



# The Case for Social Investment including late in life: Long-Term Care

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# Context of the Social Investment Package

## *Economic and financial crisis erodes human capital*

- **Increased levels of poverty:** 119.6 million people, 24.2%
- **High unemployment :** 26 million people, 10.7 %
- **Youth inactivity:** 7.5 million people aged 15-24, 12.9%

## *Demographic changes reduce human resources*

- **Increased ageing and decreasing fertility**  
2010-2060: Working-age population to decline by 14.2 %.  
Dependency ratio to double, No. 80+ to triple

## *Fiscal constraints may lead to costly cuts*

- **Deficit reduction efforts**
- **Austerity perceiving social protection as merely spending that no longer can be afforded**
- **Need for Refocusing of public spending**



# Social Investment Package

Final complement in series of major Commission initiatives in response to the crisis and the onset of population ageing

- 1 Green & White Papers on Pensions and European Year on Active Ageing (Jan-Feb 2012)
- 2 Employment Package (April 2012)
- 3 Youth package/guarantee (Dec 2012)
- 4 Social Investment Package (Feb 2013)

**Purpose:** remind us that social policy not just consumption but an integral part of the economic & social functioning of our societies, which **when well designed with active orientation also functions as investment**, i.e. upfront use of resources that brings returns and savings

# Social Investment: Main messages

Need for budget consolidation in view of crisis & ageing should not lead to general cuts, a time where more than ever we should aim at:

- Using budgets more **efficiently and more effectively** to ensure **appropriate living standards** and **raising people's opportunities for development.**
- **Preparing people to manage life's risks**, rather than simply 'repairing' the consequences of these risks. Strengthening people's capacities to participate in society & the labour market.
- The social investment case for benefits and services that lend a **helping hand throughout people's lives.** Investing early to prevent hardship & cost from compounding.

# Social Investment Package: Main ideas

Using social policy to generate, underpin, increase and supplement **people's own abilities** to manage their lives

**Releasing and bolstering their own energies** - allowing them to better fulfil their potential – and mobilising untapped resources with help to self-help

**Avoiding the serious opportunity cost stemming from the waste or erosion of human resources**

Reiteration of the insights also in former discourses on **social policy as an economically productive factor** or the **cost of NO social policy**

## **A Social Investment Approach**

*Developing human capital gives people the skills and capabilities to participate in employment & society and thus brings significant returns*

*Empowering and supporting people in crucial stages of their lives, starting in childhood continuing to old age avoids waste/cost and brings returns savings*

*Using prevention, early intervention & rehabilitation to avoid larger economic & social costs in the future*

# The Social Investment Package (Feb.2013)

- **Social Investment** for Growth and Cohesion - including implementing the ESF 2014-2020 (COMM)
  1. Evidence on **Demographic and Social Trends** (SWD)
  2. **Investing in Children** - Breaking the Cycle of Disadvantage (REC)
  3. Implementation of 2008 Recommendation on **Active Inclusion** (SWD)
  4. 3<sup>rd</sup> Biennial report on **Social Services** of General Interest (SWD)
  5. Confronting **Homelessness** in the EU (SWD)
  6. Investing in **Health** (SWD)
  7. **Long Term Care** in Ageing Societies – Challenges Policy Options (SWD)
  8. Social Investment through the **European Social Fund** (SWD)

# Social Investment Framework: 3 Integrated Principles

Policy guidance on investment in people incl. via ESF funds to secure lasting social and economic returns, through:

1. **Activating and enabling benefits and services** to support people's inclusion in society and the labour market
2. Social protection systems to respond to people's needs at critical moments **throughout their lives** with view to capacity building and activation – **help to self-help**
3. More **effective and efficient** spending - including through social policy **experimentation** - to ensure adequate and sustainable social protection





# EU Financial Support to Support Implementation (MFF 2014-2020)

## European Social Fund

- Around €70 billion

## PROGRESS/EaSI

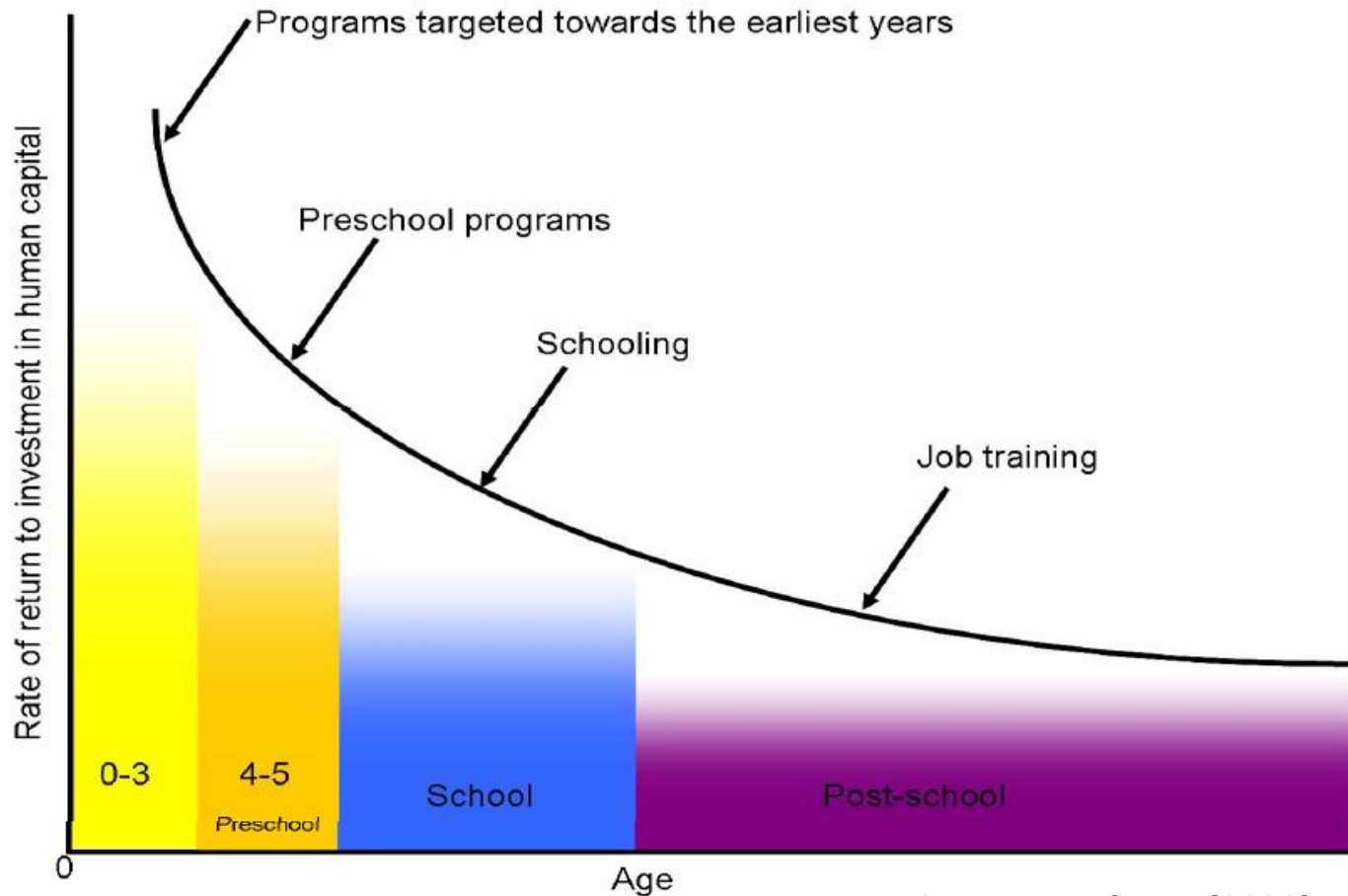
- *€800 million*

## Fund for European Aid to the Most Deprived

- €3.5 billion



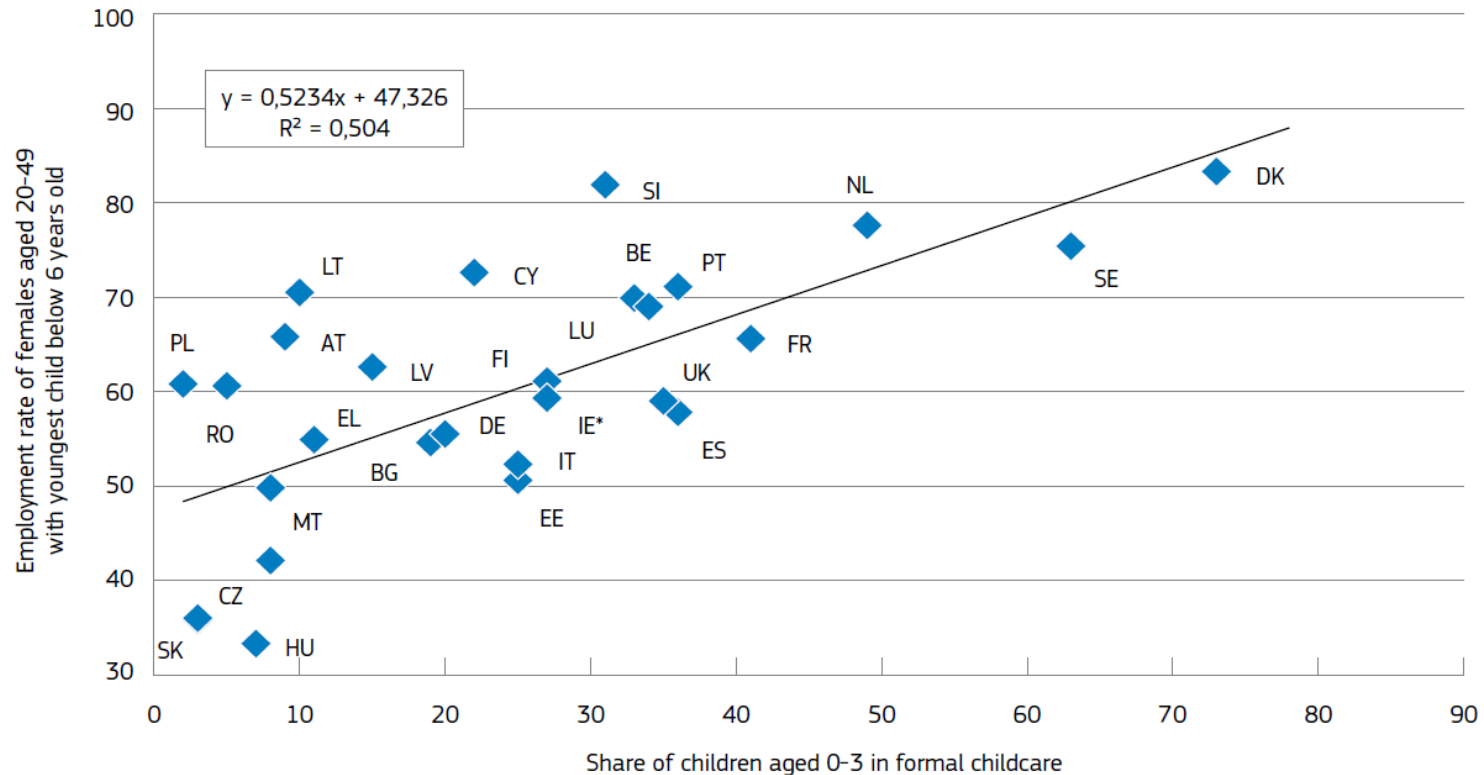
# The earlier you invest, the higher the returns – but case for investing throughout life



Source: Heckman (2008)

# More accessible childcare leads to greater female employment rates

**Share of children aged 0-3 in formal childcare and employment rates of women 20-49 with young children (2010)**



# Social investment throughout life

*Target policies to the various risks that people face during different stages of their lives, which often compound over time.*

*Investing early best way to break intergenerational cycles of disadvantage and ensure that people live up to their full potential*

- Policies to address child poverty, including early child education and care (ECEC)
- Youth guarantee schemes
- Employment transitions (Lifelong learning / ALMP / Guidance / effective health care)
- Active ageing – rehabilitation – re-enablement

# Case for late life social investments

## Long-term care in Ageing Societies:

1. Introduction
2. **Expected growth** in long-term care needs
3. **Present supply** of LTC in the EU
4. **Strengths and limitations** of different delivery models
5. **Policy options** for addressing future LTC challenges
  - 5.3. Policy responses needed to tackle the challenges
6. **Good practices** in MS applying social investment approaches to LTC
  - 6.1. Comprehensive national approaches – Prevention \_ Rehabilitation
  - 6.4. Productivity and capacity gains from innovation - Quality assurance
7. **Contributions from Europe**

*Even late in life there are strong arguments for a social investment approach to social protection*

# Expected growth in long-term care needs

## *Demography:*

- **Tripling of no's in age group (80+) at particular risk**

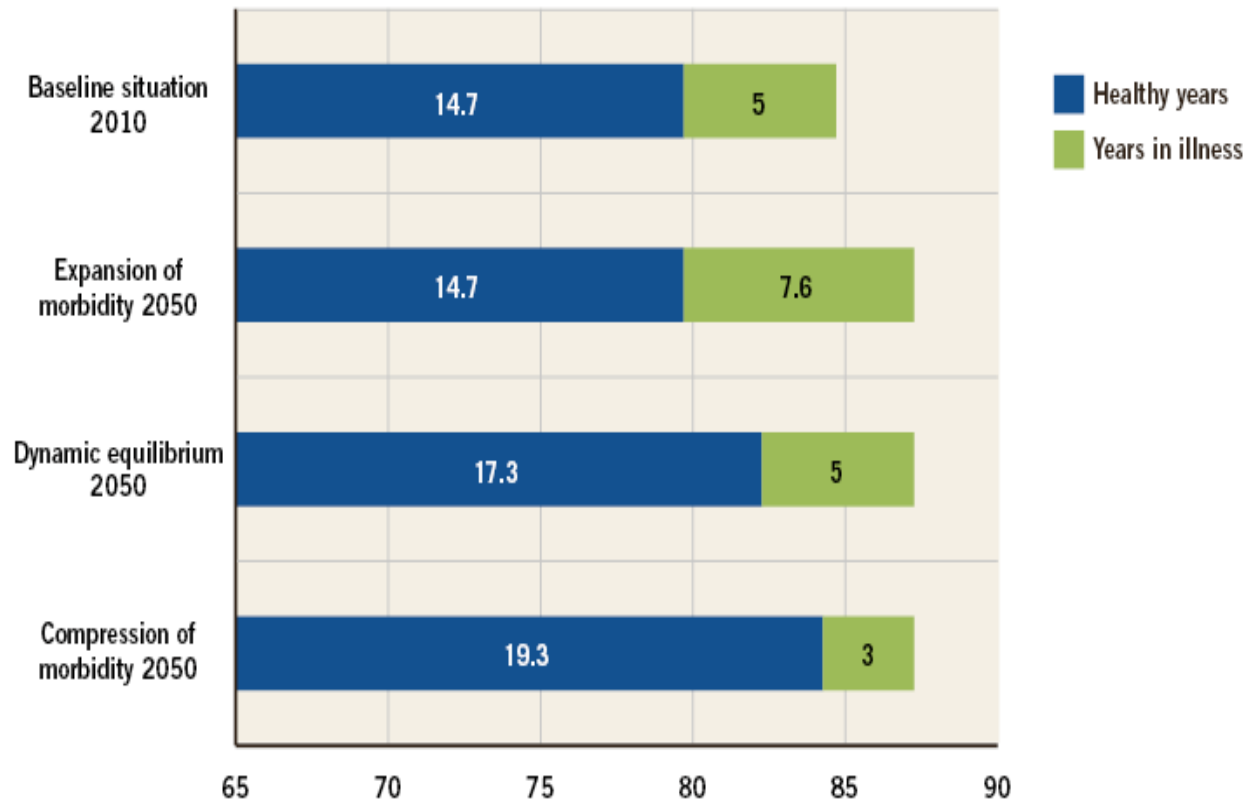
## *Health Status – Disability:*

- Not clear if healthy life years follow longevity gains
- Less at later ages possible
- Change in pattern of morbidity conceivable

## *Dependency - need for LT:*

- Not given simply by functional decline & morbidity
- Contingent on ability to manage w. frailty / disability
- Living alone? Age-friendliness? Re-enabling own capacities? Assistive devices? Access to tailored services?

# Compression vs Expansion of Morbidity



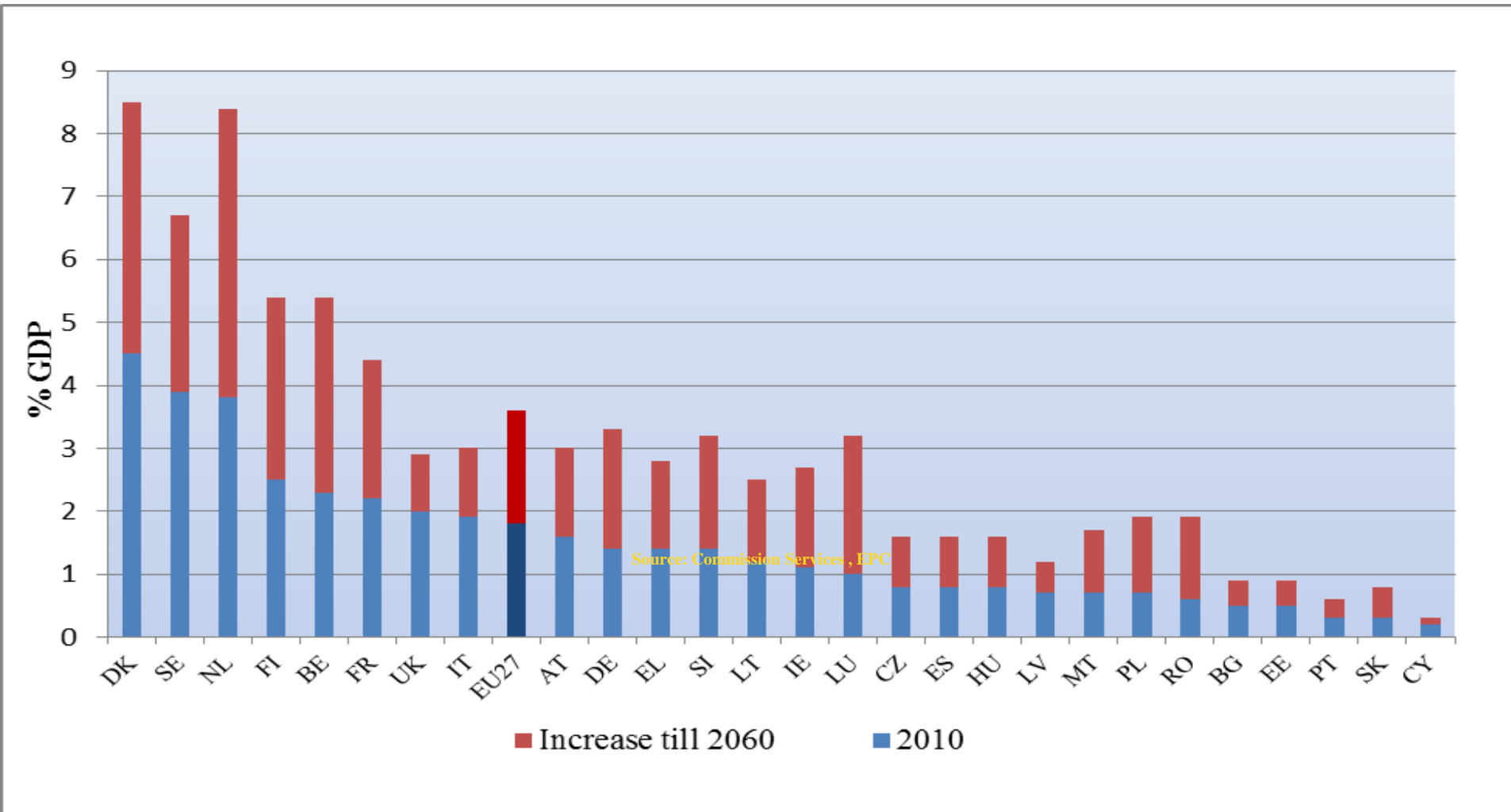
Source: Statistics Sweden 2010.

## Present supply of LTC in the EU

- *Differences larger than in other fields of SP*
- *Very variant mixes of informal & formal*
- *MS starting out vs MS w. 40+ years of experience w. comprehensive formal provision*
- *Large diversity in way formal care is **organised** (e.g. by public, for-profit or NGO providers), **financed** (e.g. via general taxation, obligatory social security, voluntary private insurance or out-of-pocket payments) and **delivered** (e.g. as home care or institutional care)*



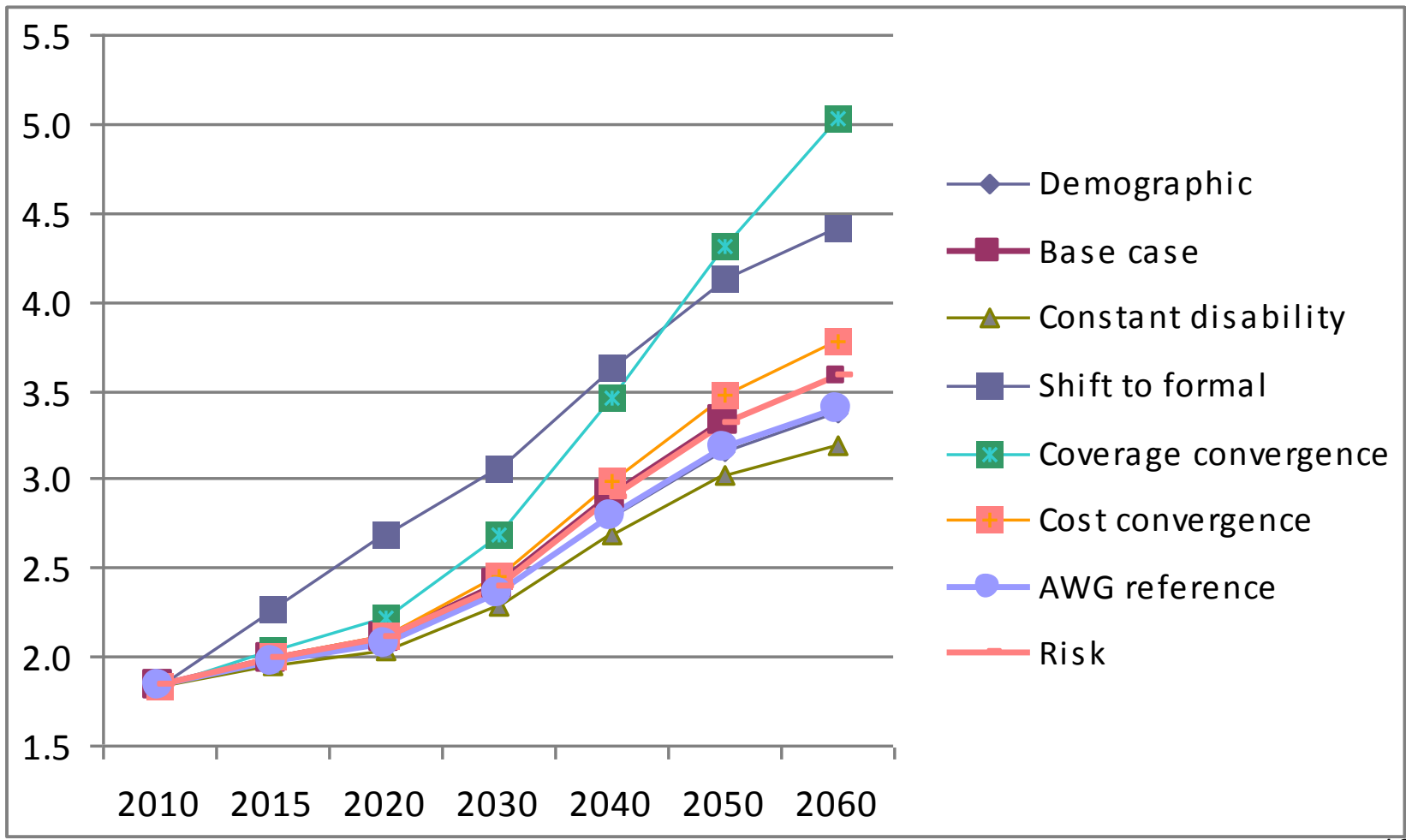
## Immense differences: Expenditure in the base scenario, EU27, % of GDP



## Present supply of LTC in the EU

- *Public spending ranges from 4.5 % of GDP in DK to 0.2 % in CY or by **more than a factor 20**.*
- *The average for the EU27 is **1.8** % of GDP.*
- *SE, NL and DK are high-spending countries, with more than twice the EU average of GDP.*
- *Five Member States spend 2 % to 2.5 %,*
- *Seven countries are in the 1-1.5 % range,*
- *Nine in the 0.5-0.8 % span, remaining three spend 0.3 % or less.*

# Projected expenditure according to the different scenarios, EU27, % of GDP



Source: Commission services, EPC. Note: The "risk scenario" line approximately follows the "base case scenario" one, while the "AWG reference" and the "demographic" scenarios also follow the same trend.

# Relative strengths & limitations of different delivery models

- *Leaving it to families to provide informal care for their ageing kin entails major cost*
- *Replacing informal with formal care entails not just cost but also major advantages*

# Three observations

- **Demography:** **tripling** of people in age groups at particular risk of developing LTC needs and simultaneous **decrease** in working age population.
- LTC needs likely to rise dramatically over the next decades even if **incidence of disability** reduces
- In its present organisation both informal & formal **care provision** will be **overwhelmed**

# Policy options for future LTC challenges

*Given tripling of people at risks conventional approaches will not be sufficient.*

*If neglect on a major scale is not to become the order of the day in 2040-2060 we must devise policy mixes that enable us to close the widening gaps.*

*If Member States are to be able to offer sufficient social protection against LTC risks they will need to find ways to **contain the growth in the demand for LTC provision while also raising the efficiency of care provision.***

*Thus, arguments focus on the economic and **social returns that a determined strategy of social investment can achieve** through a combination of*

- *reduced disability in old age*
- *improved capacity of older people to manage functional limitations*
- *higher productivity in care delivery.*

*Thesis now confirmed draft report from Social Protection Committee*

**Innovative** approaches needed to avoid rapidly widening gulf between needs & supply

***Contain growth in LTC needs***

***Mobilise untapped resources of the elderly***

***Do more better with less***

***Key contributions can come from:***

- ***Reducing the incidence of frailty and disability***
- ***Enabling elderly to continue to manage independent living even with functional limitations***
- ***Raising the productivity of care delivery***

# Need for complementing approaches

## ***CONTAINING the growth in needs***

*Member State practices document that **Active and Healthy Ageing** and a determined emphasis on **Prevention and Rehabilitation***

***Can reduce the Incidence, postpone the onset and reverse and mitigate the Course of frailty, functional limitations and disability?***



# Need for complementing approaches

## *Raising people's capacity to manage with functional limitations*

*MS practises document that **investments** in age friendly adaptations of older people's homes and in ICT and new assistive devices including for self-monitoring, self-care and self-management*

*significantly increase the **capacity of elderly to continue independent living** with little care **even when** they become **frail** and develop physical and mental limitations*

# Need for complementing approaches

*Raising **Productivity** of care through:*

- *better organisation*
- *re-engineering*
- *capital substitution*
- *quality control*

**Unlocking productivity potentials** by shifting from informal to formal care

Though also some possibilities for capital substitution in informal care

## Conclusion

- *Member States need to move **from** a primarily **reactive** to an increasingly **proactive** policy approach, which seeks **both** to **reduce** care demand **and** to **boost** cost-effective care provision*
- *Only a **proactive, comprehensive social investments policy can avert** that present LTC provisions are overwhelmed by the huge and unprecedented changes in demand and supply which will take place over the next 30 years.*

# Social Investment Package (SIP).

- *SIP also calls for **investing in health**, starting from an early age which allows people to remain active longer and in better health and raises the **productivity of the work force**.*
- ***Health promotion**, preventive health care & investing in health & safety at work are particularly important throughout life.*
- *Highlights need to invest in human capital throughout life, also by ensuring **employability (i.e. skills and health) of older workers** to enable them to stay at the labour market for longer.*
- *Specifically refers to **healthy and active ageing** policies that **enable people to make the most of their potential as they age**.*

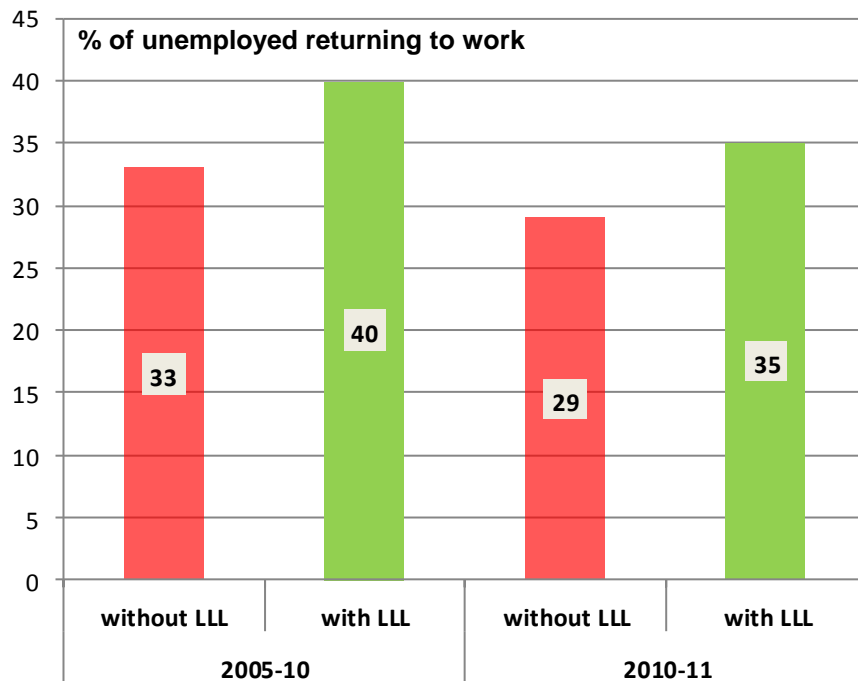


**Thank you for your attention!**

# Lifelong learning and benefits help people return to work

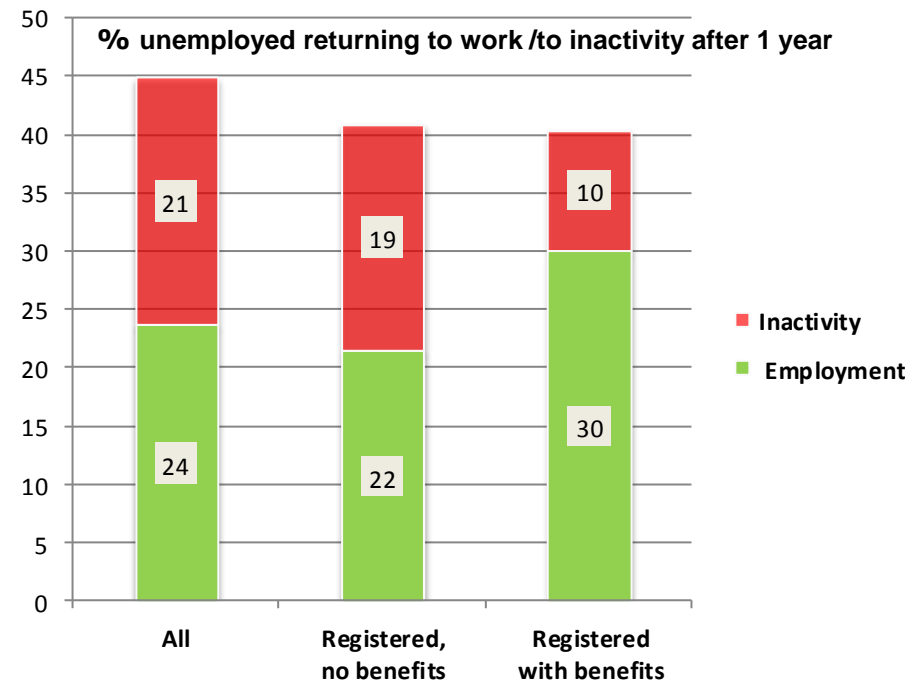
## ACTIVATION

Participating in lifelong learning (LLL)



## PROTECTION

Receiving benefits



# Examples of SIP approaches to LTC

1. *Preventive approaches including healthy and active ageing,*
2. *Rehabilitation*
3. *Improving the capacity for independent living, incl. by re-enablement*
4. *Care coordination*
5. *Using ICT & other technologies in drives for higher productivity.*
6. *Creating more age-friendly environments, including support for home adaptations, and efforts to*
7. *Raising the quality of formal and informal care provision*

# Contributions from Europe

- ***EY2012 on Active Ageing: Agenda for social innovation in 3rd phase of life , pillar on independent living***
- ***Europe2020: Annual Growth Survey, National Reforms Programmes, Country Specific Recommendations***
- ***European Innovation Partnership pilot on Active & Healthy Ageing***
- ***Open Method of Coordination – SPC-WG-AGE***
- ***Public procurement rules***
- ***883 social security aggregation extended to LTC?***
- ***RTD research projects***



# EU instruments and competences

## *European Semester*

- **Annual growth survey, national reform programmes, country-specific recommendations**

## *Platform against Poverty*

- **Annual convention**

## *Social Open Method of Coordination*

## *Social Protection Committee*

## *EU Financial Instruments*



# Financial instruments to support the Social Investment Package

*European Social Fund*

*PROGRESS/EaSI (European Programme for Employment and Social Innovation)*

*European Regional Development Fund*

*Fund for European Aid to the Most Deprived (FEAD)*



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# EU Initiatives to support implementation

- **Methodology** for reference budgets / healthy and active ageing / social investments
- Methodology to measure **efficiency and effectiveness** of social protection systems
- **Knowledge bank** to share policy experiences
- User-friendly **social protection guides**
- **Capacity building and training**

# Frequently asked questions

- *How can you speak about social investment during times of austerity?*
- *How does the Social Investment Package take into consideration the different social and economic realities of Member States?*
- *What's the point of activation and training measures when there are few new jobs?*
- *How will measures to encourage older people to stay in the labour force impact on youth unemployment?*
- *With reference budgets, is the Commission proposing a mandatory minimum income?*