

Promoting **Social Change** towards **2020** Future of the Basque Country



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CIFS - Who Are We?

- Founded in 1970 by Thorkil Kristensen
- Independent non-profit think tank
- Member based
 - 100 members in Europe
- Business Areas
 - Members (corporate and individual)
 - Projects and training
 - Presentations
 - FO/FutureOrientation
- Cross disciplinary
 - 25 researchers/futurists



Types of membership

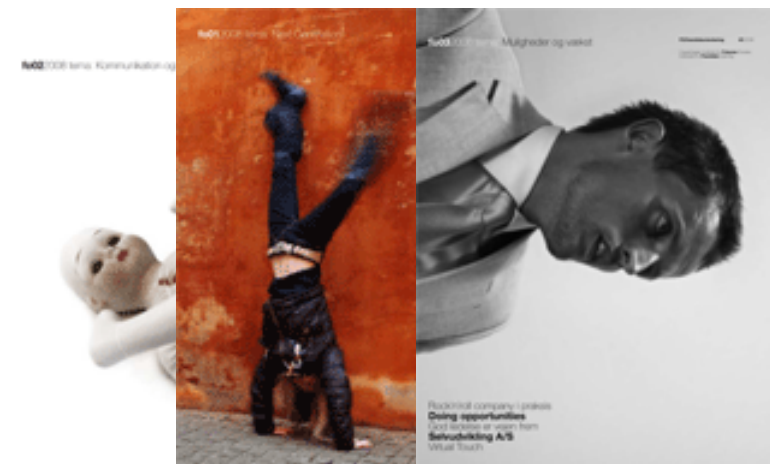
Corporate membership

Individual membership

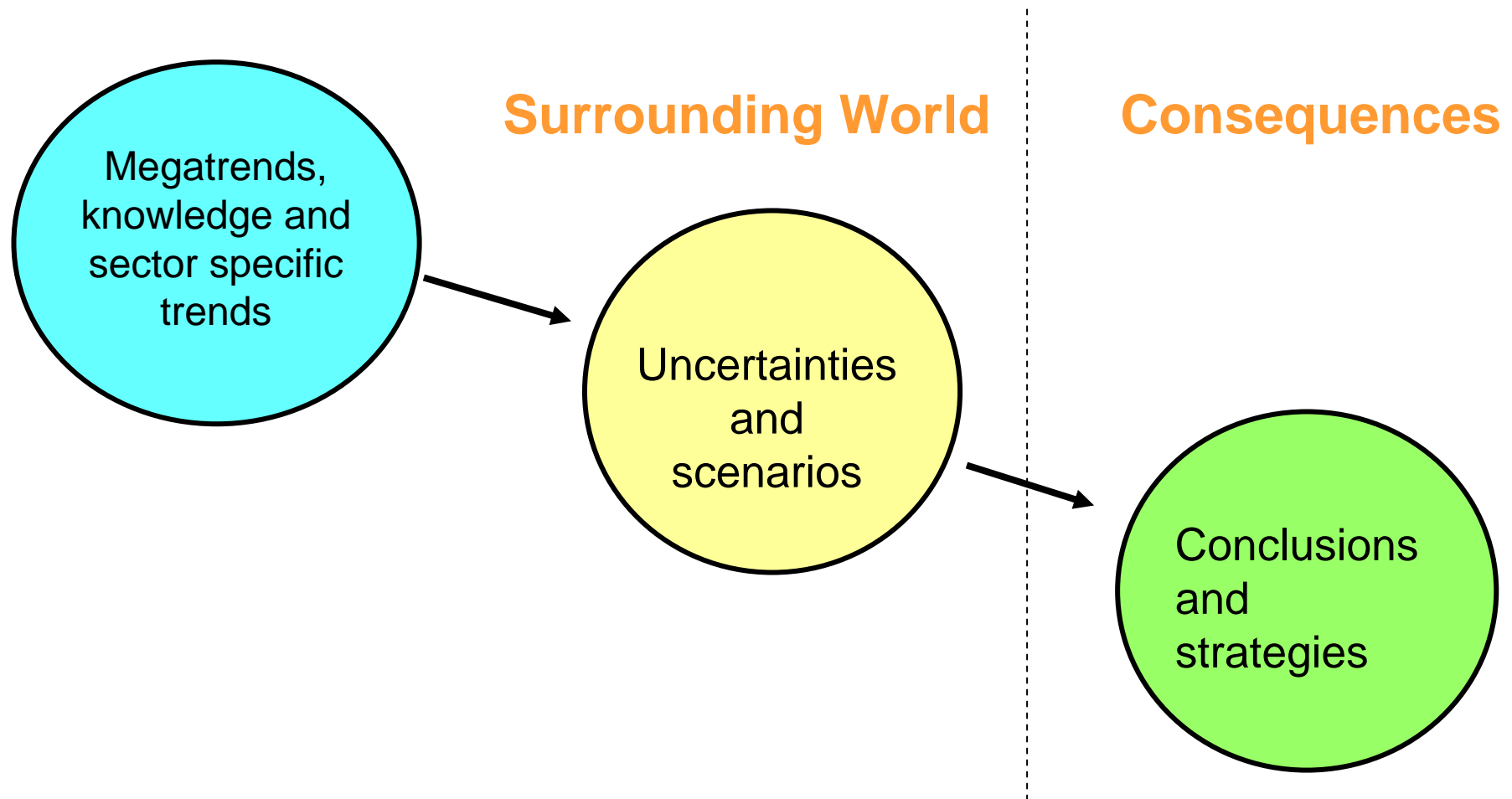
	Corporate membership	Individual membership
COVERS ALL EMPLOYEES	✓	✗
1 Future Seminar	✓	✗
The Magazine FO/futureorientation	✓	✓
Members' Reports	✓	✓
Access to Theme Meetings and Future Clubs	✓	✓
Access to the CIFS Knowledge Database	✓	✓
Hotline Service	✓	✓

1 year:
€ 7.900 / DKK 59.000 + VAT

1 year:
€ 1.600 / DKK 11.900 + VAT



How do we work?



The CIFS Toolbox

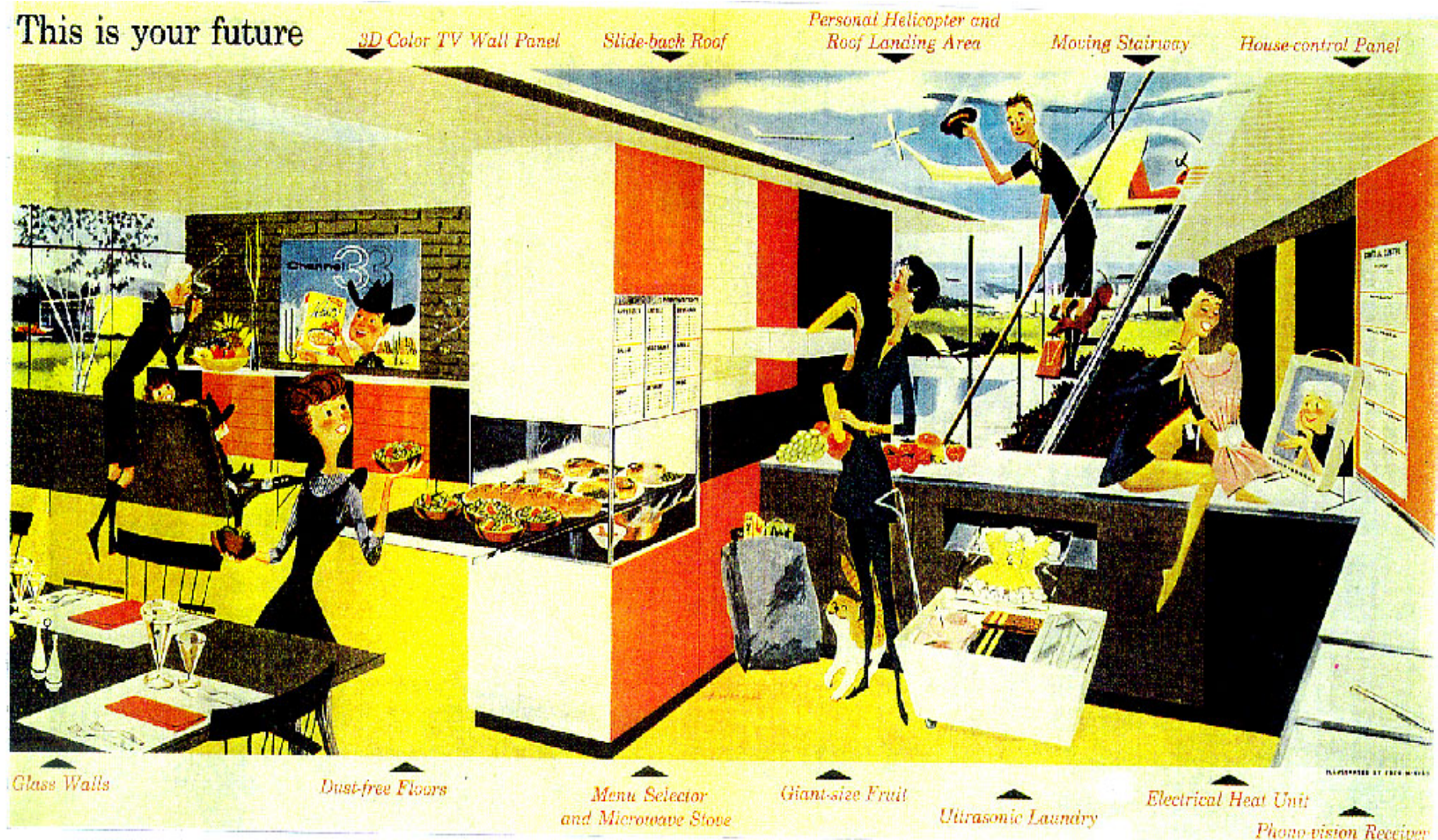
- Prognoses
- Scenarios
- Tendencies
- Megatrends
- Wild Cards



Wild Card

... to support decision making in the present

This is your Future, 1950



The Project

- The research and analysis conducted over summer 2008.
- Analysis based on publicly available information:
 - OECD
 - Eustat
 - Academic institutions
 - Think tanks
 - CIFS sources
- 28 interviews conducted in July 2008.
- Presents an outsider perspective on challenges and opportunities for the BAC.

Basque Autonomous Country & Nordic Model



Basque Autonomous Country's Social Challenges

- Lack of a broad social consensus in the BAC
 - Basque/Spain issue
 - Labor market relations
 - Immigration exacerbates the issue
- BAC country has one of Europe's lowest fertility rates, longest life expectancies
- Financial among other burdens from child/eldercare high on women, families
- Lack of adequate publicly-funded institutional places for young and elderly
- Institutional challenges:
 - Lack of flexibility in public institutions
 - People with long-term disabilities often fall through institutional cracks.
- Lack of mobility
 - Affordable housing for young, etc.
 - Labor market rigidity
- Income inequality
- Growing disenchantment in public institutions and politicians (?)
- BAC, however, has a very successful society.

Welfare states 4 arch-types

	Characteristics	Other names
The Nordic Model	Same social services to all in the state	The social democratic model The Scandinavian model The institutional model
The Beveridge model	Services only to the worst off	The Anglo-saxon model The liberal model The residual welfare model
The Bismarck model	Services only to those who have been in the labor market	The central European model The conservative model The performance oriented model
The Subsidiarity model	Social issues shall be solved as close to the family as possible	The southern European model The Catholic model

Source: *Baseret på Ploug, Henriksen og Kærgård (2004)*

Nordic Model

- A comprehensive welfare state with an emphasis on equality, wealth transfers and public services funded predominately through taxes (on income and consumption).
- High investment on human capital
 - Childcare
 - Education (including life long learning)
 - Research and Development
- Strong labor market institutions
 - Strong labor unions and employers association
 - Wage coordination
 - Generous unemployment benefits
 - Active labor market regulations

Family Policy

Support for families with children

- Daycare
- Child subsidies
- Maternity & Parental leave

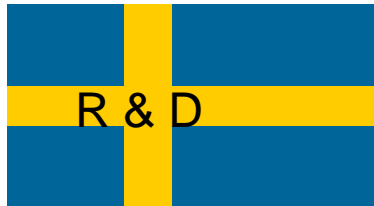


Large degree of openness*

- Trade
- Debate
- New things
- Language
- Education



Best practices within the Nordic Model



- Democracies
- Welfare states with free education and public health service
- Social responsibility
- Successful in economic growth
- High taxes
- Strong unions
- High fertility rates
- Trust and consensus
- Flexibility
- High degree of equality
- Homogeneity
- Horizontal work division

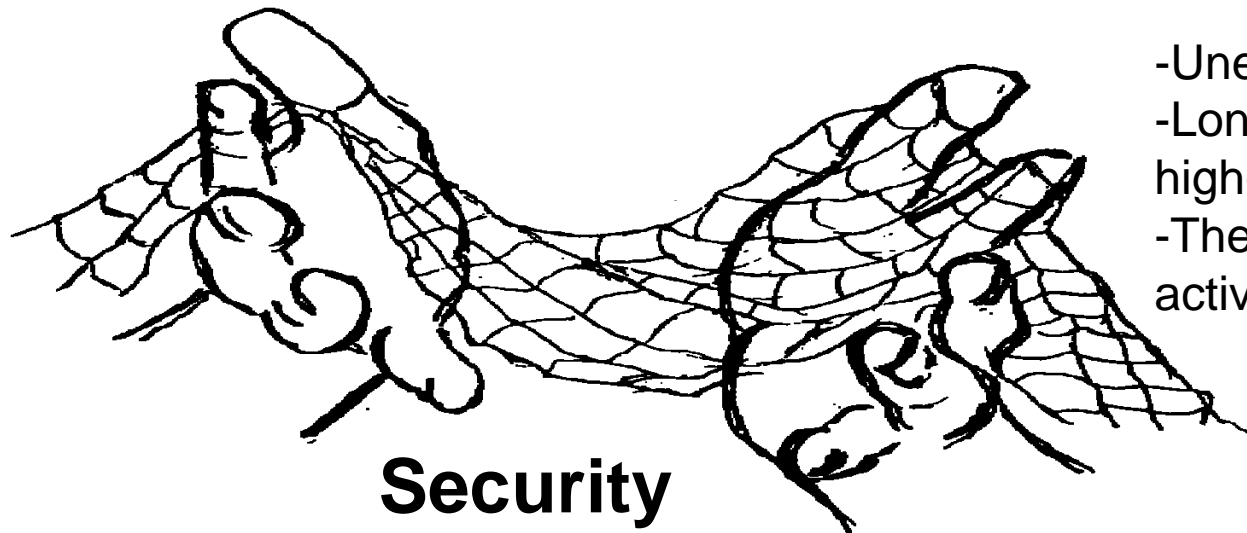


Flexicurity

Flexibility

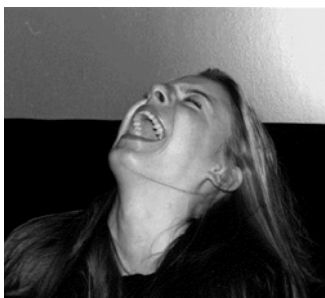


- Employers can hire and fire easily
- The public sector helps with active labor market policies

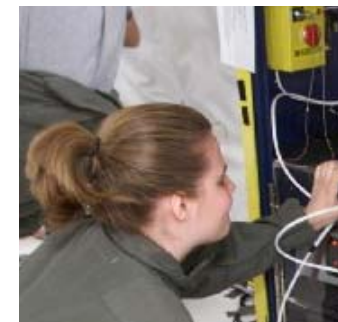


Security

- Unemployment insurance
- Long insurance period (4 years), high-level of support
- The public sector helps with active labor market policies



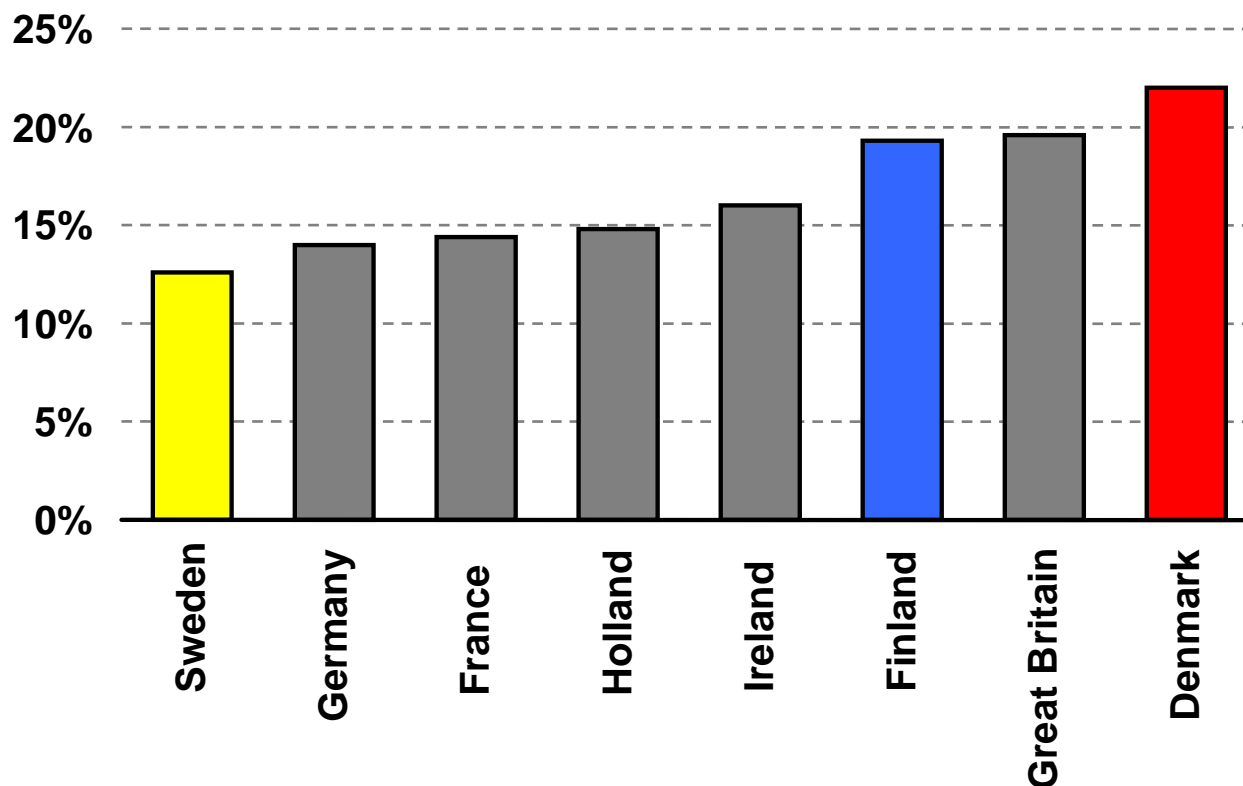
Quality of Life and Productivity



Quality of life, (scale 1-10), 2006			Labor productivity, (GDP/employee), 2005		
Placering	Land	Gns.	Placering	Land	US\$
1	Iceland	9,41	3	Iceland	101.211
2	Denmark	9,36	4	Denmark	94.800
3	Norway	9,34	1	Norway	127.946
4	Finland	8,73	8	Finland	80.359
6	Sweden	8,58	6	Sweden	87.234
4	Germany	8,73	12	Germany	71.924
7	Netherlands	8,42	10	Netherlands	(2004) 76.247
8	Ireland	8,32	2	Ireland	102.489
9	USA	8,29	5	USA	88.105
10	France	8,20	7	France	84.425
11	Spain	7,47	14	Spain	59.208
12	United Kingdom	7,14	11	United Kingdom	(2004) 74.991
13	Japan	6,90	9	Italy	78.028
14	Italy	6,73	13	Japan	71.864

Kilde: IMD

Career Change. (Number of people who have been in their position for less than one year who were employed the year before compared to number of people employed in both years 1998)



Source : Økonomi- og Erhvervsministeriet: "Vækstredegørelse 03"

High taxes and a well-functioning business community – a paradox?

- High demands for good working environments,
High energy duties
- Why don't the Nordic countries have higher rate of
brain drain?
- Why does the EIU suggest that Denmark is one of
best countries to business over the next 5 years?

Danes get flogged by taxes!!

The institutional competitive advantage

- Access to well-educated labor
- Lower salaries to the highly educated
- Well functioning financial sector
- Good access to public institutions
- Flexicurity
- Support to families with children
- High confidence, low risk

Nordic model warning lights

- In the early 1980s, the Danish economy almost ran aground
- Finland lost the Soviet Union in 1991
- Sweden had a financial crisis similar to today's back in 1990
- Aging population
- The average Dane is a net-expense on society
- Highest marginal tax rate is 68%
- Lack of integration of marginalized groups

Ways to ensure the Nordic model in the future

MORE OF

- Better "fertility policies"
- Begin studies earlier and shorter education periods
- Better integration of marginalized groups in the labor market
- Make the country more attractive for foreign workers
- Shorten availability of unemployment benefits
- Get rid of early pension benefits
- Remove mandatory retirement ages
- Institute "senior policies" – part-time employment

MORE OF

- Increase incentives to work more and take long-term education by decreasing marginal taxes.

IMPROVE

- Effectiveness of public sector
- Overall economies productivity
- Motivate worker to continually educate themselves

CHEAPER

- Increase user payments
- Privatization of certain areas.

Source: Instituttet for Fremtidsforskning/Copenhagen Institute for Futures Studies

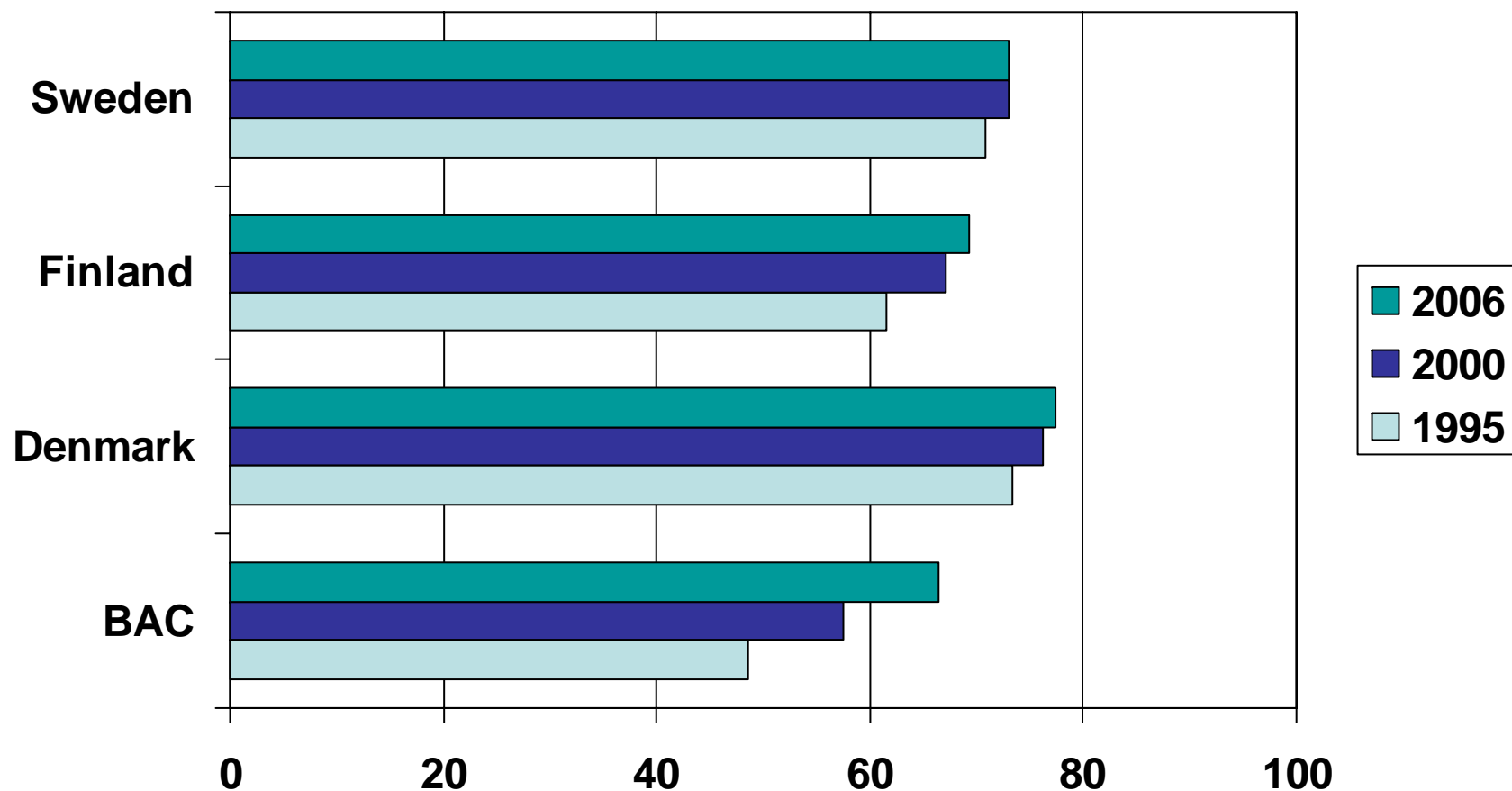
Applicability of the Nordic Model in the BAC

- Should serve as inspiration
- Nordic model based on a very high degree of social consensus and responsibility.
 - Very few question the Nordic model or paying the taxes to support it.
 - In Denmark, immigration is feared as threat to social consensus and model.
- Facing similar demographic challenges as BAC, many wonder if model can survive pressures.

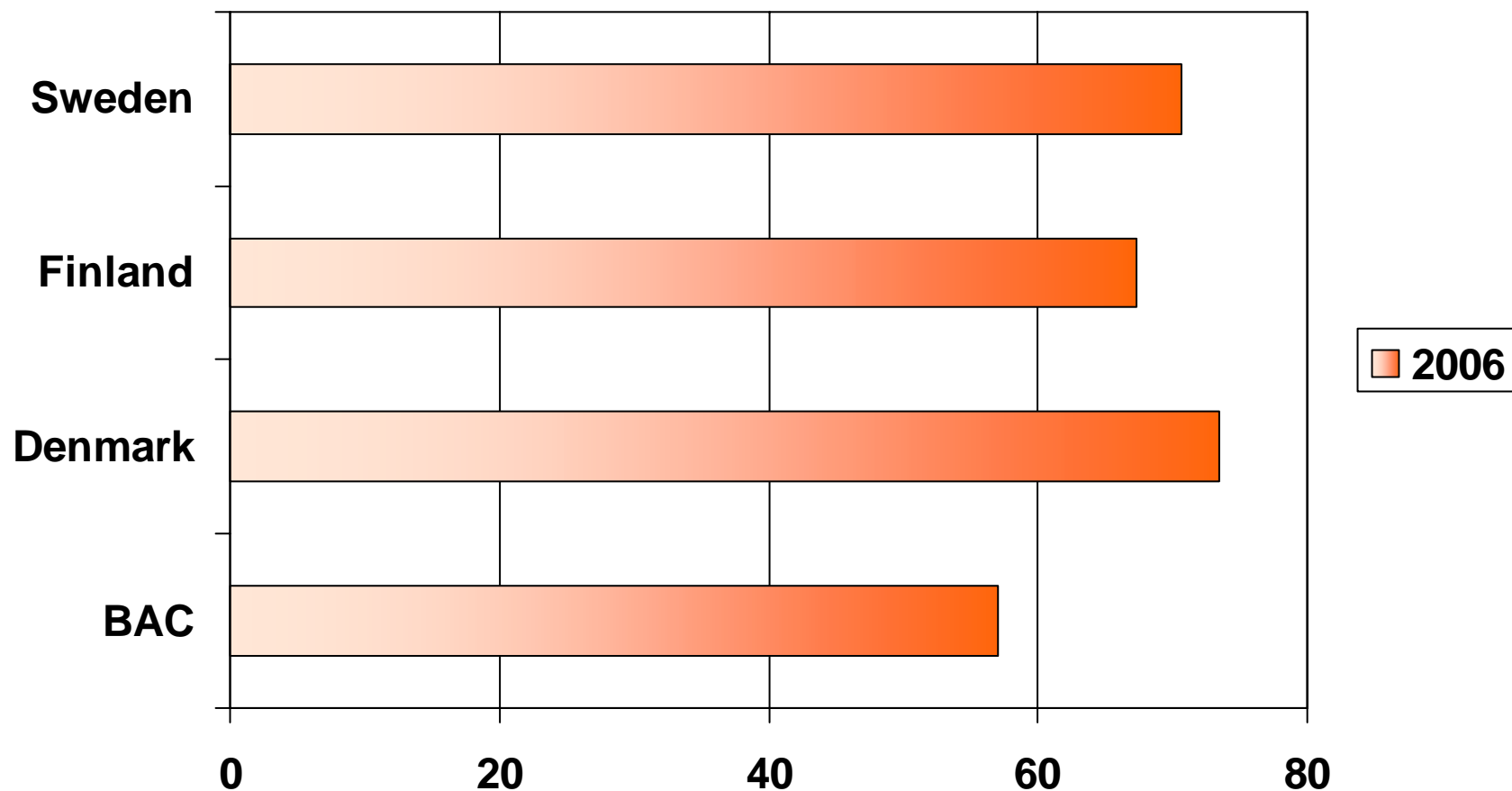
Demographic trends

	Under 14		Over 65	
	1995	2005	1995	2005
BAC	13.3	11.5	15.1	19.3
Sweden	18.9	17.6	17.4	17.3
Finland	19.1	17.5	15.3	15.0
Denmark	17.3	18.8	15.3	15.0

Labor market participation

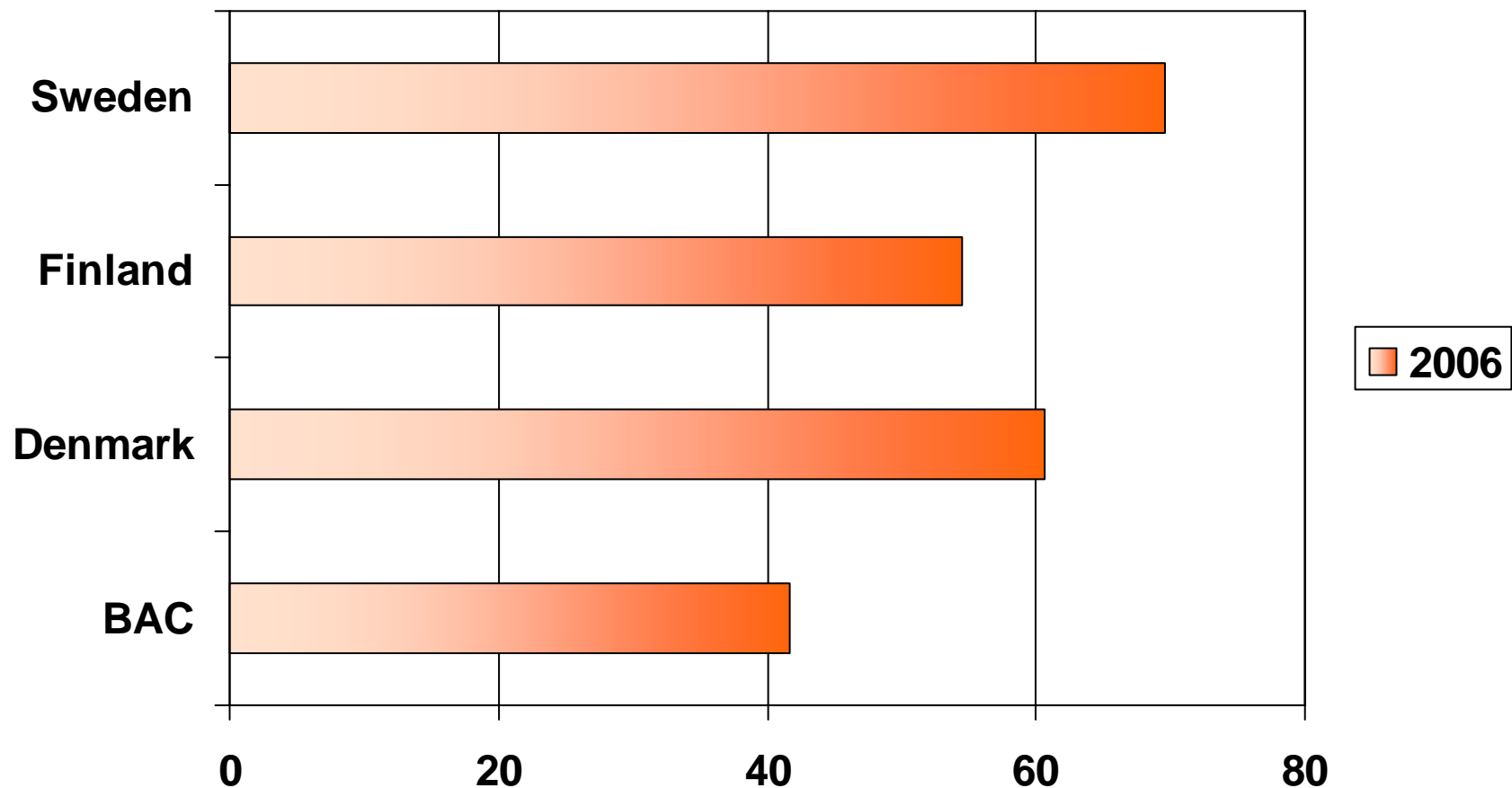


Employment rate females

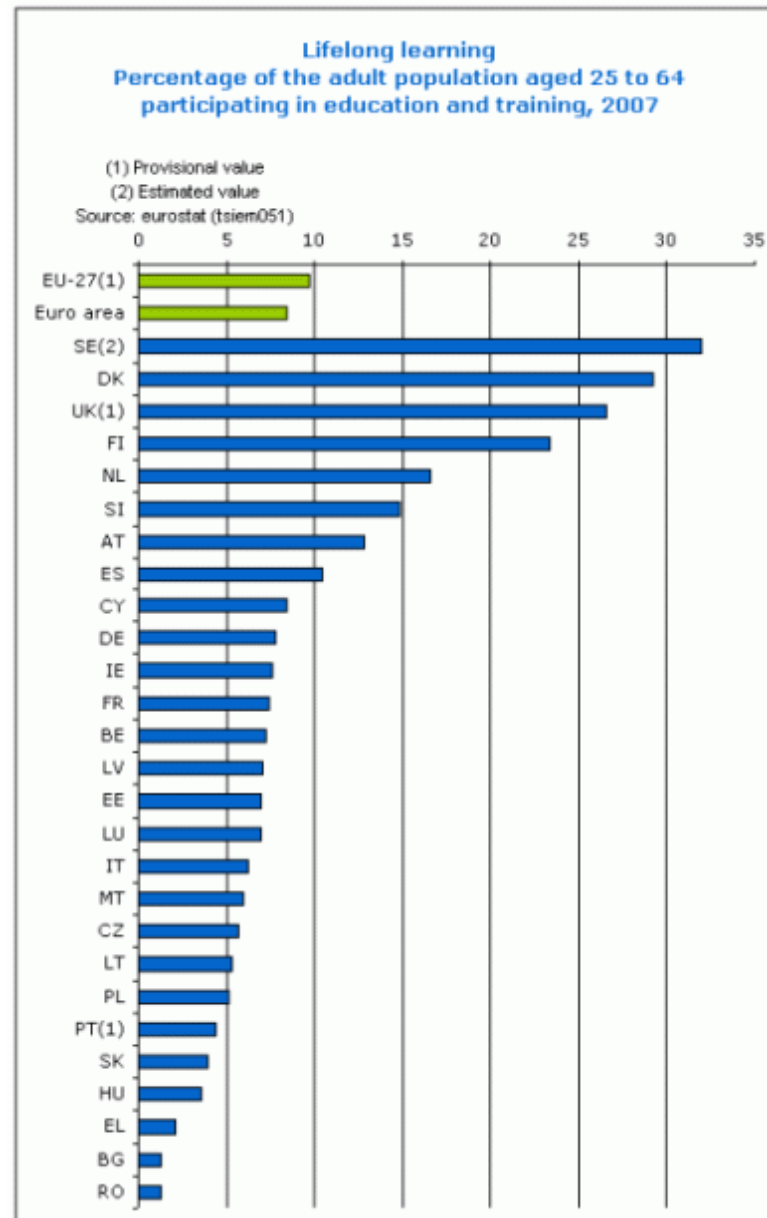


Source: EUSTAT, 2007

Employment rate of older workers



Source: EUSTAT, 2007

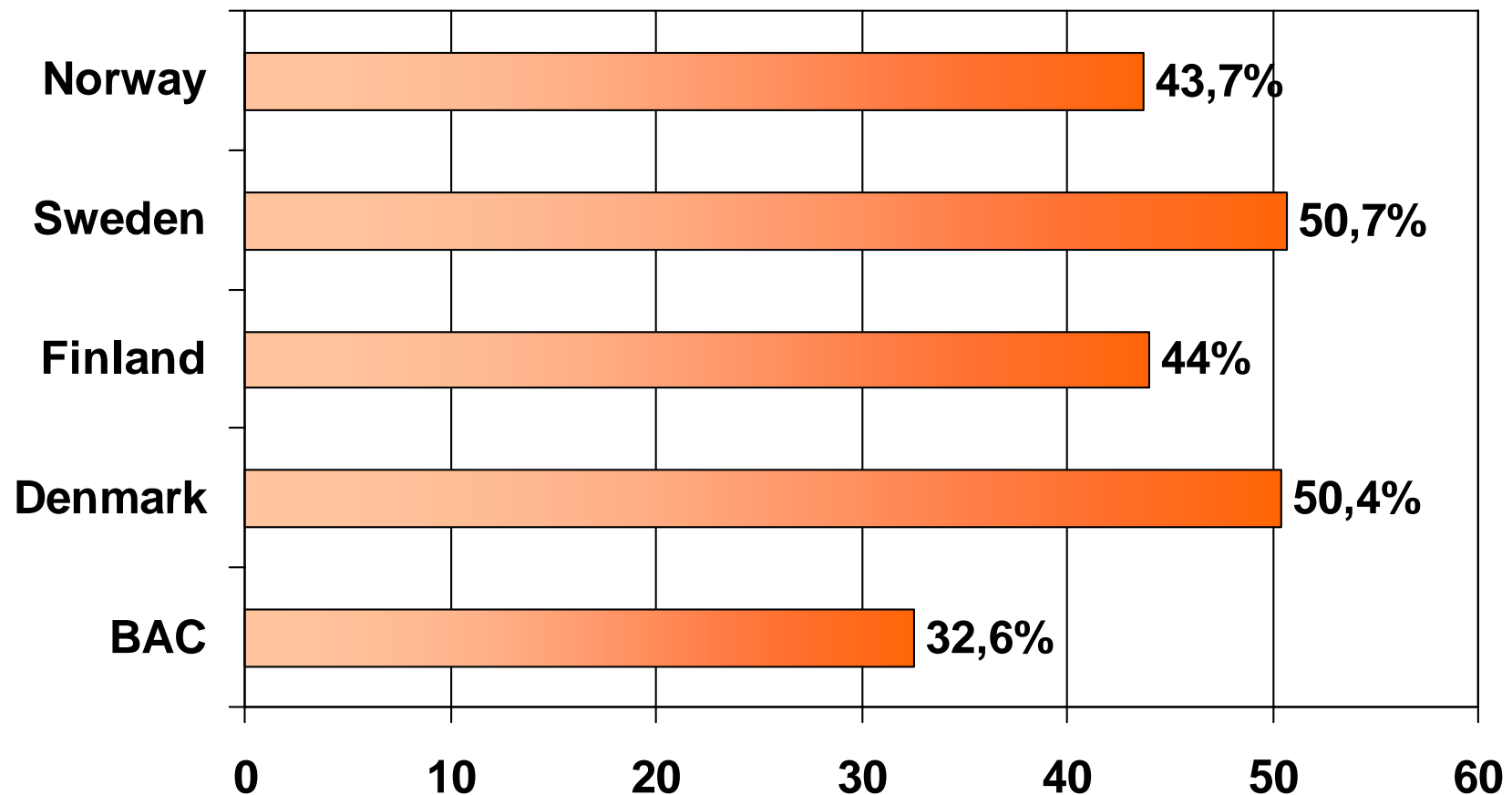


Source: EUROSTAT, 2008

Economic viability

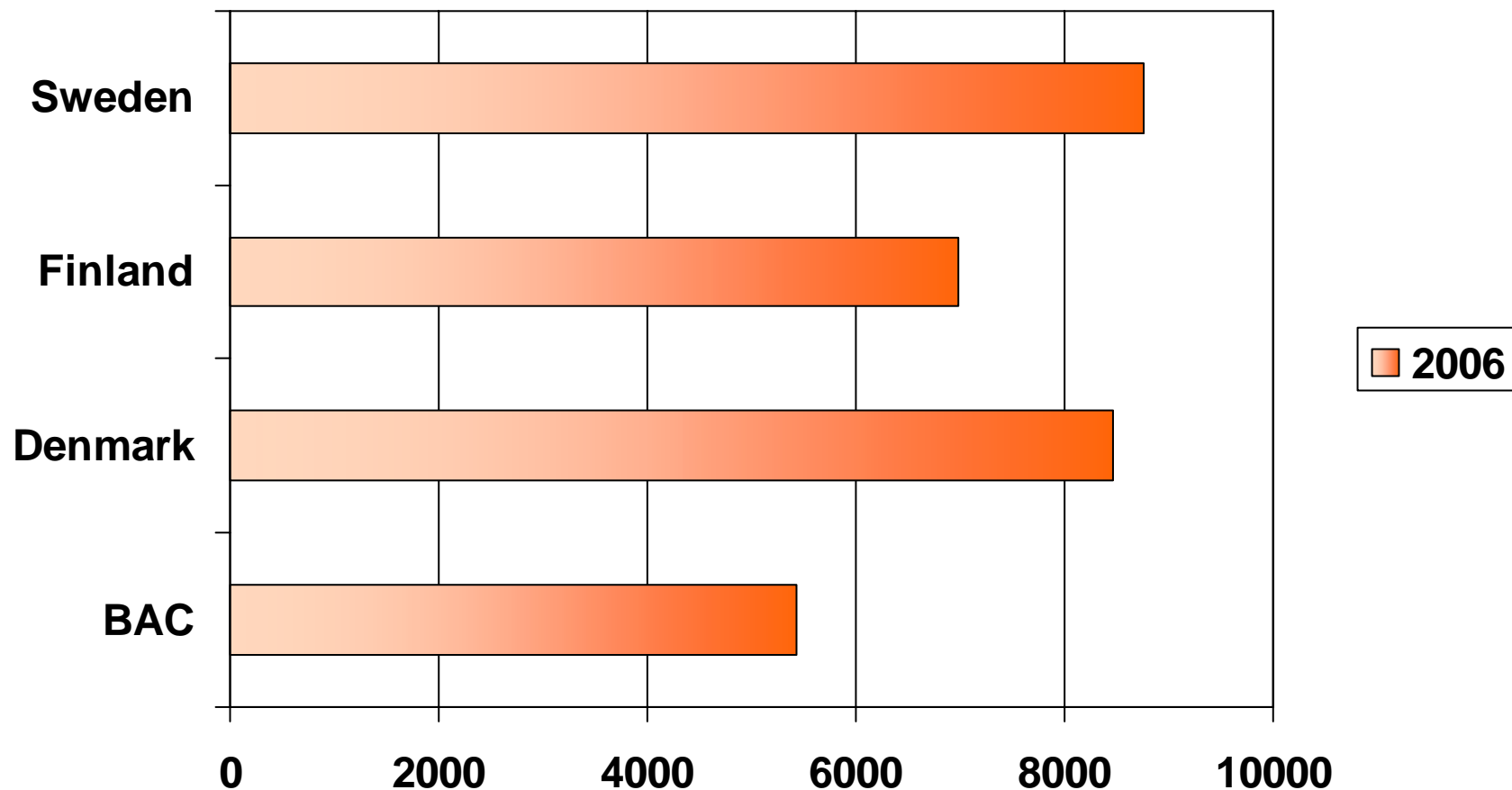
- BAC has third highest GDP PPP in EU-27.
 - DK 5th, SWE 7th, FIN 9th
- BAC has second highest labor market productivity in EU-27
 - FIN 8th, SWE 10th, DK 12th
- BAC has very low public debt (approximately 6% of GDP and falling).
 - Room to expand services if desired.
- BAC has available labor among women and older population.
- Relatively high degree of income inequality (willingness to pay more in taxes?)

Tax Pressure, % of GDP



Source: OECD, 2005 & Churiaque, 2005

Social expenditure



Qualitative Factors maybe more important

- Lack of Social Consensus
 - Immigration may exacerbate social consensus in Basque Country. Studies from US show that people tend to dislike social benefits going to other ethnic groups.
 - Relatively high-level of income inequality
 - Are wealthy willing to bear greater burden for social welfare?
 - Devolution of powers in the Spanish and Basque governments creates inefficiencies in system.
 - Immigration
 - Nordic model can generate
 - Emigration of high-quality labor
 - Immigration of low-quality labor
- } Denmark has net-emigration of high quality labor

Megatrends and the Basque Country



Individualization

Health & Wellness

Globalization

Increasing Wealth

Commercialism

Immaterialism

Global Warming

Change conditions:

Families

Parents

Employees

Business

Government

Digitalization

IT society

**Population
development
(Aging)**

**Accelerating Pace of
change
24-hour society**

Network organization

Knowledge society

Megatrends and Certainties 2008

Certainties

- Aging
- Economic growth
- Immaterialization
- IT/Digitalization
- Individualization
- Globalization

vs.

Uncertainties

- Increase pension age
or lower public pension
- Polarization
or more economic homogenous
- Consumer of dreams
or create your own dreams
- Decentralized net (internet)
or centrally controlled net (mobile phones)
- Unique individuals
or individually chosen communities
- Global market
or regional protection

Globalization

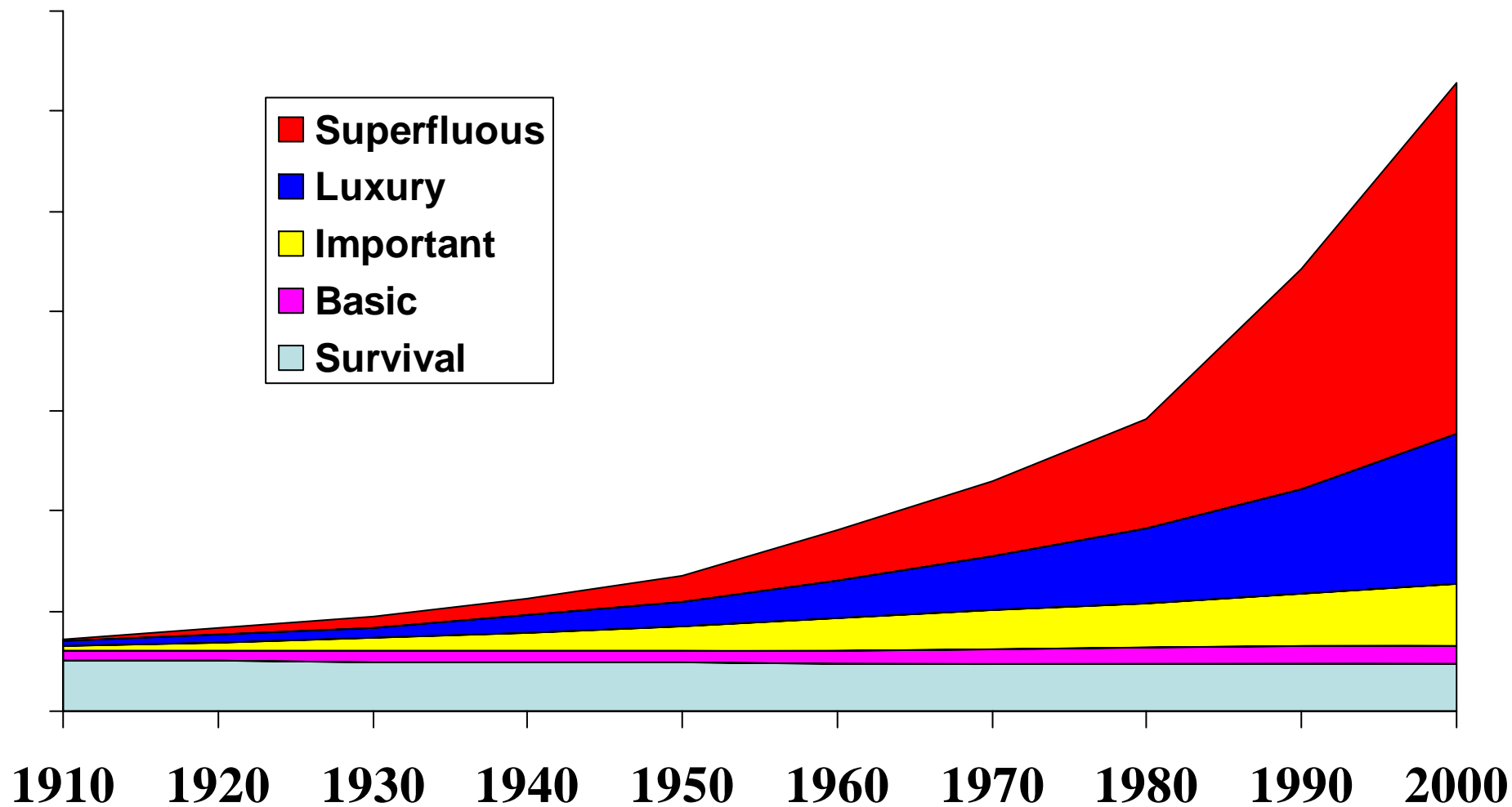
- The Spanish-Basque conflict has led to an extreme focus on the EU.
- Has Basque Country become blinded to the events occurring outside the EU?
- Is the Basque Country prepared for the multi-polar world?
 - What links does it have with countries like Brazil, Russia, India, China?
 - Do Basque youth study in these countries?
 - Do BRIC and similar countries study in the Basque Country?

Figure 9 – Top 15 consumer markets in 2025
(consumer spending: real US\$ billions at PPP)⁴⁹

	2005	2025	CAGR
China	3,088	14,527	8.0%
United States	7,335	12,512	2.7%
India	1,924	4,264	4.1%
Russia	749	2,489	6.2%
Japan	1,780	2,291	1.3%
United Kingdom	1,058	1,707	2.4%
Germany	1,180	1,512	1.2%
Brazil	757	1,465	3.4%
France	917	1,374	2.0%
Italy	836	1,168	1.7%
Mexico	648	1,139	2.9%
Canada	539	1,045	3.4%
Spain	560	945	2.7%
South Korea	413	914	4.1%
Australia	339	592	2.8%
G6	13,106	20,565	2.3%
B6	7,579	24,799	6.1%
World	30,374	54,998	3.0%

Source: Accenture: The rise of the Multi-Polar World, 2007

Consumption past and present



Commercialization

Likelihood for:

- More and more things commercialized
- More privatization
- More user payments for government services, education services, etc
- More commercials in the public sphere



Individualization

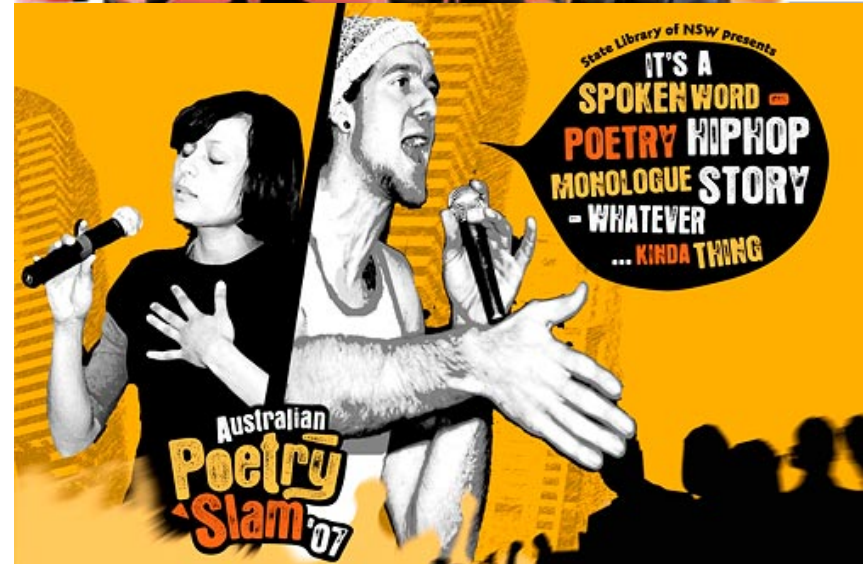
- The need to differentiate one's self from the rest
- Breakdown of old communities
- Individuals select new communities without regard to borders
- People and companies do not want standardized services; they want to feel special.
- They want something individualized to them.



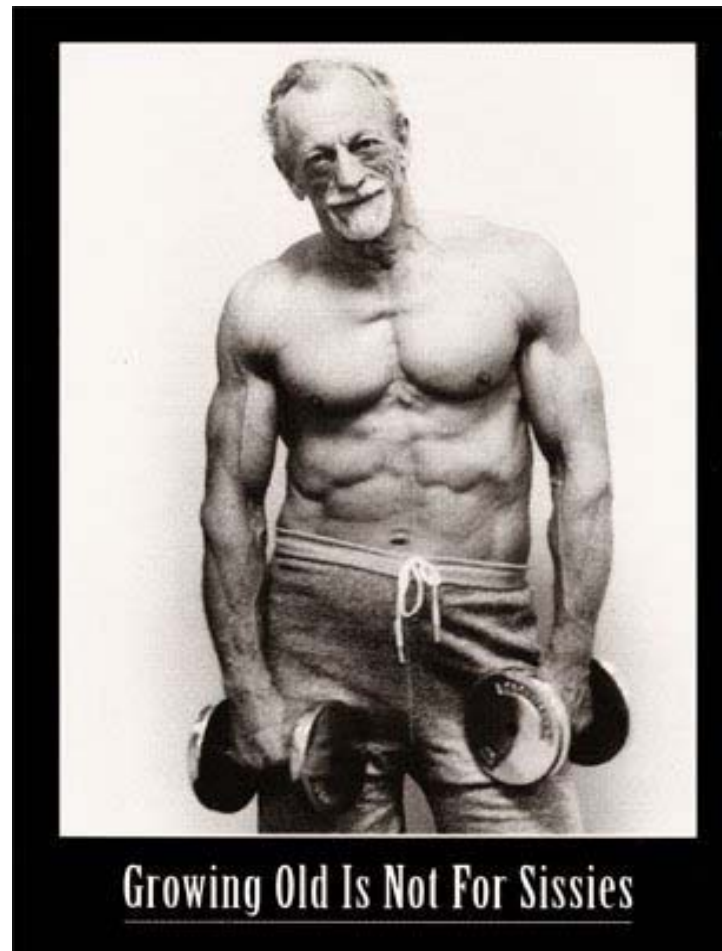
Creative individualists

Trend in developed countries:

- Less status in plain consumption, more in being creative
- Desire to express ones own creative talents



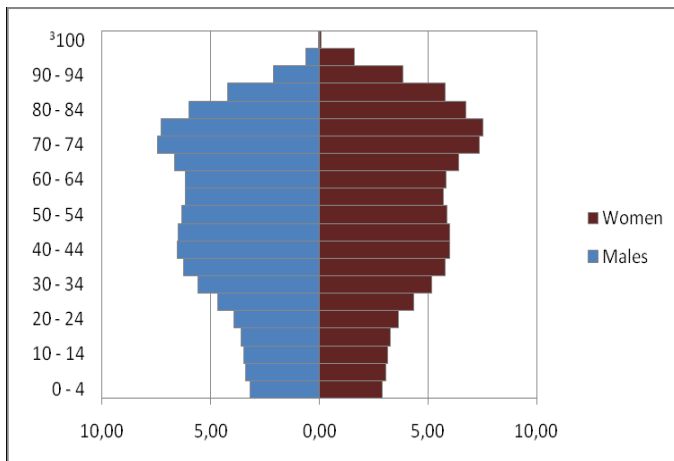
BAC among oldest in Europe



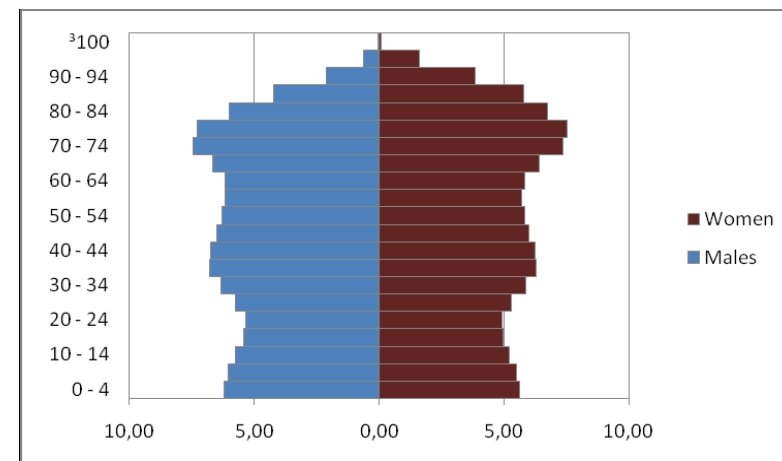
Demographics

Basque Country Population Pyramids 2050

Prognosis based on fertility of
1.07



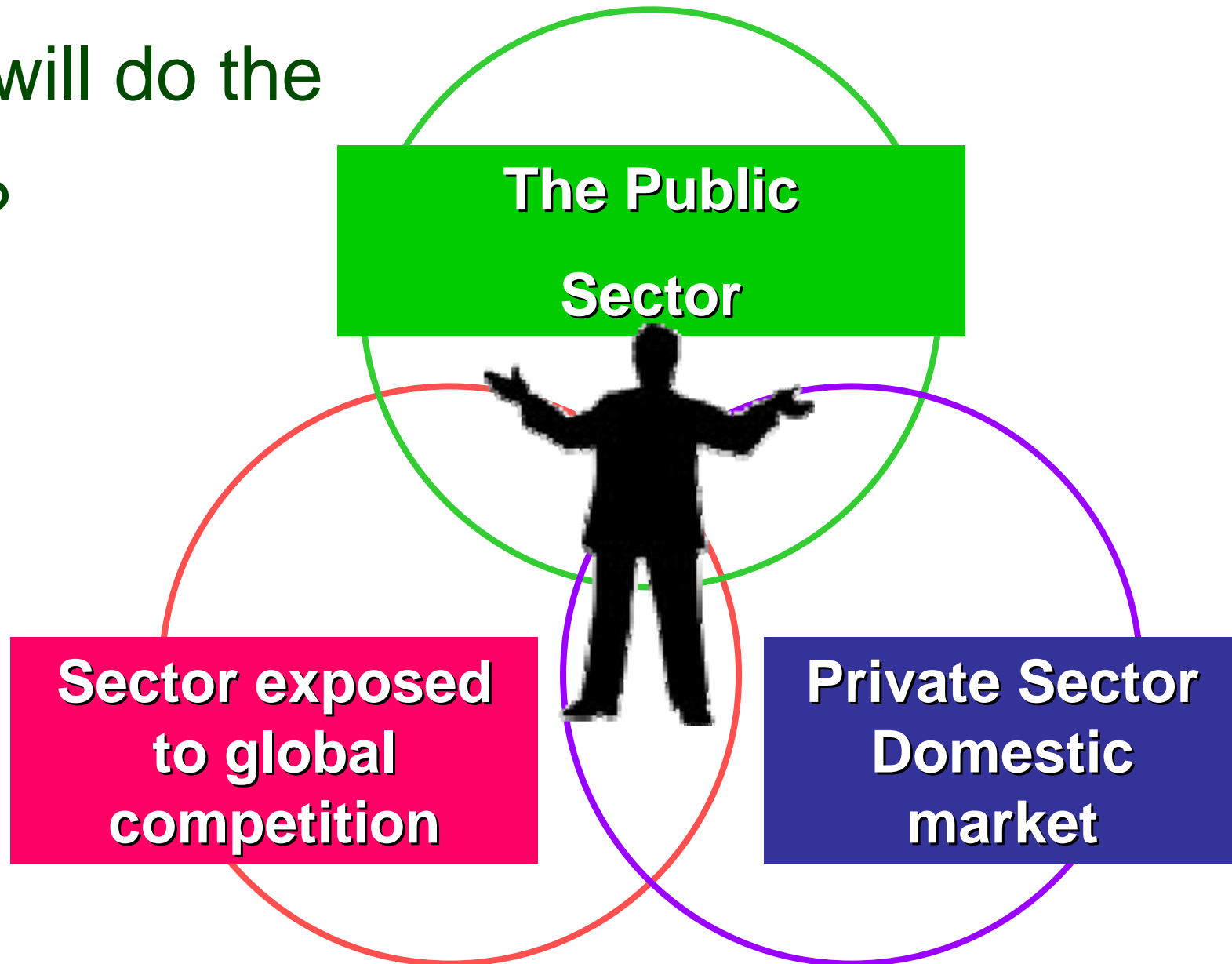
Prognosis based on fertility of 1.99



The long-term retiree a thing of the past?



Who will do the
work?



Four Scenarios for Social Change in BAC



What are scenarios?

Realistic stories about the future

Scenarios are normally...

- NOT predictions
- Unlike the present
- Probable and possible
- Concrete images
- Argued
- Profiled
- Internally consistent

You can use scenarios for ...

Identify challenges in the surrounding world

- Threats and possibilities

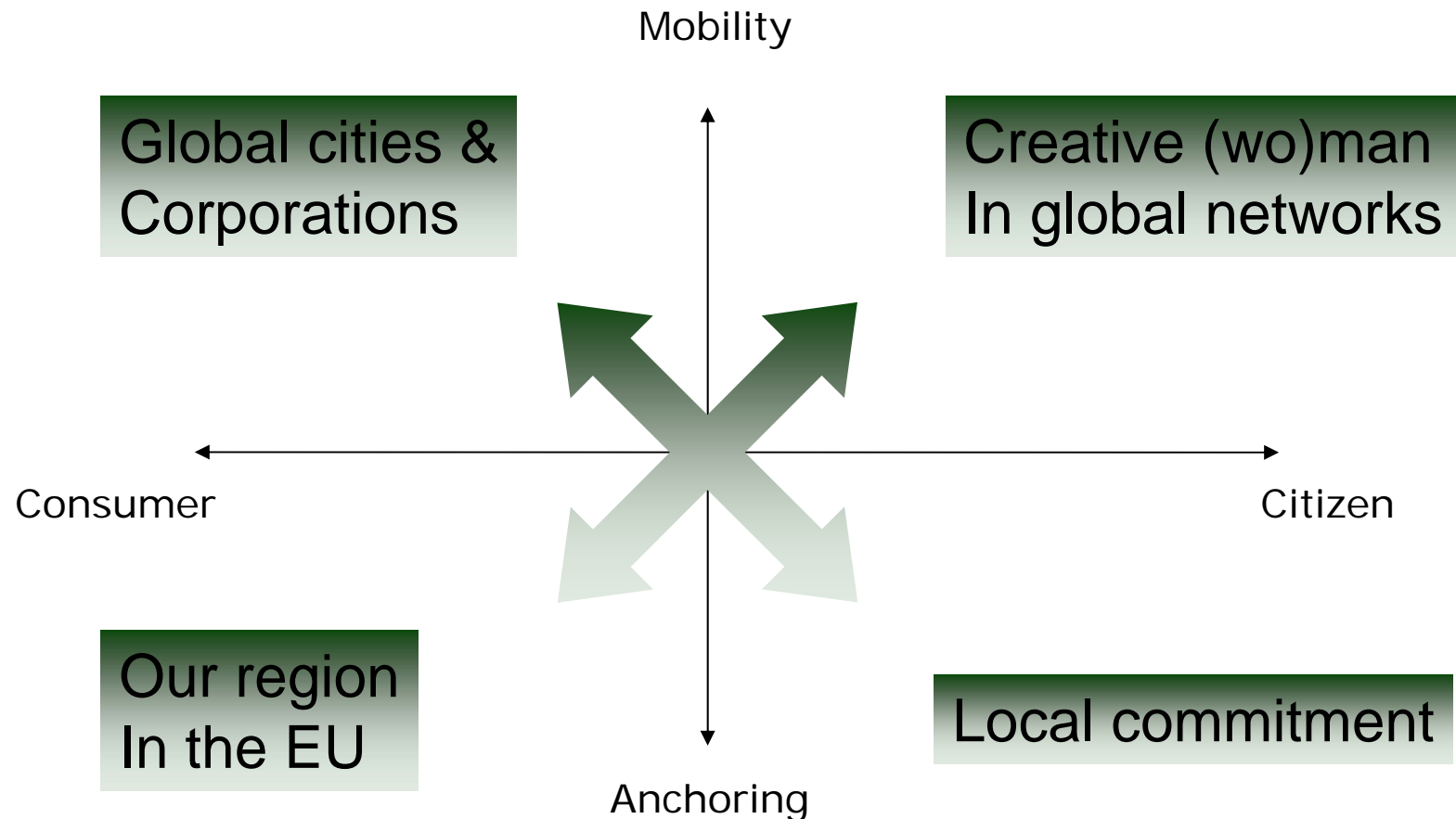
Test, develop and evaluate strategies and innovations

- Business development, HR-development, product development, organizational development, branding etc.

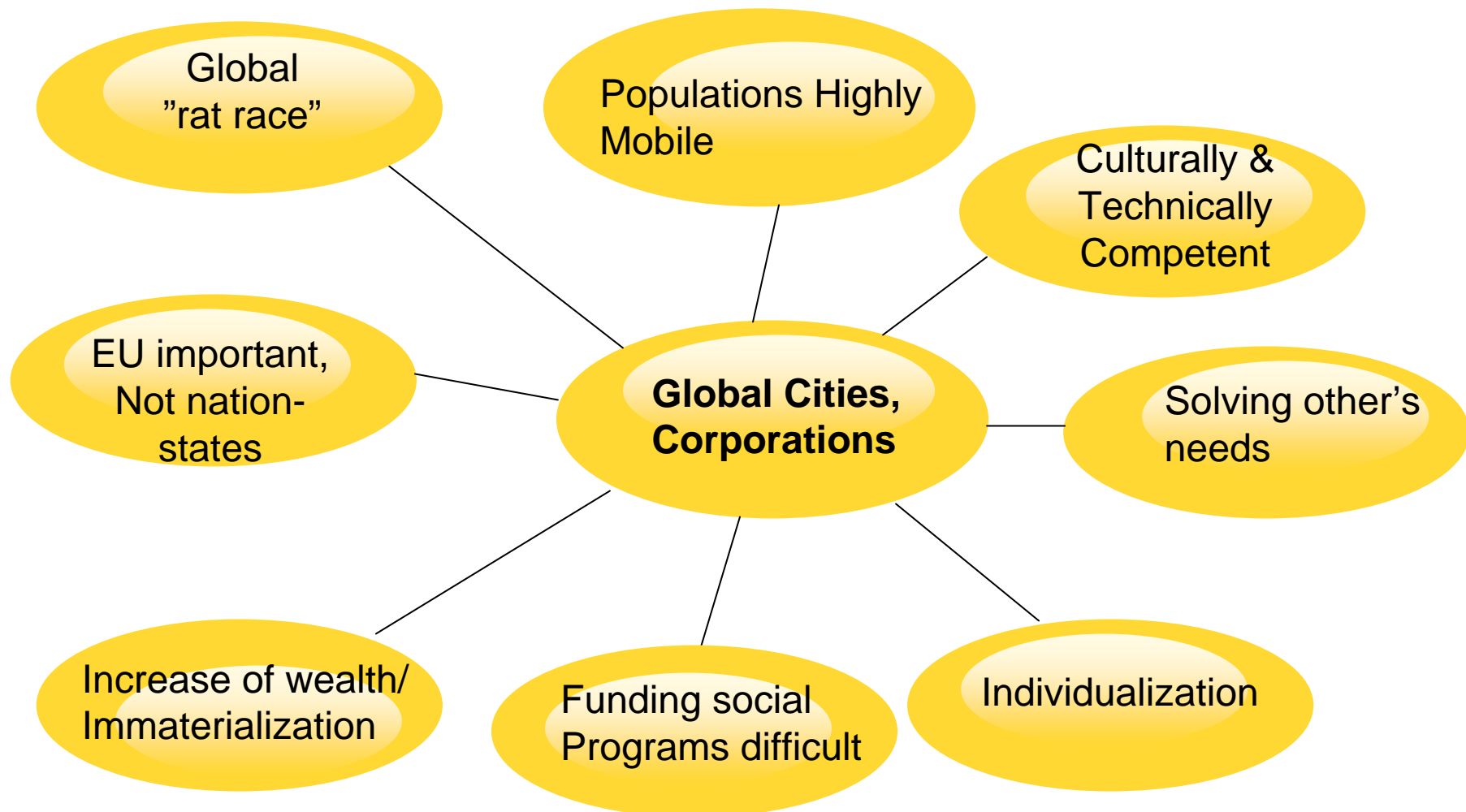
Prepare research and scanning – as guidelines

Establish a common ground for learning, development and communication

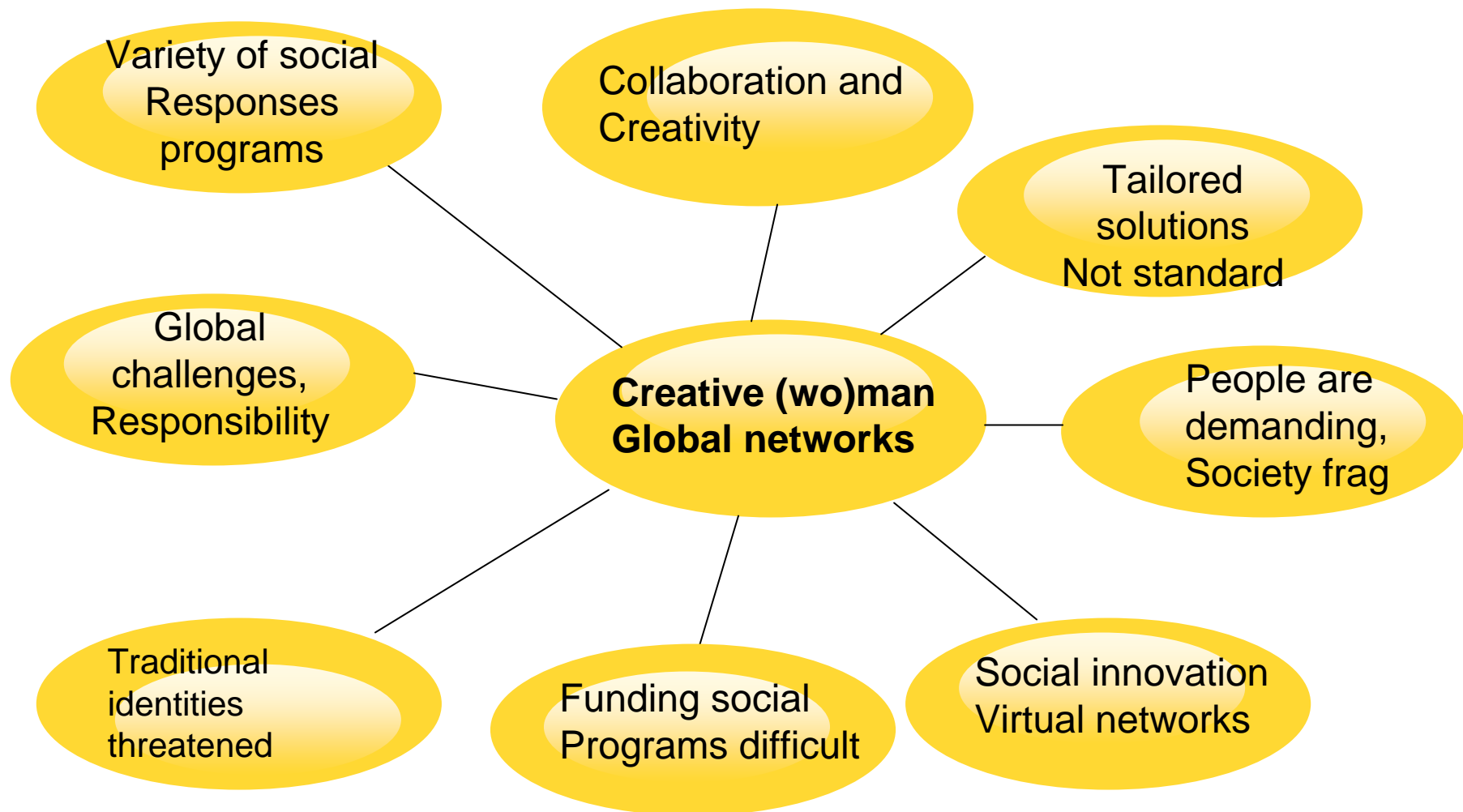
Future scenarios for BAC social change 2020



Scenario 1: Mobility, Consumer Oriented



Scenario 2: Mobility, Citizen



Scenario 3: Anchoring, Consumer



Scenario 4: Citizen, Anchoring



Conclusions and Recommendations

Six general recommendations:

- Increase workforce participation
- Ease burden on working families
- Increase fertility rate
- Improve personal mobility and economic and social flexibility
- Improve social cohesion and integration between social groups, regions and sectors of the economy
- Improve welfare and social security without an unacceptable high increase in tax pressure. (e.g., municipality reform).

Thank you

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