

# THE DOLE LOSES ITS JOB

Built to fight postwar joblessness, the welfare state now faces a future plagued by labor shortages. The obits are written. BY LIAT RADCLIFFE

*Dateline: Stockholm, 2012. The welfare state died last night at home in bed; it was 66 years old. Born in London after World War II, its aim in life was to keep peace in a society with too many workers and too few jobs. For decades its pension, health and unemployment benefits kept most everyone happy, and found their most generous expression here in Sweden. But as early as 2002, doctors were warning that the welfare state was wholly unfit for the new Europe, which now had too few workers to support a rapidly growing senior population. The generous benefits had become a counterproductive form of life support, hurting the welfare state in economic competition with other states. By last night even the Swedes were ready to pull the plug. Cause of death: failure to change.*

**T**his obit has already been written, many times over. This past spring author Paul Hewitt predicted that the postwar welfare state would meet its "end" in a crisis that could make the early 21st century "every bit as tumultuous" as the period of the two world wars. A scholar at the Center for Strategic and International Studies in Washington, Hewitt argued that shrinking working-age populations will undermine growth from the United States to Japan, leading to a vicious cycle of falling demand, shrinking profits, collapsing stock prices—even "a global depression from which no welfare state will emerge intact."

Could it happen? The welfare state as we know it grew out of the "New Jerusalem" spirit in Britain after World War II. Born of the wartime thinking of Keynesian economist William Beveridge, and animated by fear of unemployment, such systems will find it difficult to adapt to the coming world of labor shortages. "The current welfare state was built on the image of risks facing our grandparents' generation," says Professor Gösta Esping-Anderson of Universitat Pompeu Fabra in Barcelona. But as the number of Europeans over 60 grows, and the working population shrinks, something will have to give. There simply won't be enough young people to support retirement for all the old people. Among the solutions: putting more married women to work, opening the doors wider to immigration, making people stay in their jobs to a riper age.

MURRY GASH—AP

Families in Europe and America will have to make do with much less

Clearly these changes will be wrenching. And they're going to happen. Earlier this year the European Commission recommended that the average retirement age be raised a full five years by 2010. Europeans won't like it, says Bernd Marin of Vienna's European Center for Social Welfare Policy and Research, but given the choice between higher taxes and working longer, they "may soon agree" to retire later.

European resistance to immigration is likely to break down, too. "Nature abhors a vacuum," says British Tory M.P. David Willetts. "And when the economy needs more workers, societies will accept more migrants."

For better or worse, post-Beveridge Britain seems the likely model for continental Europe. It has moved further than most from state to private pensions, and even the more generous welfare states—Sweden, Germany—are following its lead. This will help balance the books, but according to University of Kent professor Peter Taylor-Gooby, it will also heighten poverty and income inequality among pensioners. He suggests the welfare state might not be able to avoid "radical change" much longer. If that represents the "end," the end is near. But the cataclysmic meltdown? Bernd Marin addresses the question this way: "Complete collapse of the system will occur between 2012 and '15—if nothing is done." He expects the state to make minor reforms just fast enough to stay one step ahead of disaster. The welfare-state obits are likely premature, but this much is true: failure to change could be deadly.