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DEPARTMENT
OF POLITICAL
AND SOCIAL
SCIENCES

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The Social Investment Imperative

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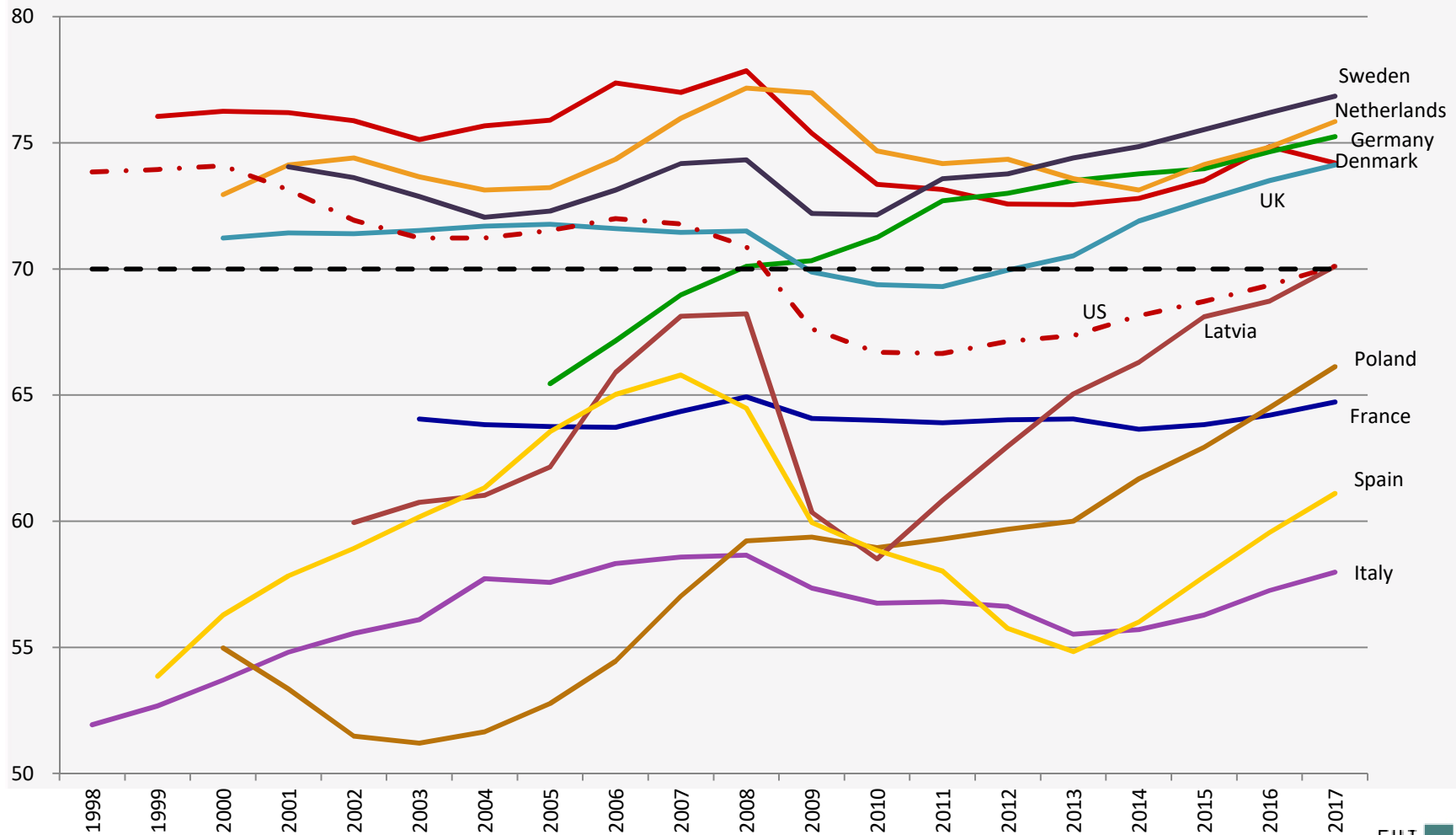
Outline

1. *A puzzle*
2. Taking social investment seriously – *theory*
3. Taking social investment seriously – *evidence*
4. Taking social investment seriously – *politically*
 1. An EMU social investment pact
 2. From *subnational innovation* to *national codification*



Glass half full

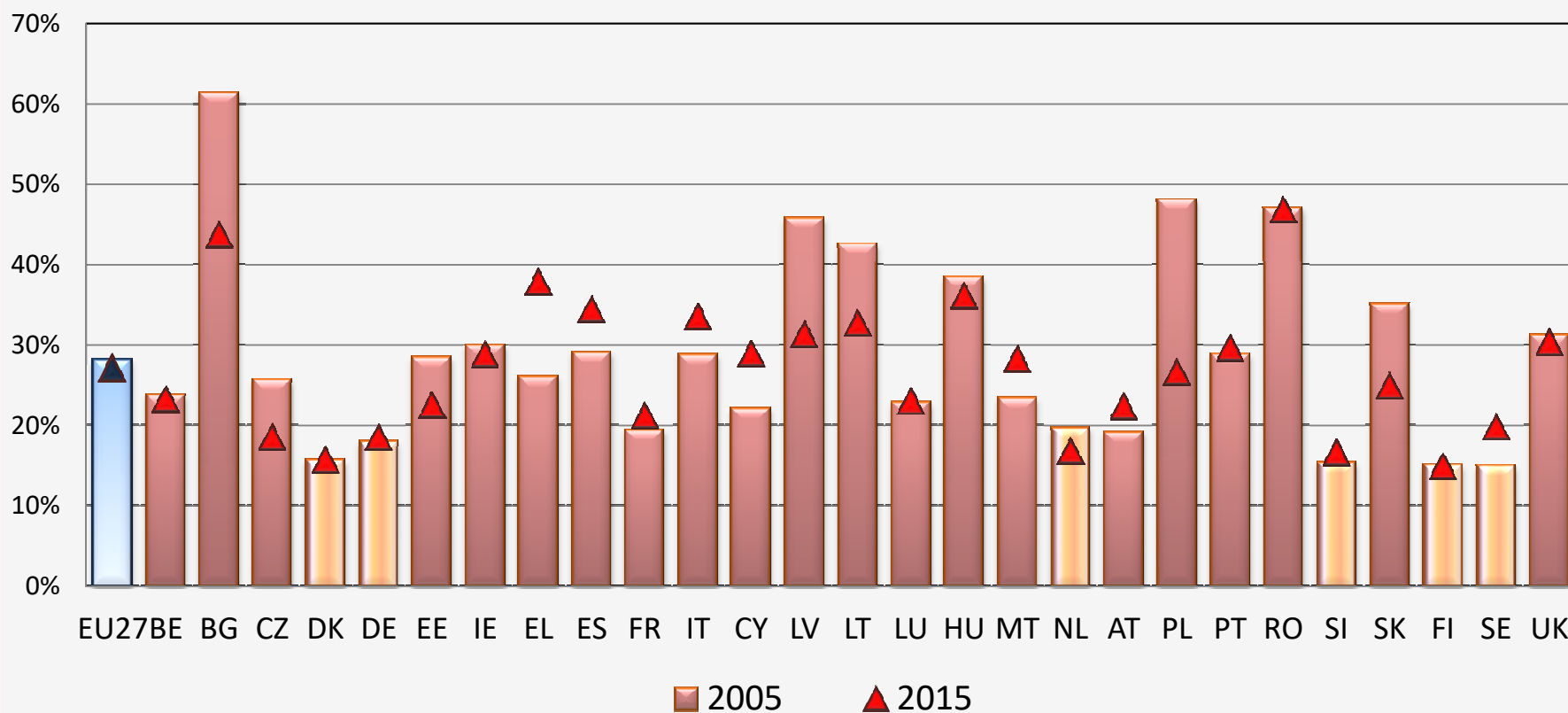
Employment trends in 11 selected OECD countries (% of working-age population; Source: OECD)





Glass half empty

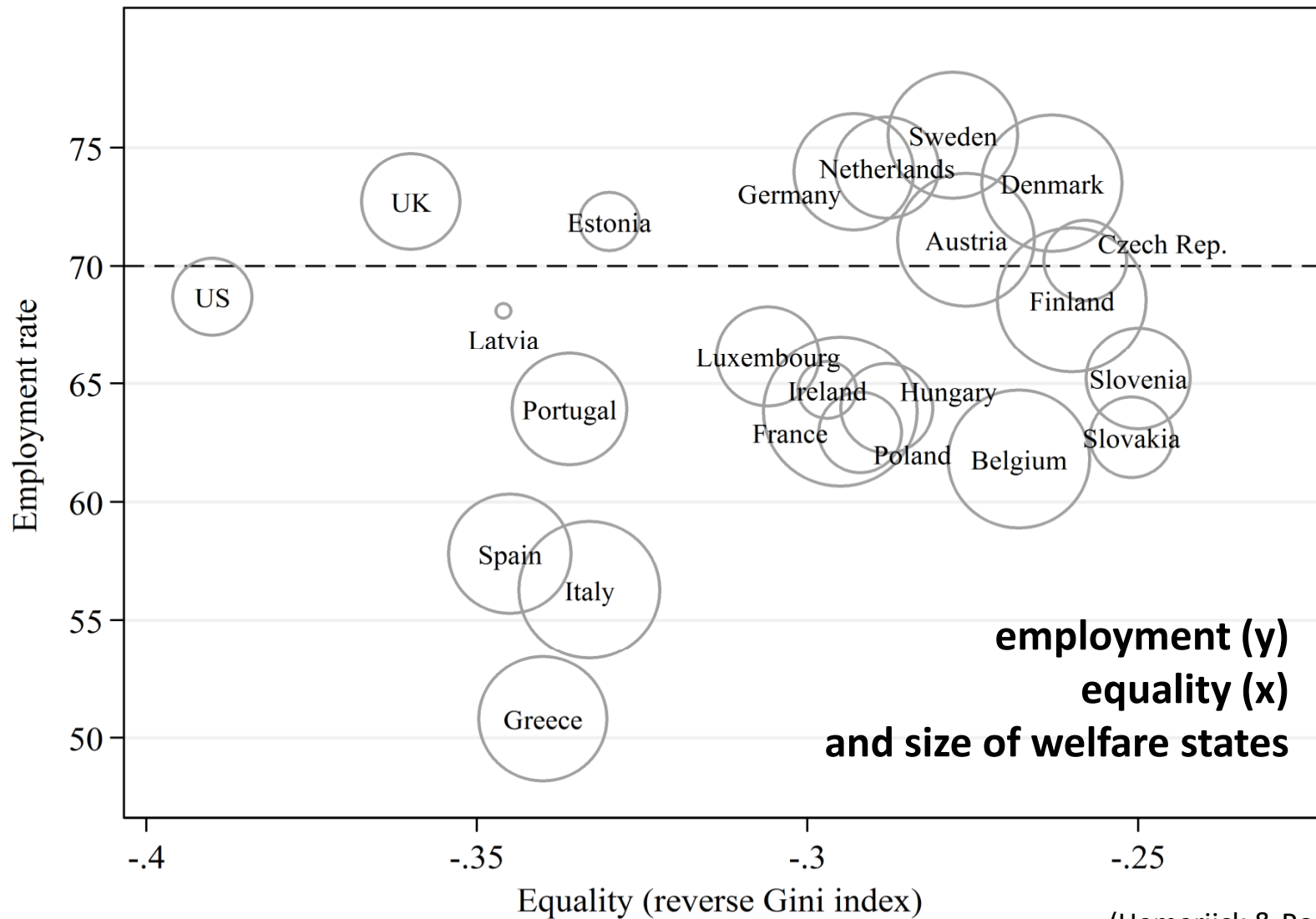
Children at risk of poverty or social exclusion



Source: Eurostat



Beyond Okun's Tradeoff





Social investment reform [WLB, ECEC, ALMP, LTC]

- *All Nordic* welfare states
- *Continental* SI: NL, DE with delay (FR and BE less so)
- *Southern* SI: ES before crisis (not IT)
- *Liberal* SI: lean UK, IE, CND [Quebec] (but not US)
- *New EU members*: SI, CZ, and PL (even today), lean Baltics (not HU)



The 'carrying capacity' of the welfare state

Number supported by welfare provision	Average consumption per welfare client
Number of workers (hours worked)	Average productivity per worker

Long-term strength of the economy and welfare provision increasingly contingent on social policy contribution to the (dynamic) productive '*denominator*' side of the welfare equation, requiring a wider and more multidimensional ambit of policy interventions across the entire life course, beginning with children

(Esping-Andersen et al., 2002)



How: social investment *stocks, flows and buffers*

Three complementary functions:

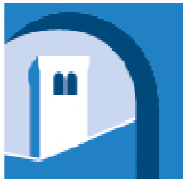
- *Raising* the quality of human capital **stock** and capabilities over the life course from the young to the old
- Easing and improving the **flow** of contemporary labour market transitions in line with (*gendered*) life course dynamics to *retain* human capital
- Upkeeping minimum-income universal safety nets and social insurance as social (income) protection and macro-economic stabilization **buffers** over risky transitions to *protect* human capital

(Hemerijck 2015, 2017)

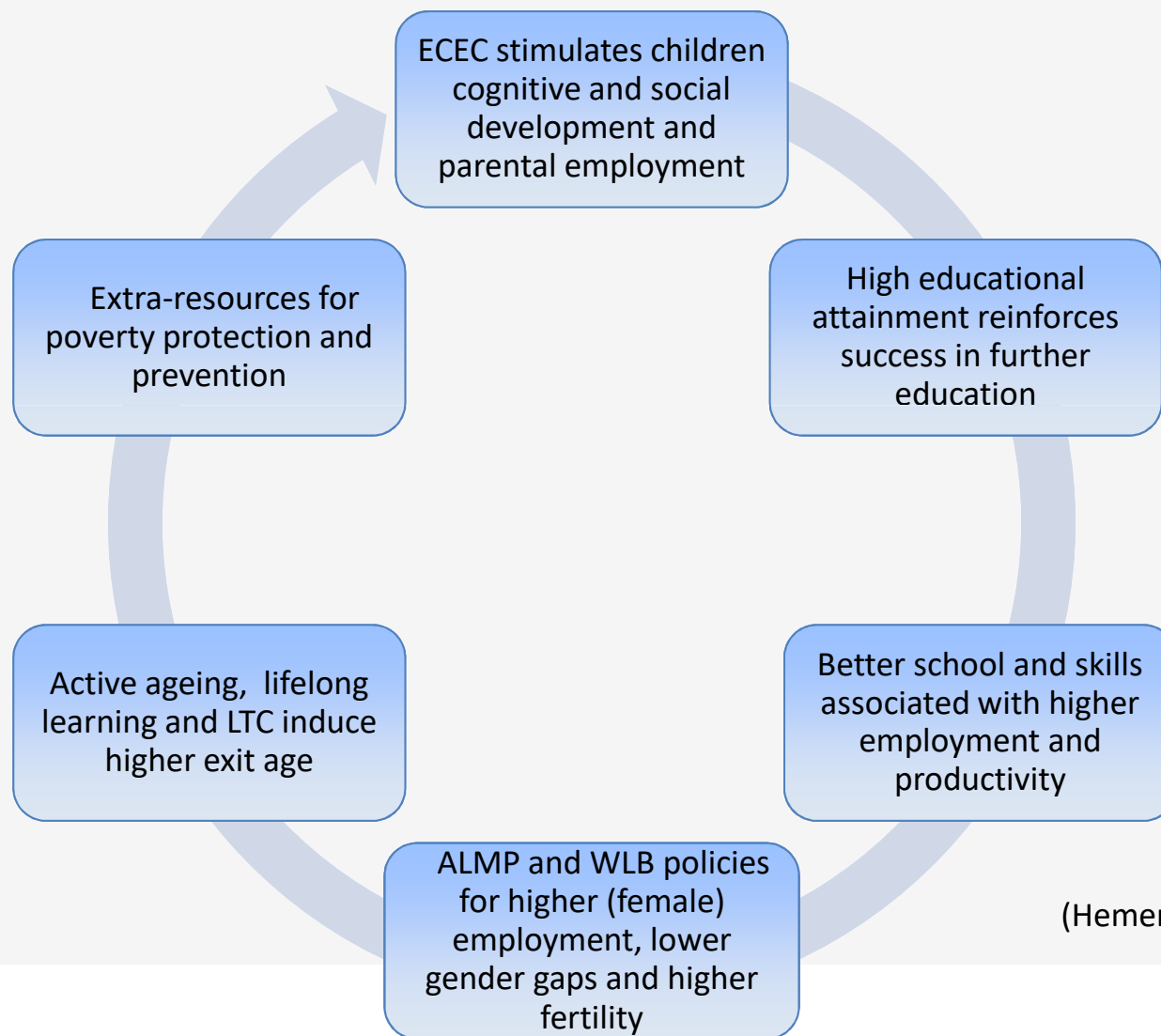


What's "new" welfare state?

- *Keynesian-Beveridgean welfare compromise* prioritized (male) employment-related **buffers** (male-breadwinner industrial economy)
- *Neo-liberal critique of interventionist welfare state* privileged undistorted labour market **flow** (*flexibility*) by retrenching **buffers** (because *moral hazard*) and employment protection (immediate allocative effect) in service economy
- *Social investment welfare state* aligns "**lifelong**" stock investments in *tailor-made* relation to **gender-balanced** "**worklife**" flows and "**inclusive**" buffers over longer (and potentially healthier) lives



The social investment 'life-course multiplier'



(Hemerijck 2017)



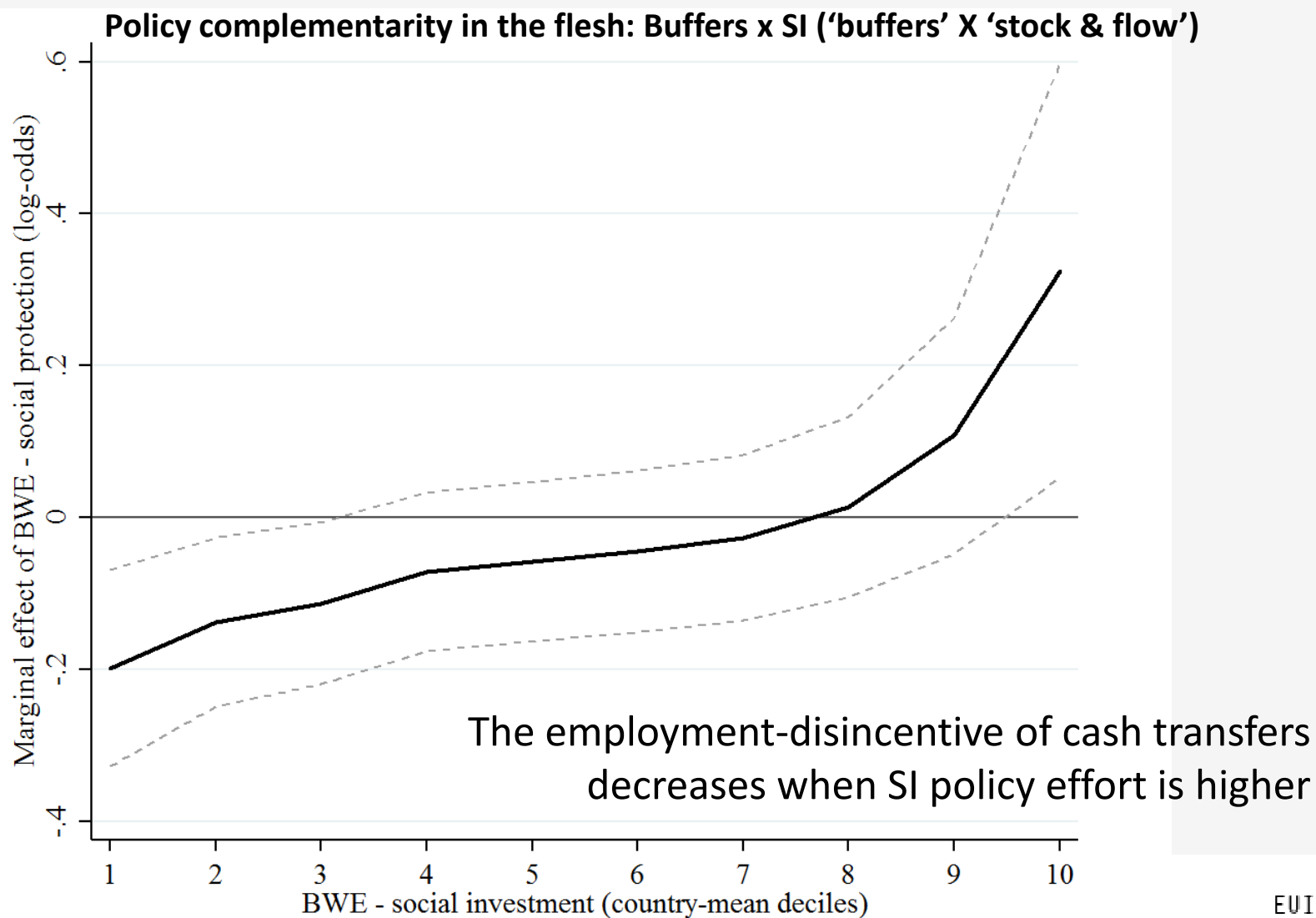
Policy complementarity

It is the *policy mix* that matters: different policies performing ‘stock-flow-buffer’ functions *interacting* to support citizens’ life-course transitions

- *Here and now:* ‘stock-flow-buffer’ policies work in conjunction to enhance current opportunities
- *Over-time cumulative returns:* policy synergies addressing one phase of the life course enhance capabilities in the next phase (e.g. early investments in children -> future human capital gains in lower inequality)
- *National social investment backing for local delivery* (or local experimentation to leverage national commitment)



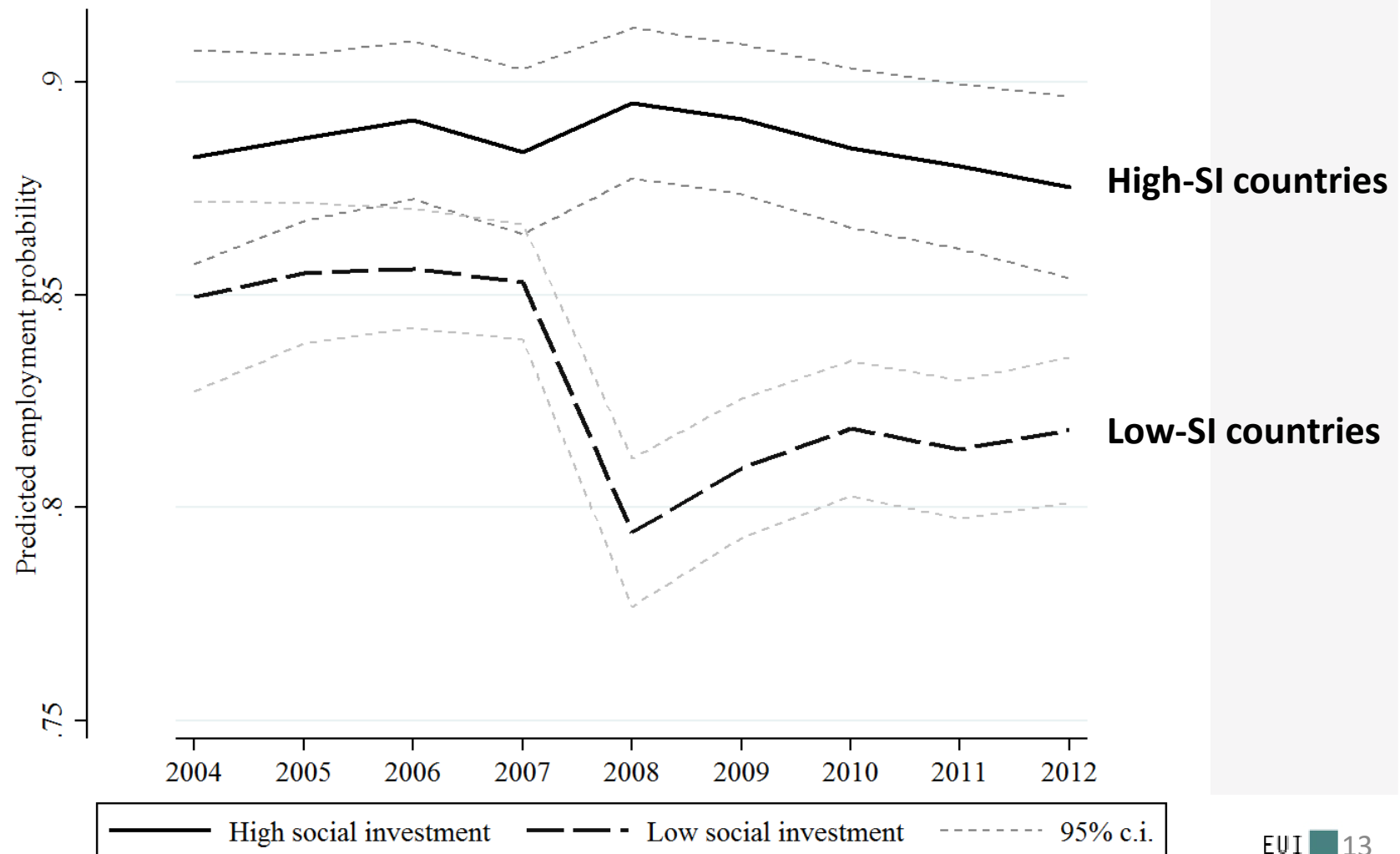
Social investment *moral Hazard* mitigation





Social investment *shock absorption*

SI as *ex-ante* employment shock absorber (time-dynamic perspective: 'stock & flow' X time)



— High social investment - - - Low social investment ······ 95% c.i.

(Ronchi 2018)



Three EU-regions

	Catalonia	Rhône-Alpes	West Sweden
Vertical coordination and Horizontal policy complementarity between the <i>stock-flow-buffer (SFB)</i> functions in three regions	<p>Weak policy vertical policy complementarity between central and autonomous governments due to the institutional fragmentation and inefficiency of the administrative capability</p> <p>No horizontal coordination between training agencies, employment services, social services and income guarantee schemes</p> <p>Banking crisis undermining regional social investment effort</p>	<p>Coordination but the highly complex relations between of social protection and employment assistance making the system sectoralized and fragmented</p> <p>Rigid administrative structures limiting the 3 functions to work together</p> <p>Paris stands in the way for Lyon</p>	<p>High vertical and horizontal coordination between SFB functions</p> <p>Emphasis is placed on cooperation between public authorities and stakeholders at different levels of government, in order to foster greater alignment between policy measures and functions (childcare, education, training, ALMPs, income supports) to support citizens' life-course transitions</p>



Is the EU still the trade union of the next generation (Monti)? *No!*

- EU is a union of national welfare states!
- ‘Buffers’ jealously defended in national politics
- Underinvestment in ‘stocks’ next generation (and brain-drain)
- Little cross-country interest mutual learning about effective ‘flow’ policies
- Making the ageing burden difficult to bear



Heterodox proposal to exempt stock investment from the SGP

- To incentivize *national reform ownership*
- Linked to *learning from best 'flow' practices and more 'inclusive' buffers*
- Leveraging *higher female and older worker employment* over time (for at least a decade) through carrots (rather than sticks) to bolster *carrying capacity welfare state*



The new politics of social investment

- *Welfare states here to stay! ‘Successes’ and ‘failures’ are staring us in the face* – critical implications for capitalism and democracy to survive
- Upward recalibration less difficult than assumed to stay clear of present danger of downward welfare drift and Matthew effects. Big spending welfare state as “*productive constraints*”
- But requires serious *re-imagination* of the welfare state from an ‘equal social worth’ dynamic *life-course wellbeing* perspective – «*flourishing lives*»
- *Especially in Italy, but don’t wait for Rome*