Alternatives for Welfare Policy

Demographic change and increasingly international markets are putting severe pressure on developed welfare states in the OECD countries. The contributors to this book assess the magnitude of these challenges and discuss in depth, and in concrete terms, what policy options are open to meet them. Looking at public service production, social insurance, tax policy and debt policy, they examine the main costs and benefits associated with an extensive welfare state and ask whether the same objectives can be reached with a welfare regime that is less costly. They also discuss whether the current organisation of the welfare state is capable of meeting future challenges facing a changing society. This rigorous analysis draws on empirical material from OECD countries with a focus on the Scandinavian countries.

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Alternatives for Welfare Policy

Coping with internationalisation and demographic change

Torben M. Andersen and Per Molander (eds.)
Contents

List of contributors  page vii
Preface  x

1. Introduction  1
TORBEN M. ANDERSEN AND PER MOLANDER

2. International integration and the welfare state  23
TORBEN M. ANDERSEN

3. The changing age structure and the public sector  49
THOMAS LINDH

4. Emigration from the Scandinavian welfare states  76
PEDER J. PEDERSEN, MARIANNE RØED AND LENA SCHRÖDER

5. Productivity and costs in public production of services  105
JØRN RATTØ

6. Use of fees in the provision of public services in OECD countries  131
CARL EMMERSON AND HOWARD REED

7. Privatisation of social insurance with reference to Sweden  167
LARS SÖDERSTRÖM AND KLAS RIKNER

8. Occupational welfare  189
ANN-CHARLOTTE STÅHLBERG

9. Pathways to retirement and retirement incentives in Sweden  207
MÄRTEN PALME AND INGEMAR SVENSSON
10. Social insurance and redistribution
   Pierre Pestieau

11. Assessing the effect of introducing welfare accounts in Sweden
   Stefan Fölster, Robert Gidehag, Mike Orszag and Dennis J. Snower

12. Taxation in a global economy
   Bernd Huber and Erik Norrman

13. Taxation and education investment in the tertiary sector
   Fredrik Andersson and Kai A. Konrad

14. Debt strategies for Sweden and Europe
   Martin Flodén

15. Policy options for reforming the welfare state
   Torben M. Andersen and Per Molander

Index
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vi

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High levels of ambition for the public sector in combination with slow economic growth and various economic shocks have led to increasing strain on public finances in the OECD countries during the last couple of decades. Since the tax burden is already high and under both internal and external pressure, from distortions and tax base mobility respectively, the adjustment is by no means easy. Although some policy initiatives have been taken, e.g. in EU countries that have been involved in the Maastricht process, the underlying pressure on public finances remains and is expected to grow in the future. A number of independent studies from inter alia the OECD, the EU Commission and the World Bank have highlighted the problems associated with ageing populations. Increased mobility across borders – resulting from changes in both technological change, economic structure and policy – will make it increasingly more difficult for countries that deviate from the mainstream with respect to social benefits or tax ratio. At the same time, demand for public services and social security remains strong in the industrialised countries; there seems on the whole to be little political preparedness to alter or redefine established welfare political goals.

The project leading up to the present volume started in the international discussion on future pressures on the public sector in developed industrial countries. One aim has been to appreciate the order of magnitude of these pressures, as a basis for the policy discussion. But the central goal has been to discuss, in as concrete terms as possible, how to reconcile the pressures envisaged with established goals for welfare policy. We believe that time is ripe for this fairly down-to-earth policy discussion, given that the problems have been fairly well analysed, and that the spectrum of countermeasures is also fairly well known, at least in principle. This also implies that we have set ourselves a more difficult, and we believe also more relevant, task of finding policies that do not require drastic departures from established policies, even though none of the policy alternatives discussed is politically easy.
The problems discussed are international, and it has been our ambition to analyse them in an international perspective. Nonetheless, there is some focus on the Scandinavian countries, justified by the leading role that these countries have played in the development of welfare policy in the post-war era. Of the twenty-plus researchers engaged in the project, about half are Swedish and half non-Swedish, so as to guarantee a many-faceted analysis and cross-fertilisation of ideas and solutions.

The research group has profited from discussions with a reference group chaired by former minister of finance Kjell-Olof Feldt. Valuable comments on the manuscript were given by Robert Boije, Stefan Lundgren, Edward Palmer and Kjetil Storesletten.

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