

**KU LEUVEN**

**HIVA**

RESEARCH INSTITUTE FOR  
WORK AND SOCIETY

# THE FUTURE OF SOCIAL PROTECTION

Rethinking the EU sustainability model to achieve autonomy,  
resilience and full employment

Hybrid ETUC conference Lyon, 6-7 September 2022,

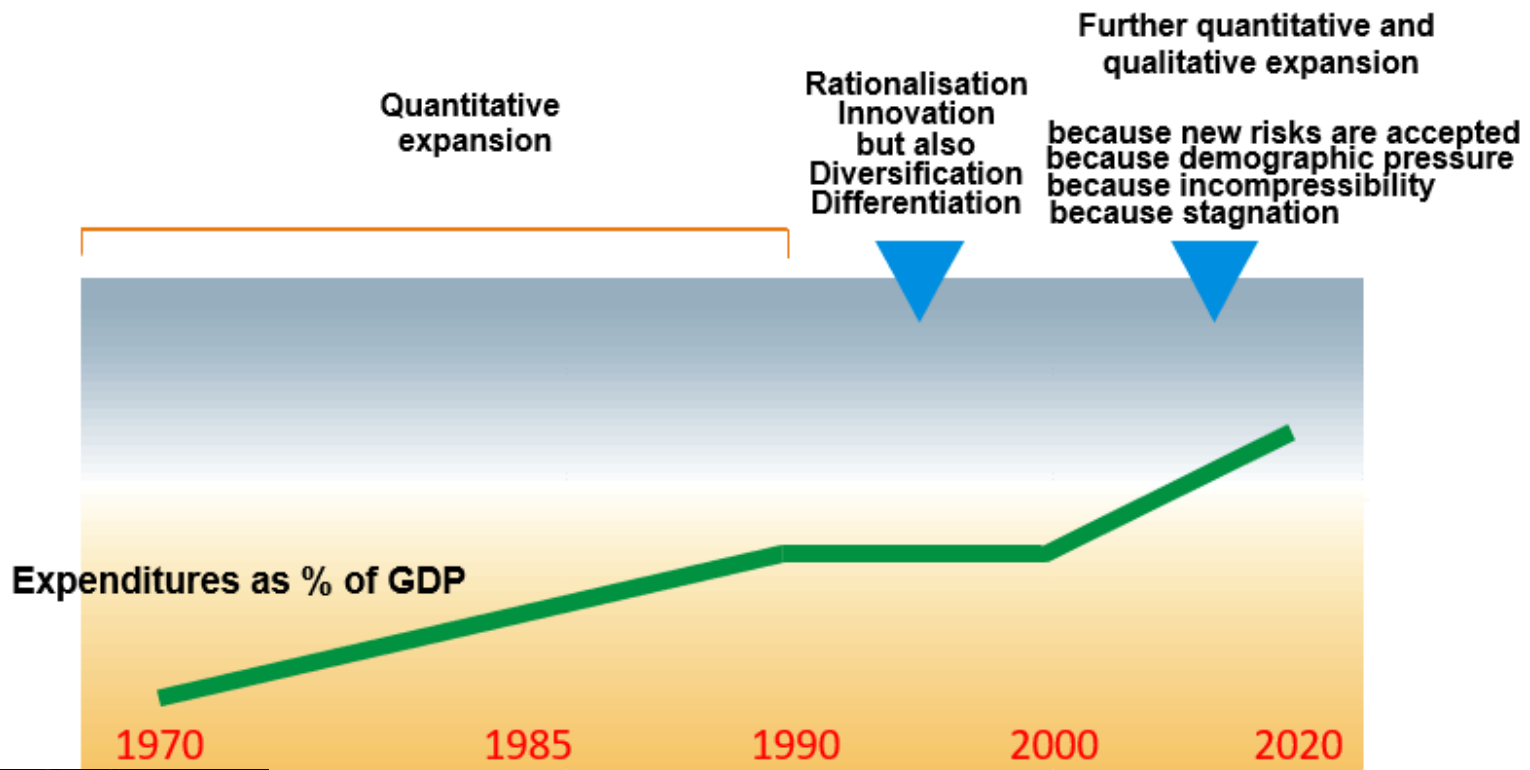
**Jozef Pacolet**

HIVA - Research Institute for Work and Society, Katholieke Universiteit Leuven

# Content

1. Back to the future: are we still becoming rich economies?
2. Economic and social convergence: real but too slow
3. Evidence on the national differences and need for European social convergence
4. The future of social expenditures under demographic pressure: how to fill the financing gap?
5. For the future we risk to have a problem
6. There is a long road to develop and maintain the welfare state

# Our common future: A common path of economic and social progress



## Expenditures on social protection in EU 27, 2019, in billion euro and as % of GDP: (GDP EU 27 13 957,7 billion) core business of trade unions

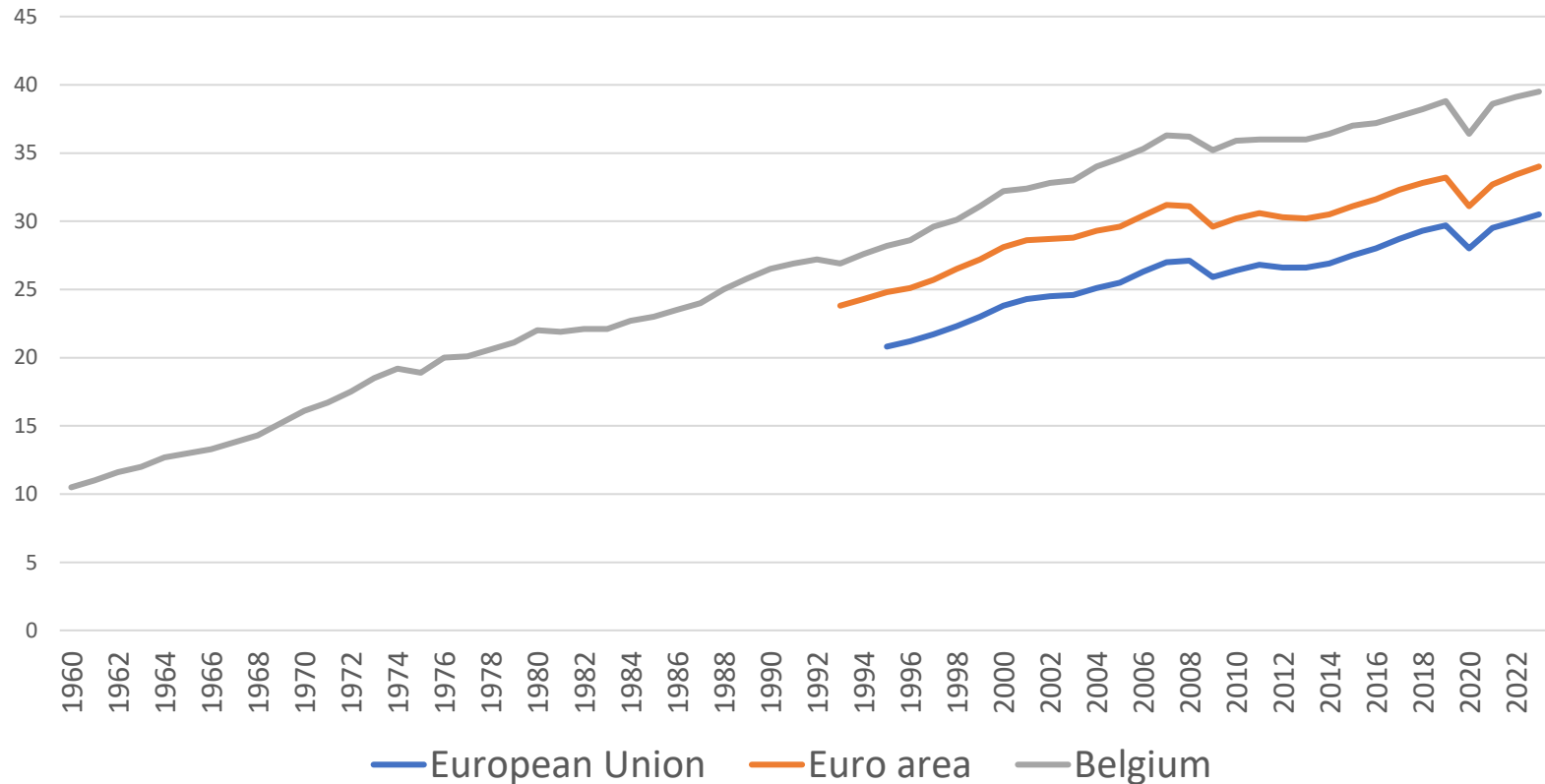
	Billion euro	Percentage of gross domestic product (GDP)
Total expenditure	3 922	28,1
Administration costs	120	0,9
Other expenditure	42	0,3
Sickness/Health care	1 111	8,0
Disability	287	2,1
Old age	1 512	10,8
Survivors	228	1,6
Family/Children	316	2,3
Unemployment	170	1,2
Housing	50	0,4
Social exclusion n.e.c.	88	0,6

Source: ESSPROS

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# Economic growth: after an optimistic narrative again a decade lost?

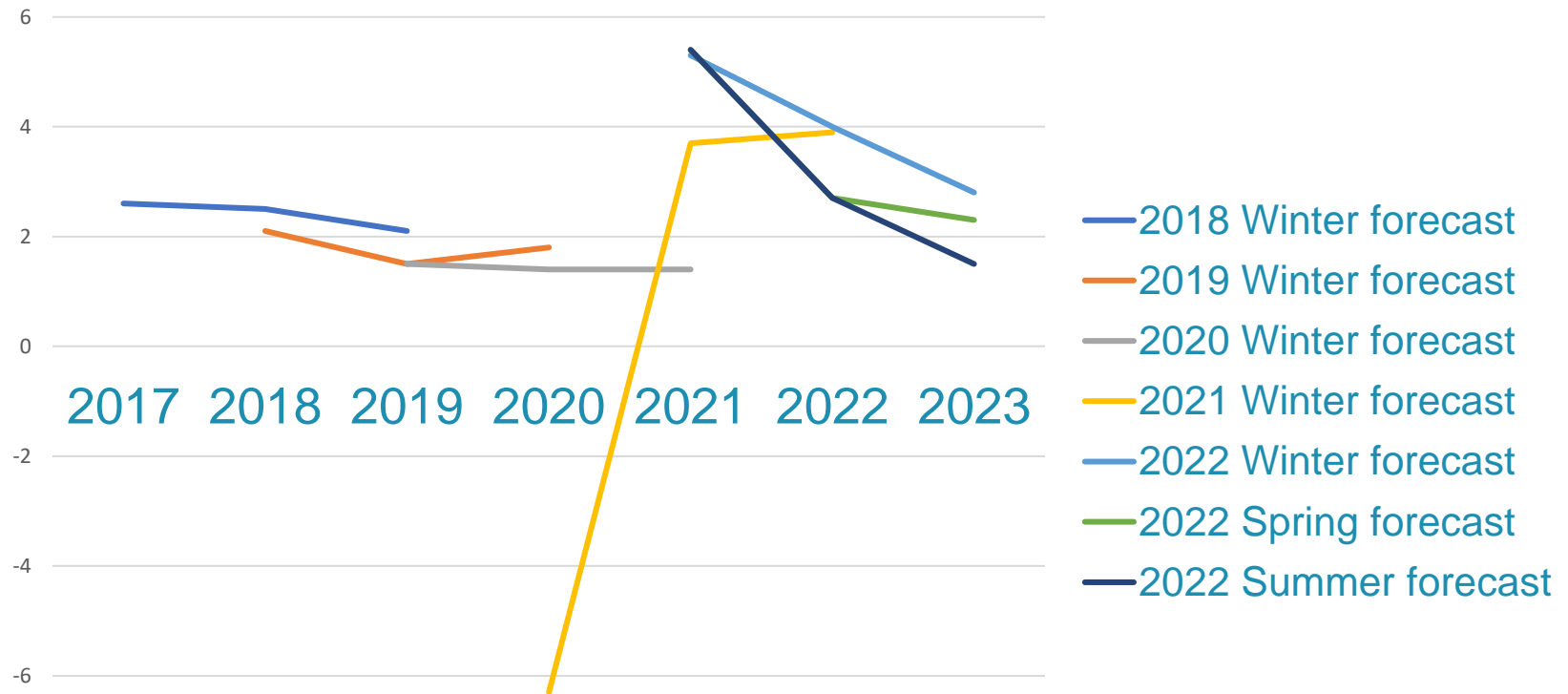
Real GDP per capita, in 1000 euro



Source: Ameco

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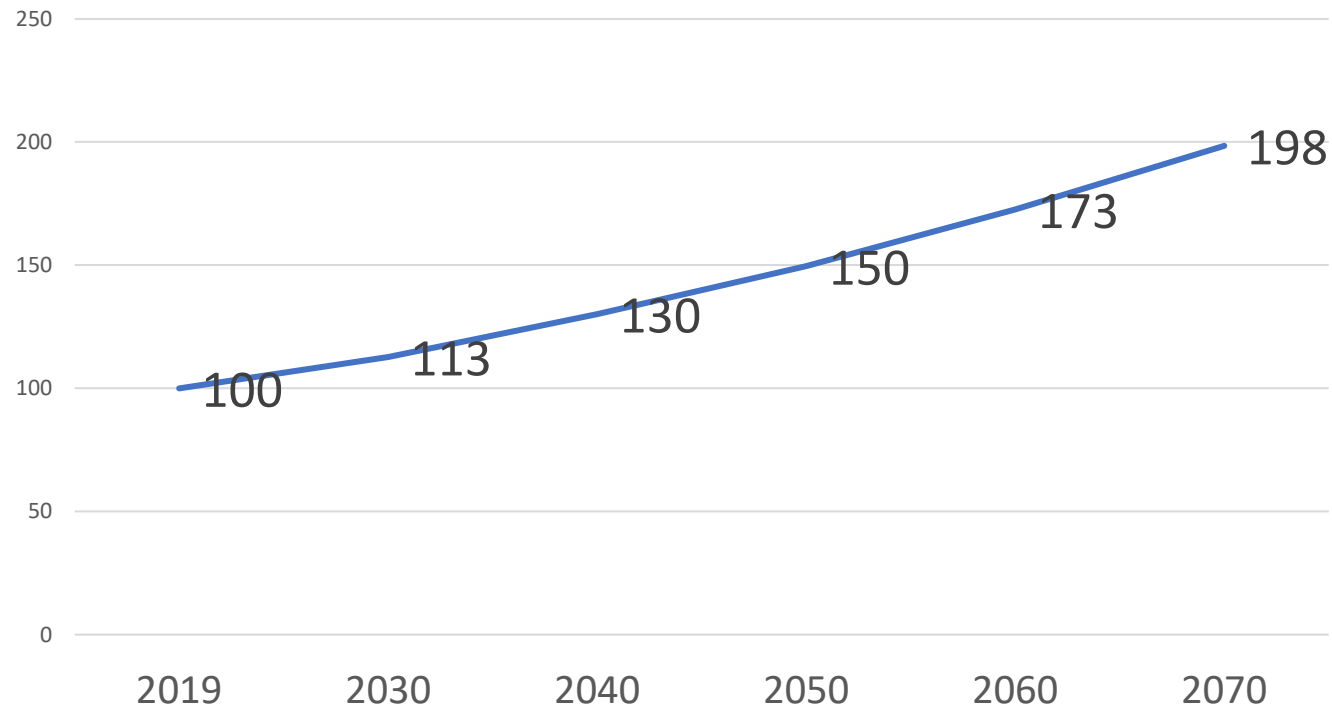
# Short term economic forecasts: Economic outlook EU 27, 2017 – 2023: yearly real economic growth (% of GDP) (Winter forecast is in January)



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# Long term economic forecasts: the central scenario of the 2021 Ageing Report for Europe for the coming 50 years

Growth of GDP EU 27 2019=100

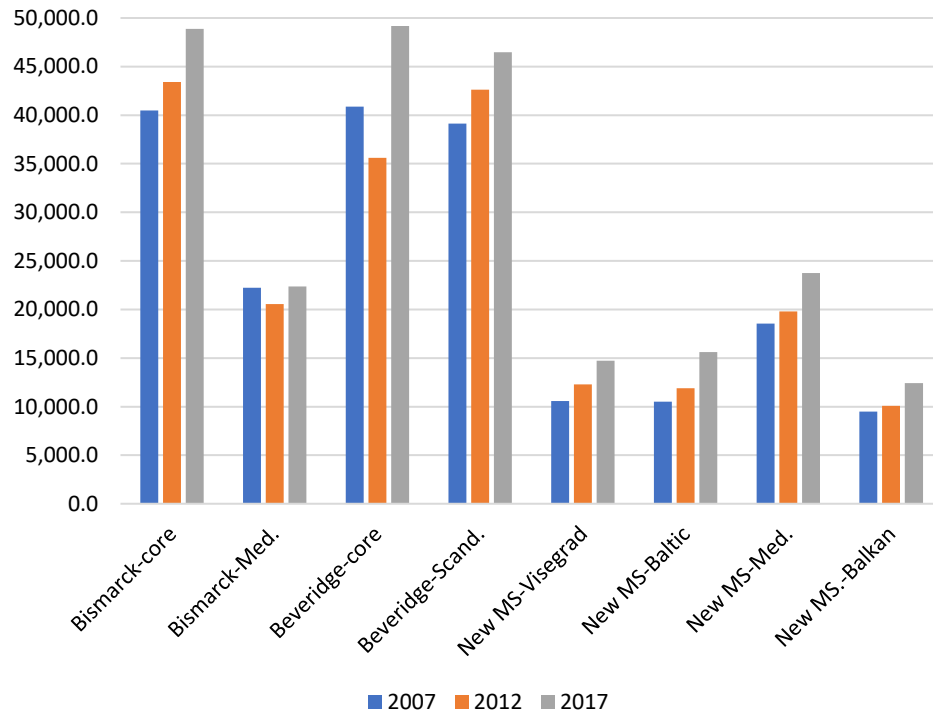


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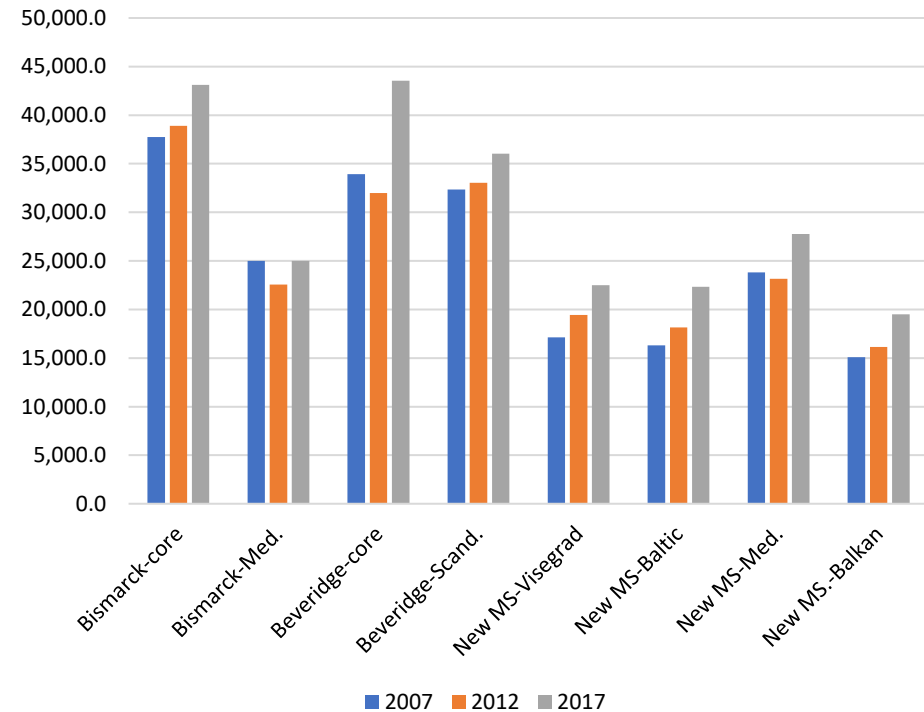
# Economic convergence?

*Average GDP per capita, nominal and in purchasing power, 2007-2017*

**GDP per capita in current prices**

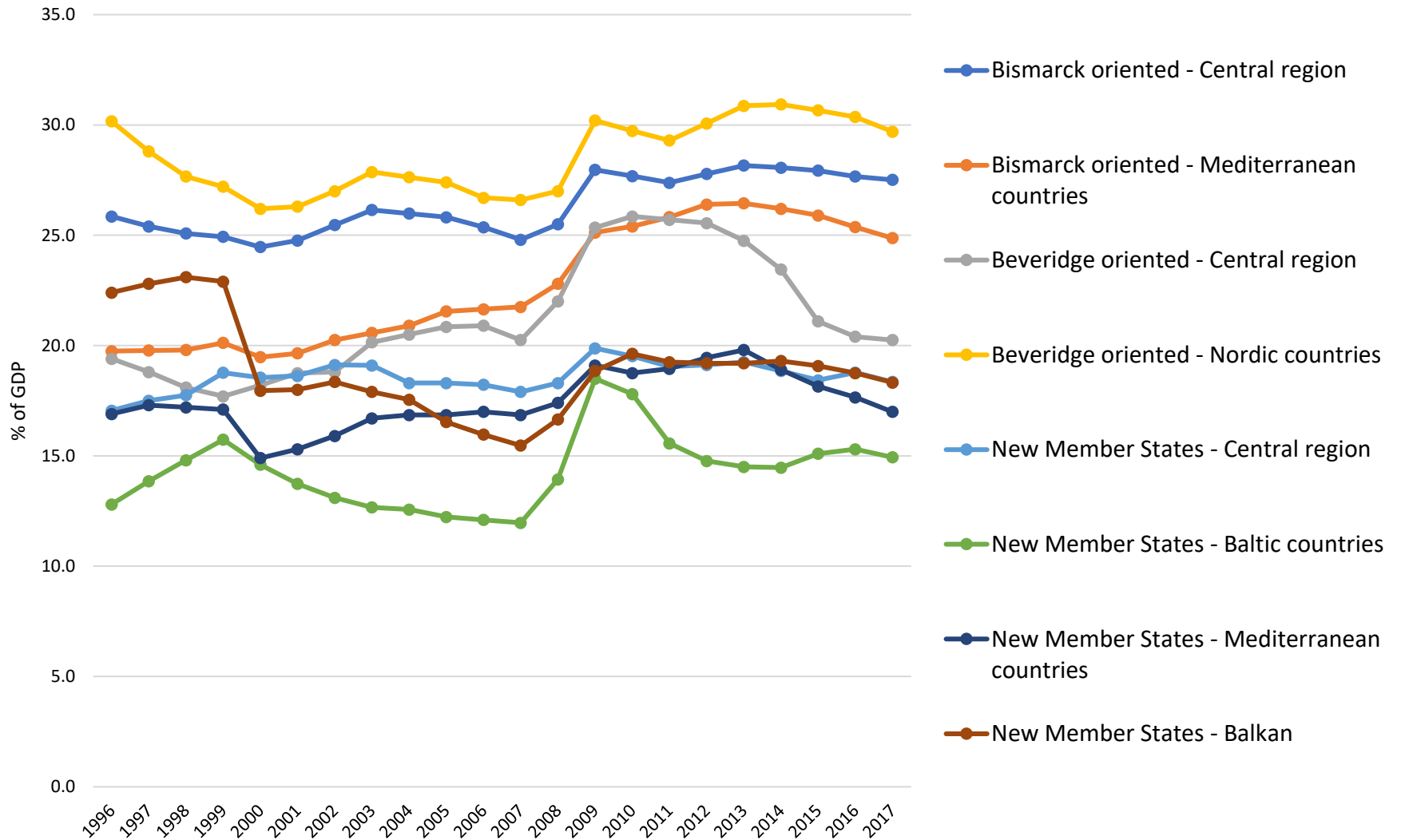


**GDP PPS per capita in current prices**



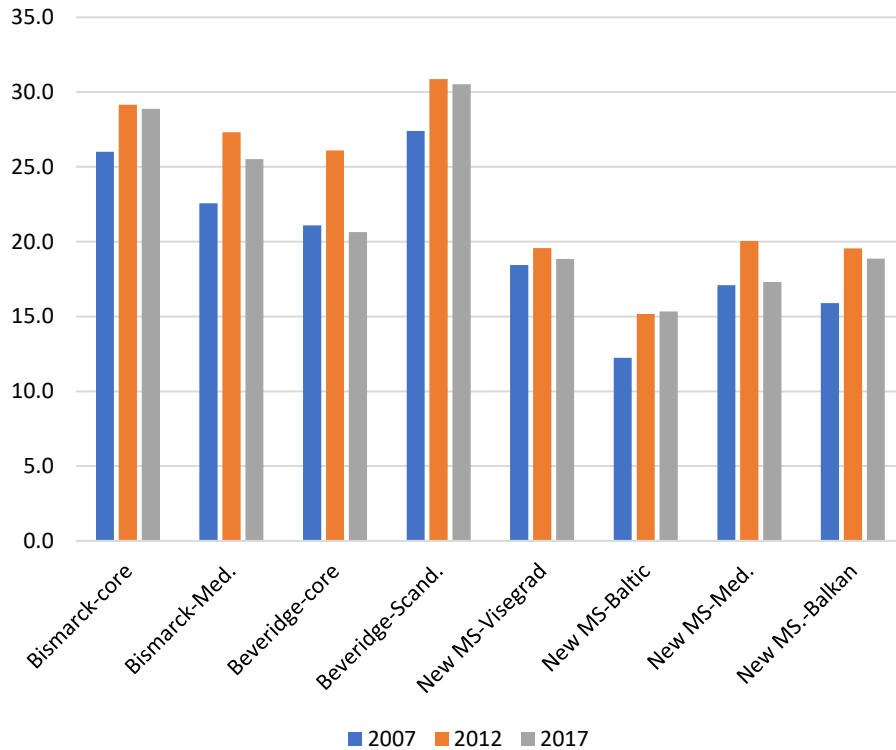


# Total social spending, as % of GDP, by types of welfare states, 1996-2017

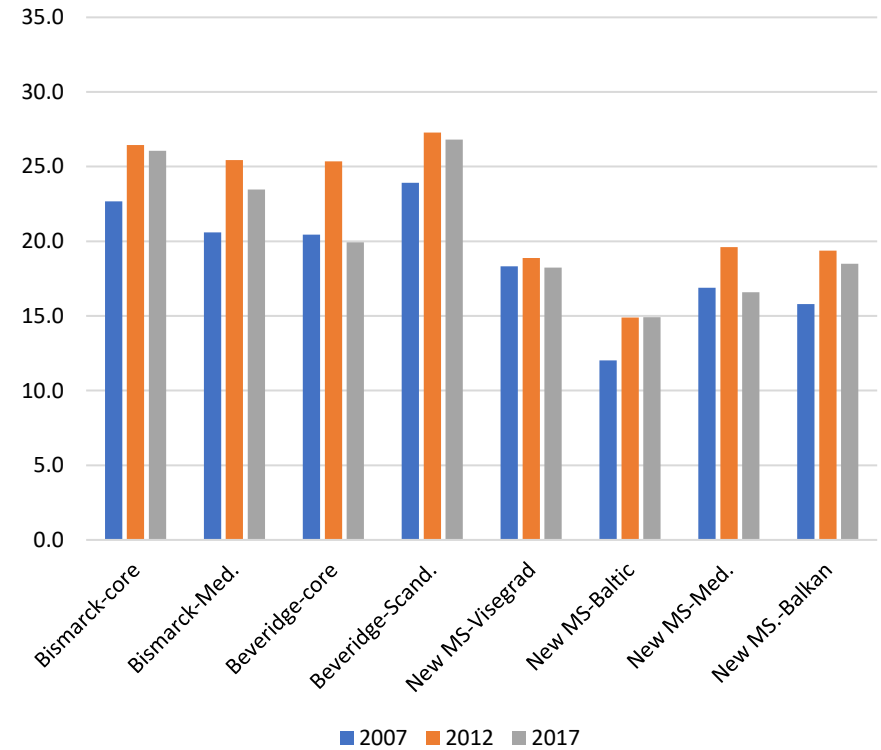


# Gross and net social spending, average per regime, as % of GDP, 2007-2017

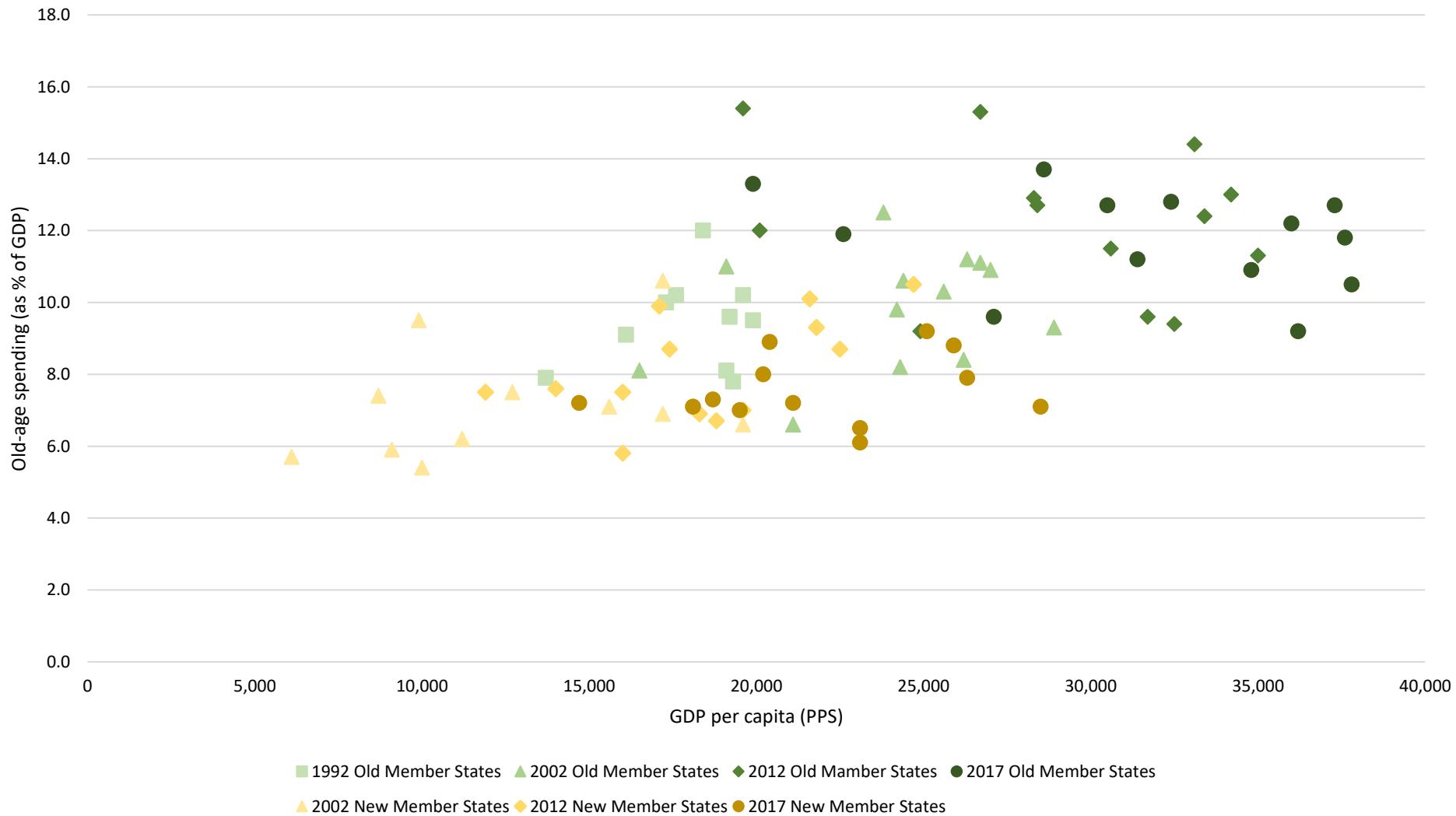
## Average gross social expenditures as % of GDP



## Average net social expenditures as % of GDP

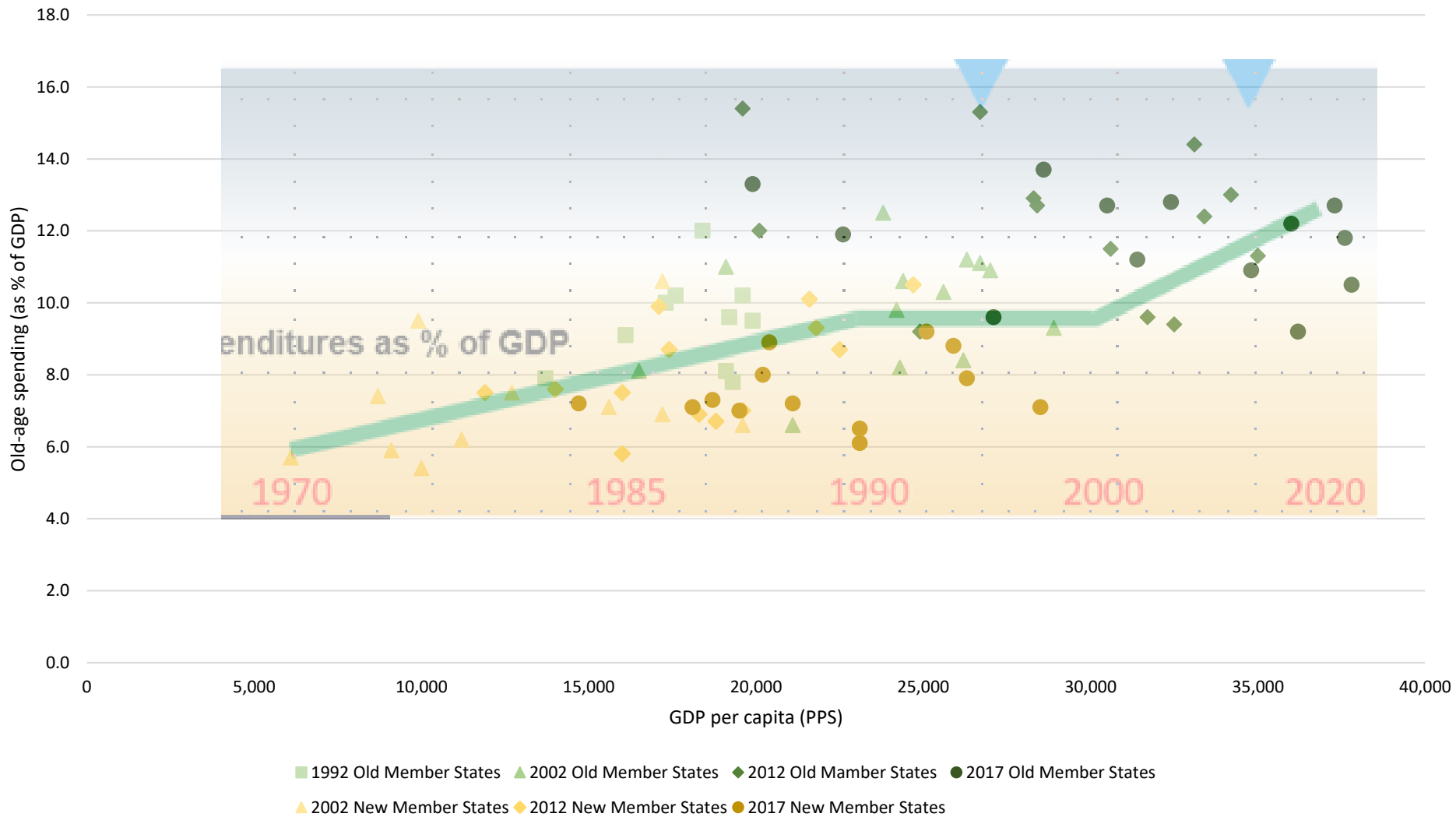


# Old-age spending (% of GDP) vs GDP per capita (in PPS), 1992 – 2002 – 2012 – 2017



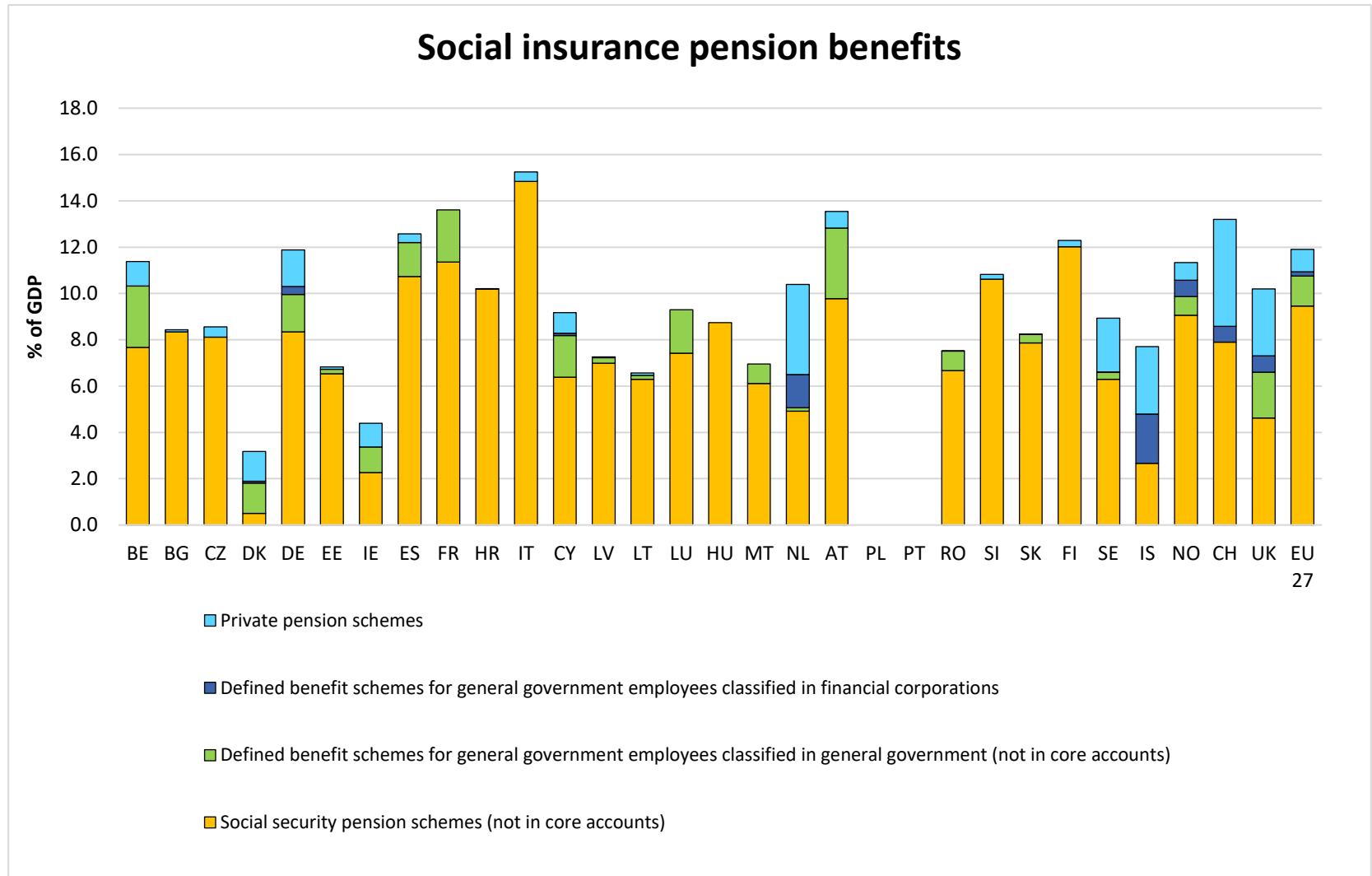
Source: Eurostat data

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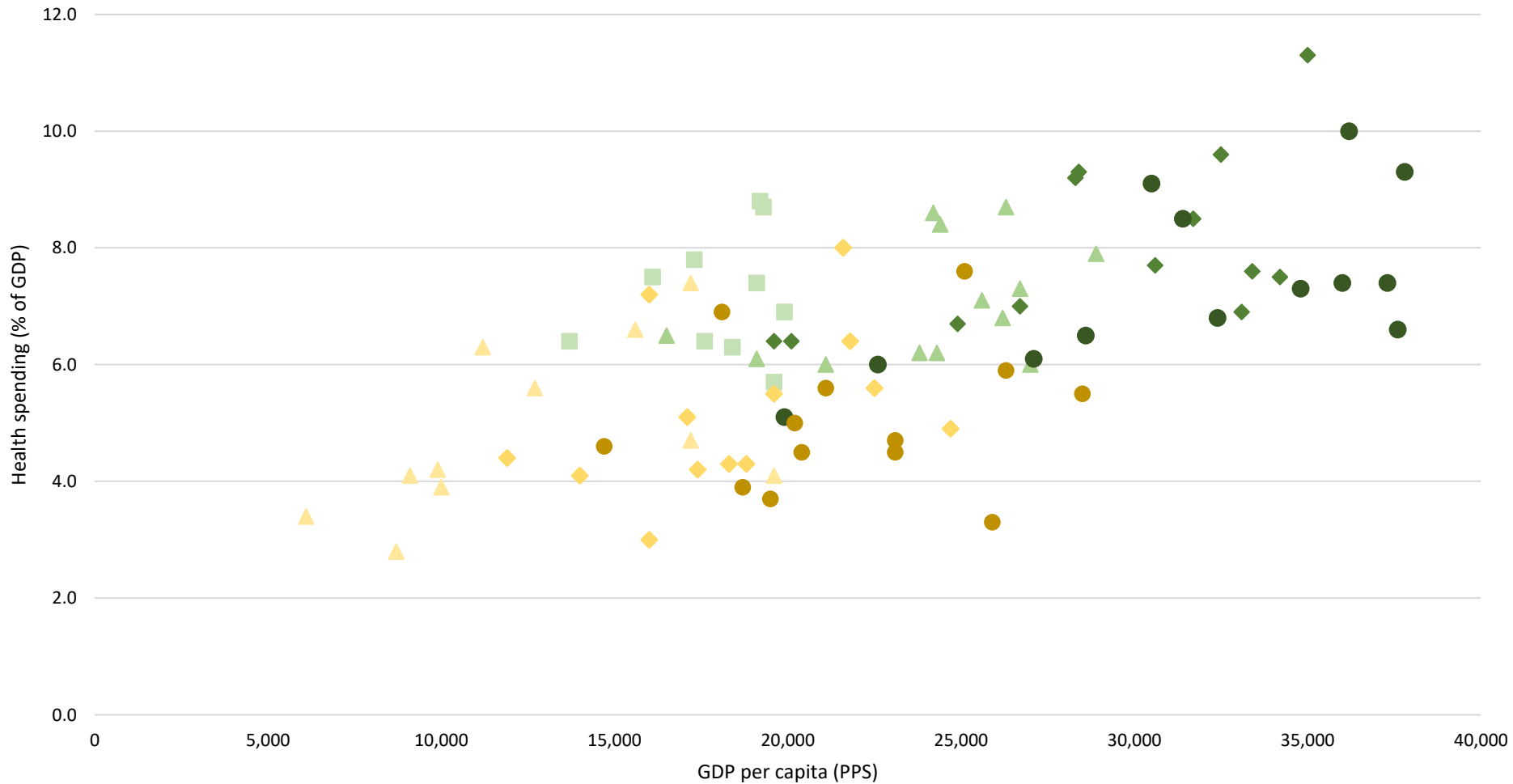


Source: Eurostat data

# Role of the first and second pension pillar: in benefits

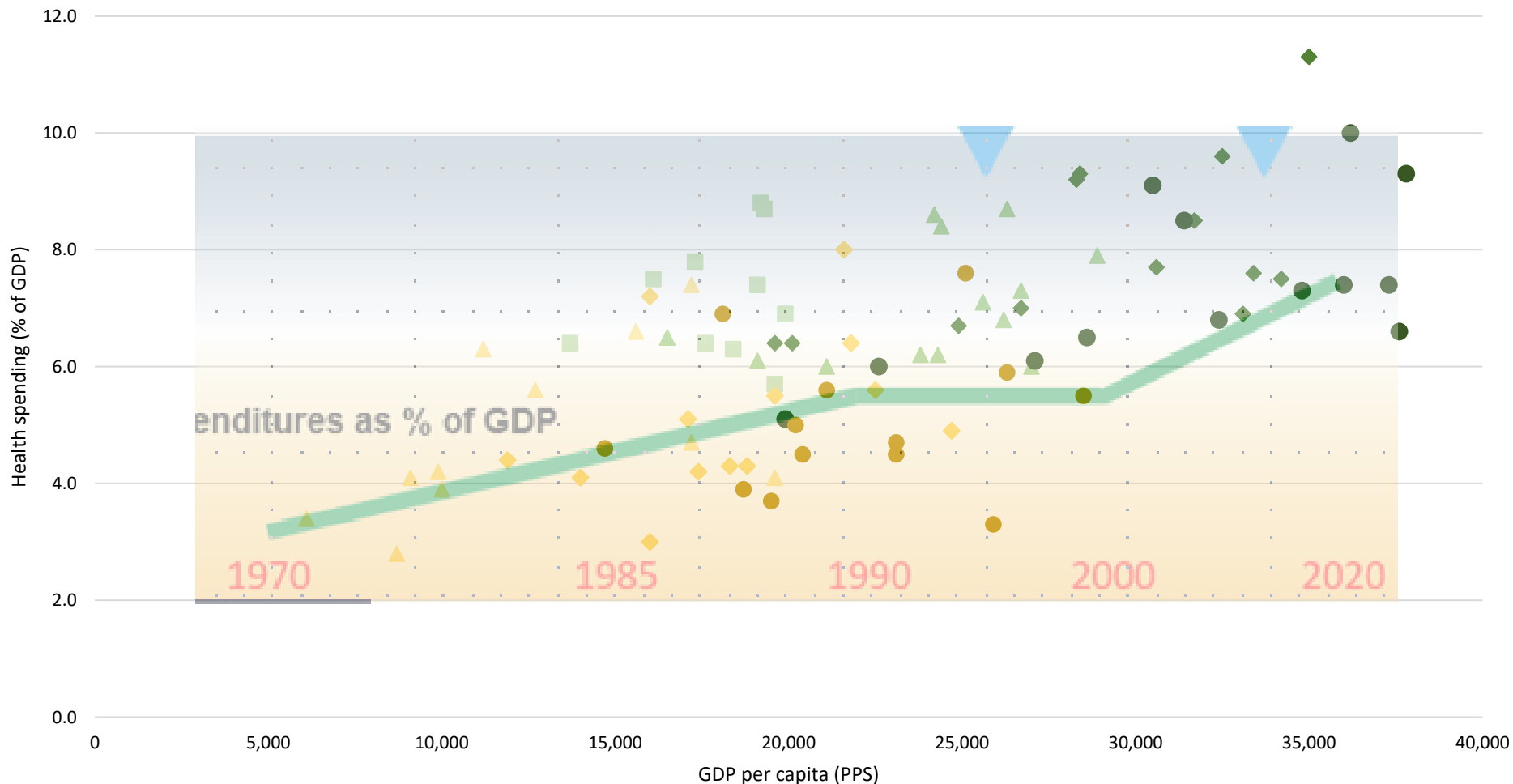


# Health care spending(% of GDP) vs GDP per capita (in PPS), 1992 – 2002 – 2012 – 2017



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 ▲ 2002 Old Member States   
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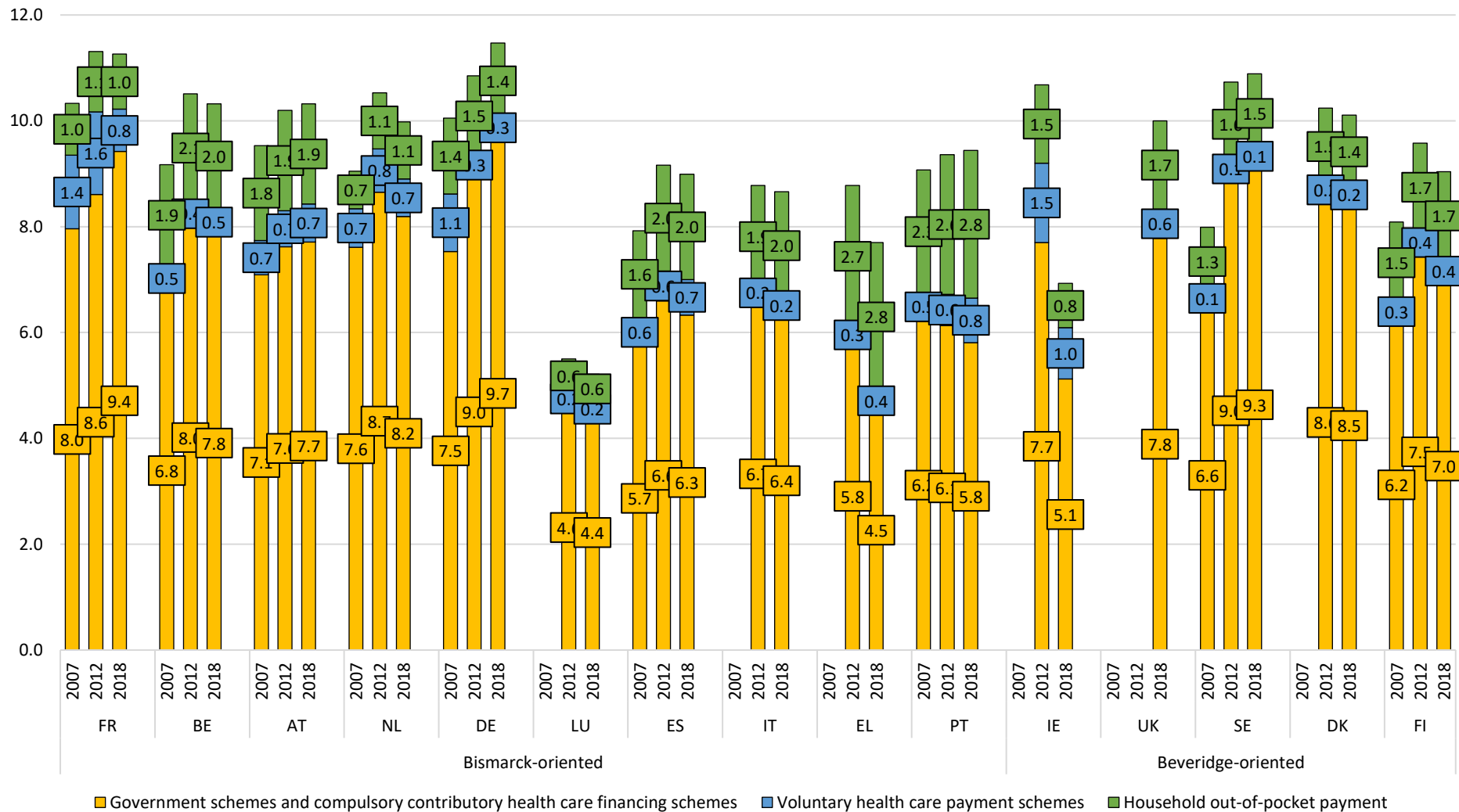
# Health and care sector contributes to GDP and full employment: share of employment in health and social work activities as % of total employment

	Human health and social work activities		
	European Union - 27 countries (from 2020)	Euro area - 19 countries (from 2015)	Belgium
2011	10,1	11,0	13,6
2012	10,3	11,2	14,5
2013	10,4	11,3	14,0
2014	10,5	11,5	14,4
2015	10,5	11,4	14,7
2016	10,6	11,5	14,9
2017	10,6	11,6	15,1
2018	10,6	11,5	15,3
2019	10,7	11,7	14,7
2020	10,8	11,8	15,1
2021	11,0	11,9	15,2

Source: LFS, Eurostat



# Private and public spending on healthcare, old member states, % of GDP, 2007-2018

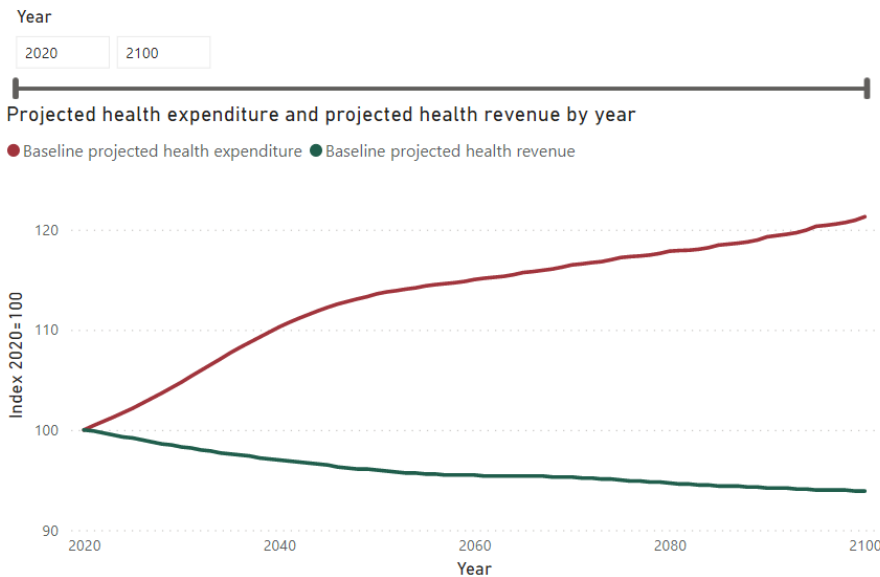


Source: Eurostat data

# A narrative of a financing gap: the example of the Population Ageing financial Sustainability gap for Health systems (PASH) Simulator (example Belgium)

Reset

## Baseline Results

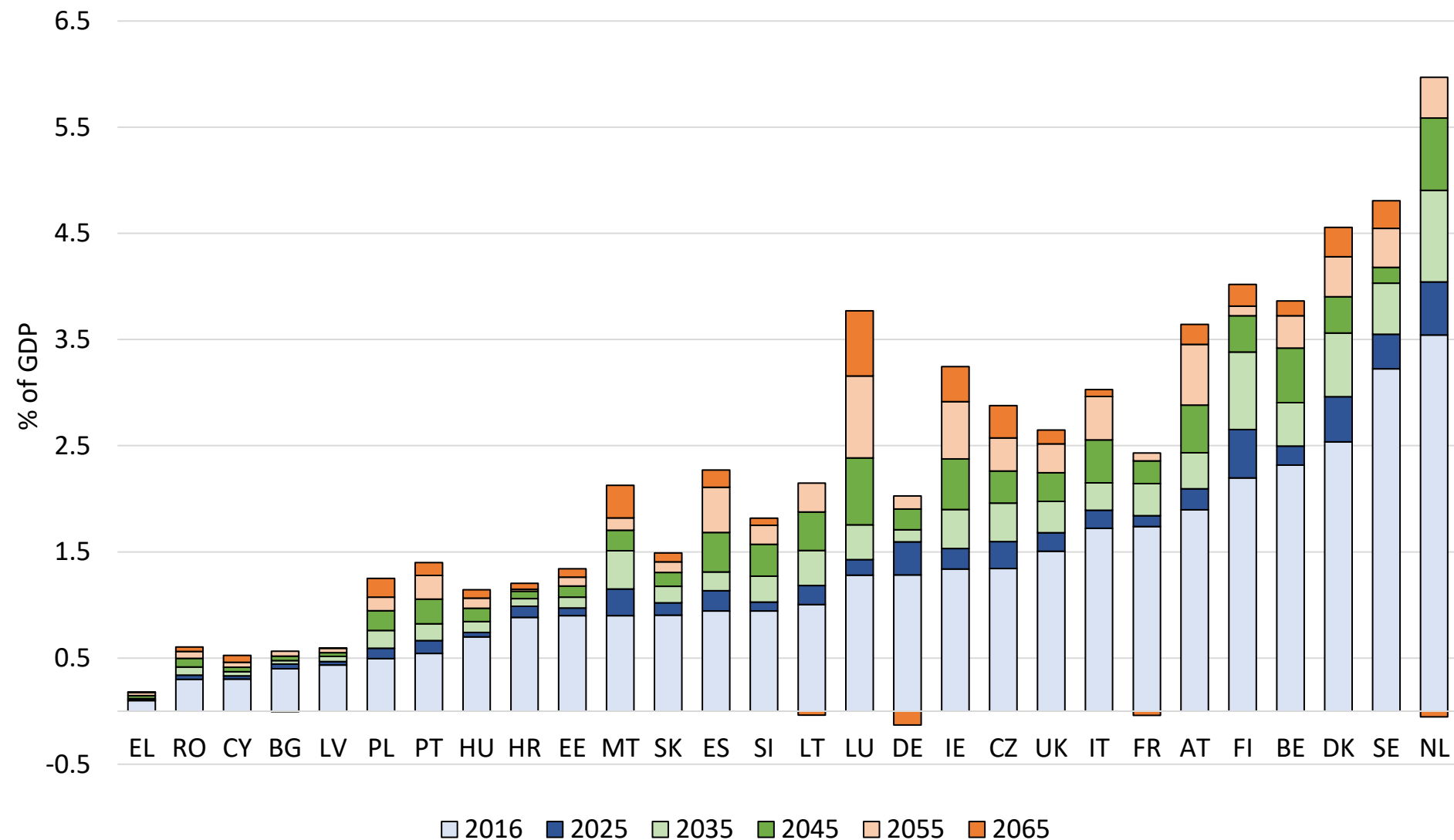


With no policy changes and using the baseline health financing by age profiles, population ageing is expected to result in a health financing gap of 27.4 base points by 2100, equivalent to \$1122 per person in 2018 PPP (2.1% of GDP) based on domestic general government health spending levels in 2018.

Year	Population ageing financing gap (in base points)	Population ageing financing gap in 2018 PPP per person	Percentage of population ageing financing gap attributable to changes in health revenues / expenditures
2040	13.3	\$544	23%/77%
2060	19.5	\$800	23%/77%
2080	23.2	\$948	23%/77%
2100	27.4	\$1122	22%/78%

<https://eurohealthobservatory.who.int/themes/observatory-programmes/health-and-economy/population-ageing-financial-sustainability-gap-for-health-systems-simulator>

## Long-term care (LTC) spending, % of GDP, projections



# An alternative (workers?) reading of the Ageing report: what future sustainability also means (example for EU 27, 2019): Brussels we have a problem, but we can afford to grow old

Line	AWG 2021 ( 2019 prices), EU 27			
	2019	2030	2070	index 2070
1 GDP (in billion euro)	14 049	15 839	27 877	198
2 Population (million)	447,2	449,1	424,0	95
3 Population elderly ( million)	91,2	109,6	128,5	141
4 Health care spending as % of GDP	6,6	7,0	7,5	114
5 LTC-spending as % of GDP	1,7	1,9	2,8	165
6 Sum LTC + Health care	8,3	8,9	10,3	124
7 GDP /capita	31 416	35 268	65 747	209
8 Health care spending per capita in euro	2 073	2 469	4 931	238
9 LTC spending per capita in euro	534	670	1 841	345
10 H & LTC spending per capita in euro	2 608	3 139	6 772	260
11 GDP - H & LTC in euro	28 809	32 129	58 975	205
12 Old age and early pensions	9,3	10,2	9,9	106
13 Survivors' pensions	1,4	1,3	0,9	64
14 pensions- spending as % of GDP	10,7	11,5	10,8	101
15 sum LTC+H+pensions	19,0	20,4	21,1	111
16 Actual spending pensions per capita in euro	3 362	4 056	7 101	211
17 Pensions+ LTC + Health care in euro	5 969	7 195	13 873	232
18 GDP - H & LTC - Pensions in euro	25 447	28 073	51 874	204
19 Elderly population (65+) as % of total population	20,4	24,4	30,3	149
20 Social expenditures elderly per capita in euro	4 932	5 960	12 640	256
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24 Rest of GDP per person of rest population 65- in euro	33 271	38 766	76 194	229
25 Ratio trend benefits 65+ to income 65-: an index of solidarity				0,75

Source: Pacolet, J., Wöss, J., De Smedt, L., De Wispelaere, F. (2021), [Revisiting EU Social Monitoring: A needs-driven Approach from a Workers' Perspective](#). Publisher: ETUC European Trade Union Confederation, Brussels

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21	Social expenditure elderly as % of total	15,7	16,9	19,2	122
22	Social expenditure per pensioner in euro	24 178	24 427	41 716	173
23	Rest of GDP per capita in euro	26 484	29 307	53 107	201
24	Rest of GDP per person of rest population 65- in euro	33 271	38 766	76 194	229
25	Ratio trend benefits 65+ to income 65-: an index of solidarity				0,75

# An alternative (workers?) reading of the Ageing report: what future sustainability also means (example for EU 27, 2019): Brussels we have a problem

Line	AWG 2021 ( 2019 prices), EU 27				
	2019	2030	2070	index 2070	
12	Old age and early pensions	9,3	10,2	9,9	106
13	Survivors' pensions	1,4	1,3	0,9	64
14	pensions- spending as % of GDP	10,7	11,5	10,8	101
15	sum LTC+H+pensions	19,0	20,4	21,1	111
16	Actual spending pensions per capita in euro	3 362	4 056	7 101	211
17	Pensions + LTC + Health care in euro	5 969	7 195	13 873	232
18	GDP - H & LTC - Pensions in euro	25 447	28 073	51 874	204
19	Elderly population (65+) as % of total population	20,4	24,4	30,3	149
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An alternative (workers?) reading of the Ageing report: what future sustainability also means (example for EU 27, 2019): Brussels we have a problem, but we can afford to grow old

Line	AWG 2021 (2019 prices), EU 27				
	2019	2030	2070	index 2070	
12	Old age and early pensions	9,3	10,2	9,9	106
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# Conclusions

- The welfare state is crises-proof: this has been even more confirmed by the present Covid-crises. We also learned already/fortunately the lesson of the austerity policies after the debt crisis of 2011-2012
- Rich economies spend more for social protection, but we realised with the Covid-crises that we even/still underdeveloped some of those systems (health care, long-term care)
- There has been a slowdown in economic convergence but especially in social convergence: but that is at our own discretion
- There remains a risk of growing gap between needs for social protection because of ageing, and the public financing
- This gap needs to be filled in by social security to avoid privatization and its consequences (is neither a free lunch, increases inequalities, risk of underprotection, risk of high administrative costs)
- Other present challenges (war, inflation, energy shortages, climate change) underline our fragility
- It is an additional reason to continue the road for fostering and upgrading our level of social protection
- This comes at a price: willingness to pay for it, willingness to increase employment rate, expand full employment in productive activities, support further sustainable economic growth
- They are at our own discretion

# Some references

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THANK YOU