

The Intergenerational Welfare Contract and Circular Prosperity

*Kenneth Nelson
Swedish Institute for Social Research
Stockholm University
Sweden*

'The Generational Welfare Contract is arguably the single most important welfare state study in our times. And it is one of those rare groundbreaking contributions that is destined to (re-) define social policy research for many years to come.'

Gesta Esping-Andersen, Universitat Pompeu Fabra, Spain



THE GENERATIONAL WELFARE CONTRACT

Justice, Institutions and Outcomes

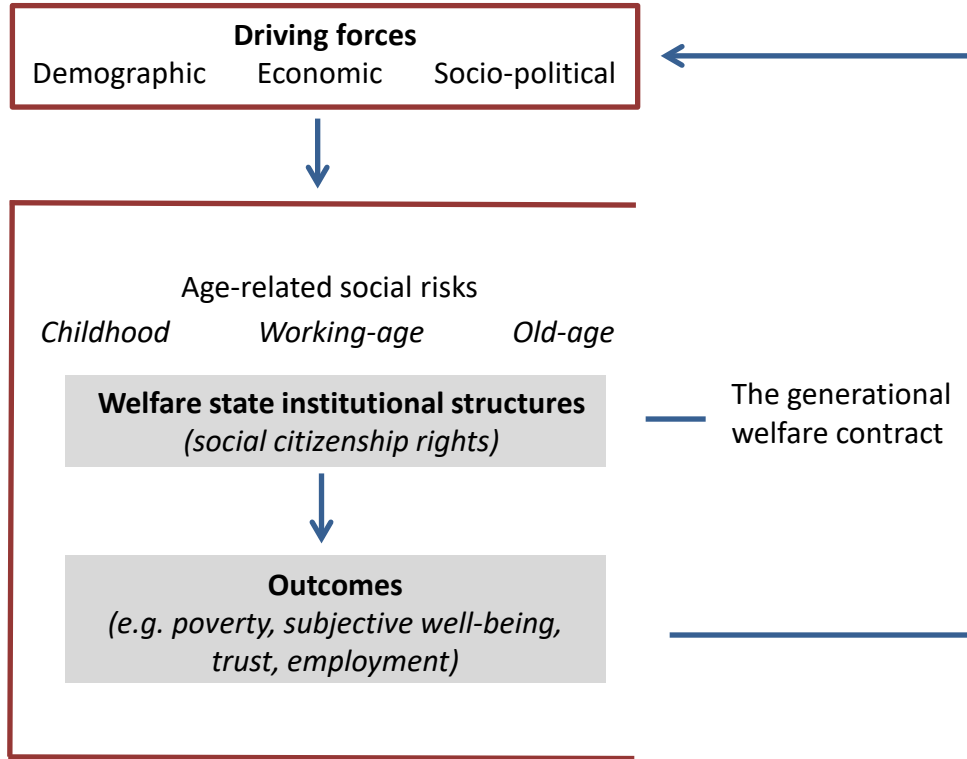
Simon Birnbaum, Tommy Ferrarini,
Kenneth Nelson and Joakim Palme

Accelerating generational conflict and zero-sum distributional trade-offs in the context of population aging is one important determinant of rising inequalities in affluent countries.

How may countries re-organize the welfare state to generate virtuous cycles in policymaking, supporting forms of intergenerational cooperation that create advantages for all age groups (positive-sum solutions)?

To address this issue, we find it fruitful to focus on the distribution of age-related social citizenship rights, and analyze how countries have organized social policy to protect against social risks that appear in three distinct phases of life: *childhood*, *maturity*, and *old age*.

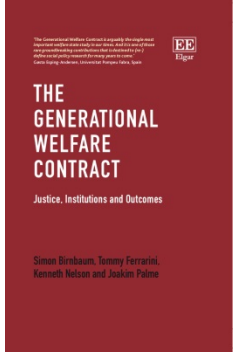
The Generational Welfare Contract



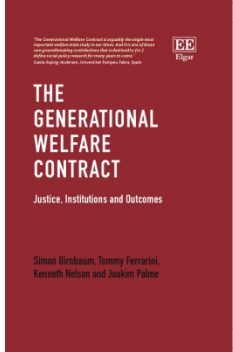
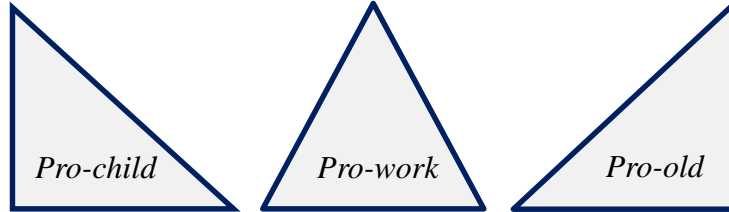
Positive-sum solutions in policy-making are closely related to how welfare states affect socio-political contexts.

Some welfare state may be in a more advantageous (or disadvantaged) position to encourage (or discourage) broader popular support for social policy that cuts across generational interests.

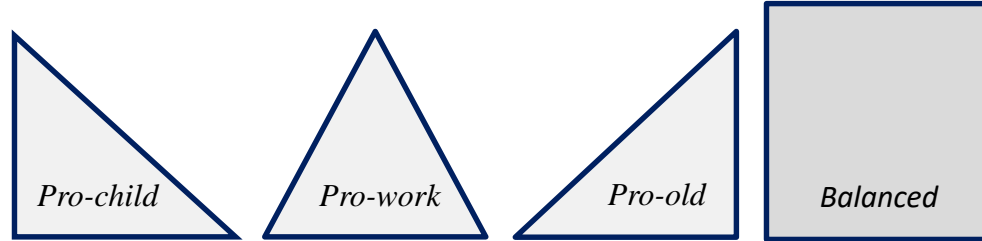
Such policy feedbacks affect the likelihood of governments to generate positive-sum solutions in policymaking where all age groups are winners in the distributive struggle.



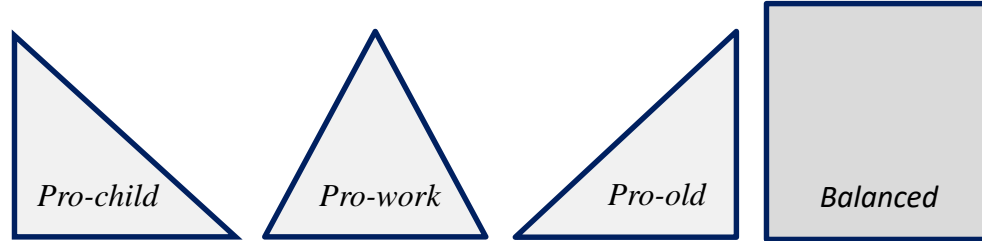
Ideal-typical configurations of unbalanced generational welfare contracts



Ideal-typical configuration of the balanced generational welfare contract



Ideal-typical configurations of unbalanced generational welfare contracts

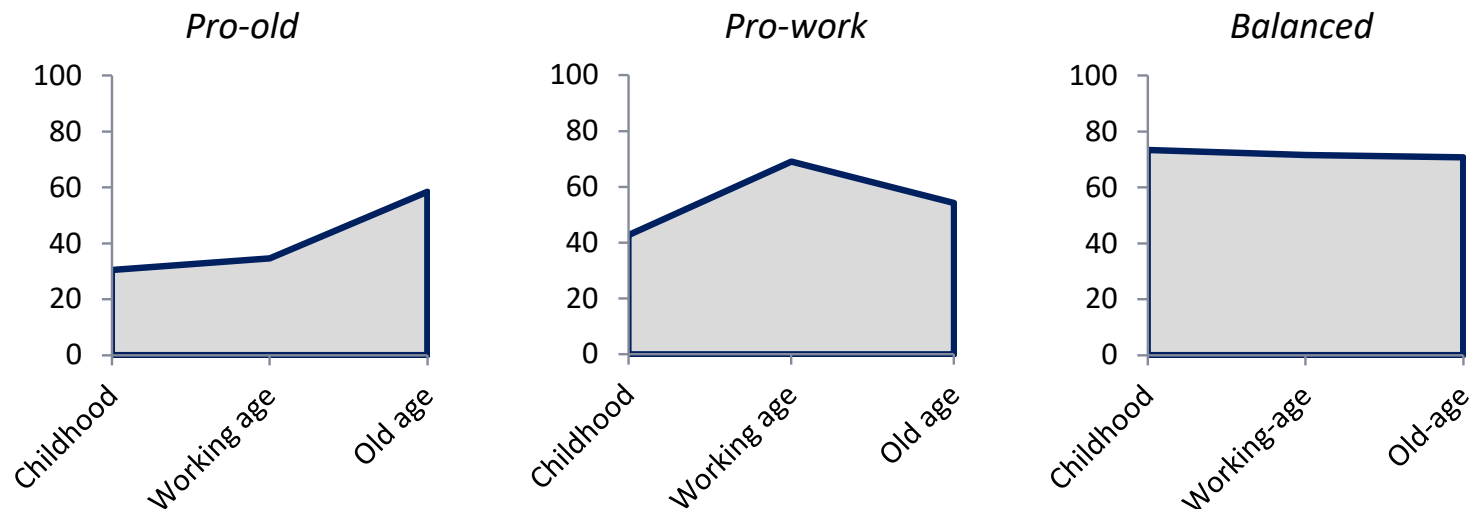


In the balanced contract, the age-related distribution of social citizenship rights and the volume or resource available for redistribution are supposedly positively related.

In balanced systems, more extensive social citizenship rights for one particular age group do not necessarily imply weaker social protection for other age-related risks.

Instead of fueling conflicting claims and social divisions across generations, balanced generational welfare contracts are expected to encourage coalition formation between age groups of relevance for the sharing of risks and resources in society, likewise for social equality.

The generational welfare contract(s): income replacement in social insurance for three age-related social risks (averages for 18 OECD countries, 1980–2010).



The *balanced* contract includes Austria, Belgium, Denmark, Finland, France, Sweden and Norway.

The *pro-work* contract includes Germany, Japan, the Netherlands and Switzerland.

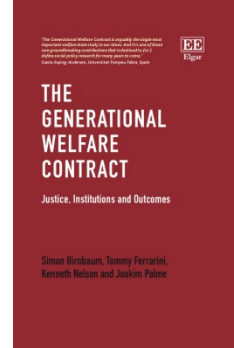
The *pro-old* contract includes Australia, Canada, Ireland, Italy, New Zealand, the United Kingdom and the United States.

Source: The Social Policy Indicators Database (SPIN).

Type of generational profiles in age-related social insurance and selected outcomes in 18 OECD countries.

		Childhood	Working age	Old age
Poverty	Balanced	7.9	6.1	3.0
	Pro-work	10.0	6.3	6.5
	Pro-old	14.8	10.3	5.4
Income 1 st decile	Balanced	12149	11162	10983
	Pro-work	11644	12383	10737
	Pro-old	8812	9840	9435
Social trust	Balanced	60.0	57.9	53.9
	Pro-work	53.9	50.9	47.6
	Pro-old	51.5	47.9	49.1
Political trust	Balanced	50.0	49.2	44.9
	Pro-work	44.4	43.8	43.9
	Pro-old	32.5	33.8	32.5
Happiness	Balanced	93.3	91.1	89.9
	Pro-work	90.6	88.0	89.4
	Pro-old	88.2	87.4	89.1
Life satisfaction	Balanced	88.3	87.2	86.9
	Pro-work	84.3	82.8	87.0
	Pro-old	81.5	80.9	84.9

Source: Birnbaum and Nelson. Age universalism will benefit all (ages). Forthcoming in Gosseries, A. and G. Bognar *Ageing without Ageism*, Oxford University Press.



Income replacement in social insurance for three age-related social risks in Korea, 2019



Conclusions

- Positive-sum solutions in generational politics are more likely to be supported by the balanced contract.
- Social citizenship rights that are generationally balanced and provide more evenly distributed protection across different stages of life are advantageous for all citizens.
- The balanced generational welfare contract is not only associated with increased welfare of all citizens, but inequalities are also reduced.
- Generational trade-offs in policymaking can thereby be reduced or even avoided, leading to more just and equal societies.

