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**The Future of Welfare in a Global Europe**

**Opening Remarks**

**Symposium**

**Jubilee Event at the Occasion of the 40<sup>th</sup> Anniversary  
of the European Centre for Social Welfare Policy and Research**

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The Welfare State is considered as one of the greatest achievement of the 20 century. It was the accomplishment of a long-standing objective, and of the long struggle, of the proletarian movement.

The English economist and social reformer, Sir William Henry Beveridge, regarded the five 'Giant Evils' of Want, Disease, Ignorance, Squalour and Idleness, as the main reasons for social impoverishment and misery. His report "*Social Insurance and Allied Services*", published in 1942, was the basis for the British National Health Service, which was designed to address at least some of these problems.

At the same time, the provision of social welfare in the USA was promoted, and made possible, by the inaugural address of President Franklin Roosevelt in 1941. In this he demanded implementation of the four freedoms - freedom of speech; freedom of worship; freedom from want; freedom from fear.

In the current 'Age of Globalisation', our awareness of the need for the services of a welfare state has also attained a global dimension. But, at the same time, it has become increasingly obvious that the present scope of the social welfare system will not lend itself to indefinite proliferation for the elimination of inequality erased unfortunately it has obviously not jet poverty or provided equality of opportunities.

We can easily demonstrate this fact by means of the series of numbers 20, 7, 4, 25, 50.

In 1900, Europe's share of the world' population was 20%; today it is about 7%, and is expected to be no more than 4% by the year 2050. Today, Europe accounts for about 25% of World output but consumes 50% of global social services.

At the same time, our capacity to finance this level of welfare has reached its limit. The unfavourable development of our public finances is one aspect of this constraint. Another is sheer inefficiency; as our social transfers continuously increase, the funds provided reach ever fewer of the needy. Austria spends more than 30% of its GDP on social services; in the EU it is 25%, and much less in the rest of the world. The Gini coefficient for Austria is 26.3%, which indicates a large measure of redistribution; nevertheless, poverty continues to rise also in Austria and the fairness of our redistribution system is widely questioned.

The future of the welfare state will depend on two fundamental preconditions. First, we need to redefine the extent of the welfare services which should be universally provided, as proposed by Beveridge and Roosevelt, while not eliminating the incentive for self-responsibility, self-provision and self-initiative. Secondly, we need to keep in mind the capacity of the economy which is confronted with fierce international competition.

Our economic prosperity requires a strong economy which is based on industrial innovation, especially environmentally friendly, resource conserving innovation, as well as education, science and research.

It is no exaggeration to say that one of our greatest political challenges in the 21 century is to have an outstanding educational system. A good education, which incorporates life-long-learning, is the key to the success of the individual as well as that of the economy. No country can redistribute what it does not produce! If I may borrow an expression from President Clinton, "It's the economy, stupid", and the principal natural resource is education.

In the language of economics, we can say that education has important external benefits. Left to the free market, too little will be produced and consumed, which is why we can justify significant public expenditure in promoting the education of our population. However, there is an overriding requirement to use public money efficiently so that it provides the best possible return for the economy and for society. In addition, we are committed to the social-democratic principle of equal opportunity for all of our citizens. When these issues are combined, we have ample scope for debate on the quantity, quality and structure of the educational services we should provide.

Another welfare issue which needs urgent attention in many countries is the provision of pensions for those who are beyond retirement age. Pension schemes and plans have become especially problematic, mainly because of demographic developments which will impose significant financial burdens on future generations. Although there is a general shift away from defined benefit plans, towards defined contribution plans in many countries, many other problems need to be addressed.

The irony is that some of the greatest social achievements of the 20 century have contributed to the woes of the pension system, which has failed to adapt to changing circumstances. Improving standards of living and advances in health care have increased the average life expectancy of the population. The need to adjust the pension system for the change in longevity has proven to be difficult. When the Austrian state pension fund for workers and employees, ASVG, was established in 1955, the average period of retirement was 2 years. Today, it is 25 years as life expectancies have risen happily. The logical way forward is to leave the choice up to the individual, and this can best be achieved by combining a defined-contribution pension system with the abolition of a statutory retirement age.

Some countries - and I have to include Austria on this list - actively use, and abuse, the pension system to get rid of older, more expensive workers. This attitude is short-

sighted as it overlooks the greater experience older workers often possess, which can enhance their productivity. Resistance to change is also encountered from interest groups which profile themselves as champions of the “working man” and of pensioners. It is not so widely appreciated that these organisation contribute to the crippling level of taxes which all of us have to bear and which also affect their own members. In addition, the growing army of the retired represents a powerful political force, making it extra difficult for the government to implement necessary change.

When I look at the list of topics of this conference, I see many topics close to my heart. These include problems of migration, health care, an ageing population, and poverty, as well as labour-market issues such as unemployment and the special difficulties confronting modern-day youth. Time does not permit me to comment on them. But they are all important and are urgently in need of intellectual and academic scrutiny. This alone underlines the importance of this conference. We wish you every success in your endeavours.

Thank you.