



# ACADEMIA ENGELBERG

Friday, October 18, 2013

## **Twelfth Dialogue on Science of Academia Engelberg successfully concluded**

### **„A restructuring of the welfare state is necessary“**

**The ongoing financial crisis, the international competition for location as well as the continuous aging of society are the reasons why the welfare state in its current form has come under pressure in many countries. How this challenge can be met and what the next generation expects was the topic of discussion of 130 international experts at the Academia Engelberg during the past three days.**

As individual as states are, so are their social systems. Parameters like the condition of state budgets, the rate of unemployment, demographic trends with increasing numbers of pensioners, retirement provisions as well as societal tendencies are too different. But one thing was predicted by all speakers during these three days: the restructuring of the welfare state is necessary. Politics and society need to tackle the discussion soon. And the sustainability of the adopted measures must be ensured for decades. Hans Groth, President of the Academia Engelberg, at the conclusion of the Dialogue on Science, stated: "One thing is indisputable "In the 21st century, we also need a welfare state, one that is equipped to remain stable."

#### **Do we need the welfare state?**

The modern welfare state emerged in the 19th century in the course of industrialization; this brought about great upheavals in society. Undoubtedly, the establishment of social security systems like pensions, unemployment insurance, health insurance, social assistance are among the fundamental achievements of the 20th century. The social security systems in Europe have developed differently. However, they all have common higher goals: social security, justice, and social peace. Professor Franz Xaver Kaufmann of the University of Bielefeld summed it up: „From a perspective of social theory, the social policy measures and their continued expansion significantly contributed to the modernization of Europe. For example, they allowed for the creation of functioning labor markets or increasing gender equality. Above all, however, the material losses suffered by certain parts of the population from the consequences of technological progress were and are being compensated. This development that is characteristic of a welfare state is a fundamental element of the European path to modernization that we can be proud of.“

**The effects of globalization**

„The global strategies of transnational companies increase the competition between the continents for lucrative taxpayers. This leads to the question of whether Europe's welfare states in their current form are outdated“, explained Professor Gerhard Bäck-er of the University of Duisburg-Essen. He added: „The answer is not that simple! Empirical studies show that there is no correlation between the prosperity of a state and its social expenditures. The independence of the financial markets because of deregulation defies any national and international scrutiny, and that is troubling. In order to secure the welfare state, competition must be maintained. That is the only way to ensure a balance between revenue and social expenditures.“

**What demands does Generation Y place on the welfare state?**

What do 30 young, motivated students from Greece, Sweden, Germany and Switzer-land expect from a welfare state? What should it look like? The answers to this ques-tion were developed in a summer camp preceding the conference and presented in a sophisticated video presentation. Sweden experienced its crisis at the beginning of the 1990s and recuperated well. The country drastically reduced its spending. Even though social expenditures were reduced to below 10% of annual gross domestic product, people are better off today. Greece, on the other hand, is in the midst of the crisis. The students talked about restrictions that they are personally experiencing. For example, large families used to receive bi-monthly support payments in the amount of 300 Euros. This was cut without substitute. Physicians are completely un-derpaid, people no longer have money to buy medicine. The unemployment rate stands at 46% and is much higher among the young. They do not know today if they will ever find a job after graduation. The students suggested an intergenerational transfer of knowledge as a new global component. The welfare state should not just lead to a redistribution of funds, but knowledge and experience should also be passed on. The young are also concerned about the increasing aging of society: their economic and financial power might overrule the vote of the young on matters that are relevant to their future.

**Renovation, expansion or reduction?**

Various speakers pointed out that today, financial power is increasingly deciding on what options are open to a person in society. If in the course of the financial markets' liberalization monetary resources flow virtually limitlessly, the law of the jungle quickly prevails. According to the experts, the institutions of the welfare state are therefore essential in order to ensure a certain degree of equal opportunity. Among the prereq-uisites for social peace are income and asset policy, social legislation such as worker protection, a wide range of social insurance as well as social work. Experts and poli-ticians do not always agree on their design.

**There are no silver bullets**

The Swedish Trade Minister, Ewa Björling, showed in her speech how Sweden, renowned as a generous welfare state, significantly realigned its services. The starting point was the profound economic crisis and the necessity of returning to a balanced state budget. On the one hand, more jobs had to be created, and on the other hand, more companies had to be attracted; this was achieved through tax cuts. The state's deficit was thus reduced from 84% of gross domestic product in 1996 to 49% in 2011. The reforms also affected unemployment insurance: by lowering unemployment benefits, the unemployed's incentive to quickly find a new job was increased. Moreover, taxes were lowered further for companies that intentionally employ the very young or employees over the age of 65. However, there are no silver bullets. In light of the increasing number of people over the age of 100, maintaining the welfare state remains a constant challenge. Every country must find its own way.

**Basic pension currently secured**

Jürg Brechbühl, Director of the Federal Office for Social Security explains in his presentation the challenges of the proven three-pillar model in Switzerland: „We see storm clouds moving towards us in the area of retirement provisions. Therefore, we need to open up an umbrella in time.“ And he indicated: „By the year 2030, there will be approximately 30 billion Francs missing in the Old Age and Survivors' Insurance. There are three possible scenarios to cover this gap: increasing the value-added tax, shifting retirement age upward, or raising salary contributions.“ The politicians will be holding heated discussions on how the required additional revenue will be achieved. He is more concerned about the funding of the second pillar. Interest earnings have already been too low since 2002 to sufficiently cover pensions. Conversely, due to higher life expectancy, pensions have to be paid out for a longer time. In order to maintain the balance in employee pension plans, the conversion rate would have to be reduced; this was rejected by the people at the polls. This past June, the Federal Council launched a comprehensive attempt at reform with its "Retirement Provisions 2020" initiative. The insured and voters will be fully informed on its contents and impact in the near future.

**Outlook for 2014**

The 13th Dialogue on Science in October 2014 will be dedicated to the topic of "Food Security". There are currently approximately seven billion people in the world. During the next 20 years, the population will increase to over eight billion people. In order to ensure that these people have enough to eat, food production must grow accordingly. Forty-three percent of all people have to subsist on an income of one to two dollars per day. With this in mind, how can availability, access and consumption of food be ensured? What is going to be scrutinized is whether agriculture and production technologies, particularly in China, India and Africa, are equipped for this population growth. But Europe as well is constantly developing new forms of production and foodstuff. For people with low incomes the affordability of food is equally important. How can production costs be kept as low as possible? Consumers are also interested in food processing. How much impact do lifestyle and rising consumer demands have on food production?? Experts from all over the world will discuss the three subject areas on October 15 to 17 in the monastery village in Engelberg.

**<Box information> Bridge between science and society**

Basic scientific findings often meet with strong reservations and distrust among the general public. With its interdisciplinary dialogue, the Academia Engelberg Foundation makes its contribution to the creation of a new foundation of trust between science and the public at large. Each fall, personalities from academia, business, culture, politics and society meet in Engelberg, Switzerland, for the annual conference. Additionally, projects emanating from the conference are realized and in-depth follow-up events are organized. For additional information: [www.academia-engelberg.ch](http://www.academia-engelberg.ch).

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**Media Relations**

Pictures of the speakers and the conference, supplementary texts and background materials of the conference are available free of charge at <http://www.academia-engelberg.ch/2012.php5>

Video channel showing all presentations: [www.academia-engelberg.org](http://www.academia-engelberg.org)

on Facebook: [www.facebook.com/StiftungAcademiaEngelberg](http://www.facebook.com/StiftungAcademiaEngelberg)

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