TOWARDS A SOCIAL INVESTMENT WELFARE STATE?
Ideas, policies and challenges

Edited by Nathalie Morel, Bruno Palier and Joakim Palme
Towards a social investment welfare state?

**Part IV Meeting the challenges ahead?**

**Ten** Social investment in the ageing populations of Europe  
Thomas Lindh  
261

**Eleven** Aftershock: the post-crisis social investment welfare state in Europe  
Patrick Diamond and Roger Liddle  
285

**Twelve** Climate policy and the social investment approach: towards a European model for sustainable development  
Lena Sommested  
309

**Thirteen** From the Lisbon Strategy to EUROPE 2020  
Bengt-Ake Lundvall and Edward Lorenz  
333

**Fourteen** Social investment: a paradigm in search of a new economic model and political mobilisation  
Nathalie Morel, Bruno Palier and Joakim Palme  
353

**Index**  
377

**List of tables**

1.1 Paradigms, principles and policies summarised and compared  
12

3.1 Three perspectives on the responsibility mix of the citizenship regime  
68

3.2 Three perspectives on social rights and duties  
72

3.3 Three perspectives on the governance dimension of social citizenship  
75

4.1 Public social expenditure as a percentage of GDP, 1980–2007  
94

4.2 Public expenditures as a percentage of GDP for compensatory social policies, 1980–2007  
98

4.3 Public expenditures as a percentage of GDP for investment-related social policies, 1980–2007  
100

121

5.2 Features of the EU employment policy frame and institutional structure of the EU's Lisbon Strategy defined in 2005  
122

5.3 Indicators on active labour market policy (ALMP expenditure as a percentage of GDP and number of participants in active labour market policy schemes (EU-25))  
126

5.4 Indicators on passive labour market policy (PLMP expenditure as a percentage of GDP and number of people receiving passive benefits (EU-25), expenditure on public employment service (% GDP) and number of registered persons in PES)  
127

7.1 Four types of active labour market policy  
184

8.1 Variables used in data analysis  
215

8.2 Measures of human capital investment, human capital stock and employment circa 1995  
216

8.3 Labour market and social policy determinants of employment levels  
220

8.4 Estimated effect of a two-standard deviation change in human social investment variables on employment  
221

8.5 Labour market and social policy determinants of employment in knowledge-intensive services  
222

8.6 Estimated effect of a two-standard deviation change in human social investment variables on knowledge-intensive service employment  
223

8.7 Correlations between social investment policies, literacy scores and employment outcomes  
224

9.1 National differences in forms of work organisation, 2000  
239
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The Editors

Beyond the welfare state as we knew it?

Nathalie Morel, Bruno Palier and Joakim Palme

The twentieth century may be called the century of the welfare state. It saw the emergence, expansion and maturation of the welfare state as we know it. Some have claimed that these developments represent a 'growth to limits' (Flora, 1986) and in a way this communicates a vision that we, at the turn of the century, were about to see the end of history, or at least the end of the welfare state evolution. However, we have learnt from the first decade of the twenty-first century that, not only does the welfare state appear to be here to stay, it is also subject to continued reform. This started already in the late 1990s, when various attempts were made to redefine the principles, goals and instruments of the welfare state to adapt it to the new socioeconomic context of the post-industrial era. Central to this new thinking is the emphasis that is placed on developing policies that aim at 'preparing' rather than 'repairing'. These ideas have been developed most notably in OECD (1996), Giddens (1998), Esping-Andersen et al. (2002) and Rodrigues (2003). While different terms and labels have been used (such as 'social development', 'the developmental welfare state', 'the social investment state', 'the enabling state' and 'inclusive liberalism'), all these analyses point towards a similar policy logic based on what can be labelled 'social investment'.

The social investment perspective is intended to sustain a different economy than that after 1945—the knowledge-based economy. In this new economy, knowledge is considered as the driver of productivity and economic growth. The knowledge-based economy thus rests on a skilled and flexible labour force, which can easily adapt to the constantly changing needs of the economy but also be the motor of these changes. The social investment perspective also aims at modernising the post-war welfare state so as to better address the new social risks and needs structure of contemporary societies, such as single parenthood, the need to reconcile work and family life, lack of continuous careers, more precarious forms of contracts and possessing low or obsolete skills (Bonoli, 2005).
Towards a social investment welfare state?

Consequently, the social investment approach rests on policies that both invest in human capital development (early childhood education and care, education and lifelong training) and that help to make efficient use of human capital (through policies supporting women's and lone parents' employment, through active labour market policies, but also through specific forms of labour market regulation and social protection institutions that promote flexible security), while fostering greater social inclusion (notably by facilitating access to the labour market for groups that have traditionally been excluded). Crucial to this new approach is the idea that social policies should be seen as a productive factor, essential to economic development and to employment growth. This represents a fundamental break from the neoliberal view of social policy as a cost and a hindrance to economic and employment growth.

This social investment perspective has underpinned the Lisbon Agenda, which the European Union adopted in 2000 with the aim of making Europe 'the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment'. While this way of viewing social policies as a productive factor is novel at the EU level — and beyond that also at OECD level as the chapters by Hernerijck and by Jenson emphasise — this perspective has its roots as far back as the 1930s, in the ideas developed by Alva and Gunnar Myrdal in Sweden. However, the productive social policy approach promoted by the Myrdals did not impose itself as a paradigm outside of Sweden. Instead, Keynesian macroeconomic policies and social policy came to dominate, which meant that some of the productive aspects of social policy were cast aside. In the wake of the 1973 economic crisis, Keynesianism was thought to have demonstrated the limits of a demand-side approach. Neoliberals put forth a new supply-side economic paradigm, which involved a new view of social policy as a wasteful cost and as hampering economic growth. The turn since the late 1990s towards a social investment perspective, based on a new understanding of social policy as a productive factor, may well be the sign of the emergence of a new paradigm, in the way that Hall (1993) has defined the concept.¹

In the first section of this chapter, we start by tracing the different approaches to social policy as they have developed over time, starting with the early origins of the social investment perspective in the Myrdals' 'productive social policy' approach put forward in Sweden in the 1930s, before turning to a brief analysis of the Keynesian and neoliberal eras of social policy. We then take a closer look at what has been going on since the late 1990s and suggest that the social investment perspective may represent an emerging social and economic policy paradigm.

In the second section, we review the different critiques that have been levelled at the social investment perspective. We then suggest that some of these critiques may be linked to some of the tensions and ambiguities embedded in the social investment perspective, which in part is a result of the different intellectual sources behind it.

In the third section we present the aims and focus of the book, which is to assess the achievements, shortcomings and potentials of social investment policies, to question whether the 'social investment' strategy is able to regenerate the welfare state, promote social inclusion, create more and better jobs, and help address the challenges posed by the economic crisis, globalisation, ageing and climate change. The final section presents the book's structure and contents.

The long road towards a social investment strategy

The early origins of the social investment perspective

The early origins of the social investment perspective can be traced back to the early years of the social-democratic Swedish welfare state. Against the background of the Great Depression and a severe fertility crisis, Alva and Gunnar Myrdal, two prominent Swedish social democrats, developed a new conception of social policy oriented towards the efficient organisation of production and reproduction, and which viewed social policy as an investment rather than a cost. They developed their ideas in a number of reports and books, and most famously in their 1934 book Kris i befolkningfrågan (Crisis in the population question). Here they used the demographic argument to overcome the Conservatives' eugenic preoccupations with the quantity of the population was its 'quality'. Here the Myrdals addressed the Conservatives' eugenic preoccupations with the quality of the
Towards a social investment welfare state?

Swedish population by arguing that the 'quality of children' was not biologically determined, but linked to socioeconomic factors and to education (Appelqvist, 2007). Thus was it necessary to put in place a wide array of policies that would invest in the nation's human capital such as the development of quality day care, education, health care, economic support to families and policies to support women's labour force participation.

While the Myrdals addressed the demographic concerns of the time, their argument was also, in a period of deep economic crisis, very much linked to a concern with economic growth and productivity: without a healthy and educated population that also reproduced itself, the productivity of the economy could not be sustained. Social policy was presented not simply as a means for the provision of individual security and redistribution, but also for the efficient organisation of production. This new understanding of the role of social policy was encapsulated under the term 'productive social policy' which Gunnar Myrdal coined.

As underlined by Andersson (2005), this concept indicates that the productive effects of resources devoted to social policy can be compared to the productive effects of resources devoted to productive activities as conventionally understood in classical economics. As such it constitutes in itself a critique of classical economics in which the productive effects of social policy cannot be measured or quantified. This new understanding of the interaction between social policy and economic growth became a guiding principle for Swedish social democracy from the 1930s onwards. While the emphasis was on developing policies to support human capital formation, the preservation of human capital through active labour market policies but also through unemployment compensation was regarded as equally important. Guaranteeing income security in particular was seen as a vital element in helping to overcome workers' fear of change and thus of economic restructuration.

As Esping-Andersen has argued, through this 'productive social policy' approach, Swedish social democracy succeeded in reconciling the dual goals of equality and efficiency which had hitherto been understood as conflicting goals:

Equality was not promulgated as merely compatible with efficiency. It became, indeed, a precondition for its optimization: more equally distributed purchasing power is a precondition for macroeconomic performance; family policy is an investment in future human capital; the equalization of resources, such as health or education, is the foundation for optimal labor productivity; solidaristic wage policy and active manpower programs spur industrial modernization; income security helps overcome workers' natural resistance to rationalization; and preventive social policy diminishes human waste and economic costs. (Esping-Andersen, 1992: 38)

What is particularly interesting is the way this 'productive social policy' perspective seemed to be able to resolve the tension between individual security and social solidarity on the one hand, and the collective interest of economic efficiency and individual productive participation on the other, that is to say the Marshallian dichotomy between rights and responsibilities (Andersson, 2005: 3). For Andersson, the concept of 'productive social policy' can thus be interpreted as an economic discursive defence of solidarity and individual security, advocating social rights with reference to their effects on economic efficiency (ibid, p. 4).

This productivist approach was in some respects similar to the Keynesian understanding of economic growth and social policy. As such, the rise of Keynesianism across the developed countries in the 1930–1940s provided an extra impetus for the productive social policy approach in Sweden. In other countries, however, Keynesian countercyclical demand-side macroeconomics came to dominate, with policies that were more oriented towards 'passive' social policies to promote and sustain demand in the here and now than towards human capital development and investments in the future.

The Keynesian era

As Hemerijck reminds us in Chapter Two, Keynesianism rose to prominence in the wake of the Great Depression and came to dominate macroeconomic policies across the developed world until the late 1970s. Keynesian economic theory offered a new understanding of the causes of slow growth and unemployment, linking them to problems of insufficient demand and of the natural tendency towards cyclical fluctuations of unfettered capitalism.

Keynes saw government intervention in the economy in the form of monetary and fiscal policy as necessary for the stability of the economy. Public spending in particular could function as an important regulator which could be used to stimulate the economy at a time of a slump or to dampen growth if it happened too quickly. In this respect, spending on welfare policy was seen as a particularly useful economic tool, helping to balance the economy in periods of recession.
Towards a social investment welfare state?

Social policy thus had a positive economic role to play in that it could function in a countercyclical way by maintaining workers' wages in times of recession and therefore prop up demand and stimulate growth. Furthermore, Keynes argued, similarly to the Myrdals, that reducing income inequalities and investing in health and education were essential ingredients in boosting economic growth, which in turn provided the means for further expansion of social rights. For Keynes, far from being polar opposites, open markets and organised solidarity prospered together. Welfare state construction and expansion, together with significant declines in income inequalities, came to be viewed as essential ingredients in any strategy to boost economic growth (see Chapter Two).

While Keynesianism shared with the Myrdals' productive social policy approach a belief in the mutually reinforcing qualities of social policy and economic growth, and of equality and efficiency, the two approaches also differ on a number of points.

For one thing, the kind of welfare state development that Keynesianism promoted was, as Hemerjck (Chapter Two) reminds us, 'as much progressive in design, based on organized labour support and class compromise, as it was conservative in intent'. Unlike the Myrdals' emphasis on supporting female labour market participation and gender equality, and on promoting children's wellbeing and social rights, Keynesian employment and social policies very much supported the traditional family and the male breadwinner model in which men's employment opportunities were in focus, along with men's social rights. While women and children also benefited from social benefits, this was through their link to a male breadwinner (see also Chapter Three).

Keynesianism is also founded on a different notion of time than that associated with the productive social policy approach. In the latter approach, social policy was more explicitly conceptualised as an investment, which would yield returns not just in the present (propping up demand) but also in the future (notably through investment in the education and health of young children, and through investment in human capital more generally). In the Keynesian perspective, on the contrary, as Jenson reminds us (Chapter Three), the here-and-now was the most important timeframe and social citizenship focused on inequalities, inequities and challenges of the present that would be addressed in the present. The countercyclical economic instruments obviously supported such a notion of time. The social policies developed under the Keynesian epoch were thus mainly 'passive' social policies to promote and sustain demand, notably through the development of cash-transfer programmes in the form of social insurances.

Beyond the welfare state as we knew it?

There are exceptions to this passive approach, though. In Sweden in the 1950s, the active labour market policy approach formulated as part of the Rehn-Meidner model appears to be a parallel track inspired by Schumpeter as much as by the Myrdal legacy. Following Schumpeter, the Rehn-Meidner model was actually designed to reinforce the destructive forces of capitalism in order to promote the establishment of new and more wealth-creating structures but, following the Myrdals, the model also provided the policy instruments for equipping the workers of the old structures with skills and other resources that would enable them not only to access but also to gain from the new structures.

The neoliberal era

Following the economic crisis of 1974 and Keynesian economic theory's incapacity to explain and respond to the simultaneous rise in both unemployment and inflation, Keynesian economic policies came under severe attack from proponents of neoliberal macroeconomic theory, ultimately leading to a paradigmatic shift from Keynesianism to monetarism (Hall, 1993). The new neoliberal paradigm placed the emphasis on budgetary rigour, wage restraint, monetarism and corporate competitiveness (Jebert, 1994). In this macroeconomic thinking, social expenditures no longer played a central role in ensuring economic growth. In fact, social policies became portrayed as a cost rather than a stimulator of economic growth or a promoter of political and social stability. The Keynesian notion that there was no tradeoff between social security and economic growth, or between equality and efficiency, was rejected. For neoliberals, inequalities were inherent in markets and in fact necessary to motivate economic actors.

For neoclassical economists, high unemployment and low growth were the consequences of labour market rigidities. Unemployment was thus interpreted as a microeconomic problem of market distortions linked to strong job protection, high minimum wages and generous unemployment insurance, rather than as a macroeconomic problem of insufficient demand (cf. OECD, 1994, 1997). Generous social policy was held responsible for poor job-seeking motivation and for creating a culture of dependency (see also Chapter Two). The understanding of the causes of unemployment and slow growth, and thus the remedies put forward, therefore shifted from a demand-side to a supply-side approach.

Such a view was accompanied by a growing demand for the role of the state to be rolled back, since it was perceived as too costly and inefficient, and for a reallocation of social responsibilities towards other
social actors, such as the market, the family or community associations (see Chapter Three).

While social policies were not dismantled as such, a new orientation towards activation was given to social policy. Less emphasis was placed on providing income security and more focus was placed on providing incentives (in a more or less coercive fashion) to return to the labour market.

Finally, as underlined by Jenson (see Chapter Three), unlike Keynesian social policy, which argued for the use of public spending to alleviate poverty and inequalities and to support demand in the here and now, the neoliberal perspective was much more oriented towards the future; the argument against public spending and public deficits was made in the name of future generations whose wellbeing should not be mortgaged; and the argument in favour of policies to curb wage increases, diminish job protection and to increase corporate profit margins was made in the name of the jobs this would create in the future. As famously coined by former German Chancellor Helmut Schmidt: 'today's profits will be tomorrow's investments, which will create the jobs for the day after tomorrow'.

The social investment perspective on the policy agenda

Starting in the late 1990s, new ideas concerning the role and shape of social policy and its role in relation to the economy began to emerge (Jenson and Saint Martin, 2003; Perkins et al., 2004; see also Chapters Two and Three in this volume).

While there is no unified theory and no single intellectual source behind these new ideas, and while different labels have been used (such as 'social development', 'the developmental welfare state', 'the social investment perspective', 'the enabling state', 'inclusive liberalism' or, the term we have chosen here, the 'social investment perspective'), these different conceptions have in common the fact that they stress the productive potential of social policy and thus provide a new economic rationale for social policy provision.

These ideas developed partly as a critique of neoliberalism, but in some ways they also build on the neoliberal critique of the traditional post-war welfare state. Above all, the ideas put forward are based on an understanding that social policies need to respond to a radically changed economic and social order.

The increasing polarisation and poverty rates, including in-work poverty, which appeared – especially in those countries that had gone furthest in implementing neoliberal policies – and the growing problem and cost of social exclusion, gave rise to a critique of neoliberal social prescriptions.

At the same time, the traditional post-war male-breadwinner welfare state came under increasing criticism, not least from social policy analysts who argued that the 'old' welfare state was ill-equipped to deal with the transition to post-industrialism, the social and demographic transformations of families and society, and the resulting emergence of new social risks. In this respect, the conservative welfare regimes of continental Europe have been especially singled out, both for their failure in responding to changing social risks and needs, and for their seeming inability to create jobs. Likewise, the financial sustainability of these welfare states, and their capacity not to mortgage the wellbeing of future generations, has been severely questioned (Esping-Andersen, 1996, 1999; Scharpf and Schmidt, 2000; Esping-Andersen et al., 2002).

Traditional forms of 'passive' social policy intervention of the post-war welfare state have moreover come to be presented as out of kilter with the needs of the new economy, often described as the 'knowledge economy'. It is argued that to succeed in this 'knowledge economy' it is necessary to have a highly skilled and educated workforce, who can quickly adapt to the constantly changing needs of the economy, and who is also the motor of this change thanks to its creative and innovative potential. In this thinking, unemployment is linked to a lack of adequate skills to fill today's jobs, and this lack of adequate skills and education is also expected to stymie future economic growth and employment creation, unless the necessary investments are made to foster human capital development (OECD, 1997; EU, 2000, 2009).

These different criticisms have led to calls for a modernisation of welfare systems in order to address the issue of growing poverty and social exclusion, to better respond to the new needs and new social risk structures of contemporary society, to make welfare systems sustainable, and to make them 'productive' in the sense that they should promote and support employment and economic growth. Central to this modernisation of welfare systems is the idea that social policy should aim at 'preparing' the population to prevent certain social and economic risks associated with changing employment conditions and family patterns, and to minimise the intergenerational transfer of poverty, rather than at 'repairing' through passive income maintenance schemes after the risk has occurred.

As such, social expenditure should be rechannelled from passive to active social policies. In this sense, the social investment perspective shares with neoliberalism the notion that social spending should be directed towards activating people in order to allow individuals and
families to maintain responsibility for their wellbeing via market incomes, rather than towards passive benefits (see Chapter Three). However, while the social investment perspective retains the focus on activation that neoliberalism instituted, there is a shift away from the idea that ‘any jobs’ are good and that social benefits should be scaled back so as to ‘make work pay’. Instead, the idea is that social policy should help to ‘make work pay’ through positive economic incentives (by improving net income for those who work, first of all at the bottom end of the wage distribution), and that it should assist in promoting the creation of ‘quality jobs’.

Therefore, where Keynesian and neoliberal macroeconomic policy stances in common a purely quantitative understanding of work and labour (Keynesians aim at creating demand for jobs in general while neoliberal economists aim at increasing the supply of labour in general), the social investment perspective focuses more attention on the processes through which labour is transformed (through upskilling and learning).

While the social investment perspective maintains a belief in the efficacy of the market system (Perkins et al., 2004: 2), it qualifies in important respects the neoliberal belief that uninterred markets are necessarily the most appropriate and efficient organising principle in all circumstances. The social investment perspective acknowledges the importance of market failures and the need for government intervention and direction of market forces in order to improve both economic and social outcomes. As underlined by Jenson (Chapter Three), contrary to neoliberalism, the social investment perspective is based on a more positive theory of the state. While the state is still portrayed as a dynamic enterprise, it is expected to have the public interest in mind (Giddens, 1998). Furthermore, the state is assigned a key role in fostering the development of human capital (through investments in education and training) and in providing the necessary services and benefits to help make efficient use of human capital (policies providing support for labour market participation, particularly among categories such as lone parents and young parents, for example, day care services) and to avoid human capital depletion (provision of in-work benefits, rather than social assistance or allowances, as well as support for job training and job searches (in addition to unemployment insurance)).

While the social investment perspective does some continuity with the social thinking of neoliberalism, it nonetheless breaks away from the neoliberal paradigm on a number of key points. Most importantly, social investment proponents have renewed with the Keynesian idea that it is possible to reconcile efficiency with equity, or growth with social inclusion.

The policies put forward for achieving this differ from the Keynesian epoch in a number of ways, however, the focus being more on the life cycle and on the future than on equality of outcomes in the present. Indeed, one of the main aims of the social investment approach is to minimise the intergenerational transfer of poverty (Chapter Three), but also to promote the intergenerational transmission of knowledge. While the policies put forward focus on promoting equal opportunity in the present (by facilitating access to education and training and to the labour market), this is expected to produce benefits in the future in terms of a reduction in the intergenerational transfer of poverty and inequalities, but also in terms of economic and employment growth. Indeed, not only are social policy and economic growth seen as mutually reinforcing, social policy is in fact seen as a precondition for economic growth.

By emphasising the economic benefits for society of new forms of social policy that invest in human capital, the social investment perspective renews the concept of ‘productive social policy’ put forward by the Myrdals in Sweden in the 1930s. In fact, the European Commission has been using that concept of ‘productive social policy’ since 1997, when the Dutch EU presidency staged a high-level conference entitled ‘Social Policy as Productive Factor’ which set the scene for the EU’s new Social policy agenda (see Chapter Two). The economic arguments in favour of considering social policy as a productive factor have since then been put forward most notably in a report for the Employment and Social Affairs DG entitled ‘Costs of non-social policy: towards an economic framework of quality social policies – and the costs of not having them’ (Fouarge, 2003).

**Social investment as a new policy paradigm?**

In order to highlight the main differences between the Keynesian and neoliberal paradigms and the social investment perspective, we summarise in Table 1.1 the key characteristics of each approach according to four dimensions that have been identified in the literature as characterising policy paradigms: (1) the diagnosis of the problems (understanding of the causes of unemployment and relation between social policy and the economy); (2) the values and principles pursued; (3) the norms for public action; and (4) the instruments used (cf. Jobert and Muller, 1987; Hall, 1993; Mandin and Palier, 2004).
## Table 1.1: Paradigms, principles and policies summarised and compared

<table>
<thead>
<tr>
<th>Diagnosis on unemployment</th>
<th>Unemployment and slow growth due to insufficient demand</th>
<th>Unemployment and inflation due to constrained supply because of labour market rigidities (excessively high labour costs, too much labour regulation, social benefits acting as work disincentives)</th>
<th>Unemployment linked to lack of adequate skills to fill today's jobs and to create the jobs of tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social policy and the economy</td>
<td>Positive economic role of social policy; development of social insurances to prop up demand and stimulate growth</td>
<td>Negative economic role of public social expenditure: the welfare state as a cost and as the cause of slow growth and inflation</td>
<td>Positive economic role of new forms of social policy; social policies that invest in human capital to increase employability and employment levels; to support labour market fluidity (flex-security); to prepare for the 'knowledge-based' economy</td>
</tr>
</tbody>
</table>
| **Key values and principles** | • Social equality  
• Jobs for all (men)  
• Decommodification | • Individual responsibility  
• Any jobs  
• Activation | • Social inclusion  
• Quality jobs  
• Capabilities approach: Equality of opportunity; 'Prepare rather than repair' |
| **Key norms for public action** | • Big state  
• Central economic planning  
• Welfare state development | • Lean state  
• Deregulation  
• Dismantling of the welfare state  
• Monetarist economic policies to fight inflation  
• Deregulation of the labour market  
• Privatisation of social and health services, development of capitalisation to finance pension schemes  
• Activation and workfare | • Empowering state  
• Investment  
• Recasting of the welfare state  
• Human capital investment policies to increase competitiveness and job creation  
• Development of social services and policies to support the labour market; early childhood education and care; higher education and life-long training; active labour market policies; policies to support women's employment  
• Flex-security |
| **Key instruments** | • Policies to support demand  
• Development of social insurance schemes for income maintenance  
• Development of the public sector  
• Unemployment compensation | | |
Towards a social investment welfare state?

As this brief account of the different periods of welfare state development shows, perspectives on the link between social policy and the economy have varied substantially over time, reflecting different dominating policy paradigms. While there is generally a wide consensus on describing the post-war period until the mid-1970s as that of Keynesianism (cf. Hall, 1989) and the period since the mid-1970s as that of neoliberalism (cf. Jobert, 1994), it is not yet clear whether the social investment perspective that has been put forward since the late 1990s can be considered as forming a new policy paradigm.

While there is certainly a shared new set of ideas that have spread across the international community (at the level of international organisations such as the OECD, UNICEF, EU, World Bank – cf. Mahon, 2008; Jenson, 2010 and Chapter Three) and that have been circulated through an international epistemic community and integrated in the discourses and practices of most European governments, and while there seems to be a certain convergence on the understanding of the nature of the problems these new ideas and policies are meant to be addressing, it is not yet entirely clear that there is a shared belief in the failure of neoliberalism as an economic paradigm to address the economic and social challenges of the early twenty-first century.

As we have seen, whereas neoliberalism is fundamentally at odds with Keynesianism with respect to macroeconomic theory, the social investment perspective shows more continuity with neoliberalism, even if it does depart from neoliberal economic and political theory on some key points.

The severe economic crisis that broke out in 2008 may, however, provide the necessary trigger for a more profound questioning of present macroeconomic policies, and thus open the way for a paradigmatic change in which the social investment perspective could serve as the new reference. In Chapter Fourteen we will discuss what we believe to be still missing from the social investment perspective to become a new policy paradigm, and the conditions under which it could become the new paradigm for the twenty-first century.

In the meantime we prefer to talk about social investment as an "emerging paradigm", and choose to use the expression 'social investment perspective' or 'social investment strategy' in the book to designate the new ideas and policies that have been promoted since the late 1990s.

The critiques of the social investment perspective

While a fairly wide consensus around the social investment perspective seems to have been established at the international level and in some European countries, this approach has also attracted critiques from different academics. As we shall see, some of these critiques relate to problems linked to the implementation of the social investment strategy, but some of the critiques also hit more at the core of the social investment perspective itself.

A first set of critiques relates to the socioeconomic consequences of the social investment strategy's focus on the future. Briefly stated, the argument is that the focus on investing for future returns by rechanneling expenditure from 'passive' social security benefits (not least unemployment benefits) to activation and spending in the fields of family-oriented services and education has meant not only that today's poor have been left aside, but more critically that such a rechanneling has increased poverty in many countries as social spending has become less adequate in relieving poverty and as its redistributive profile has become less 'pro-poor' (and is more oriented towards 'work-rich' rather than 'work-poor' families) (Cantillon, 2010).

A second critique, to some extent linked to the one just outlined, has to do with the strong emphasis on activation that characterises the social investment perspective and which has both offered a justification for cutting back on benefits that previously allowed certain groups to remain outside the labour market (such as lone parents or people on long-term sickness leave) and also meant that the issue of the quality of work has been sidelined in favour of 'any jobs'. As Bonoli shows (Chapter Seven), active labour market policies have represented more of a continuation of neoliberal 'workfare' policies than a shift towards upskilling and the development of 'more and better jobs'.

A third critique concerns the way the social inclusion or social cohesion aspect seems to have been paid lip service in the actual implementation of the strategy, not least at the EU level, despite the Lisbon Strategy's stated dual objectives of enhancing both economic and social cohesion, between and within member countries. Indeed, the policy instruments appear to have been underdeveloped in strategic terms, as well as in terms of resource allocation (cf. Kap and Palme, 2009; Lundvall and Lorenz, Chapter 13).
Towards a social investment welfare state?

A more fundamental critique has been put forward by feminists and gender theorists, who have highlighted the kind of instrumentalisation of gender equality policies, and especially policies for reconciling work and family life, that the social investment strategy has given rise to. Indeed, several commentators have noted how the focus on increasing women's employment levels has been motivated by economic objectives (to raise the number of tax payers and thus ensure the sustainability of the new political economy) rather than by a real concern with women's aspirations. Stratigaki (2004), for example, has shown, based on a content analysis of EU documents, how the concept of 'reconciliation of working and family life' which was introduced to encourage gender equality in the labour market gradually shifted in meaning from an objective with feminist potential (sharing family responsibilities between women and men) to a market-oriented objective (encouraging flexible forms of employment) as it became incorporated in the European Employment Strategy of the 1990s - the European Employment Strategy being a central pillar of the Lisbon agenda. Not only has gender equality been instrumentalised in favour of economic objectives, but also gender equality as their prime objective, despite gender equality having been a central element in the social investment discourse (Jenson, 2009).

This gender critique feeds into an even broader concern with the way social goals and the social citizenship rights perspective that underpins the social investment approach have been harnessed to an economic agenda. Not only has gender equality been instrumentalised in favour of economic objectives, but also children have become instrumentalised as 'citizen-workers' of the future rather than as 'citizen-children' of the present, that is, as 'becomings' rather than as 'beings' with social rights in their own right, as (non-productive) children (Lister, 2003). It would seem as though conventional redistributive arguments based on conceptions of need, altruism, equality and social rights no longer provide a sufficient rationale for the welfare state. Instead, the social or humanitarian rationale for social policy has been replaced by an economic rationale. As Midgley and Tang have pointed out: 'the social investment perspective challenges the tenets of neoliberal thinking about economic growth and social policy not by defensively claiming that the abolition of state welfare will cause suffering and social harm, or by appealing to a humanitarian concern for those in need'. Instead, 'it makes the argument that retrenchments in social welfare will impede economic development. Its central premise, which is based on the need to integrate economic and social policy, posits that social expenditures in the form of social investments do not detract from but contribute positively to economic development' (Midgley and Tang, 2001: 246).

In some ways, one could argue that just as the Myrdals had used some of the Conservatives' concerns with low fertility and slow growth to argue their case for an expansion of social policy in Sweden, so have social investment proponents framed their arguments in ways that can respond to neoliberals' critique of social spending as wasteful and a source of dependency in order to get their ideas across. However that might be, this may in fact be one of the social investment perspective's weakest points as it allows for much ambiguity and tensions in the goals actually assigned to the policies implemented in its name.

These tensions and ambiguities may, however, also stem from the differing intellectual and political sources and influences that have shaped this perspective. Indeed, while the social investment perspective rests on a number of common themes both at the ideational level and in terms of the policy instruments put forward, different aspects are given different emphasis by different thinkers and policy makers.

Tracing some of the ambiguities and tensions in the social investment perspective

At the ideational level, sources of inspiration for the social investment perspective can be found in the works of economists as diverse as Gary Becker and James Heckman with their work on human capital, and Amartya Sen and his capabilities approach.

Likewise, arguments for a recasting of the welfare state along the lines of a social investment strategy have been made by social-democratic academics and policy makers such as Gosta Esping-Andersen or Frank Vandenbroucke, as well as by Third Way intellectuals such as Anthony Giddens.

While their respective analyses share some common understandings of some of the shortcomings and inadequacies of the post-war welfare state with respect to the new social risks structure of contemporary societies and the requirements of the new knowledge-based economy, and while they do display some common policy orientations, they also diverge on a number of key issues.
Towards a social investment welfare state?

At the core of this divergence lies a different understanding of the role and meanings of social citizenship in the knowledge-based economy. This different understanding revolves around five key points.

First, there is a different understanding of what constitutes productive and unproductive social expenditure. In the Third Way perspective, spending on unemployment benefits for instance is considered as an unproductive social expenditure, whereas in the social-democratic perspective, such benefits can be seen as a means of protecting the human capital of working adults and of preventing the unemployed from being caught up in a spiral of debt and poverty.

Second, and linked to the first point, there is a different understanding of what constitutes positive and negative incentives — and perhaps beyond that a different understanding of human nature. Generous benefits, according to Giddens, increase the risks of 'moral hazard' and of fraud. This theory according to which a generous welfare state generates fraud and social dependency constitutes one of the most significant points of cleavage between Giddens and other European (social-democratic) social reformers (Jobert, 2002). Esping-Andersen et al. (2002), for instance, argue that generous unemployment benefits limit the risk of falling into poverty and are more favourable to a quick return into employment as long as they are coupled to an adequate activation policy.

Accordingly, this leads to a divergence in the weight that is placed on rights and duties respectively. For Giddens, the recasting of the welfare state is very much about reinforcing the duties side of social citizenship, whereas the social-democratic perspective emphasises the productive effects of the rights side of social citizenship (which was central to the Myrdal's approach).

Likewise, the notion of 'equality' is viewed very differently. While equality is seen as a central ingredient for the pursuit of economic efficiency and reducing inequality is presented as an explicit aim of the social investment strategy in the thinking of Esping-Andersen et al. and of Vandenbroucke (Vandenbroucke and Vleminckx, 2011), Giddens considers the quest for equality to be the historical mistake of the old Left (Jobert, 2002; see also Blair and Schröder, 2000). Giddens explicitly shares with neoliberal thinkers the notion that inequalities are a necessary ingredient for the dynamism of the economy. The emphasis for Giddens then is on promoting equality of opportunity, and on pursuing the goal of 'social justice'.

Finally, the role assigned to social policy differs. Conceived to act as a 'springboard' for change in the Third Way approach (with the 'spring' coming from both investments in human capital and the strong (negative) incentives towards activation), in the social-democratic variant social policy is expected to provide people with both the necessary capabilities and incentives and with the necessary security to accompany the changing needs of the economy (cf. Anderson, 2007).

Thus for Giddens and the Third Way, welfare state restructuring is about going from 'passive' social policies to 'active' social policies, whereas in the social-democratic approach put forward by Esping-Andersen et al. and Vandenbroucke, the new welfare state architecture must rest on both an 'investment strategy' and a 'protection strategy' (cf. Vandenbroucke and Vleminckx, 2011), what Hemerijck calls combining social protection and social promotion (see Chapter Two). In fact, Esping-Andersen explicitly takes a stance against the Third Way approach, stating that:

The Third way may be criticized for its unduly selective appropriation of social democratic policy. First, it has the tendency to believe that activation may substitute for conventional income maintenance guarantees. This may be regarded as naive optimism, but, worse, it may also be counterproductive ... [T]he minimization of poverty and income security is a precondition for an effective social investment strategy. Second, ... a truly effective and sustainable social investment strategy must be biased towards preventative policy. (Esping-Andersen, 2002: 5, quoted in Vandenbroucke and Vleminckx, 2011: 4)

The social investment perspective thus covers under the same umbrella a 'social democratic' approach, inspired by the example of the Nordic welfare states, and a 'Third Way' approach which represents an 'anglo-liberal' view of social policy. The resulting ambiguity of this perspective is perhaps what has enabled its broad adoption at the EU level, as part of the Lisbon Strategy. As Jenson (2010: 73) has highlighted, policy communities have been able to appeal to one version or the other, or even combine the two.

Aims and focus of the book

The aims of this book are to analyse the content and coherence of the ideas put forward in this new perspective, but also to assess how far the social investment strategy has actually come in terms of the policies effectively implemented.
Towards a social investment welfare state?

While there are a growing number of publications dealing with the social investment perspective (under different labels), these publications have mainly been of two types. A first set of more normative publications has sought to promote social investment and a new architecture for the welfare state, highlighting the positive, win–win aspects of this strategy (Giddens, 1998; Esping-Andersen et al., 2002; Rodrigues, 2003). A second set of publications has been concerned with analysing the ideas and policy logic behind the social investment strategy, as well as its diffusion (Jenson and St Martin, 2003; Perkins et al., 2002; Jenson, 2010). However, there is to date no extensive analysis of the actual contents and implementation of social investment policies and of their successes, tensions, contradictions or failures. Likewise, the conditions for success or the obstacles in implementing a social investment strategy are largely understudied.

This book therefore seeks to contribute to filling these gaps by offering an empirically informed assessment of social investment policies, analysing their successes and failures, contradictions, tensions and synergies, and looking at the factors that facilitate or impede the implementation of social investment policies.

Our geographical focus

Since we consider the social investment perspective as an emerging paradigm, we adopt a broad lens in the first few chapters in the book so as to provide a qualitative and quantitative mapping of the development of social investment ideas and policies across the OECD countries.

However, we then narrow our focal length to the European context, not only because this is where we find the most developed welfare states, but also because there have been some explicit objectives set by the European Union, most notably through the Lisbon Agenda, that are very much inspired by the social investment perspective. Indeed, as Hemerijck reminds us, the Lisbon Strategy represented an attempt to relaunch the idea of the positive complementarities between equity and efficiency in the knowledge-based economy by way of investing in people and developing an active and dynamic welfare state. In addition to the aim of raising employment rates throughout Europe, the Lisbon Agenda placed human capital, research, innovation and development at the centre of European social and economic policy. This broadened the notion of social policy as a productive factor beyond its traditional emphasis on social protection, to include social promotion and improving the quality of training and education. There is thus a strong political relevance in assessing the achievements and failures of the policies promoted in the European countries, not least now that a new strategy (EU2020) is being put into place.

European countries also represent by and large an instance of 'most comparable cases'. Detailed examination of some European countries, as provided in Part III of this book, allows for a more precise analysis of the institutional, political and ideational causes of divergence in the absorption and implementation of this emerging social investment paradigm.

The analytical task of this book

The analytical task of this book is thus not only to uncover the policy logic behind this emerging social investment paradigm, but also to analyse the policies that have effectively been implemented in Europe: to what extent has the social investment perspective shaped policy making at the European and national level? What are the different varieties of social investment policies? What have been the driving forces or barriers for the adoption and implementation of such policies in different countries? What have been the achievements and failures of this strategy?

The book also addresses the social investment perspective's potential in responding to some of the current and future challenges that welfare states are facing, such as population ageing; the global financial crisis; the impact of migration, integration and identity on social citizenship and cohesion; and environmental concerns and the threats of climate change.

Presentation of the book structure and contents

The book is divided into four parts. The first part is devoted to the analysis of the ideas carried by the social investment perspective. The second part seeks to map the progress of the social investment policies throughout the most advanced and richest market economies and more specifically in Europe. The third part presents some detailed analyses and assessment of specific social investment policies. Finally, the last part provides various points of view on the future challenges that the social investment approach needs to meet in order to become a fully fledged social policy paradigm for Europe. In the following, we summarise the purpose and contents of the four parts and remaining 13 chapters of the book.

The first part of the book develops a historical perspective on social and economic policies, identifying three time periods each dominated
by an overarching paradigm (a Keynesian policy paradigm, a neoliberal policy paradigm, and what we analyse in this book as the emerging social investment paradigm). It presents the ideas behind the social investment perspective, the way these ideas have spread and the kind of policy content associated to these ideas.

In Chapter Two, Anton Hemerijck analyses the three distinct phases of welfare state reconfiguration: the era of welfare state expansion and class compromise, starting at the end of World War II; the period of welfare retrenchment and neoliberalism, which took shape in the wake of the oil shocks of the mid- to late 1970s; and the more recent epoch since the mid-1990s in which social investment policy prescriptions took root. He provides us with an understanding of each period as marked by distinctive social policy repertoires, anchored in hegemonic economic theories, designed to respond to both the socioeconomic and the political contexts and challenges of the day. Importantly, this chapter analyses the economic thinking that can be associated to the social investment perspective.

In Chapter Three, Jane Jenson documents the characteristics of the social investment perspective in comparison to two other policy paradigms: those of Keynesianism and neoliberalism. In order to map the ideal-typical characteristics of social citizenship under the influence of a social investment perspective, the chapter uses the heuristic of the citizenship regime, an analytic grid that makes visible the intersecting dimensions of social citizenship (rights and duties; access and governance; and the responsibility mix).

While the first part of the book traces the development of the ideas behind the social investment paradigm, the second part offers an empirical analysis of the development of the policies that underpin the social investment perspective. The two chapters of this section provide us with a measure of the extent to which these policies have actually developed and in which countries. These chapters open up for an analysis of the differences between welfare regimes in pursuing a social investment strategy, while also highlighting some intra-regime variations.

In Chapter Four, Rita Nikolai traces the development of welfare state change in the established OECD member states and provides a quantitative mapping of the development of social investment policies in 21 advanced OECD countries from the mid-1980s up to 2007. The analysis takes into account expenditures for families, active labour market policies, education, old age and passive labour market policies. The chapter distinguishes between investment and compensatory social spending as a tool to identify social investment states, and shows a great diversity in the combinations of these types of expenditure, underlining that in the majority of welfare systems social investment-related expenditures have not expanded. Nikolai underlines that amongst social expenditures, it is those devoted to old age that have increased over the last 25 years, while spending on education has decreased. Moreover, amongst the various routes to social investment, she identifies two main ways: a Nordic one, which combines traditional social protection with social investment; and an Anglo-Saxon one, which tends to substitute traditional compensatory spending with new investments in human capital.

In Chapter Five, Caroline de la Porte and Kerstin Jacobsson deliver a more qualitative mapping of the social investment policies in the European Union through an analysis of the national implementation of the European Employment Strategy (EES). The chapter assesses the progress made thus far as well as the remaining challenges in a number of selected member states from different welfare state configurations, with the main focus on the changes in labour market policy. In terms of the employment policies implemented in Europe since the late 1990s, de la Porte and Jacobsson see much more ‘recommodification’ than social investment. The chapter shows how the impact of the EES is mediated by institutional legacies, economic and financial situations and political priorities and agendas in the member states. It is argued that the contradictory pressures for social and economic reform from the EU pose a strong challenge for all member states, but in particular for the new member states which have been pursuing a reform path with at best a very modest investment content.

The chapters in the third part of the book look at the forms taken by social investment policies in different national settings and try to account for the differences observed. These chapters also provide an assessment of how successful social investment policies are in achieving the stated aims of promoting growth, more and better jobs, and in reconciling economic and social aims (efficiency and equity). In doing so, this section also highlights the tensions, contradictions and limits of social investment policies as they have developed so far, as well as the obstacles faced by certain countries. In particular, attention is drawn to the fact that the way institutions are shaped and the way they interact contribute to providing more or less favourable preconditions and outcomes for a social investment strategy. The different chapters also underline how important it is that equality, not least gender equality, becomes an essential element of the social investment strategy: the analyses show that it is both a precondition for its success and an expected outcome.
In Chapter Six, Kimberly Morgan analyses the development of child care and work–family reconciliation policies in three groups of countries: (1) countries where early childhood education and care policies are well-developed (Sweden and France); (2) path-shifting countries who in the past decade or so have broken from decades of entrenched immobility on child care and leave time policy (Germany, the Netherlands and the UK); (3) countries which so far have not developed any such policies (Austria, Italy and Spain). The chapter characterises the nature of the recent changes that have taken place, compares these reforms to the social investment ideals that are commonly articulated, and then probes the political forces driving these reforms. It shows that the policies that have been implemented have not always been designed in the most gender egalitarian way, and that gender equality and the quality of child care have often been sacrificed in the name of labour market participation.

In Chapter Seven, Giuliano Bonoli examines the different types of active labour market policies (ALMPs) that have been in use in Europe since the 1950s from the perspective of social investment. He argues that ALMP is too broad a category to be used without further specification, and develops a typology of four different types of ALMPs: incentive reinforcement, employment assistance, occupation and human capital investment. These are discussed and examined through ALMP expenditure profiles and policy trajectories in Denmark, Italy, Germany, France, Sweden and the UK. The chapter shows that the orientation of ALMP changes over time, and follows the overall economic and labour market context. It identifies three periods: the 1950s and 1960s, when labour shortage prompts countries to develop ALMP systems geared towards retraining jobless people so that they can be available for industry again; from the mid-1970s to the mid-1990s, when ALMPs tend to become alternatives to market employment and the mid-1990s to the late 2000s, when the main orientation of policy is activation, that is, a mix of negative and positive incentives for jobless people to enter mostly low-skill employment in the service sector. He concludes that social investment oriented programmes have a stronger representation in the earliest phase, while the later phase is more ambivalent in relation to this perspective.

In Chapter Eight, Moins Nelson and John Stephens test the ability of the social investment strategy to produce employment and particularly employment in high-quality jobs. In order to do so, they examine the impact of social investment (in skill) policies on employment in 17 OECD countries. They find that short-term unemployment replacement rates, active labour market policy, day care spending, sick pay, education spending and educational attainment are very strongly related to employment levels, and that all of these policies — with the exception of sick pay — are very strongly related to employment levels in knowledge intensive services. Second, on the question whether social investment policies and high levels of human capital are related to the production of not just more jobs but good jobs, they do find strong, albeit preliminary, evidence affirming a positive relationship between social investment policies, human capital and quality employment.

In Chapter Nine, Bengt-Ake Lundvall and Edward Lorenz characterise the new economic context as a 'globalising learning economy' in which global competition increases the need to constantly develop and renew skills and competences. They show that the firms in which constant learning and autonomy are organised are the best equipped for this new economic context. They document that people work and learn quite differently in different parts of Europe. In Southern Europe jobs are simple or Taylorist, while jobs in the Nordic countries are characterised by more access to learning and discretion in pursuing tasks. Such differences seem to reflect the type of policies implemented. The chapter argues that open and egalitarian education and training systems and labour markets characterised by labour market flexicurity constitute institutional settings that best support the learning economy.

The fourth part of the book analyses the main challenges which European welfare states are facing today (demographic ageing, economic crisis, climate change) and the social investment strategy's capacity to respond to them, as well as the conditions under which it can do so. In particular, these contributions warn against short-sighted policies that may result from the current economic crisis and emphasise the importance of taking, instead, a long-term perspective and investing in well-informed productive social policy.

In Chapter Ten, Thomas Lindh analyses the demographic challenge that all European countries have to face, and asks whether the social investment strategy is able to cope with the challenges of ageing populations. The chapter argues that social investment in human capital must be the main route to maintain the sustainability of the welfare states that have made it possible for the population to live ever longer in the first place. It applies a broad definition of how human capital is created which, besides education, also includes fertility, family policies, child care and migration as crucial inputs. European welfare states are at different stages in their ageing processes and the institutions for intergenerational transfers differ considerably. The chapter argues that policy strategies must be formed according to these
Towards a social investment welfare state?

Productive social policies have to be designed to fit current demographic structures, taking into account their consequences for future demographics and the repercussions the population structure has on both economics and the sustainability of welfare systems. This requires long-term perspectives as well as an integrated view of the policy system. To make this discussion concrete, the late-twentieth-century experience of Sweden is used as an illustration.

In Chapter Eleven, Patrick Diamond and Roger Liddle examine the chances and relevance of the social investment perspective with respect to the consequences of five interlocking social crises the EU countries face in the aftermath of the global financial crisis: rising unemployment and the social consequences of the global financial crash; growing divergence throughout the EU; the long-term crisis of winners and losers that originates in economic globalisation; the structural trends of demographic structures, and the impact of migration, integration and identity on social citizenship and cohesion. They ask whether the social investment paradigm can survive in the wake of the global financial crisis and the consequent rush to fiscal austerity and budgetary consolidation. They underline that there are many obstacles to reform, as reallocating resources from passive income distribution to investment in children and younger families appears to contravene politically significant vested interests. The global recession may also reinforce policies that are about safeguarding existing jobs and welfare entitlements, rather than investing in the future. They claim that the task for national governments and the EU is to facilitate the functional recalibration of the social investment approach, making it not only more financially sustainable, but able to cope more efficiently with the great social challenges of the age. The chapter concludes by setting out common principles by which such recalibration can be brought about across the EU.

In Chapter Twelve, Lena Somnvestad tests the idea of connecting climate policies and the social investment approach in order to elaborate a European model for sustainable development. The chapter argues that the success of EU climate policies will be strongly dependent on social policy design. EU climate policies have hitherto been largely unrelated to social policy. EU climate strategies have been designed in favour of liberalised energy markets, market-related policy instruments and limited state intervention. But these neoliberal EU climate policies are viewed with growing discontent. Problems identified include volatile energy prices, lack of investment in low-carbon energy and 'fuel poverty'. The chapter argues that income redistribution and appropriate employment policies to reskill the labour force in order to respond to the needs of a low-carbon economy are crucial elements for successful climate change mitigation. The chapter then discusses the likelihood for a policy shift in the EU towards a paradigm for sustainable development. From the point of view of social investment, a shift to a new EU policy framework based on the concept of sustainability could bring important advantages. In contrast to neoliberalism, the paradigm for sustainable development combines concerns for environment and global social justice with classic European social policy topics such as social equity, citizenship and prevention (social sustainability). By providing a coherent approach to climate policy and social policy, the paradigm for sustainable development has potential to strengthen the social investment approach and improve social policy design in support of climate change mitigation.

In Chapter Thirteen, Bengt-Åke Lundvall and Edward Lorenz ask whether the various European economic, environmental and social strategies implemented from the Lisbon Strategy to the Agenda EU2020 have carried the social investment ideas and objectives in the past, and are likely to do so in the future. The new strategy EU2020 aims at re-establishing smart, green and inclusive growth in Europe. In this chapter, this new strategy is compared with the Lisbon Strategy assessed critically. The chapter compares the two strategies in terms of context and content and discusses the consequences of the mid-term revision of the original Lisbon Strategy. It analyses whether and how the Lisbon Strategy contributed to employment, social cohesion and knowledge-based economic growth. The Lisbon Strategy (especially in its revised version) appears to have served as scaffolding for the Economic and Monetary Union. The chapter concludes that Europe needs a new vision as well as a more ambitious strategy than the one offered in EU2020.

In our conclusion, we summarise what we have learnt from the contributions to the book. We discuss how far the social investment approach has come in terms of an emerging paradigm, and the necessity to more clearly distinguish its ideas from the previous neoliberal paradigm. We then ask questions around the achievements of this perspective, and conclude that the few cases of implementation confirm the possible successes, the main problem being the lack of real social investment policies in Europe. In order to identify the driving forces and constraints for future reforms, we examine the politics and political economy of the approach. We end by exploring the EU dimension for the challenges and prospects of the social investment approach.
Note

1 In Peter Hall's now classic formulation, a policy paradigm is 'a framework of ideas and standards that specifies not only the goals of policy and kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing' (Hall, 1993: 279).

References


Towards a social investment welfare state?


Part I

Towards a new social policy paradigm
We set out this book by asking a number of questions about the concept of social investment: What is it? Which policies can be associated with it? How does it perform? Is it relevant for the current and future challenges of modern welfare states? Behind these questions, there is of course a larger enterprise of searching for a strategy that would be able to regenerate the welfare state, promote social inclusion, create more and better jobs, and help address the challenges posed by the economic crisis, globalisation, population ageing and climate change.

There is an underlying notion that the social investment strategy carries such potential. However, the aim of the book is also to critically assess the social investment approach in terms of the content and coherence of the ideas and policies put forward, its actual implementation and achievements, as well as its shortcomings. The book can hence be seen as an attempt to contribute to the discussion on the relevance of the social investment perspective for the new challenges that Europe and other continents are facing and, moreover, to base this discussion on a realistic view of how the world is working.

In this concluding chapter we organise the examination of what we have learnt from the contributions to the book around a number of subthemes. We start out by discussing how far the social investment approach has come in terms of an emerging paradigm by mapping out its contours both at the ideational level and in terms of the policies implemented, and ask questions around its achievements. This, in turn, raises a number of critical issues around the design and implementation of social investment policies that are elaborated on in the second section of this chapter. In the third section, we put forward some ideas for a new form of economic thinking to underpin the social investment approach, and examine the politics of the approach in order to identify
what could be the driving forces behind it. Finally, we look at some of the challenges ahead and discuss possible constraints for future reforms.

The social investment perspective as an ‘emerging paradigm’

The ideas

From an ideational point of view, the clear message is that a new and coherent set of ideas is emerging, even if there is some degree of ambiguity around some of the ideas (see Chapters One and Three).

From the ideational standpoint, the social investment perspective was developed with the dual ambition to modernise the welfare state so as to better address the new social risks and needs structure of contemporary societies and ensure the financial and political sustainability of the welfare state, and to sustain a different economy — the knowledge-based economy. Central to the social investment perspective is the attempt to reconcile social and economic goals.

The focus is on public policies that ‘prepare’ individuals, families and societies to adapt to various transformations, such as changing career patterns and working conditions, the development of new social risks, population ageing and climate change, instead of simply generating responses to ‘repair’ damages after markets fail or existing policies prove inadequate. By addressing problems in their infancy, the social investment paradigm stands to reduce human suffering, environmental degradation and government debt.

With regards to the modernising of the welfare state, the contention of the social investment perspective is that the sustainability of the welfare state hinges on the number and productivity of future taxpayers (Esping-Andersen et al., 2002; Lindh and Palme, 2006; see also Chapter Three). This calls for policies that broaden the tax-base (by raising employment levels) and which also increase the productivity and quality of work (and therefore increase wages). A clear element of the social investment perspective is that investing in human capital should enable the creation of more and better jobs.

With respect to the economic goals, social investments are expected to generate returns in the form of economic growth. As Lundvall and Lorenz underline, ‘social investments may be defined as public expenditure that combines the solution of social problems with enhancing economic performance’ (Chapter Nine).

The policies

What kind of policies, then, can be said to underpin the social investment perspective? As Hemerijck underlines, three areas of public policy stand out as particularly central: human capital improvement; the relation between the productive sphere of the economy and the reproductive sphere of the family; and employment relations. In all these areas, upgrading public services stand out as crucial components of a strategy that aims at preparing the population to the particular social risks caused by life course contingencies.

The focus on investing in human capital is perhaps the policy domain which gathers the greatest consensus amongst social investment proponents, the idea receiving support from neoclassical economists such as Gary Becker and James Heckman as well as from more heterodox economists such as Amartya Sen. The policy recommendation to invest heavily in human capital is also based on the observation of a causal structure where education has been shown to be the central driving variable for GDP growth in Europe (Lindh and Palme, 2006).

Following Nelson and Steiner, and in light of the demonstrated benefits to high employment levels, it is clear that policies that invest in human capital are of crucial importance. Education and training policies constitute the most obvious method of improving skills — particularly cognitive and social skills — relevant to the service-based, knowledge economy. Skill acquisition in formal institutions begins in early childhood education and care, and continues in the primary, secondary and tertiary stages of education. Skill acquisition during these stages of education is realised through policies that promote high enrolment and quality instruction.

Other types of public policies, though, such as sick pay or generous unemployment benefits, along with adequate rehabilitation programmes and active labour market policies, can also protect the value of individuals’ skills. Human capital policies that foster the expansion of high-quality jobs therefore include those that aid in both the acquisition of skills and the protection of the value of the skills already acquired. Well-designed unemployment insurance benefits carry the potential of also improving matching processes on the labour market by working as search subsidies (Sjöberg et al., 2010).

The focus on the relation between the productive and the reproductive spheres hinges on policies that help parents combine work and family life. Here the aim is both to increase labour supply by supporting mothers’ employment in order to foster economic growth and to ensure the long-term fiscal sustainability of welfare systems, but also to make families less exposed to the risk of poverty. An underlying
Towards a social investment welfare state?

Towards a social investment welfare state?

aim is also to enable families to realise their desired fertility. Policies put forward typically include child care services and parental leave schemes. Of crucial importance here is the quality of the child care services and the design and generosity of the parental leave schemes, both for providing children with equal opportunities at the earliest age and for their cognitive development, and to promote gender equality (see Chapter Six).

The third area of focus, that of employment relations, seeks to address the issue of the increasingly differentiated employment patterns over the life course in order to reduce the probability of individuals being trapped into inactivity and welfare dependency. Here Hemerijck reminds us that the issue is not maximum labour market flexibility or the neoliberal mantra of “making work pay”. Instead, the policy imperative is for “making transitions pay” over the life cycle through the provision of “active securities” or “social bridges”, ensuring that non-standardised employment relations become stepping stones to sustainable careers.

While a fairly broad consensus prevails concerning the policies needed to promote the development of human capital, this is less true with respect to policies to address work–family life balance, or policies to accompany life-course transitions. If there is general agreement across Europe that the state should provide publicly funded primary and secondary education, there is less advancement in terms of reaching consensus, even amongst social investment proponents regarding the desirability, type and extent of public support, to enable families to reconcile work and family life. Likewise, while there is strong agreement on the necessity to raise employment levels, there is some ambiguity regarding the means for ‘activating’ people and for promoting more flexibility on the labour market.

The ambiguity that characterises the social investment perspective comes out clearly when one assesses the policies that have effectively been implemented across Europe.

Assessing the policy implementation

Any attempt to assess the outcomes of social investment policies has to face the fact that only a few countries can be said to have implemented such policies in a comprehensive fashion. A second issue is that there has been no general increase in public expenditure on social investment-type policies. Another complication is that some countries have implemented social investment programmes with a restricted focus on human capital but without maintaining adequate compensatory policies. Before addressing these issues, we start with summarising our main findings concerning the development of social investment policies in Europe.

Contrary to those who claim that the developments of employment and social policies during the last two decades represent a turn towards a social investment approach, the chapters in this volume show that in reality, only a few countries have implemented a social investment approach. Most chapters confirm that neither southern European countries (Italy, Spain, Greece and Portugal) nor Eastern European countries have really entered the social investment era. Globally, the continental European countries remain traditional ‘compensatory welfare systems’ with few attempts to shift towards social investment, even if some countries (France, Belgium, and increasingly Germany and the Netherlands) display some orientation towards social investment in the field of family policy. The countries that display the strongest social investment profile are the Nordic countries. We can also see changes towards a more ‘active’ welfare state in the Netherlands as well as in the UK.

Thanks to the distinction she draws between compensatory and social investment-related expenditure, Nikolai helps us to broadly characterise the different welfare state configurations as they appear in the early twenty-first century. Contrary to the idea of a shift from passive to active social expenditure, the first main evidence is that while there has been an increase in public social expenditure as a percentage of GDP across countries, this increase has not translated into an increase in expenditure on social investment-type policies (see also Hudson and Kühner, 2009). On the contrary, old age expenditure has increased everywhere, while the typical social investment expenditure, education, has decreased in most countries. This decrease is partly explainable by the diminishing size of student cohorts due to demographic changes, but it does show that there has been no emphasis on increasing investments in education, not least when one considers that the number of years in education has tended to increase. Only in the field of family policy has social expenditure increased. Beyond these common trends, Nikolai identifies four worlds of spending profiles that we have summarised in Table 14.1.

As underlined by Nikolai, the English-speaking and the Nordic countries are the only countries that can be said to have developed more social investment types of policies but represent remarkably different examples of social investment in action. The Nordic version of the social investment approach spends much on investment-related social policies as well as on old age and passive labour market policies, while the British case shows a reorientation of public social expenditure.
Towards a social investment welfare state?

Table 14.1: Four worlds of social expenditure

<table>
<thead>
<tr>
<th>Traditional compensatory welfare systems</th>
<th>Social investment with double liability: protection and promotion</th>
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</thead>
<tbody>
<tr>
<td>Southern Europe</td>
<td>Nordic countries</td>
</tr>
<tr>
<td>Hidden welfare state</td>
<td>Investing in human capital and low protection</td>
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<tr>
<td>USA</td>
<td>UK</td>
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away from compensatory social policies towards more social investment-oriented policy domains (education and family policy but not active labour market policy).

These findings, based on the analysis of expenditure data, are confirmed by the other chapters that provide a more detailed and qualitative analysis of recent policy developments. De la Poire and Jacobson (Chapter Five) thus show that what has been implemented in the EU member states is 'reformulation' more than social investment as far as employment policies are concerned. Conditionality in unemployment insurance has been increased in most member states, replacement rates have been retracted, and the duration of benefit periods shortened. Activation schemes are far from comprehensive, workfare rather than individualised, and come in the form of counselling rather than comprehensive training. The quality of activation services does not live up to the social investment ideal that was supposed to be inherent in the European Employment Strategy (EES). The reform of education, activation and training institutions has in most member states not been deep enough to be labelled social investment. Bonoli (Chapter Seven) further underlines that there was more social investment content in labour market policies during the 1950s and 1960s than nowadays.

But one also sees some successes for the social investment approach. The experience of the Nordic countries suggests that social investment policies can be used to successfully combine social and economic goals. As many of the chapters have shown, these countries display high and broad-based education levels, which appear to translate into high levels of social capital and social cohesion, greater learning and innovation capacity at work (making these countries among the most competitive economies in the world), more flexibility on the labour market, and good economic growth including the creation of more and better jobs. These countries also display higher female employment rates, lower poverty rates, including lower transmission of intergenerational poverty, and have been dealing successfully with demographic issues, both in terms of providing care for elderly people and in maintaining fertility levels. These countries are also the most successful when it comes to implementing climate mitigation policies. The key to this success seems to be the fact that the Nordic countries have not pursued a simple reorientation strategy with their welfare systems towards more activation, but have instead combined strong protection with heavy social investment, with the aim to promote social equality as well as gender equality.

Still, despite these examples of 'good practice', the general picture is that the social investment glass is almost empty. At best, the social investment paradigm is emerging to eventually fill the glass but then a number of issues need to be addressed. On the idealational level there is too much ambiguity and this will not be resolved until the quality of investment is given due attention. Without that, social investment cannot be properly differentiated from the neoliberal paradigm. The overriding focus on activation without proper attention to quality and to adequate protection in most countries has opened the door for the critique that the social investment approach forgets about social inclusion and poverty alleviation, and - worse - that it has in fact reinforced poverty and social exclusion (Cantillon, 2010).

It thus appears warranted to elaborate on what we see as the crucial elements of a successful social investment approach, and this is what we turn to in the following section.

Outlining the core features of a successful social investment approach

To begin with, it is necessary to clearly distinguish the social investment perspective from neoliberalism. This means that not only the tools put forward but also the very diagnosis of the problems at hand need to be clearly differentiated. Furthermore, the lesson to be drawn from the different chapters is that the social investment approach is a 'package deal' and partial implementation may at best deliver a partial success. Equality is a crucial element, and the quality of programmes is of critical importance. Equally important is the understanding that 'protection' must remain an important function of the welfare state that works as a necessary complement to activation and which can not be substituted by activation. Furthermore, the life course perspective suggests that
Towards a social investment welfare state?

policies can be effective only if the whole chain is maintained, and if it is aimed at the whole population and not reserved for the select few.

**Distinguishing the social investment approach from neoliberalism**

Based on the contributions to this book we argue that there are — or should be — some fundamental differences between the social investment perspective and neoliberalism that need to be spelled out clearly in order for the social investment perspective to avoid being considered as some form of ‘neoliberalism in disguise’ and in order to not only become effective but also to emerge as a coherent paradigm.

Part of the confusion, as discussed in Chapter One, arises from the fact there is some degree of ambiguity at the ideational level within the social investment perspective, which stems in part from the different intellectual and ideological sources behind it, gathering together a more ‘social democratic’ approach inspired by the example of the Nordic countries and a ‘Third Way’ approach based on a more ‘anglo-liberal’ perspective on social policy.

Based on the analyses of several chapters in this volume, it seems that the Third Way approach, with its strong emphasis on activation, has had more influence on the policy orientation and developments in Europe than the social-democratic variant. This, we argue, is problematic in that the Third Way approach does not represent enough of a clear break from neoliberalism. Indeed, while Giddens and other Third Way proponents do argue — against neoliberalism — for a new, more active and enabling role for the state, and seek to promote a more inclusive society with greater ‘social justice’ not least through schemes aimed at minimising poverty risks, they nonetheless share with neoliberalism a very similar diagnosis of the failures of the traditional post-war welfare state but also a similar diagnosis of the causes of unemployment. This shared diagnosis makes it difficult to propose radically different tools for dealing with these issues (cf. Jobert, 2002). The focus on ‘activating’ people, at least in the way it has been pursued in the UK and across Europe over the past two decades, has thus borne too much resemblance to the kind of activation strategy promoted by neoliberal (cf. Chapters Five and Seven).

For neoliberalists, unemployment is due to a problem of supply and incentives, with overly generous social benefits acting as a disincentive to work, and too much labour market protection hampering the needed flexibility in the new economy. The reforms put forward have thus aimed at deregulating the labour market, lowering payroll taxes, reducing labour costs and increasing incentives to accept jobs by reducing the level of unemployment and social assistance benefits (to ‘make work pay’).

Such a strategy appears wrong-headed on several accounts. These reforms have not created ‘more and better jobs’ but rather jobs which do not allow people to live decently (giving rise to the ‘working poor’ phenomenon) and which do not generate the tax revenues needed to sustain and improve the social protection model of ageing European societies. Second, such a strategy fails to recognize an increasingly important dimension to be associated with unemployment, that is, the lack of adequate qualifications. Indeed, unemployment risks and rates are much higher for the unskilled than they were a couple of decades ago, and much higher than for those with tertiary education. As the European Commission’s ‘New skills for new jobs’ report underlines, employment rates vary greatly according to qualification levels. The employment rates across Europe as a whole in 2008 for those with high skills was 83.9%, that for medium skill levels was 70.6%, and that for low skill levels was only 48.1%. Not only this, but the wages of the low skilled have also fallen relative to more skilled individuals despite falling numbers of low-skilled individuals in the labour forces of most advanced economies, which suggests that there has been a fall in the demand for low-skilled labour (McIntosh, 2004). In fact, between 2007 and 2010, the number of jobs employing people with high skills has increased in Europe, while the number of low-skill jobs has decreased (European Commission, 2009, 2010). The effect of skills on unemployment risks is particularly pronounced in the UK and Ireland, where the unemployment rate for those with lower secondary or below education levels is about twice that for those with upper secondary education, and about four times that of those with tertiary education (McIntosh, 2004). This goes to show that in today’s economy, qualifications are more important than ever, especially in view of the increasing needs in new sectors of employment, such as ‘green jobs’, advanced technologies and the digital economy which lie at the core of the new economy.

The fact that the unemployed are predominantly unskilled and that vacant jobs require high skills suggests that, in these times of ‘aftershock’, we need to complement demand-oriented Keynesian measures with supply side-oriented instruments that go beyond the neoliberal deregulation of labour markets, lowering of labour costs and provision of incentives for the unemployed to take poorly paid jobs, and instead upskill the unemployed by providing them with the necessary learning capacities. We need here to emphasize again the importance of education, training, skill formation, maintenance and
Towards a social investment welfare state?

[Text content:]

Towards a social investment welfare state?

... updating of skills as policies preparing individuals for the current and future economy. In this context, the obvious fact that there is a large variation among countries particularly when it comes to the skill levels of the 'low skilled' (Nelson and Stephens) needs to be borne in mind. Likewise, employees in many European countries experience a large gap between their qualifications and the job demands (Lindh and Palme, 2006).

While Nelson and Stephens (Chapter Eight) as well as Lundvall and Lorenz (Chapter Nine) provide us with evidence showing the positive effects of increasing education and skill levels on employment – both in terms of increasing employment levels and in terms of creating 'good jobs' – it is evident from the chapters by de la Porte and Jacobsson (Chapter Five) and by Bonoli (Chapter Seven) that in most European countries this strategy has not been followed yet. Partially, as de la Porte and Jacobsson have argued with respect to the implementation of the European Employment Strategy (EES), this is due to the ambiguity that characterises the understanding of social investment on which the EES is supposed to rest: 'due to its political and malleable form, the EES can be used either as a comprehensive social investment strategy focusing on the development of human resources for the needs of the labour market, or alternatively, as a liberalization strategy with little or no social investment'.

Yet the implementation of neoliberal forms of activation rather than investing in quality education and skill formation has shown to carry negative consequences for poverty and social cohesion. In Germany, activation policies in the form of recommodification and lowering of wages have led to an increase in the number of 'working poor', who are now up to 11 million (see Chapter Eleven). Furthermore, as McIntosh discusses, in those countries (such as the UK, USA, Canada and Germany) where wages for the low-skilled have been allowed to deteriorate, this has increased wage inequalities and labour market polarisation between the low-skilled and the high-skilled, but with no positive effect on the employment levels of the low-skilled (McIntosh, 2004).

Thus, as Lundvall and Lorenz argue, if we want to not only reduce unemployment but also promote employment growth (especially in 'good jobs'), while also promoting social cohesion rather than polarisation, it is important to go beyond neoliberal labour market policies and consider seriously the need to invest in skills that enhance the capacity to learn. This, as they as well as Nelson and Stephens (Chapter Eight) show, is best done through policies that are broad-based, egalitarian and of high quality, and that follow the whole life course, starting with early childhood education and care.

While specific policies are needed to support the least skilled who are presently on the labour market, a true social investment strategy should not exclusively be based on programmes targeted only at 'the unskilled' or other disadvantaged groups, but should in the first place be based on the provision of universal, quality education and training programmes throughout the life course. What the contributions to the book suggest is that equality and quality must be at the centre of the social investment approach.

Social investment and equality

The relationship between social investment and equality appears vital to address on several accounts. Indeed, it is a desirable outcome of social policy if one takes seriously the wish expressed by social investment proponents to address the new social risks structure of contemporary societies, to reduce intergenerational poverty and provide individuals and families with more equal capacities to invest in their own human capital and that of their children so that they can maintain responsibility for their wellbeing via market income. It also appears to be a necessary precondition for promoting growth and employment, especially in good-quality jobs.

At stake here is both equality of access (to quality child care, to education, to lifelong training, to quality health and care services) and income equality. Indeed, it is clear from several chapters in this book that egalitarian societies are more successful in implementing social investment policies and in achieving many of the desired outcomes linked to this strategy, including in terms of climate change mitigation policies (see Chapters Eight, Nine and Twelve; see also Wilkinson and Pickett, 2009). Thus it is not just equality of opportunity ('social justice') but also equality of outcomes that matters. The fact that equality appears to be a precondition for a successful social investment strategy urges us to remember the merits of traditional social protection and anti-poverty programmes, and suggests that reduction of income inequality should remain high on the social investment agenda.

Another element that needs to be made more central on the social investment agenda is that of gender equality. While gender awareness is at the very heart of the social investment perspective, focusing as it is on women's economic contributions and reproductive role and care work, Jenson has forcefully demonstrated the extent to which equality of condition or even equal opportunities for women and men have been
Towards a social investment welfare state?

sidetracked as policy goals in their own right within this perspective (Jenson, 2009). Thus, while many countries have successfully managed to achieve high female employment rates, and some have even managed to combine these high employment rates with moderate to high fertility rates, none has thus far managed to - or sought to - effectively address certain persistent gender inequalities such as the division of unpaid care and household labour, the gender wage gap, labour market segregation and the 'glass ceiling effect' for women. This is just as true for the more liberal countries as it is for the Nordic countries, even if inequalities take different forms in different welfare regimes. Addressing this issue means that special attention must be paid to the specific design of policies that seek to promote women's employment and to policies for reconciling work and family life (cf. Chapter Six).

Likewise, more attention needs to be devoted to the structural and political factors that contribute to the kind of ethnic inequalities that characterise European societies today and which are likely to be of increasing importance in the future if not properly addressed (Emmeneger and Cajera, 2011). This is in fact an area where the Nordic countries do not perform very well. While they do better than other European countries in terms of fostering equality in the educational system (for instance, only in Sweden does the second generation of migrants enjoy the same educational opportunities for their children as the native community - cf. Chapter Eleven), integration of immigrants and ethnic minorities on the labour market is quite poor, and unemployment rates for these groups consequently high.

This can be explained in part by the structure of the labour market in the Nordic countries which, as Lundvall and Lorenz (Chapter Nine) show, is predominantly biased towards skilled labour, with few workplaces based on Taylorist and traditional work organisation which elsewhere often function as 'entrance points' for immigrants with low skills since they offer jobs where workers with limited communication skills can operate efficiently (see also McIntosh, 2004). This, as Lundvall and Lorenz argue, means that the integration efforts in these countries need to be even greater and focused upon upgrading the skills, including the communication skills of immigrants.

However, if the skill gap is too big, as suggested by Bonoli, there may be good reasons for also developing subsidised jobs for the least skilled - although such subsidies should be made conditional on the quality of the jobs thus subsidised, that is, such subsidies should not simply allow employers to take advantage of 'cheap labour'.

Social investment and quality

'Quality' should be another crucial component of a true social investment strategy. This relates both to the quality of jobs but also to the quality of services. Morgan (Chapter Six) emphasises that only high-quality child care can foster good cognitive skill acquisition amongst all children and help reduce social inequalities. Likewise, Nelson and Stephens (Chapter Eight) underline how participation in a course of education does not directly translate into high achievement, arguing that the quality of education matters more than simple participation for skill accumulation, particularly at the low end of the capability distribution.

When it comes to active labour market policies, Bonoli (Chapter Seven) shows how policies directed only towards 'activation' in the sense of pushing people back onto the labour market to take up 'any job', as in the neoliberal strategy, have not produced good results. While employment rates have generally increased over the 2000s, the quality of the jobs created has very often been of low quality (Guillen and Dahl, 2009), taking the shape of atypical jobs, short-term contracts, interim work, short part-time, and so on, which has resulted in increased in-work poverty (Eichhorst and Marx, 2011). Thus active labour market policy can be considered as part of a social investment strategy only if conceived as an instrument of social promotion, and not only as a way to increase employment rates at any cost. Amongst the various active labour market measures, only the 'upskilling' ones seem to fit the social investment approach. Activation is not enough.

This is all the more important since if the quality of jobs is forgotten, activation only leads to shifting people from inactivity into in-work poverty, which does not reach the economic goal of increasing employment rates in order to increase the tax base and support future pensions and health care costs. Furthermore, as Lundvall and Lorenz show, given the challenges of economic globalisation, one way to remain competitive on the world market is through innovation, and the production of goods and services of high quality.

Investing in quality means that substantial investment must be made to improve education, training and upskilling schemes, as well as to improve working conditions. This in turn means that more, rather than less, social spending or, rather, investment is needed. The fact that an effective social investment strategy in the short run entails increasing social expenditure cannot be ignored, all the more so as it appears clearly from the different chapters that it cannot be enough to reorient social expenditure towards 'activation' programmes, it is equally important that the welfare state also retains its traditional protection functions.
Promotion and protection

In this respect, it is important to recognize that compensation and activation may affect social inclusion in different directions. By providing adequate compensation, social benefits protect persons from poverty and the negative effects that low income has on social inclusion. On the other hand, in the absence of measures aimed at fostering employability, social protection may have unintended effects and increase benefit dependency and thus social exclusion in the sphere of employment. There is therefore a fine balance to be held between protection and activation programmes in the form of retraining and/or rehabilitation in order to promote employment, without increasing poverty and social exclusion (Palme et al., 2009).

‘Flexicurity’, as it has developed in the Nordic countries and in the Netherlands, appears as a useful way to reconcile protection and activation as Lorenz and Lundvall (Chapter Nine) have highlighted, although that depends on the precise design of flexicurity schemes (Chapter Five). As is now widely acknowledged, high unemployment benefits of short duration, coupled to strong activation incentives and obligations, supported by active labour market servicing policy, are most successful in lowering unemployment and raising labour productivity (Chapter Two).

This means that the recasting of the welfare state should not be reduced to ‘transform[ing] the safety net of entitlements into a springboard to personal responsibility’ (Blair and Schröder, 1999) but rather about forming social policies so that they act as a ‘bridge of change’, resting on several pillars: investment in human capital and social protection and activation.

Of course, as mentioned, such a strategy requires that more rather than fewer resources be devoted to social policy. This may well appear problematic in the aftermath of the 2008 financial crisis and in a time viewed as a period of financial austerity. Yet there are good reasons for changing the way such expenditure is considered, and to take seriously the idea that these social expenditures are in fact investments, from which productive and economic benefits can be derived. This therefore calls for a new economic thinking and accounting to underpin the social investment perspective. In fact, the absence so far of such new economic thinking can be said to be one reason why the social investment perspective has not yet developed into a fully fledged paradigm like Keynesianism and neoliberalism.
Towards a social investment welfare state?

Where are the elements for the 'new' economic thinking? One important element is to be found in our accounting methods. If we take seriously the idea that social outlays can yield long-run dividends for both individuals and society as a whole, then there is a good case to be made for counting such outlays as productive investments rather than as consumption. This in turn means that we need to develop a new National Accounts System (Esping-Andersen, 2005; see also Chapter Ten).

There are also new forms of economic activity that urge us to rethink our ways of measuring productivity, not least since these activities are of growing importance. This applies to personal services and to Information and Communication Technology (ICT)-related production, as well as to green technologies.

Likewise, the rationale behind the 'Beyond GDP' agenda as formulated in the Stiglitz–Sen–Fitoussi Report (2009) is that current developmental challenges demand new and improved socioeconomic indicators to guide policy makers. As the authors remind us, what we measure affects our view of the world and in the end what we do. If our measurements are flawed, decisions may be distorted. Thus, for instance, conflict regarding choices between promoting growth and protecting the environment may be dissolved once environmental degradation is appropriately included in our measurement of economic performance.

Among other things the report points out that it is often unclear how current indicators relate to each other and that social dimensions tend to be missing. The concept of sustainable development is useful in this context with its future oriented and intergenerational focus: 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland Commission, 1987).

There is hence a need to work out indicators that can inform us about the sustainability of social wellbeing. The Stiglitz–Sen–Fitoussi Report describes sustainable development as 'well-being over time particularly in its economic, environmental and social dimensions' (p. 8). Other interpretations of the concept use the metaphor of the three pillars but in comparison to the economic and environmental aspects of sustainable development, social aspects tend to be neglected. This one-sided emphasis on the environmental dimension of sustainable development will not promote an efficient response to major long-term challenges such as climate change or reproduction of human capital. The Stiglitz–Sen–Fitoussi Report explicitly paves the way for a comprehensive approach in line with the social investment perspective. Their idea of measuring sustainability both in terms of flows and stocks is as important as their idea of social sustainability as an integrated part of sustainable development (and not just a 'pillar'). If sustainable development is the aim, and if sustainability is to be measured in terms of both flows and stocks, then perhaps what is needed from a macroeconomic perspective are policies that are flexible and adaptive rather than permanent and prescriptive.

As discussed by Sommestad, models including human capital accumulation (such as endogenous growth) could be seen as one source of inspiration for a new economic model, as could the concept of sustainable growth. But a new economic model also demands a deeper understanding of the transformation of capitalism, an improved vision of what the 'new' economy is, that goes beyond the concept of just being 'post-industrial'. Lundvall and Lorenz's reformulation of the 'knowledge-based economy' as the 'learning economy' is one fruitful conceptual contribution. The 'green economy' is another potentially useful metaphor.

The lack of a fully fledged economic theory or model is only one reason why the social investment approach has not gained more ground despite the widespread ideas. Another reason seems to be the lack of clear political coalitions and entrepreneurship to back it up. In the following section we reflect on the kind of political alliances that could carry this perspective.

The politics of social investment policies

What are the political motivations for implementing social investment programmes? On the ideational level, the model is overdetermined. In the real world, it appears that motives are not as elaborated as one would have thought, and have a shorter time horizon than expected.

The analysis of the underlying ideas suggests a rather complex agenda with a number of specific motives for the social investment approach: the demographic motive of increasing fertility in societies that are increasingly burdened by ageing populations; the social motive of supporting groups with social risks neglected by the traditional welfare state programmes; the economic motive of preparing workers for the new economy; the political motive of formulating a third way, different from the old paradigms and able to create new political coalitions.

Is the social investment left wing or right wing? Historically, there are obvious social democratic roots. We see this with the Myrdal agenda formulated in the 1930s in Sweden and we see the social democratic inspiration when we look at more recent formulations of it, for example, by Esping-Andersen et al. (2002). The story of the Lisbon
Towards a social investment welfare state?

The 2000 proposal was decided when left governments were predominant across the EU. Giddens' writings were part of the New Labour mobilisation. The different chapters in this book also show that there are some clear cross-national correlations in the sense that countries with a stronger political representation of social democracy have been more inclined to implement such policies.

The fact that since the social investment ideas have been elaborated and promoted, few countries have known either left governments or encompassing party coalitions working hand in hand with encompassing unions may partly explain the lack of implementation of social investment policies beyond traditionally social democratic countries.

Another reason is that the social investment approach is naturally targeting children, youth, women, migrants and the unemployed, which do not constitute any clear or coherent political constituency, making it difficult to see which political coalitions would support it.

This is not to suggest that there is only one political path to social investment. Quite the contrary, the ambivalencies of the perspective open up for a broader set of political actors, and in so far as there are achievements of the social investment approach that are attractive, why should it not be possible to learn from 'best practice'? In fact, different chapters point to the fact that the political triggers for the promotion of social investment-type programmes have often been of a substantive rather than ideological nature. In this respect, demographic arguments seem to have mattered a lot (see Chapters Six and Ten).

If Morgan (Chapter Six) is right about the changing electoral base for political parties and the growing competition for the female votes, this may bring social investment-related issues on the agenda, particularly around the care and education of young children. Here, the ambiguity that characterises the social investment perspective also carries some potential by offering an opportunity to build policy coalitions between partners who have very different world views. This suggests that social investment-type programmes could be put forward or agreed upon by very different actors not only in the individual member states but also at the EU level. It might not be necessary for everyone to recognise the failure of neoliberalism as a paradigm in order to support policies or programmes that are clearly outside the neoliberal box. The problem is that such an approach risks remaining partial and lacking in the kind of synergies suggested by our 'package' argument.

Meeting the challenges ahead: what future for the social investment welfare state?

When we discuss the social investment approach in paradigmatic terms on the ideational level a few words of caution are motivated. The approach as such has gained steam primarily out of disenchantment with neoliberal policies. The birth of the emerging paradigm is thus not associated with a crisis and an established and broadly acknowledged failure of the interpretation and solutions of the past. We would argue that it is only if the financial crisis that started in 2008 is perceived as the crisis and end of the past neoliberal economic and social paradigm that the social investment perspective may have a chance to become the new paradigm.

Yet at this stage it remains an open question whether the global financial crisis of the late 2000s will be the trigger that brings about the social investment paradigm, or whether it will, on the contrary, be its deathblow by starving the quality of social investment programmes due to large deficits in the public finances.

The first big challenge for the social investment perspective is to become a coherent and convincing economic and social policy paradigm for the years to come. The relevance of the social investment approach in the post-financial crisis context hinges not only on whether it can be reformulated in the new general context but also on whether it can be adapted to the country specific problems and potentials. There are obviously some general issues that call for commonality. Social inclusion of the young, migrants and single mothers are clear and uncontested examples. This needs to be addressed simultaneously with problems of political cohesion, demographic ageing and environmental sustainability. As the various chapters in the final part of this book underline, this is quite feasible but not certain, many things again depending on the specific design of the policies as much as on the political coalitions susceptible of sustaining such comprehensive policies.

At the EU level, even though the Lisbon Strategy has been associated with the social investment approach, the EU has often played against the development of proper social investment policies. Lundvall and Lorenz (Chapter Thirteen) emphasise the tensions embedded in the Lisbon Strategy, which was a compromise between neoliberal and social investment ideas. In this context, De la Porte and Jacobson (Chapter Five) point to the specific negative context created by the single market and the single currency for many countries, preventing them from implementing a proper social investment approach.
Towards a social investment welfare state?

The ambiguity of the Lisbon Strategy has allowed policymakers a selective use of and reference to the message of the EES, and a bias in favour of commodification and flexibility rather than social investment and security. It is notable that despite higher employment rates, there has not been a decline in people living at risk of poverty in the Union as a whole since 2000. On the contrary, income inequalities and in-work poverty has increased in many places.

And while the new EU2020 Agenda emphasises the importance of research and higher education as well as combating school dropout, and focuses on reducing poverty, the macroeconomic focus is on controlling public expenditures rather than on increasing the revenue for investing in the future. As Hemerijck (Chapter Two) underlines: ‘the role of the state as a necessary social investor is confronted with the overriding public finance constraint, anchored in the Maastricht criteria and the Stability and Growth Pact’.

The 2008 global financial crisis does not yet seem to have been interpreted as a crisis of neoliberalism; bonuses are back in banks, retrenchment is promoted to deal with deficits in the public finances, activation is back on the employment policy agenda, cuts seem to start targeting the social investment fields as well as other social benefits. Implementing neoliberal recipes to cure a crisis of neoliberalism is probably an expected phase on the way to the exhaustion of neoliberalism. According to Hall’s (1993) approach to changes in policy paradigms, it corresponds to the last stage of the crisis of a policy paradigm. The bad news is that we may therefore be facing an even deeper crisis since neoliberal solutions cannot solve our current problems but will, on the contrary, lead to more difficulties.

This in turn may trigger a deep political crisis, leading to a paradigmatic shift away from neoliberalism. The outcome of a political crisis cannot, however, be predicted with any certainty. While such a crisis could pave the way towards a social investment paradigm, it might alternatively trigger a turn to protectionism and nationalist xenophobic policies. Wide public unrest and riots are other possible scenarios.

In the past few years, Germany has also provided an alternative socioeconomic model to social investment, in which increasing competitiveness by reducing the cost and social protection of labour and fiscal discipline are core components. Such a strategy also finds its expression in the Pact for the Euro and now the Euro Plus Pact (formerly Competitiveness Pact). Germany’s success in considerably reducing unemployment levels, and the country’s position as the main engine of growth in the eurozone, make the German model a credible competitor to the social investment perspective. Yet this economic success hides growing inequalities and a dualisation process between protected insiders in ‘good jobs’ and an increasing mass of outsiders in atypical jobs with low incomes and poor social protection (Palier and Thelen, 2010). This, we argue, cannot be a winning strategy in the long run, with too many negative externalities involved in terms of increased in-work poverty, social and economic dualisms, and an orientation towards low-skilled, low-quality jobs which cannot remain competitive in the long run in the global economy.

A more optimistic view on the likelihood of the social investment paradigm ‘winning the day’ as a new socioeconomic paradigm is based on the contention that important changes take place incrementally rather than through a policy revolution. Against the idea that paradigmatic change is inevitably a result of a rupture in the past equilibrium, there is now ample evidence that paradigmatic shifts more often come about through an accumulation of incremental but cumulatively transformative reforms (Streeck and Thelen, 2005; Palier, 2010). From the analysis of past transformations in paradigms and policies, we know that for such structural changes to occur, some conditions need to be met: we need changes in the European context that lead to a recognition of the need for a new agenda. We may foster gradual change by the ‘layering’ of new social policies, at the margin of the existing system. But eventually we need metapolicy reforms to circumvent piecemeal engineering and move beyond institutional and political obstacles. We not only need to make available elements of a new social and economic policy paradigm but also to suggest how they can be fitted together. Moreover, for actually achieving policy change, we not only need a renewed political coalition involving new and old social risks bearers but also political entrepreneurs at different political levels to act as agents of change.

In other words, there are a number of requirements for the social investment approach to become the next social policy paradigm. Some of these requirements are linked to the actual content and quality of policies. Here, the association with climate change mitigation policies provides an interesting opening with the focus on sustainable growth. It appears that climate policies have many joint interests with the social investment perspective. Not only do they naturally share a strong long-term perspective which has been captured by the notion of ‘sustainable development’, they also cannot be addressed within a neoliberal paradigm. It might be that in this context we can find a new political coalition to carry the social investment agenda.
Towards a social investment welfare state?

Is there a future for social investment? This book has explicitly questioned the notion that European welfare states have been converted into social investment welfare states. First, there appears to be no universal trend towards a social investment welfare state in terms of ongoing reform work. Second, the different contributions to this book have highlighted that while comprehensive and well-designed social investment policies do perform well in terms of achieving economic growth with more and better jobs and greater social cohesion, and respect for the environment, the notion of social investment has been used misleadingly to label policies that have no or too little social investment content and therefore much more limited positive impact. However, even if we take the social investment approach seriously and engage in the kind of massive implementation of investment policies such a strategy calls for, a number of policy dilemmas might still appear in front of us. If not properly designed and packaged, social investment policies might threaten to crowd out redistributive antipoverty policies of different kinds, might withdraw vital demand for consumption in the post-crisis, and might threaten the restoration of a balance in the public finances. Here, it is important to emphasise that the notion of social investment warrants us to think beyond the traditional human capital framework when it comes to both policy instruments and goals. This also requires us to rethink the usual time horizon for policy making as this is a precondition for sustainable development. At the same time, the role of the state as social investor is confronted with the process of globalisation, both in terms of its capacity to raise resources and in terms of opening up its welfare system to immigrants. This requires more, not less, European cooperation and global governance, and eventually the development of truly transnational protection systems. At any rate, properly designed social investment policies have the potential to promote social inclusion and social capital as well as social cohesion. These are assets modern societies have good reasons to nurture in order to promote societal progress that is sustainable, recognising the interdependencies of the economic, environmental, political and social aspects of it.

References


Towards a social investment welfare state?


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### Index

1990s European currency crisis, 44
1992 UN Conference on Environment and Development in Rio, 322
1997 Asian crisis, 78-79, 94, 106

**A**
access to employment, 241
activation of women’s employment, 153
activation/welfare-to-work strategy/policies, 18, 91, 131, 141, 320, 362
active labour market policies (ALMP)/activation, 24, 124, 126, 130, 132-136, 139-140, 144, 181-190, 192-200, 216, 224
active population/active income earners, 251–263, 773
active state, 64, 82, 342
adult worker model, 70
affordable housing, 262
age structure, 141, 270, 272, 325-326
aging bureaucracies, 267, 276
aging societies, 61, 271, 305
Agenda 2020/EU2020, 21, 27, 254, 303, 333-339, 343-345, 347-349, 372
Agenda 21, 322
Albania, 263
Annunciation, 120, 353
Anglo-American, 214, 216, 218, 221, 223, 225
Anglo-Saxon model, 23
autism, 126-127
welfare states, 133
assistance in job search/employment assistance, 24, 181, 184-189, 194, 196-198, 200
assistance programs, 181
austerity programs, 344, 346
Austria, 94, 96-98, 100, 102, 104, 106, 109, 112, 123, 216, 229, 315
Austrian Christian Democrats, 171
automobile factories/industry, 328, 378
average age of retirement, 267
average level of income, 263
average years of education, 214, 218-219, 221, 225-227

**B**
baby boom, 271, 274, 276, 278-280
bankruptcy in EU Member States, 333
Becker, Gary, 17, 353
'beggar my neighbour', 301, 306
benchmarking, 339, 348
best-practice/best-practises, 271
Beveridge, William Henry, 120, 37-38, 41, 131
birth rate/fertility rate, 92, 96, 104, 171, 209, 268, 274-275, 281-282, 364
Bismarckian/Bismarckian regimes/Bismarckian/Bismarckian social protection systems/Bismarck, Otto Von, 64, 67, 71, 82-83, 135, 189
Blair, Tony, 18, 46, 77, 110, 132, 134, 366
blame-shifting, 136
blue collar male constituency, 165
borrow to invest, 287
brain drain, 294
Brian/British, 63-64, 80, 82-83, 110, 112, 165, 173, 288-289, 296, 299-301, 315, 316-317, 357
British Labour, 165
Brundtland Report, 322
budgetary surpluses, 162
Belgium, 121, 126, 128, 240, 291
Canada, 94, 96-98, 100, 102, 104, 106, 109-110, 122, 209, 211, 213-214, 216, 225, 227-228, 315, 362
capacity building, 46
card capital physical, 82, 93
capital reallocation, 264, 266
carbon pricing, 159-160
care work, 119, 135
cash benefits, 96, 102, 112, 181

capitalism, 92, 116, 132, 150, 157, 168, 171, 213, 221, 340

capitalist perspective, 112, 150

capitalization, 209, 211, 213-214

caringscape, 214, 218-219, 221-225


case studies, 119, 135

casework, 285-286, 289, 292, 315, 349, 357

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