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Introduce Competition and Contribution for Successful Healthcare and Pensions! Changes Needed if UK is to Meet Rising Demand

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Western societies are ageing. As people live longer, the ratio of workers to pensioners continues to shrink. At the same time the costs for healthcare and pensions are rising.

Can governments meet growing need *and* balance the books while encouraging economic growth?

In *Paying for the Future: Working Systems for Pensions and Healthcare*, Ludger Schuknecht and economists from Germany's Finance Ministry explain what makes systems effective.

The study focuses on three main types of system - contributory, tax financed, and mixed. It compares cost, sustainability, and effectiveness in meeting need.

The authors conclude that contributory systems are more effective in meeting need, though some governments prefer tax financed systems because costs can be controlled and are less in overall GDP terms.

The authors set out key principles for future policy to keep Western economies efficient and competitive while meeting increasing demand. They call for transparent and pure systems which encourage providers to compete and users to contribute. If need is to be met and costs afforded, certain steps are necessary:

- **Contributory systems must be pure to be effective, and not burdened with other social policy objectives.**
- **Tax financed systems should be limited, with top-up via private insurance.**
- **Competition among providers is important if costs are to be kept low and quality high. A mechanism for personal contributions from pensioners and patients is needed.**
- **Systems and reform should be linked to proven trends to increase effectiveness, especially for our ageing populations.**
- **There must be labour market reform and more productive employment if systems are to remain viable in the future.**

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[Paying for the Future: Working Systems for Pensions and Healthcare](#) is published by Politeia, 33 Catherine Place, London, SW1E 6DY.

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