

The End of the Welfare State ?

Written by chris blyth

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There are several indicators that our expectation for a continuing “big brother”, all - protecting welfare state is under stress, and may not survive in the form we have known it for the past 60 years...

For all those years, the welfare state has been our assumed “model” of an ideal political world, where universal entitlement to education, health services, state pensions, and housing / child / unemployment benefits etc has come to be taken for granted by society, and been the justification for on-going increases in public sector employment, spending and taxation. And led us all to expect that “government must take responsibility” for any and all difficulties and problems, whether personal or of society in general – a culture of entitlement and expectation that is going to be difficult to maintain, given the financial climate we now face.

- The first stress point is inevitably the changes to our VAT arrangements with UK, and the “loss” of £175 million of revenue for government to spend – and our most recent government was always able to spend often in the most profligate manner (Richmond Hill, IRIS scheme, MEA Power Station, Ballakillowey etc).

- The second is the European-wide economic recession, with stagnation forecast for the next few years (perhaps slow growth at best) – which will impair tax revenues, wages, and company profitability.

- The third is the pressure of an ageing population, with all those born in the post WW2 “baby bulge” now approaching retirement – who, instead of being “productives”, will now be “non-productives” – and will add significantly to pension and health bills for the island. Over 65’s currently comprise approx 20% of our total population (and rising substantially) but, for example, account for 50% of the health service spend – and with medical costs inflating at a higher rate than prices generally, that bill can only increase.

- The fourth pressure is the funding of that ideal of universal entitlement – and whether the private sector of our economy can continue to support it – or whether the wealth creating,

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risk taking sector has to be taxed at such a level that makes it almost impossible to create the wealth needed to fund the ever greater expectations of entitlements which our politicians have encouraged. That is, an assurance of a secure old age via our state pension and benefits, universal health care with unlimited access to expensive medical procedures, a guaranteed standard of living for all, even when unemployed..... etc etc

I can only assume that we – all of us – clearly now believe in the tooth fairy. We are all pretending that the welfare state and our dependency culture, can go on for ever... with our collective heads firmly embedded in the sand.

What politician have you heard in the run-up to the General Election explaining the difficulties, and the reality of the economic problems we face - that the ever increasing cost of all those universal benefits is unaffordable?

Mrs Craine, Treasury Minister, when asked about pensions for private sector employees, for example – 70% of whom have NO pension provision other than the State Retirement – could only offer the pious hope that “we need to save more for our old age”. How fatuous, unthinking, and insensitive! Since average life expectancy is now into the late 80’s, for many it is already too late, and for them, it will mean 20-30 years living on a state pension of £102 per week, plus a manx supplement (if lucky enough to get it) and benefits (if applicable). What a bleak prospect !

The solutions to the economic problems of an increasing old age population are at best long-term, but include a progressive increase in the retirement age to 70 (including the public sector !), mandatory company pension schemes with significant contribution levels by both employers and employees, government encouragement of a greater level of private medical insurance and savings schemes – and not just the passing of these problems to our children and grandchildren via ever increasing levels of debt (public sector pension liability, for example, goes from £2.0 billion currently to £3.6 billion in 20 years time at current prices). And whilst the welfare state may well continue in broad terms, the detail of its operation must inevitable change, with individuals accepting the need to take more responsibility for their own economic well-being – and a reduced dependency on state benefits, many of which are likely to become subject to increased means testing, if available at all.

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But our politicians would rather not think about – or advertise these issues – because it might frighten the electorate, and make them realise just how serious are the issues soon to be confronted..... Better to bury them.....

So wake up !! Make sure you challenge your prospective MHK on these issues – and don't let them evade and prevaricate – we need MHKs with the long-term policies and plans to address these national difficulties, a willingness to explain the issues in detail, and with the integrity to take unpopular decisions when necessary.