EUSKADI 2020-2030: THE FINANCIAL SUSTAINABILITY OF THE WELFARE STATE

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With this article I end the series of forums intended to reflect on about some of the challenges we face in the long term, from the conviction that those countries and societies that come out of the crisis with a clear vision and strategic direction will leave with an important competitive advantage over the rest.

The welfare state is a **historic achievement of European society**, one of the main contributions it has made to the world in the 20th century, the result of the pact between two major European political currents of the time -social democracy and Christian-inspired democracy. The European model is a valuable achievement that must be preserved. For this, it is essential to reform it, update it, on pain of making it financially unfeasible, dragging the European economy into a painful decline.

Ensuring the financial sustainability of the welfare state is a **colossal challenge**. The *aging of the population* is a structural phenomenon in economically developed societies and its impact on three of the four main beams of the welfare state -pensions, health and social policies- is very powerful.

The aging of the population is the result of two positive processes. In the first place, the fact that maternity is today a freely assumed decision and not a sudden one, as was the case in the past. In economically developed societies, this freedom of decision has translated into much lower birth rates than before -in our case the rate is 1.4 children per woman-, ultimately reflecting the universe of women's priorities. Secondly, the significant increase in life expectancy as a result of the advances in health and well-being that have occurred in recent decades. Aging is not, therefore, a problem, but the natural result of social achievements.

However, it is necessary to manage the consequences derived from the allocation of **economic, social and health benefits** to the social groups that are configured in this process of demographic change. When, in the fifties of the last century, the bases of the intergenerational contract were laid in the Germany of Konrad Adenauer by which the working people assumed the commitment to finance decent pensions for retirees, knowing that later the following generations would finance theirs, the The life expectancy of a person when leaving the labor market was barely five years, while today it is almost 20.

In the Basque Country, the demographic dependency ratio in 2006 was 47 dependents (including children under 16 and people over 65) for every 100 potential assets. In the year 2020 it will be 59.

The greatest increase in this ratio will be due to the increase in the presence of older people. Thus, while in 2006 there were 27 people over 65 for every 100 potentially active, in 2020 there will be 36. Even with an employment rate of 75% as proposed by the European Union, from 2020 it will be increasingly difficult achieve a ratio of two assets for each passive person, considered reasonable for the sustainability of the system.

One of the reforms to strengthen the viability of the model refers to the **legal retirement age**. On the 2020 horizon, it is reasonable that, except for some professions, as suggested by the European Union, it should be around 70 years of age. Another sensible reform is to relate the amount of the pension to the contributions made throughout the entire working life and not just a part of it. And, of course, suppress policies that favor early retirement.

The **cost of the health system**, especially that related to the treatment of *chronic diseases*, has grown significantly in recent years. In 2010, the treatment of a chronic patient in the Basque public system amounts, according to data from the Department of Health, to 6,000 euros/person/year. Since there is a natural correlation between aging and the development of chronic diseases, the financial pressure on the welfare system will be greater in the future. Those responsible for Health of the Basque Government consider that in 2020 70% of retirees will have one or more chronic diseases. Consequently, in the future more health personnel, specialized spaces and public budget will be needed to meet the growing demand.

Finally, the **demand for social services** is clearly growing. With the new regulations on social rights -Law 39/2006 for the Promotion of Personal Autonomy and Attention to Persons in a Situation of Dependency, approved by the Courts; Law 12/2008 on social services and Law 18/2008 for the Guarantee of Income and for Social Inclusion, approved by the Basque Parliament- technical assistance, home help, telecare or residential places have become a right subjective of the dependent persons, demandable before the public Administrations, for which reason they must have adequate budgetary resources. Given the expected demographic evolution, the social needs related to care for the elderly population are going to increase significantly and with them the corresponding spending.

In conclusion, the convergence in the next two decades of the aging of the population with its impact on the pension system, the increase in health spending due to the greater health needs of an older population and growing social needs confronts our country with the challenge of financial support of the welfare state.

Consequently, an adequate pedagogy is required to socially assume that the parameters that have served in the past, if they are not reformed in the near future, will lead to a financially unviable situation. It is essential to move towards its updating and modernization so that it can survive as a viable organization model. If the appropriate reforms are not undertaken, the level of social welfare that we currently have cannot be sustained. Much less its expansion and development to new needs such as comprehensive care for dependency.

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