



## Sustaining the social welfare system



### But what is...?

**Welfare state** is the idea that governments should attempt to achieve certain social outcomes (e.g. reducing inequality) through economic policies, e.g. providing social benefits, progressive taxation systems.

**Social benefits** People who are retired, disabled, cannot find work, or do not earn money for other reasons can qualify for social benefit payments.

**Pensions** provide people with an income after they retire from their job and no longer earn a regular income.

**Disincentives** arise when economic policies have undesirable effects (e.g. if high taxes which are required to pay for social welfare systems end up discouraging people from looking for work).

**Questions?** Use the Euro Challenge Forum!

*In euro area countries, governments typically play a relatively large role in promoting the economic well-being of their citizens. In the European idea of the 'welfare state', government policies (e.g. social benefits, public healthcare, etc.) attempt to achieve certain socially desirable outcomes, such as reducing inequality. However, as economic growth has slowed and populations age, these social welfare systems are coming under increasing strain.*

- ① What is a **social welfare system**? What programs does it include (e.g., unemployment benefits, pensions, health care)?
- ② Does Europe have one "**social model**", or many? Do you understand, in general terms, the different model types?
- ③ What are some of the **pros and cons of generous social systems** that strive to redistribute wealth?
- ④ What **type of social model** does your chosen country have? (i.e., how generous are benefits relative to other countries; how high or low level is protection for jobs and workers?)
- ⑤ What is meant by the "**sustainability**" of the **welfare system**? (Hint: how to be able to keep paying for these social programs in the future, when their cost keeps growing)
- ⑥ How can Europe (and your chosen country specifically) find a politically viable way of adapting its social model (e.g. **trimming social benefits**) that is fair to all **generations**?
- ⑦ How are **pensions and health care funded** in your chosen country? Have there been **reforms** to those systems, or are reforms being considered for the future?
- ⑧ In what ways can social programs be a **disincentive to economic activity** (hiring workers, looking for a job, tax burden on companies and households)?
- ⑨ What role does the **Europe 2020** strategy play in terms of social policy in your chosen country?

