

The future of
welfare in
Europe
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Presentation
Investing in social
infrastructure,
a catalyst to build
the welfare or
social investment
state for
the 21 century

HLTF Report

1. Definition of social infrastructure
2. Social infrastructure: investments and gaps
3. Changes and transformations
4. Crowding-in of private resources
5. Promising evolution in the EU
6. Start now on affordable, energy efficient and accessible housing

Defining Social Infrastructure

A **subset** of the infrastructure sector broadly defined as *long-term physical and intangible assets in the social sectors.*

The **report** focuses on:

- education/life-long learning
- health/wellbeing & long-term care
- affordable, accessible and energy-efficient housing.

Assessing Current Investment in Social Infrastructure

Poor available data on public and private investments

- € 65 billion annually for education & lifelong learning.
= 0.43% of GDP and 90% are public resources.
- € 75 billion annually for health and long-term care.
= 0.5% of GDP.
- € 28 billion annually for affordable housing.
= 0.2 % of GDP.
- **Grand total = € 170 Billion**

Investment Gap (minimum)

- Current investment: € 170 bn per year (20% lower than 2009).
- Additional need of € 150 bn per year or **€ 1.5 trillion** for 2018-2030

Sector	Current investment €billion p.a.	Minimum Gap per sector €billion p.a.	Additional items €billion p.a.	Investment Gap €billion p.a.
Education & Lifelong Learning (0.43% of GDP)	65	15		15
Health & Long-Term Care (0.5% of GDP)	75	20	€50 billion p.a. for long-term care Unknown amount for disability and migrants	70 (<u>20+50</u>)
Affordable housing (0.4% of GDP)	28	7	€50 billion pa to address energy poverty	57
Totals	168	42	100	142

Welfare systems need to be preserved, better integrated and modernized for the 21st century

Urgent and long term !!

Projected changes in the number of people aged 65+ and 80+ in the EU28, 2016-2060, million

EU-28	2016	2020	2030	2040	2050	2060
65+	96	105	125	142	150	152
Of which 80+	27	30	37	48	58	63

Source: Eurostat

In 2016, 20 out of 100 people were over 65

In 2060, there will be 30 out of 100 people over 65 (40% of them over 80)

Healthy life expectancy at 65 in the EU-27 in 2015, by gender

At 65 years old ,men are expected to live healthy for another 9.4 years and beyond that they might become less independent and live another 8,5 years.

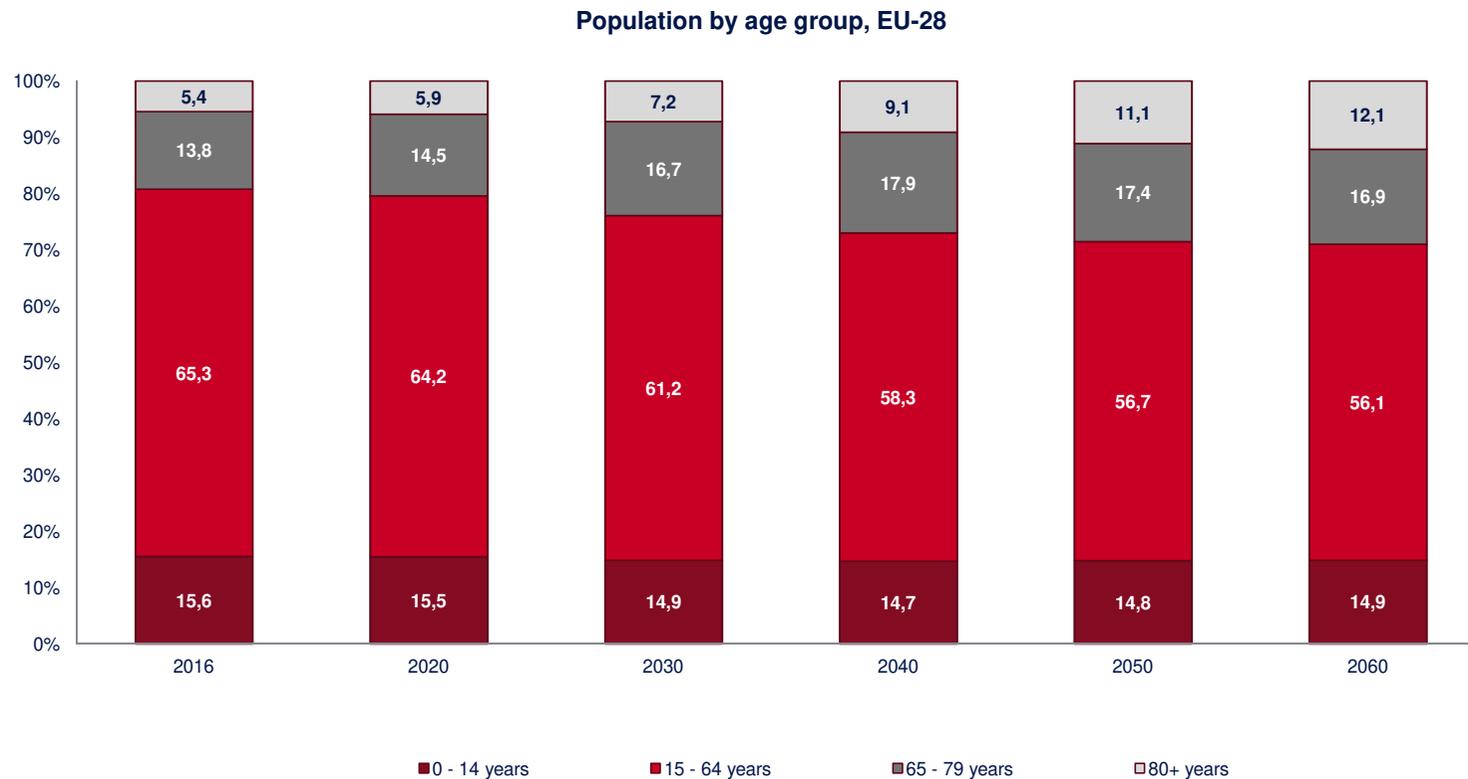
	Total years life expectancy at 65, men	Healthy years Life expectancy at 65, men	Percentage of healthy life years life expectancy at 65, men	Total years life expectancy at 65, women	Healthy years life expectancy at 65, women	Percentage of healthy life years' life expectancy at 65, women
EU-27	17.9	9.4	53%	21.2	9.4	44%

Source: Eurostat

Impact on independent living, accessible housing, health care for chronic co- morbidities /close to home

Financing the welfare systems

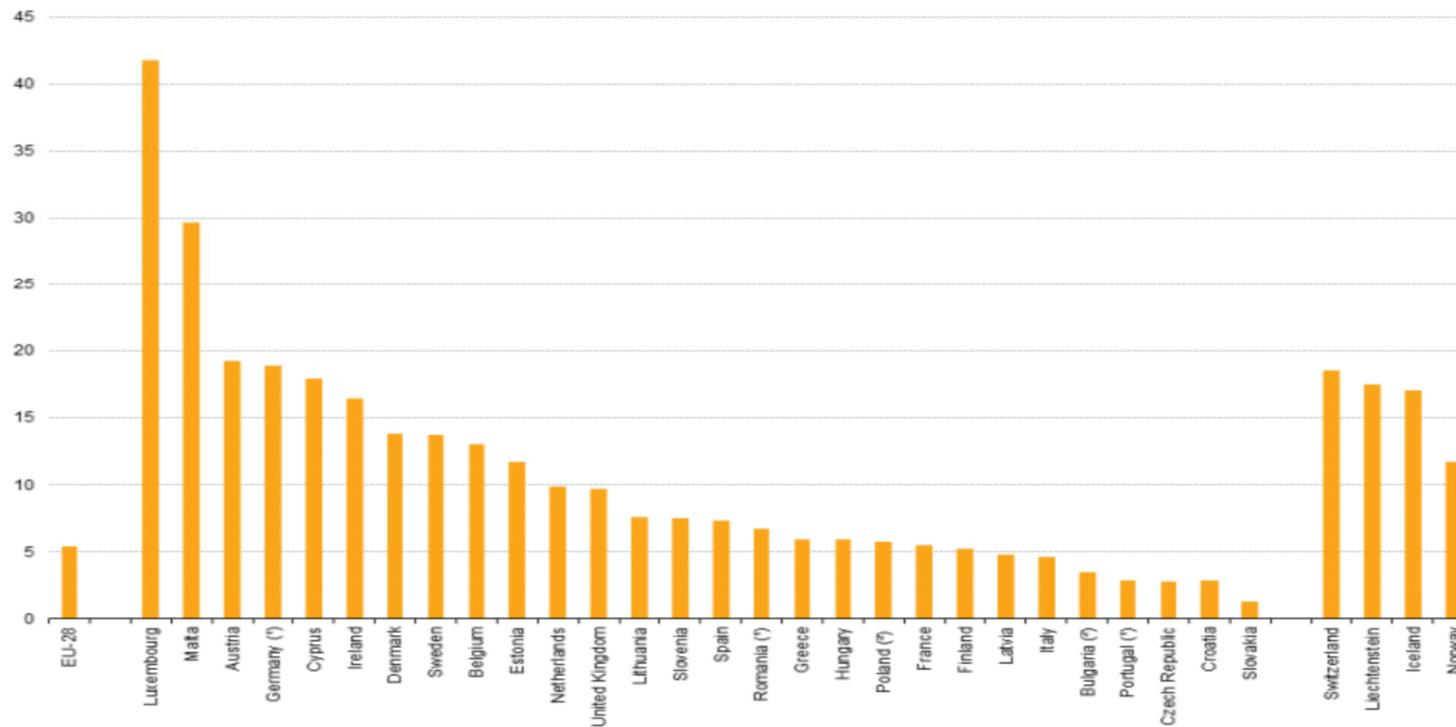
(Re)productive age population group becomes relatively smaller



Source: Eurostat
European Association of Long-Term Investors (ELTI) a.i.s.b.l.

Welfare Systems' need to integrate migrant populations.

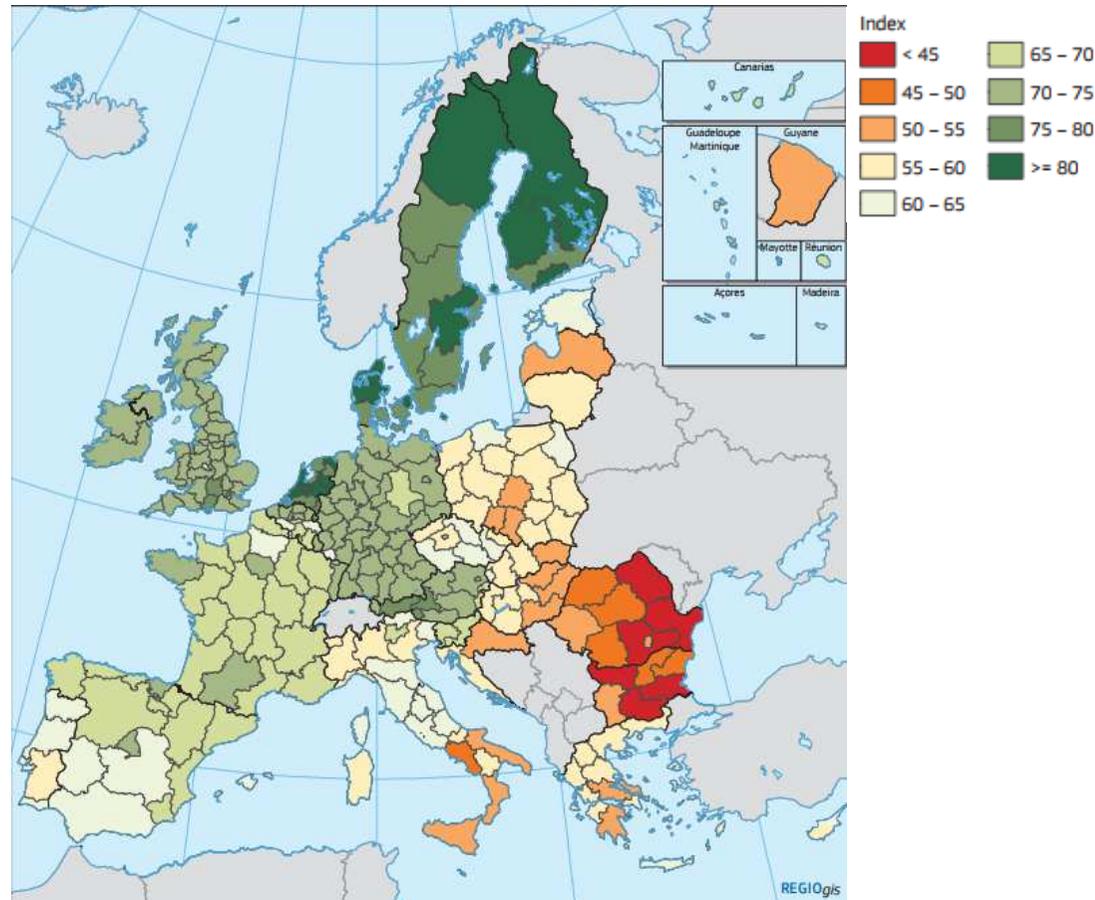
Immigrants, 2015 (per 1,000 inhabitants)



Source: Eurostat

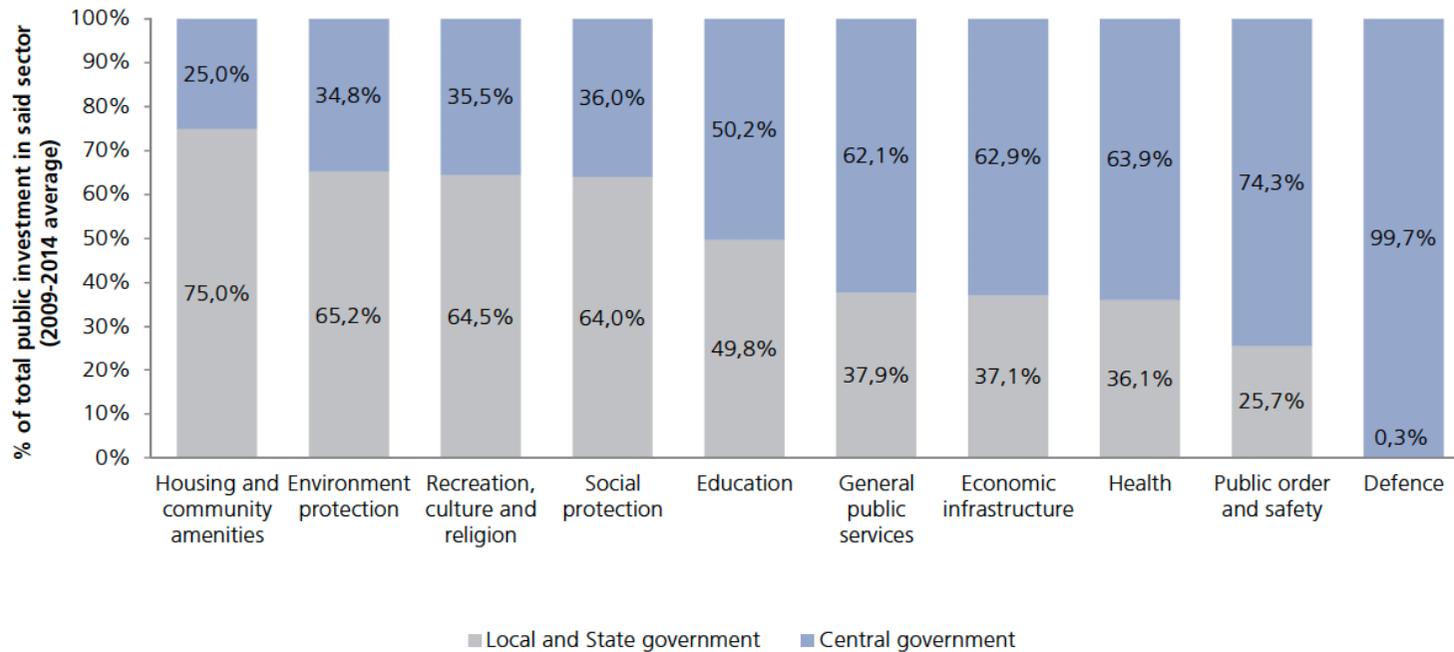
EU Social Progress Index, 2016

The index scores the various aspects covered on a scale from 0 to 100, where 0 represents the lowest possible level of social progress and 100 the highest.



Very different realities and divergence increasing

Local & state share of social infrastructure investment in EU



Generally small projects :only 1/100 more than 30 million Euro. BUNDLING

Source: CEB 2017 p12 – Eurostat and CEB staff calculations

**Social investment requires a change
in current mindset and accounting rules:**

Today, if a company buys a computer, this is an investment, often subsidized by tax benefits; if it offers training to its employees, this is a cost.

The same applies to public administrations.

In a knowledge-driven economy this is nonsense.

Human (and social) capital, the most important driver of economic growth and societal well-being, has been largely reduced over the last decade and we are not doing enough to rebuild it.

What social investment means

From a safety net approach of welfare state to an investment in human capital approach.

Social investment = insurance against future risks.

Defined in the social investment package adopted in 2013 by the European Commission.

Defined as policies and operating practices that enhance the **competitiveness of a country** while simultaneously advancing the **social conditions** of the people in the communities.

What is needed ?

- Reasoning in terms of **short and long term value creation**
- Measuring outcome, impact and return on investments.

As is demonstrated in the Prodi report on social infrastructure investment (SII) .

- “Investing in social infrastructure is proven to have a lower risk and the revenue created is equal to other infrastructure Investment.”
- It also possibly frees some of the valuable resources to be used for human resources and operational costs of social

services

Grants, Loans and Guarantees

LARGE PROJECTS & DIVERSIFIED LONG TERM RESOURCES NEEDED

- **Bundling** is critical to achieve better size of projects
- **Blending is to improve the bankability of a project by reducing exposure to risk of potential financiers.**
- **Blending can also lower the amount of resources that the public authority needs to pay** to the private counterpart in terms of availability fees, thus improving the affordability of the project.
- **Need to create new and innovative financial instruments especially dedicated to SII and appealing for Long-term (Institutional) Investors: social bonds , project bonds etc**

Invest EU- a step in the right direction

- **Many recommendations of the report taken on board by the EU**
- **New InvestEU plan not enough : 4 billion Guarantee which will finance 50 billion of social infrastructure in 2021-2027. Too little too late?**
- **Simplification , TA and capacity building**
- **Pilot projects to be launched before the end of this Commission . Especially on housing. EFSI and technical HUB.**

Main messages

- Social services and social infrastructure has suffered from lower public and private investments since the crisis in 2009.
- Especially the long-term investments by local authorities have been squeezed ,especially in the regions with the highest needs.
- Solution: boosting long-term investments through partnerships between national, local, Eu authorities and crowding in private resources for infrastructure .