Expenditure levels not the critical factor but program design

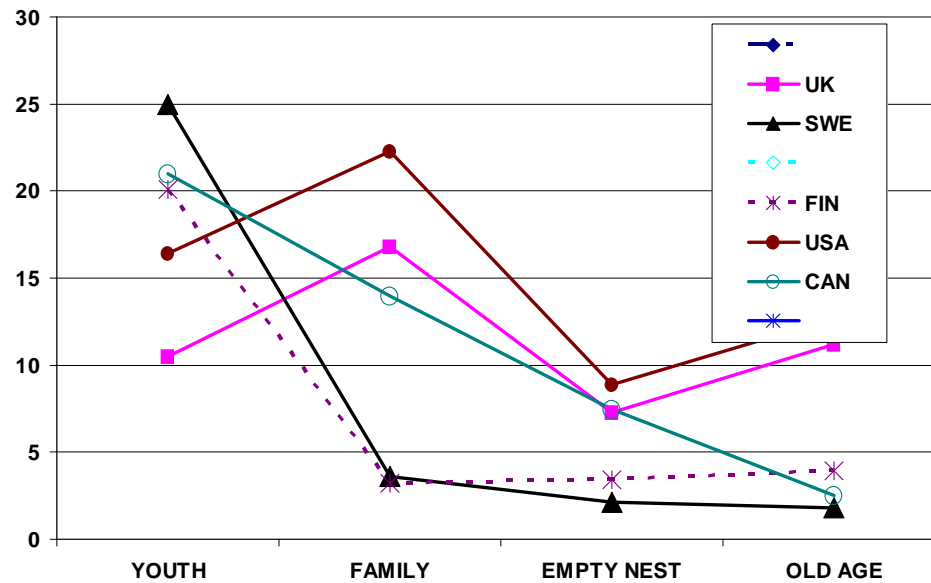
Rowntree's Poverty Cycle



Life Cycle Poverty 1970



Life Cycle Poverty 1990



Young persons, Single mothers, Immigrants

- Increased unemployment
- Increased economic difficulties
- More temporary employment contracts
- Declining health status
- Increased accumulation of welfare problems

Current dilemmas of the model

- Nominal cost limits *vs.* the insurance principle
- Choice *vs.* segregation and no voice
- Necessary reforms *vs.* trust in stable institutions
- Social welfare policy *vs.* occupational and fiscal welfare policy
- Local autonomy *vs.* equal citizenship rights
- Interest formation: where is the middle class going and which political forces mobilise?
- End of full-employment?

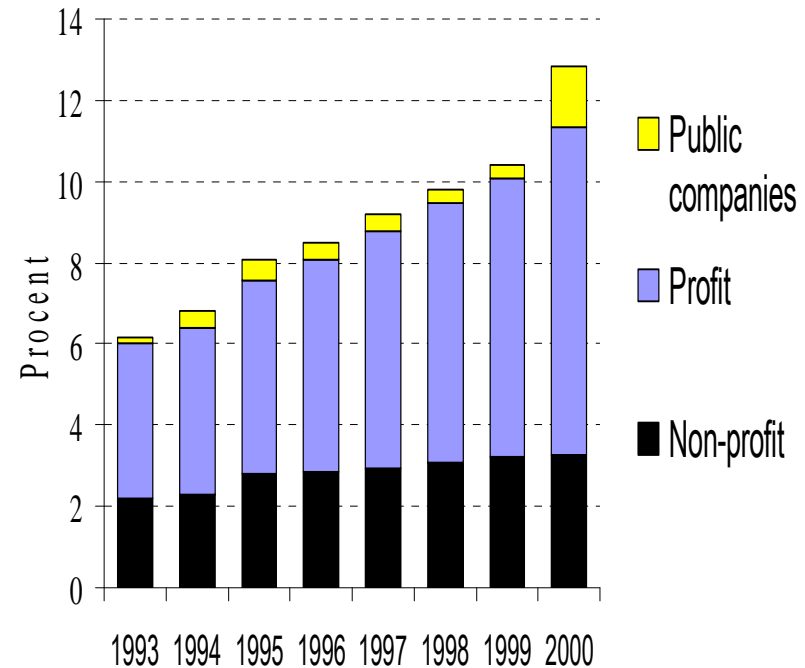
Organisation of social services

Common trends:

Decentralization

- Consumer-financing
- Privatization – see graph right:

Employment in private provision of publicly financed social services



Welfare and welfare institutions

- *Welfare:*

- Individual resources making it possible to control living conditions
- Several dimensions: health, work, income, education etc
- Institutions as individual resources: state, family, market
- Misfortune: social policy challenge

- *Welfare institutions:*

- Resources for the individual as user
- Insurance for future needs
- Investment in the future
- Access and quality
- State, municipalities, market, voluntary sector, family

The Future of the European Social Model

Common European Trends

- Ageing: More old people !
- First Marriage Rate down
- Age at First Marriage up
- Age at First Birth up
- Extramarital Births up
- Total Divorce Rate up
- Total Fertility Rate down
- Female Labour Force Participation up
- Inequalities up

Common Futures?

- More people above 80 years of age
- Elderly dependency rates
- Population decline!?
- Fertility?
- Migration?
- Continued pattern in family change?

Rethinking social policy in ageing societies

- Social security is strongly redistributive over the life cycle: the ageing of societies puts tough fiscal pressures on public spending
- The debate on ageing issues has been overly focussed on pension reforms and savings
- How social policy interact with fertility, education and labour supply (the future tax base) is of vital concern
- We need to reform the system of social protection in order to make it sustainable for the future

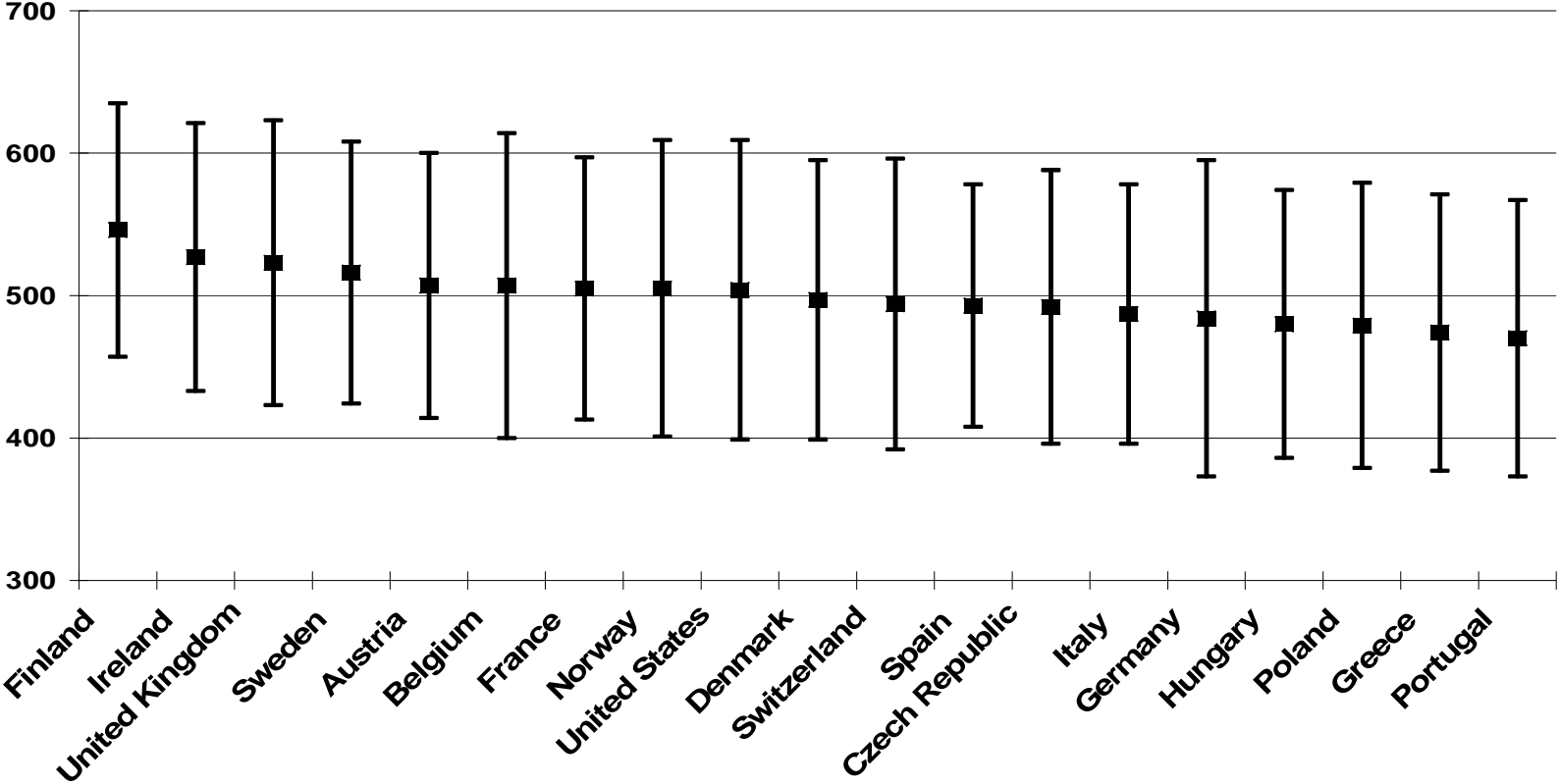
Education and Growth: Macro model

- The statistically significant relations
 - Education expenses have a positive impact on GDP/capita
 - GDP/capita has a positive impact on average years of education but a negative impact on the GDP share of education expenses
 - Education expenses have a negative impact on fertility.

Education and human capital formation

- Education as investing in the future
- School performance: level and distribution
- Social background and school performance
- Life-long learning starts year one
- Parental labour force participation and performance
- Gendered performance, and sustainable family policy in ageing societies

Variation in student performance on the combined reading literacy scale, mean score and standard deviation



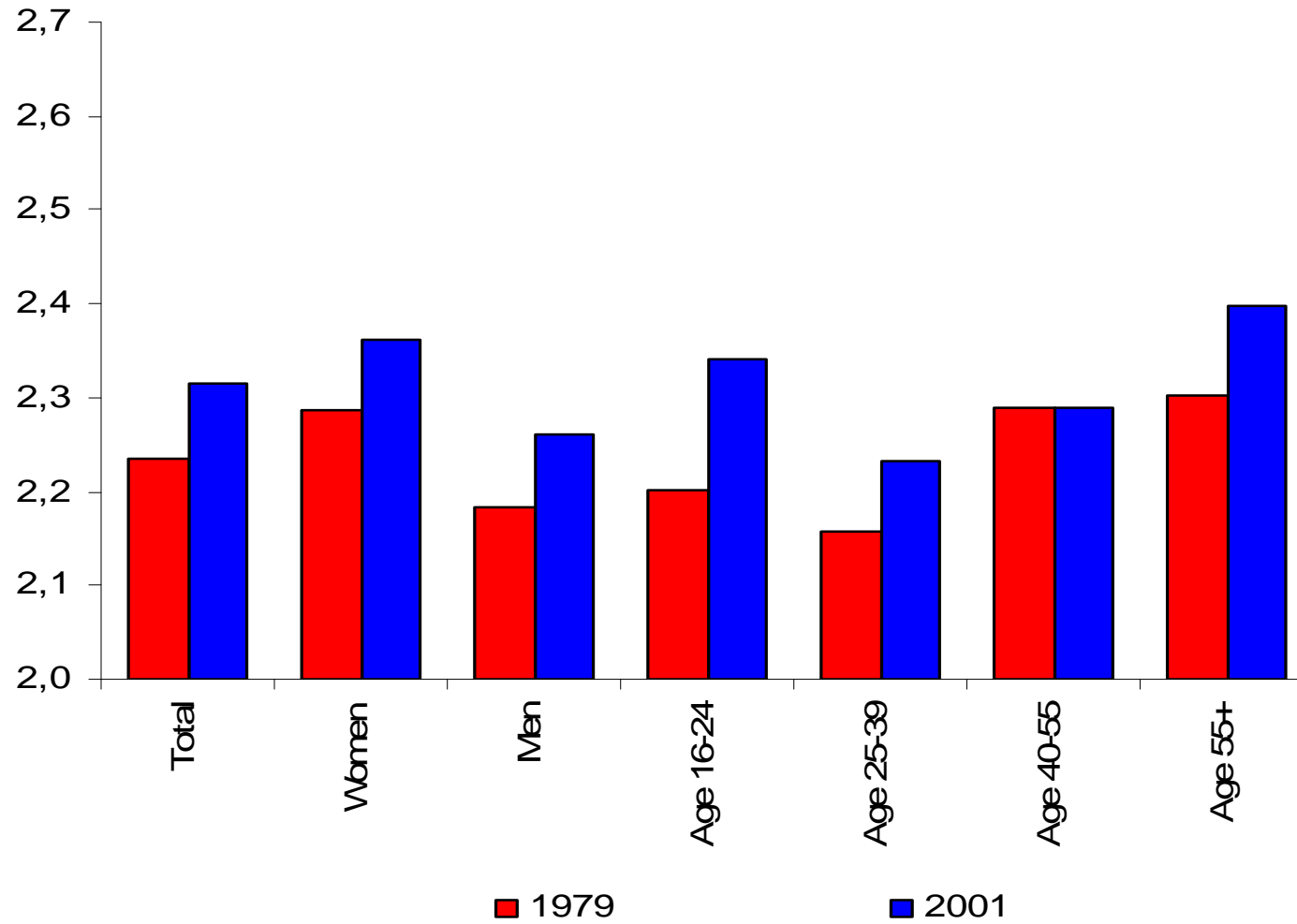
Source: PISA (2000) OECD

Modern family policy: Sharing the costs of raising children

- to avoid population decline and its consequences for growth and intergenerational equity

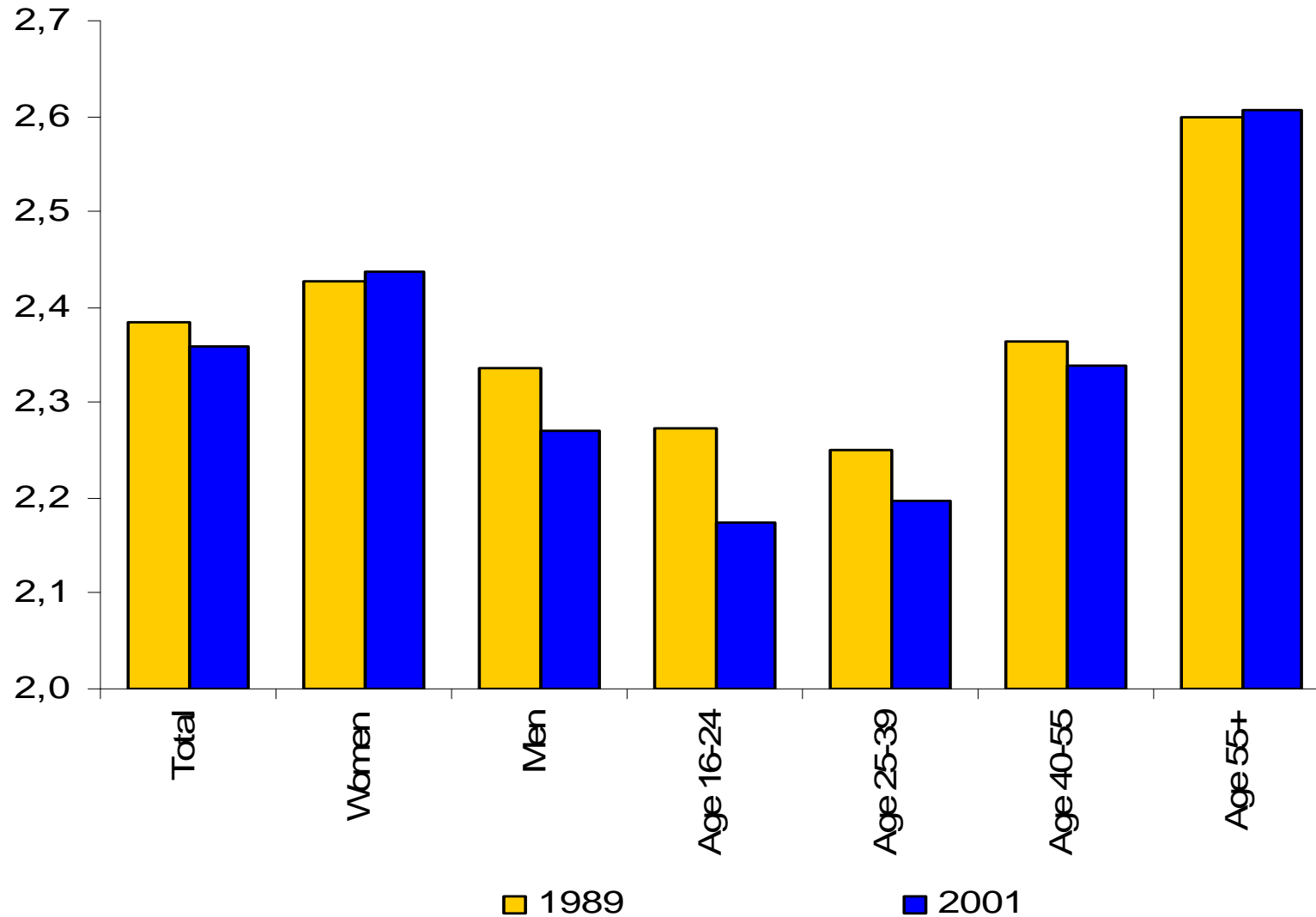
Ideal Fertility in Society

EU14 EB 11 (1979) and EB 56.2 (2001)



Personal Desired Fertility

EU14 EB 37.1 (1989) and EB 56.2 (2001)

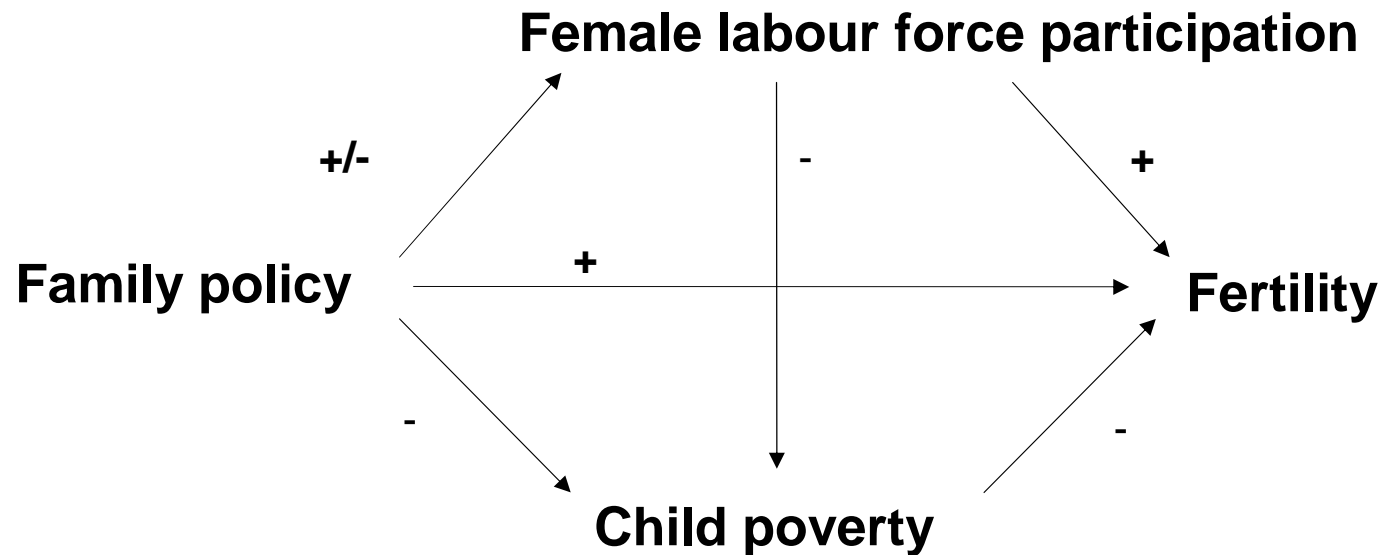


Dimensions and Models of Family Policy

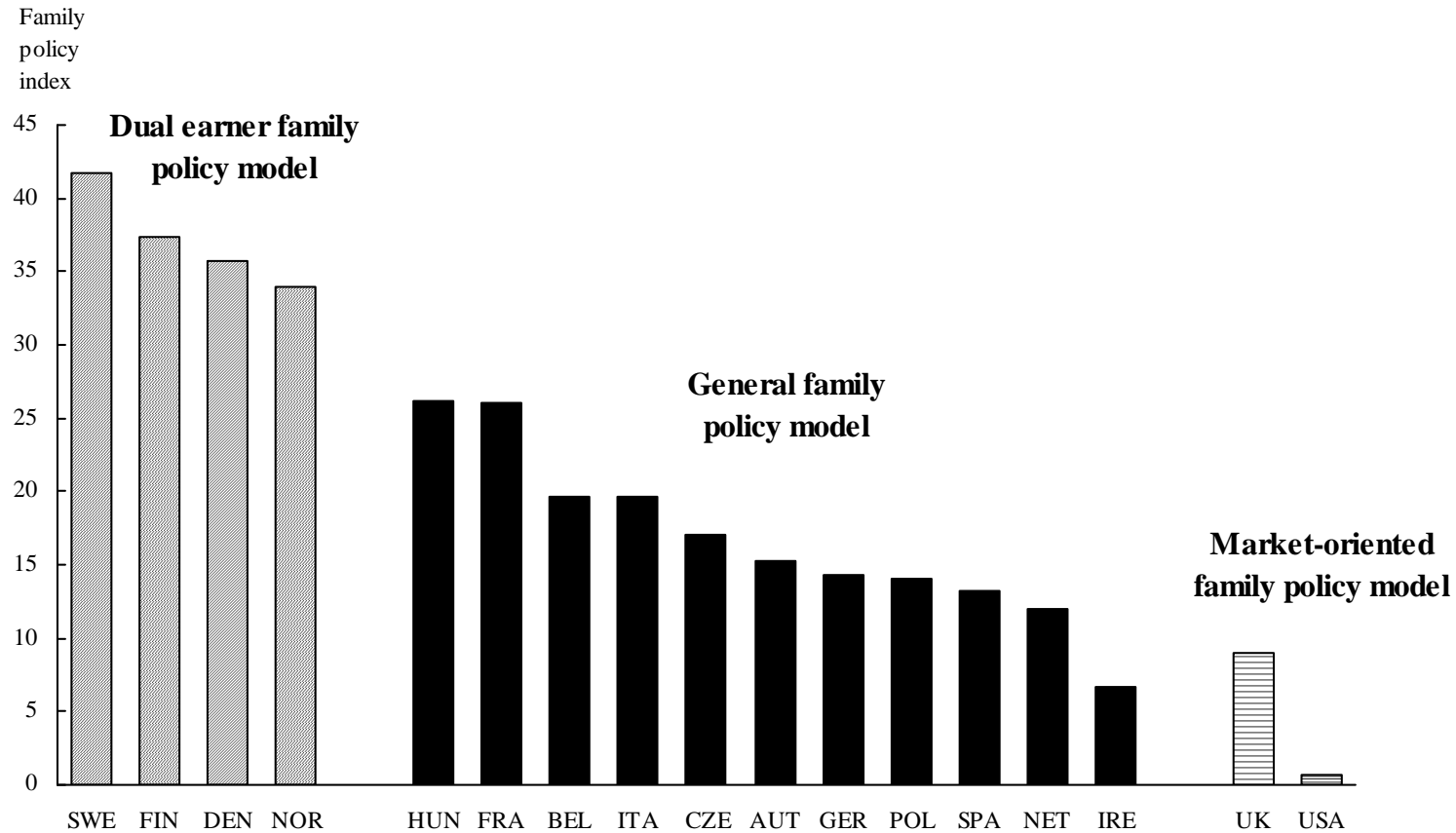
DUAL EARNER SUPPORT

		<i>A</i>	<i>B</i>
GENERAL FAMILY SUPPORT	High	<i>General family policy model</i>	<i>Contradictory family policy model*</i>
	Low	<i>C</i> <i>Market-oriented family policy model</i>	<i>D</i> <i>Dual earner family policy model</i>
		Low	High

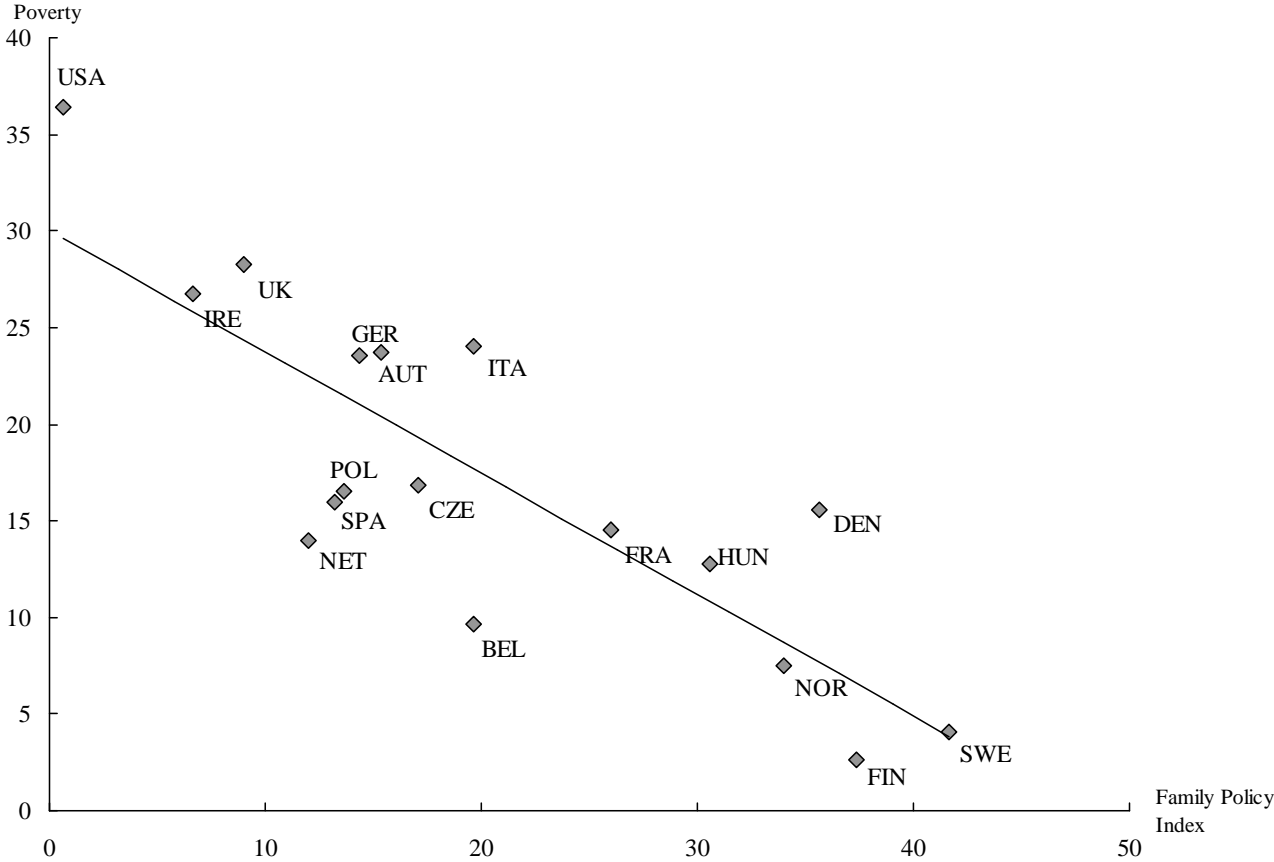
Family policy, female economic activity, child poverty and fertility



Family policy generosity in different models of family policy in the mid- 1990s

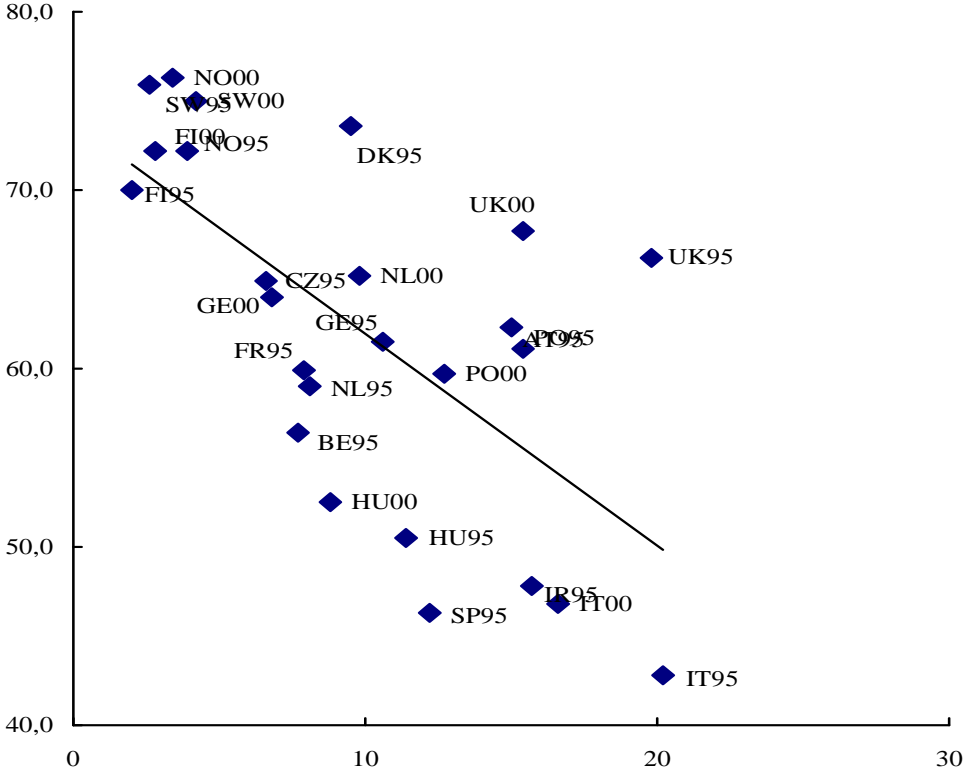


Family policy index and average poverty among the three types of families with children in the mid 1990s. Poverty limit 50 percent of equivalized median income

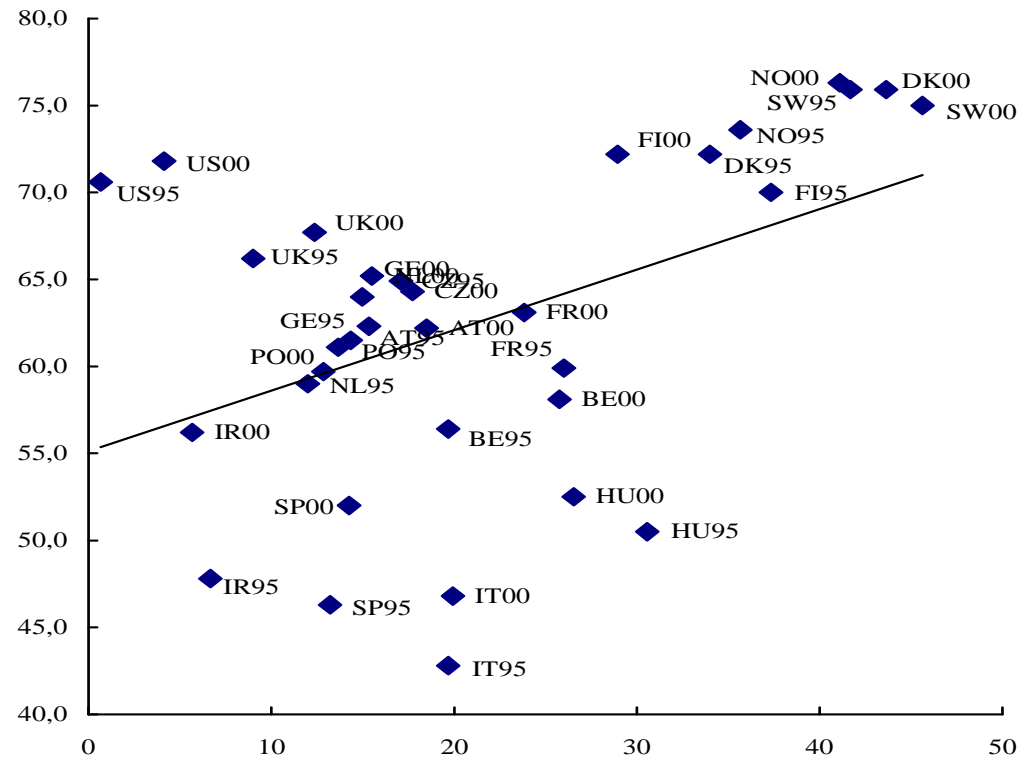


Source: SCIP, LIS

Female labour force participation and poverty in 1995-2000

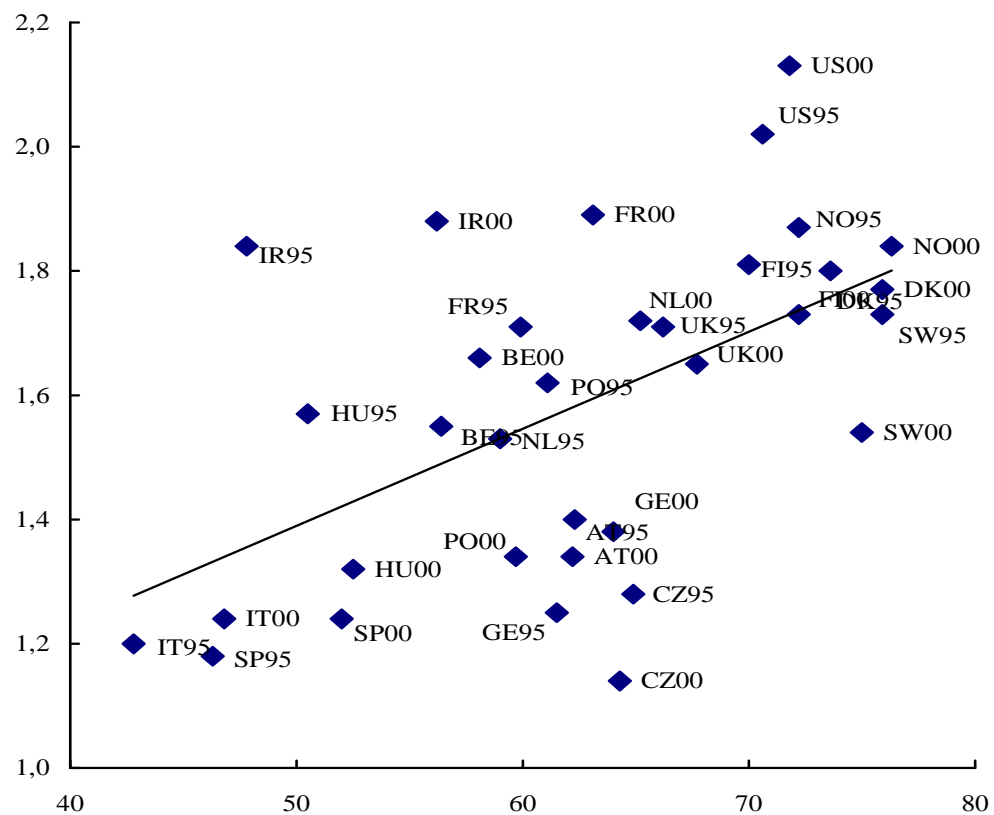


Family policy and female labour force participation in 1995-2000

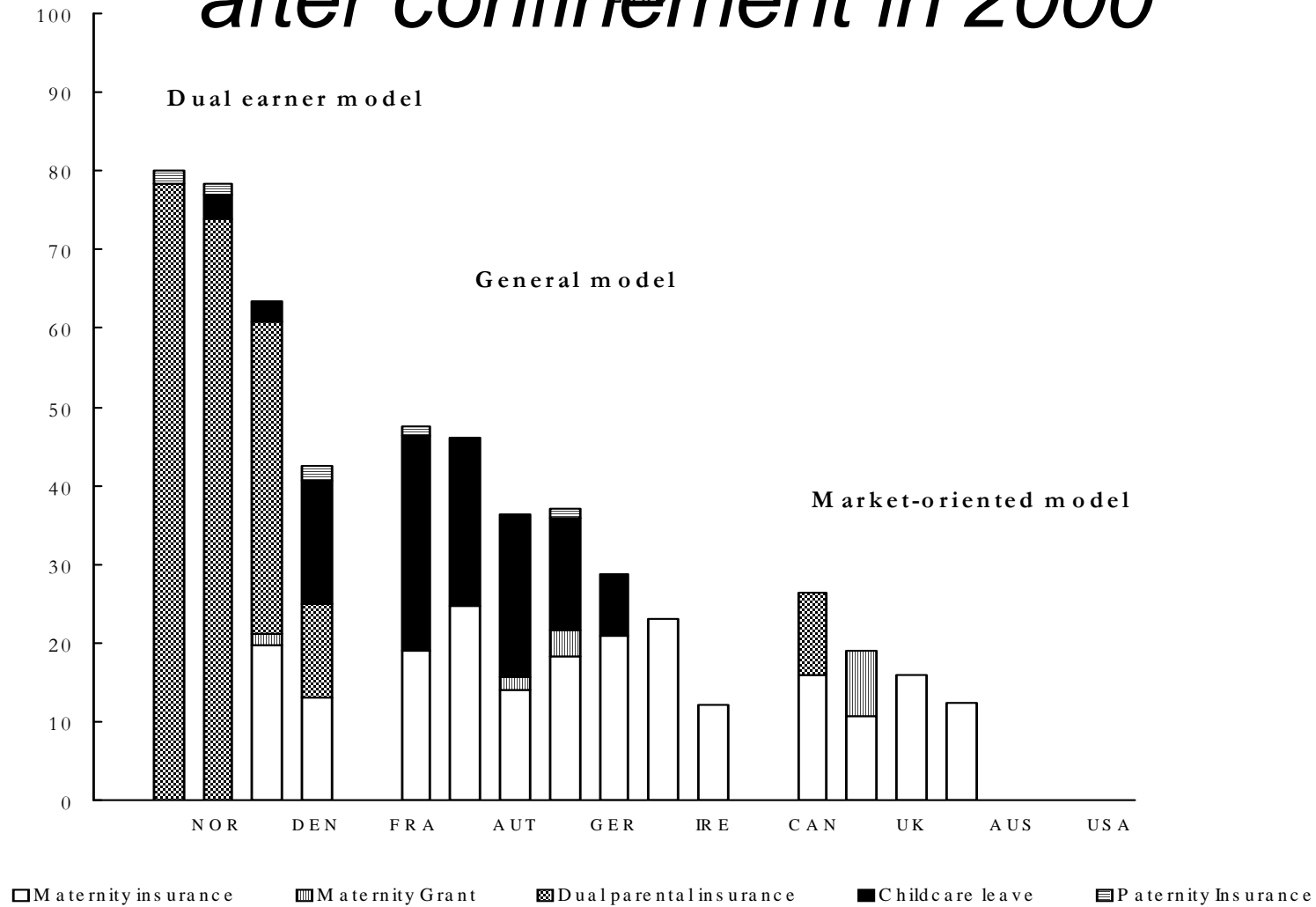


Source: SCIP + OECD (diff. Years): OECD Labour Force Statistics. Paris, OECD

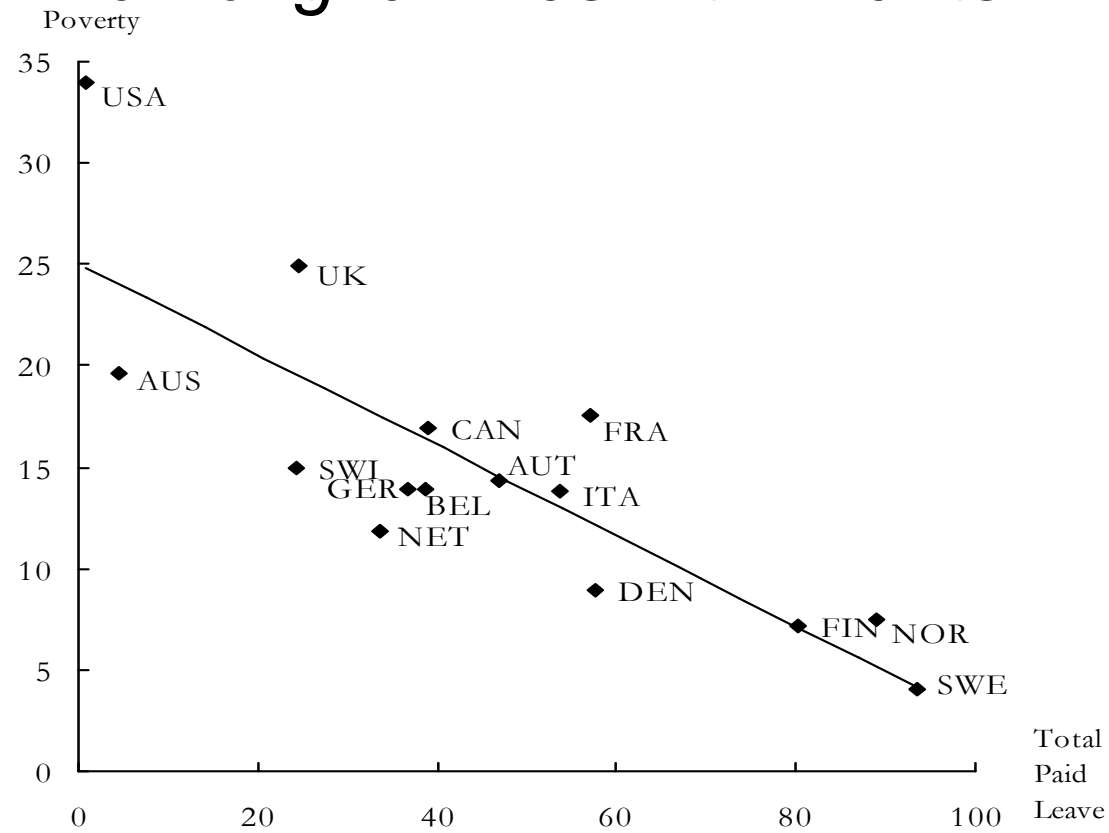
Female labour force participation and fertility in 1995-2000



Net parental leave benefits first year after confinement in 2000



Generosity of paid parental leave and poverty among families with infants



$r = -.826^{**}$ **significant at the 0.01 level, one-tailed test

Sources: LIS, SCIP

Perceived Consequences of Family Formation among Europeans – EU15

<i>Questions in Eurobarometer 1998</i>	Men <44	Women <44
Cut short education	5	13
Limited promotion chances	6	23
Reduced working time	6	37
Took a break with working life	4	41
Took a job below qualifications	5	15
Stopped working for good	2	25
<i>Improved quality of life</i>	80	70
<i>Improved social networks</i>	66	61

What Europeans think Governments should prioritise - to influence the number of children

1. Reducing unemployment, Flexible working hours, Childcare
2. Family allowances, Tax advantages
3. Cost of children's education, Housing
4. Parental leave, Maternity benefits

Source: Eurobarometer

Dilemmas of the reform work

- Expansion of tertiary education *and* family formation
- Social protection *and* labour supply
- Equality *and* efficiency
- Gender and division of paid *and* unpaid work
- Interest formation:
 - where is the middle class going and which political forces mobilize?
 - will employers use exit or voice?

Modernise family policy

- to promote inclusion

- Policy and policy design matters!
- If politicians do not respond; European achievements are jeopardized
- Modernisation is about: Gender and work in ageing societies
- Extend social inclusion goals in terms of the situation of children
- OMC – and serious monitoring
- Rights and responsibilities of European citizens

*Modernisation of European
social policy should be about
recasting:*

Gender and work in ageing
societies

The European Social Model

Goal

”The European social model is about social inclusion and equality of opportunity.”

Barroso July 12, 2005

Strategy

- Human capital response to ageing societies
- Middle class inclusion
- Universalism
- Equality of conditions
- Gender: Care *and* work
- Quality and quantity of employment

Open Method of Coordination

- Lisbon Strategy on Employment
- Sustainable pension systems
- Health insurance
- Social inclusion indicators

Why not?

- Family policy and the rights of children

Why the principles and exact design of ESM are important

- How benefits are distributed: coverage and adequacy
- How social security create interest coalitions and political support
- How social security programs may contribute to increase the number of taxpayers
- The road to hell is paved with good intentions
- The devil is in the detail

New Publication

Sustainable policies in an ageing Europe:
A human capital response

www.framtidsstudier.se

info@framtidsstudier.se

Sustainable Welfare Policy: Goals and Means

Welfare

- Individual resources making it possible to control living conditions
- Several dimensions: health, work, income, education etc
- Institutions as individual resources: state, family, market

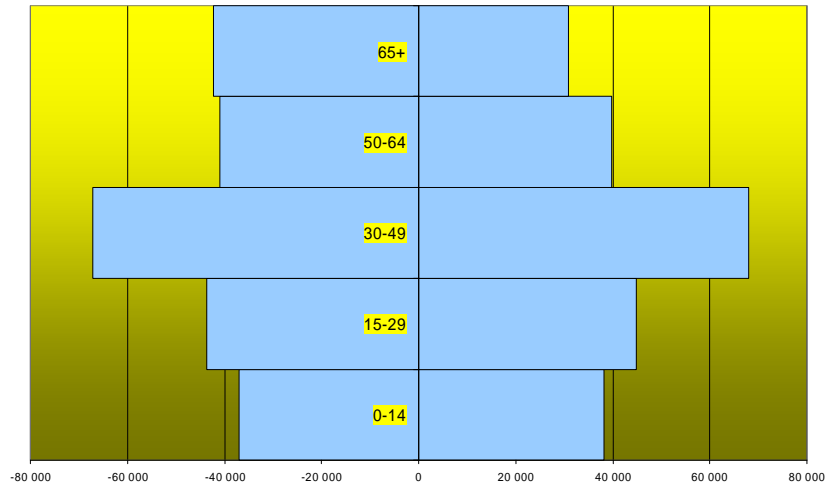
*Fertility, Children's Life
Chances, Inclusion*

Family policy design

- Adequate in aging societies
- Supportive of reproduction
 - Fertility, - Human resources
- Supportive of labour supply:
 - Incentives,
 - Human skills, - Social services, - Opportunities

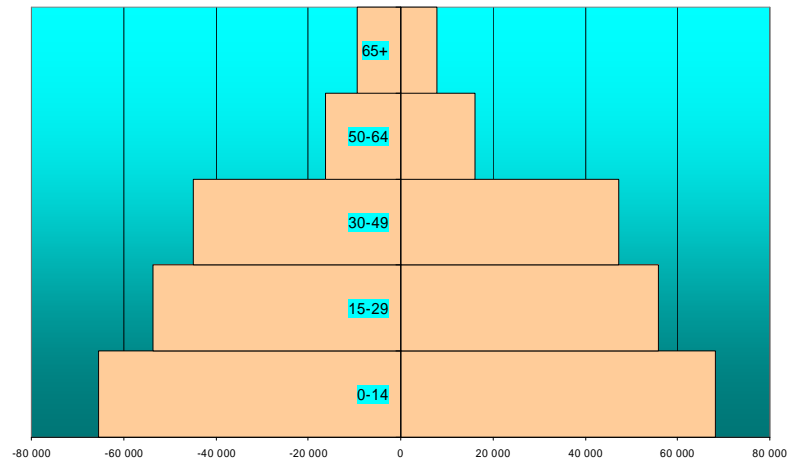
Global ekonomisk utveckling

EU25 2003

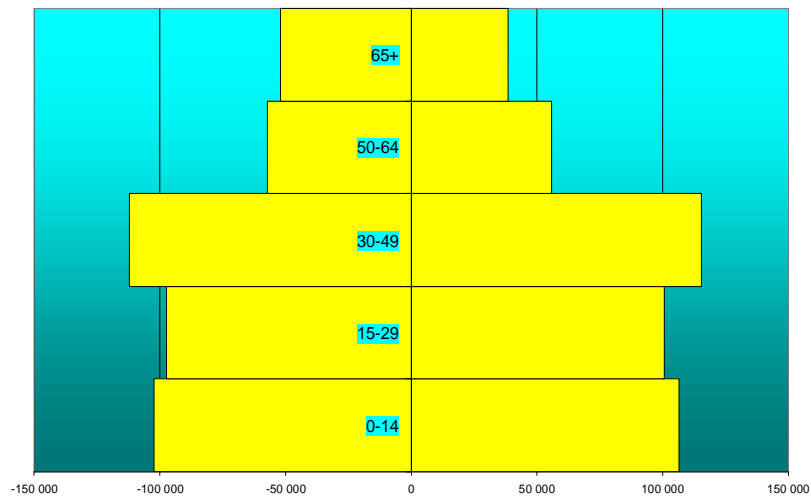


2003

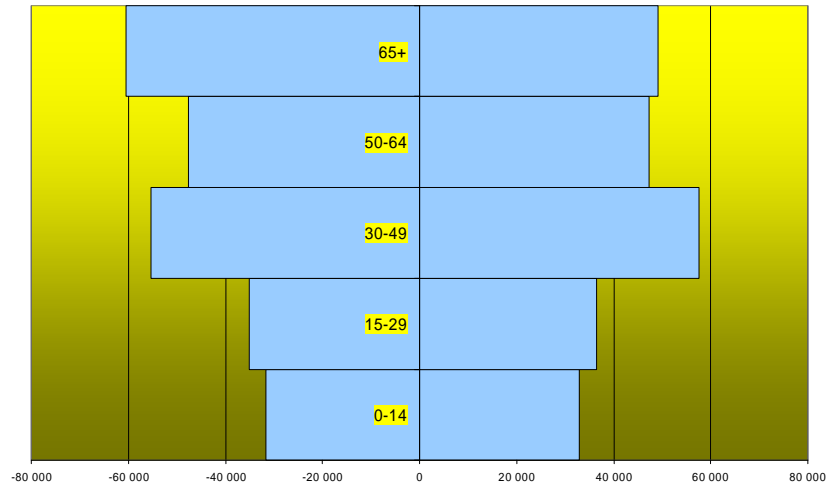
MENA 2003



EU25 + MENA 2003

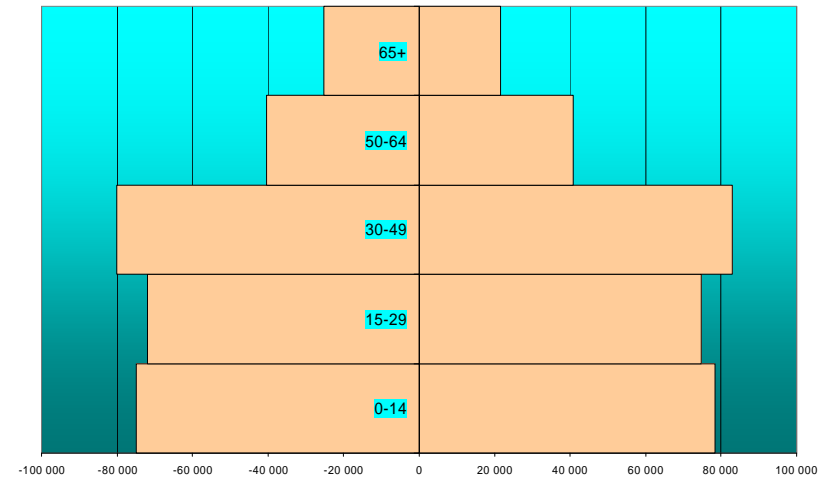


EU25 2030



2030

MENA 2030



EU25 + MENA 2030

