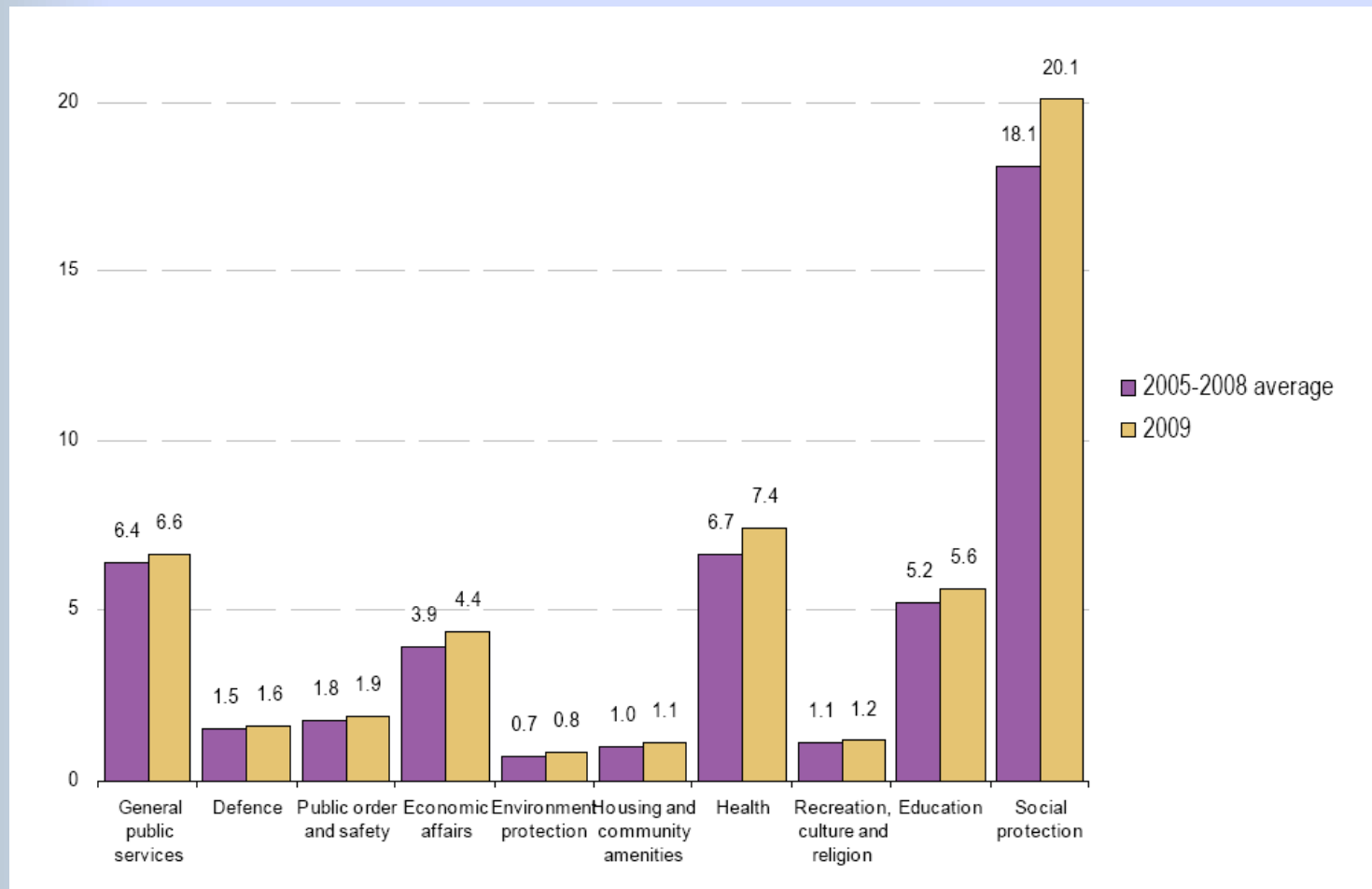


Welfare State

A union challenge with individual national policies



E.U. Expenditures as a percent of GDP



European Commission

- Through open method of coordination
- Voluntary process for political cooperation
- Provides a framework for national strategy development
- Coordinates policies between countries

Common objectives

- Social protection and social inclusion through
- social cohesion
- Economic growth
- good governance.

Issues

- Poverty and Social exclusion
- Health care and long-term care
- Pensions
- *<http://ec.europa.eu/social/main.jsp?catId=750&langId=en>*

Facts and figures

poverty and social exclusion

- 80 million people in the EU – **16% of the population** – live on less than 60% of their country's average household income
- **19% of children** in the EU are also currently in or at risk of poverty
- 17% of Europeans suffer from **material deprivation**, i.e. their living conditions are severely affected by a lack of resources
- **Welfare systems** reduce the risk of poverty by 38% on average in the EU, but this impact varies from less than 10% to nearly 60% across the EU.

Coverage of social risks – more than half of total government expenditure

- 54% of total government spending of EU-27 social protection and that related to health
- Social protection-most important item of government expenditure =20.1 % of EU GDP in 2009.
- Public expenditure on the elderly, unemployed and in 'family and children' have substantially increased between 2008 and 2009.
- Health is also a significant item of government spending

Key challenges

- to **eradicate child poverty**
- to promote the **active inclusion** in society and the labor market of the most vulnerable groups.
- to **provide decent housing** for everyone
- to **overcome discrimination** and increase the integration of people with disabilities, ethnic minorities, immigrants and other vulnerable groups
- to **tackle financial exclusion** and over-indebtedness
- to promote the **integration of Roma**

Healthcare and Long-Term care

- Access-universal affordable care
- Quality – prevention programs, coordination
- Sustainability- generics, primary dr., reducing in-patient, simplifying administrative procedures

Pensions

- Public policies cater for sustainable, accessible and adequate retirement incomes now and in the future.

Main challenges and achievement

- *healthier and live longer, lower birthrate*
- *strong increase in the old age dependency ratio*
- *reforms of pension policy*
- *employment rates*
- *public debt*
- *Staggered growth*

Pension Policy changes

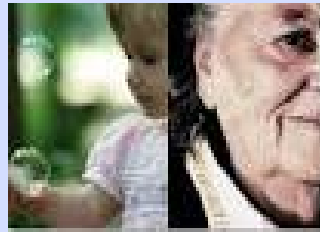
- from defined benefit schemes to defined contribution schemes.
- a relative cutback in services.
- mixed financing (taxes/contributions).

More people working more and longer

- Growth prospects
- Appropriate work incentives
- Open labor markets
- Increasing effective retirement ages

Demographic changes

- aging population, low birth rates, changing family structures and migration



Proposed solutions

- supporting demographic renewal through better conditions for families and improved reconciliation of working and family life
- boosting employment – more jobs and longer working lives of better quality
- raising productivity and economic performance through investing in education and research
- receiving and integrating migrants into Europe
- ensuring sustainable public finances to guarantee adequate pensions, health care and long-term care

Challenges to the Welfare State

- demographic change
- employment crises
- public debt
- the system of market states.

France

- **Solidarity and insertion**-mutual responsibility and shared risks.
- In recent years ...greater emphasis on "active solidarity"
- *http://www.oecd.org/country/0,3731,en_33873108_33873376_1_1_1_1_1,00.html*

Germany

- **the Social Market-** economic development was the best way to achieve social welfare.
- Social benefits are earnings-related
- Public expenditure on welfare is directly compatible with the need for economic development and growth.
- Social insurance- is managed by a system of independent funds.
- level of state intervention-residual
- *http://www.oecd-ilibrary.org/economics/country-statistical-profile-germany_20752288-table-deu*

Public expenditure as a % of GDP

- Public social expenditure as a percentage of GDP, on average across OECD, increased from 15.6% to 19.2%.
- Social expenditure as a percent of GDP at factor costs in 2007 was highest in France **at 30% of GDP**
- Social expenditure as a percent of GDP in 2007 in Germany was **25.2% of GDP**