

What might a Scottish welfare system look like in 2020?

A Discussion Paper



Background

On 7 September 2009, in partnership with Skills Development Scotland and the Scottish Government, Scotland's Futures Forum hosted a seminar with Professor Joakim Palme, Director of the Institute for Futures Studies at Stockholm University. The seminar posed the question 'What might a Scottish welfare system look like in 2020?'

The seminar was attended by 55 policy makers, academics, researchers and local authority officials with an interest in social policy. Following Professor Palme's presentation, delegates broke up into groups to consider what lessons Scotland could learn from the Swedish welfare model and how this learning could be put into practice by 2020.

The views contained within this discussion paper are those expressed by the delegates and not necessarily the views of Scotland's Futures Forum's Board of Directors.

Scotland's Futures Forum
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Key Learning Points for a Scottish Welfare System

There should be high quality, universal childcare provision.

Workplaces in Scotland should be more supportive of those suffering from a disability or ill health.

A greater focus on prevention of ill health would be vital. Better engagement between NHS service providers will be crucial

There is a question mark over the current policies on whether work is 'the' route out of poverty. Much more must be done to tackle the persistent problem of in-work poverty.

There should be better recognition of caring responsibilities particularly elder-care responsibilities (given Scotland's ageing society) – consideration to the idea of a carer's wage should be explored.

Scotland must secure its future tax base in light of its changing demographics and consider taxing wealth and capital as well as income.

Individuals should be able to develop skills for life, not just those which are job-specific, in-keeping with 'learning through Life' ideals.

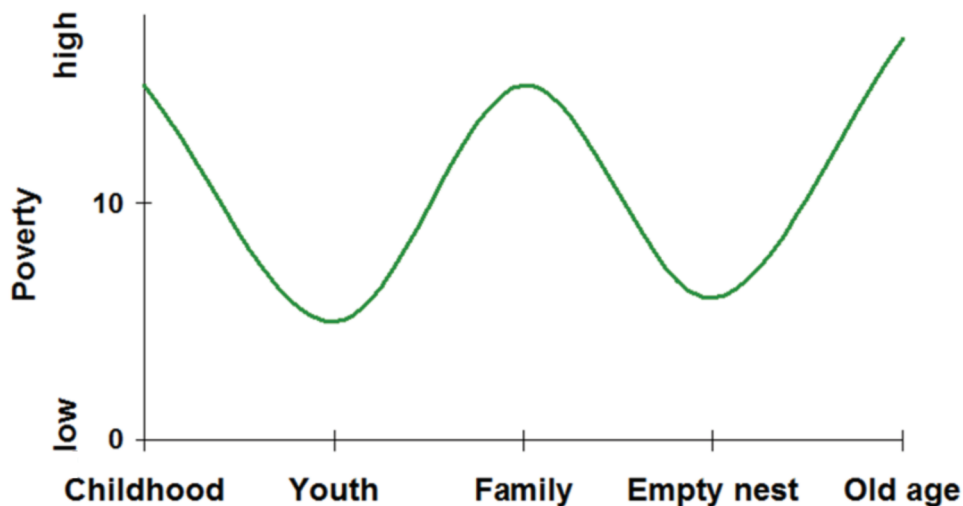
In order to achieve some of these goals, many felt that Scotland should have powers over the social security system and immigration, as well as regulation of its financial sector

The Swedish Welfare System

To seed the discussion, Professor Joakim Palme explored the Swedish welfare system and challenged the group to consider what could work in a Scottish context. Palme talked about social security, overall, as a response to the inefficiencies of the capitalist system, citing the Rowntree cycle of poverty.



Rowntree's Poverty Cycle



History

The Swedish welfare system was largely developed after the Great Depression of the 1930s, during a period of declining fertility and when agriculture and industry were equally important elements of the Swedish economy.

Characteristics

The welfare system is characterised by

- Universalism in the provision of many benefits
- With some targeting of benefits to the poorest
- Earnings-related social insurance
- Individual social rights
- The dual earner model, which supports women in the workplace
- A social services system that is universal, decentralised and separate from cash benefits

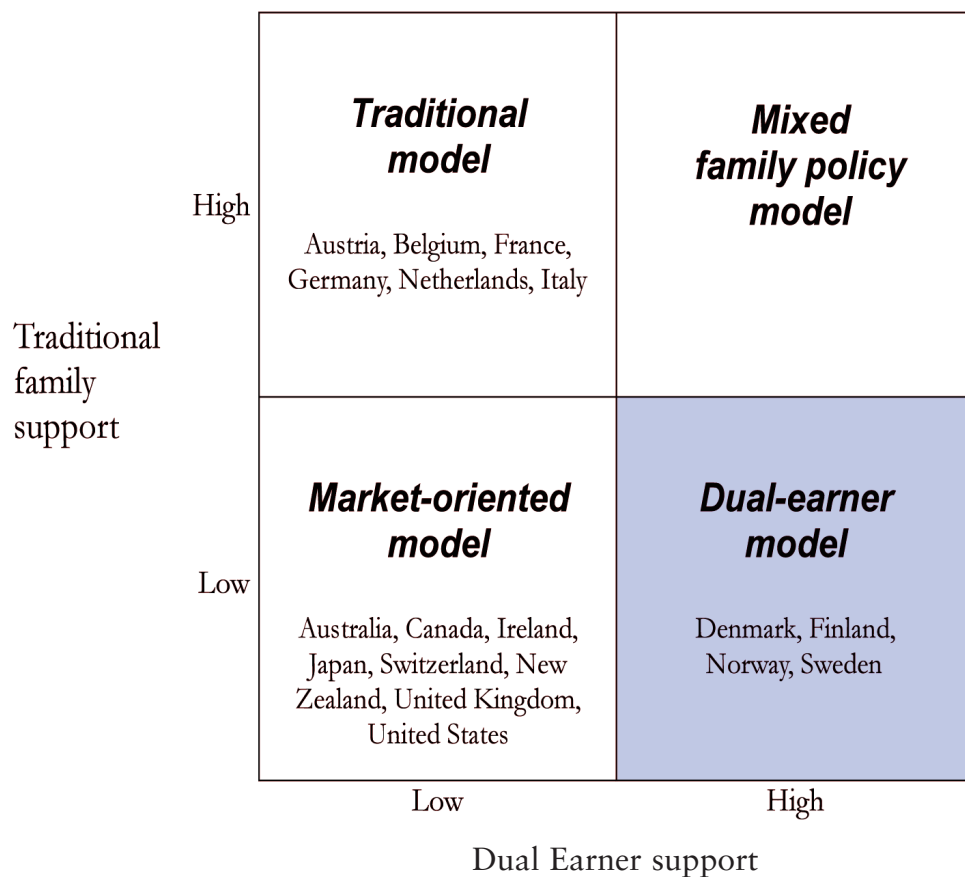
This is funded by a mix of local and centralised taxes as well as employer and employee contributions.

Merits

The merits of the Swedish system include

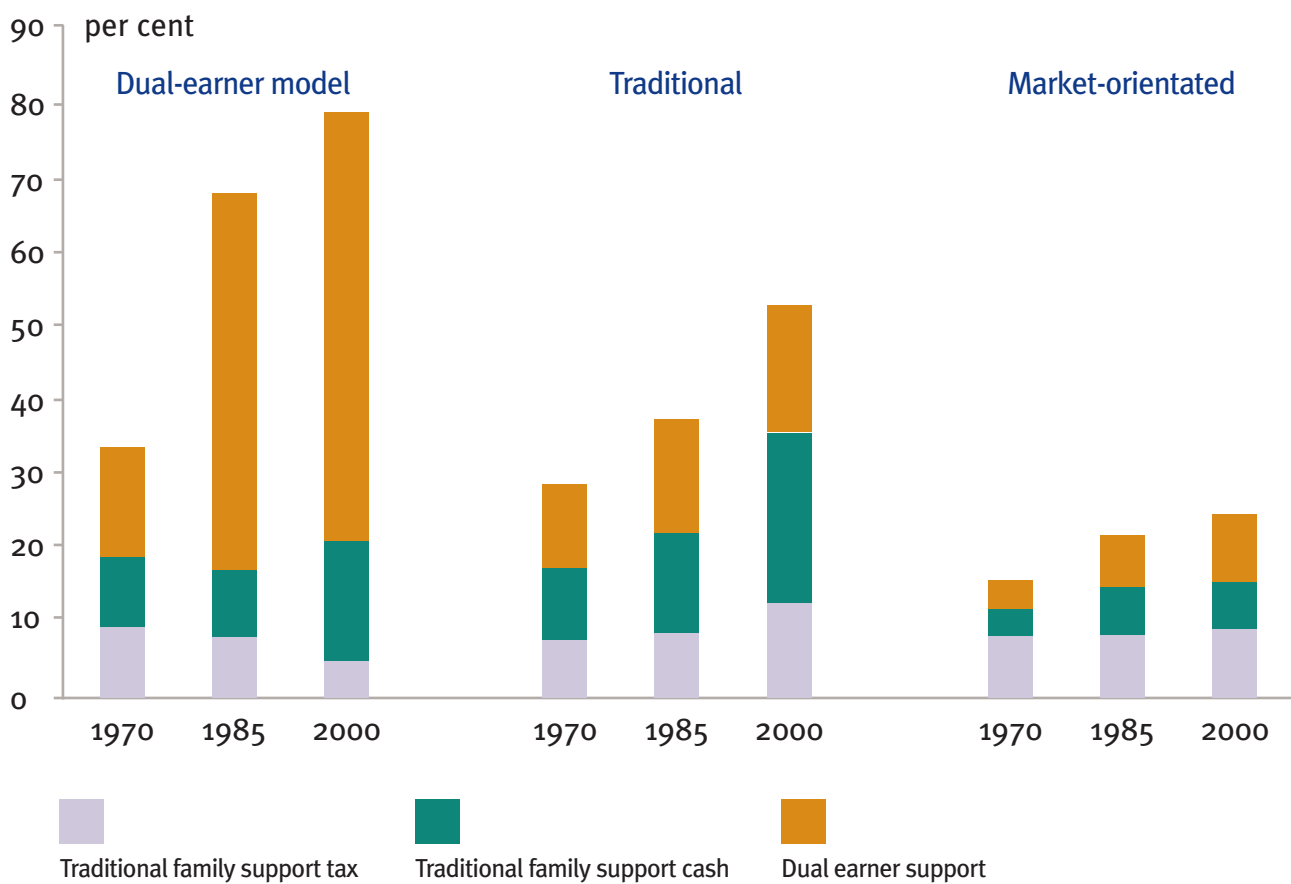
- Strong support for the social security system across all social classes
- High levels of female participation in the workforce
- Reduced inequalities
- Low life cycle poverty
- High employment levels

Dimensions and models of family policy



There is no doubting the impact of the increased female participation in the workforce on the success of the Swedish model, which displays a more stable fertility rate and a lower rate of child poverty than in market-oriented and traditional countries.

Dual-earner and traditional family support in different models of family policy. Yearly benefits paid after childbirth in percent of an average production worker's net wage in 1970, 1985 and 2000



Social policies have been put in place to help families balance working and caring responsibilities, as well as parental leave, subsidised day care and split taxation of couples.

Criticisms

However, the system is not without its critics and Palme acknowledged that there is no miracle approach. A 2006 report by the McKinsey Global Institute studied Sweden's labour market and found that the rate of employment amongst working age adults had declined in the previous ten years, with youth unemployment amongst the highest in Europe.

The McKinsey report put the 'true' unemployment rate at 15-17%.

In 1970, Sweden was the fourth richest member of the OECD countries, but dropped to the 16th in 1998.

Today 10% of the Swedish population is foreign-born and Sweden's immigrant population are disproportionately affected by unemployment and deprivation.

Challenges

Professor Palme set out what he believed were the main challenges facing the Swedish economy and welfare system, namely globalisation and its consequences for increased mobility of tax bases and an ageing population, which puts increased pressure on intergenerational redistribution.

Given that social security is strongly redistributive over the life cycle, he highlighted the tough fiscal pressures on public spending produced by an ageing population. He feels that the debate has been overly focussed on pension reforms and savings and that it is important for governments to think carefully about securing their future tax bases. Understanding how social policy interacts with fertility, education and labour supply is also vital.

Education

Professor Palme noted that, generally, investment in education had a positive impact on GDP per capita. However, the richer we become, the less we spend on education. And high levels of education lead to a declining fertility rate. Policy design matters. Policy goals need to be evaluated for actual foreseen and unforeseen effects, not just intentions.

Discussion

Delegates were asked to consider their aspirations for Scotland from four different perspectives: **skills and education, health and wellbeing, the impact of an ageing population and political leadership**. They were also asked to specify what powers Scotland would need to create the welfare system of their aspirations.

Skills and education

Delegates thought that the welfare state should be seen as a positive aspect for business and not just a 'cost', thereby making Scotland a more desirable place to live and work.

We should have a goal of high quality, universal childcare. This would also have the effect of incentivising paid employment for mothers who wished to return to work.

There should be equality and mobility in skill provision so that people do not get stuck in low paid jobs. Very much in-keeping with the views of Prof Tom Schuller who previously spoke to the Forum. (www.scotlandfutureforum.org)

We should value the social return on education, not just its 'market value'. This view runs contrary to much of the current thinking in the skills agenda.

Greater prominence and social value should be given to early years education.

Health and wellbeing

Delegates felt that non perfect health should not be a barrier to employment and bemoaned the fact that health and wellbeing is not currently seen as a serious political issue.

Delegates wished to see workplaces that are more supportive of people with health issues than is currently the case, particularly in mental ill-health.

Delegates stressed the importance of early intervention (particularly in the 0-5 year age group) with proper care support packages.

They were of the view that there should be wider engagement within and between the relevant welfare institutions and better political leadership on the issue of wellbeing.

They also saw the prevention of ill health as critical and should be given greater priority.

Provision of high quality childcare was also seen as vital.

Adult relationship support should be improved.

In order to achieve these goals, delegates were of the view that Scotland should devolve and simplify the benefits system, encouraging community-led initiatives where possible.

Any new social contract should have the full participation and buy-in of all stakeholders (trades unions, employers, local authorities etc.).

They felt there was also a pressing need to tackle in-work poverty.



Political Leadership

Need to ask ourselves whether the current system is capable of adapting or do we need to replace it with something else? And if so, how? Policy-making is often incremental, and it is easy to lose sight of the long term goal.

Despite the introduction of the minimum wage, child tax credits etc., there is still substantial inequality.

Delegates posed the question: if we want a more redistributive tax system, who is going to pay?

The UK as a whole has relatively high employment levels but many poorly paid jobs mean that being in work does not necessarily mean avoiding poverty.

Scotland should assume responsibility for its own Department for Work and Pensions and Job Centre Plus.

Ageing Population

Delegates were clear that individuals should be able to work as long as they want and that there should be more explicit recognition of caring responsibilities of older people. They were keen to see consideration given to the idea of a carer's wage.

They felt that Scotland must attract young, productive, economic migrants, able to counterbalance the effects of an ageing population.

In order to achieve these goals, delegates were of the opinion that Scotland should have powers over immigration and social security system.

Some wished to see a shift in the tax base so that it covers not just income but wealth and capital.

Delegates also questioned whether Scotland should have powers of regulation over its financial services industry.

It was noted that, historically, the Scottish population has been more supportive of welfare provision and that was something we should build on.

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- Pennie Taylor, Journalist, Broadcaster & NHS Communications Specialist
- Professor J Palme, Director of the Institute for Futures Studies

The organizers are also very grateful to the delegates who attended the day. While not everyone will agree with the conclusions discussed above, this paper was based on their deliberations.

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