The Role of an Intergenerational Welfare Contract to Face the Impact of a Crisis

Joakim Palme
Department of Government
Uppsala University, Sweden
Sustainable development

”Meets the needs of the present without compromising the ability of future generations to meet their own needs.”

*Common future, Brundtland report, 1987*

➢ Environmental, political, economic, social dimensions
Resilience

• How can welfare states shelter the living conditions of ordinary **people** facing a crisis? Financial crisis, Covid19-crisis, energy/food crisis, violent conflicts?

• Can the **systems** of social protection handle the stress tests of recurrent crises?

• *How can we understand universalism and comprehensiveness of welfare states in the context of sustainability and resilience?*
The *time dimension* coming with the concepts of sustainability and resilience provide social policy with a challenging agenda that raises both normative (values) and positive (substantive) questions with a focus on *generations*.
Three dimensions of sustainability/resilience

1. Intrigenerational
2. Intergenerational
3. Systemic/institutional
I. The intragenerational dimension

• Social policies should be designed to sustain good life chances for all over their entire life cycle
• This requires that individuals are able to deal with each of the life course risks that they meet: education, school to work transition, family formation, life long learning, sickness, unemployment, sustainable work career, retirement
II. The intergenerational dimension

- Policies should be sustainable in an intergenerational perspective, which highlights both the reproductive dimension and the savings dimension of social policy.
- Social policy can be used to support families to have the number of children they want in order to promote a stable population development - with the potential to ease the burden of ageing populations.
- The savings dimension is related to desirability to invest in today’s children, the future tax base.
III. The systemic/institutional dimension

- Social policy institutions need to be sustainable over time to deal adequately with both intra- and inter-generational dimensions of life chances and inequalities.
- This involves considerations of both economic and political sustainability(/resilience) in addition to the social objectives.
The generational welfare contract as coalition-building across generations (open source access)
The three questions:

• Can welfare states improve living conditions for all age-related risk groups?
• Can welfare states prevent substantial inequalities between age-related risk groups?
• Can welfare states support relations of trust and solidarity across groups over time?
Theoretical approach

Key concepts:

• **Prudential life span account:**
  - how *intergenerational cooperation* can be designed to enhance life prospects of all citizens, as they move through the different stages of life (Daniels 2008)

• **Relational equality:**
  - participate in social and political life on equal footing, conceptualized by Pettit (2012) in terms of being able to “walk tall among others and look any in the eye” and the political undertaking of *counteracting sources of domination in social relationships*
Century of social citizenship: Towards a balanced generational contract?

- The opportunity to lead rich and fulfilling lives
- Childhood, working-life, old-age
- Gradual expansion of life course protection of social risks
- ’Just savings’ to support the economic and social preconditions for transfer of just institutions from one generation to the next (cf. Rawls 1971)
Ideal-typical configurations of four unbalanced generational welfare contracts

The generational welfare contract(s): income replacement in social insurance for three age-related social risks (averages for 18 OECD countries, 1980–2010)

The balanced contract includes Austria, Belgium, Denmark, Finland, France, Sweden and Norway.
The pro-work contract includes Germany, Japan, the Netherlands and Switzerland.
The pro-old contract includes Australia, Canada, Ireland, Italy, New Zealand, the United Kingdom and the United States.

Source: The Social Policy Indicators Database (SPIN), own calculations.
Empirical findings from comparative research on the “Western countries”:

Positive-sum solutions in generational politics are more likely when protection is balanced:

Empirical results:

- Balanced contracts create positive-sum solutions
- Balanced contract generate better outcomes: poverty, wellbeing, trust, employment
- Supporting:
  - intergenerational cooperation for mutual benefit
  - relational equality between age groups
  - justice for future generations
Trends balanced generational contracts

• Trend toward more balanced contracts in Western hemisphere points to the possibility of emerging policy diffusion across the “old” unbalanced regimes and political party lines
• This implies that generational welfare contracts are not culturally predetermined but can be reformed (even if ideologically based party politics important driver)
Lessons from the ‘Great Recession’

The European experience:

• Varieties of crisis experience
• European divergence
• Monetary union in need of fiscal component:
  - the case for a common unemployment insurance component, at least for the EURO Member States
• How burdens were shared and welfare states mattered
• How politics and policies mattered:
  • - what ever it takes! (Drahgi’s defense of the EURO)
  • - adequate and sustainable systems of social protection cushioned the impact of the crisis
Some lessons from Swedish Covid-19 experience

• Pandemic revealed deficiencies in long-term care and healthcare: in need of increased attention both in research and policymaking
• Policy responses have temporary design but may fill important gaps in policy and motivate a more permanent approach
• Unthinkable policy measures implemented to address vulnerabilities
• Emergency measures might have unintended and negative effects on labour supply post-Covid-19
Pandemics, crises and the future

• Unexpected futures – low likelyhood but big impact
• The fall of empires, technological breakdowns, breakthroughs, climate change, pandemics
• Once we start to study unexpected futures, they not only become part of our expectations but we also become better prepared
• Pandemics – like many other crises - are predictable: so we can prepare, prevent, ameliorate, repair, compensate
Conclusion: crises as stress tests

How to make socio-economic conditions resilient when next crisis comes?

Make policies resilient now, so that they can have a good impact when next crisis comes!

Be prepared to add extra measures to adapt the policy responses to the specific circumstances

Do not forget about the long term sustainability should be combined with resilience

Be prepared to do ”whatever it takes”!

If we fail to address the social questions of our time the democratic order is jeopardized
References:
