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Social Investment: the new Beveridge?

*Knowledge and Policy: Confronting Governance
Challenges in the New Decade*

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Outline

1. Beveridge's wisdom – “Seeing *old* problems in a *new* light”
2. Post-war settlement unbound and the *neoliberal alternative*
3. An empirical *puzzle* to *re-engage* knowledge and policy
4. Welfare academia *in a bind*
5. Short biography of constructive social investment *engagement*
6. Biting the bullet: taking social investment seriously – *empirically, academically* and *politically* – at last!



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1. Seeing *old* problems in a *new* light

Beveridge's wisdom



Full Employment in a Free Society (1944)

Gratitude to Keynes for helping Beveridge (*cognitively*) see “*old problems (unemployment) in new light (deficiency of demand)*” to inspire...

Compulsory social insurance policy innovation as a macro-level stabilizer and a micro-level poverty-mitigator – ***cornerstone of post-war welfare state***



Beveridge's call for *post-war stability*

- **Political responsibility** for full employment (economic efficiency, social and personal [self-]respect and *community integrity*)
- Requiring a **great extension of powers of central government**.
- To **attack on** giant evils of ***Want, Disease, Ignorance and Squalor***:
 - ***Liberty not safe*** if the *business* does not provide employment and produce goods to sustain an ***acceptable standard of living***.
 - ***No free society*** without *high-quality education for all*
- In the background **male-breadwinning – female home-making families**



Also social partnership and international cooperation

In a full employment economy, great responsibilities rest with **trade unions** and **employers' associations** – a responsibility which transcends the compass of individual unions and industries and can be properly discharged only if every sectional **wage bargain** is considered **in the light of the economy as a whole**.

(...) a country which aims at full employment, in making plans for international trade, should **take into account** not merely the external but also the internal economic policies of **other countries**, and should retain the right to protect itself against the contagion of depression by discrimination in trade and other measures.



2. From the *imperative of stability* to the *search of flexibility*

Beveridge's world unbound



Beveridgean settlement unbound *but not forgotten*

- Stagflation (without an incomes policy)
- Economic internationalization disabling domestic demand fine-tuning
- Structural (skill-technology biased) unemployment breaking up the '*veil of ignorance*' sense that social risks affect us all
- Sectoral shift (to service economy allowing flexibility)
- From female homemaking to dual earner families and its corrolary for children's life chances (*homogamy*)
- Compounded by demographic ageing
- From autonomous to semi-sovereign welfare states as by-product of European (economic) integration
- **Against *backdrop of long-term welfare state success***



Neoliberal critique and policy response

- **Cognitive:** shift to supply-side rigidities produced by generous (full-employment) oriented welfare states
- **Institutional:** state intervention and collective (trade union) rent-seeking distort markets – privatisation/deregulation
- **Distributive:** inequality best serves optimal resource allocation
- **Normative:** welfare state *road to serfdom* (lines we dare not cross)
- **Referential:** “Morning in America”
- **Neoliberal legacy:** not that successful politically, bar *independent central banks* and *balanced budgets* edifice to keep “*wasteful EU welfare states*” in check



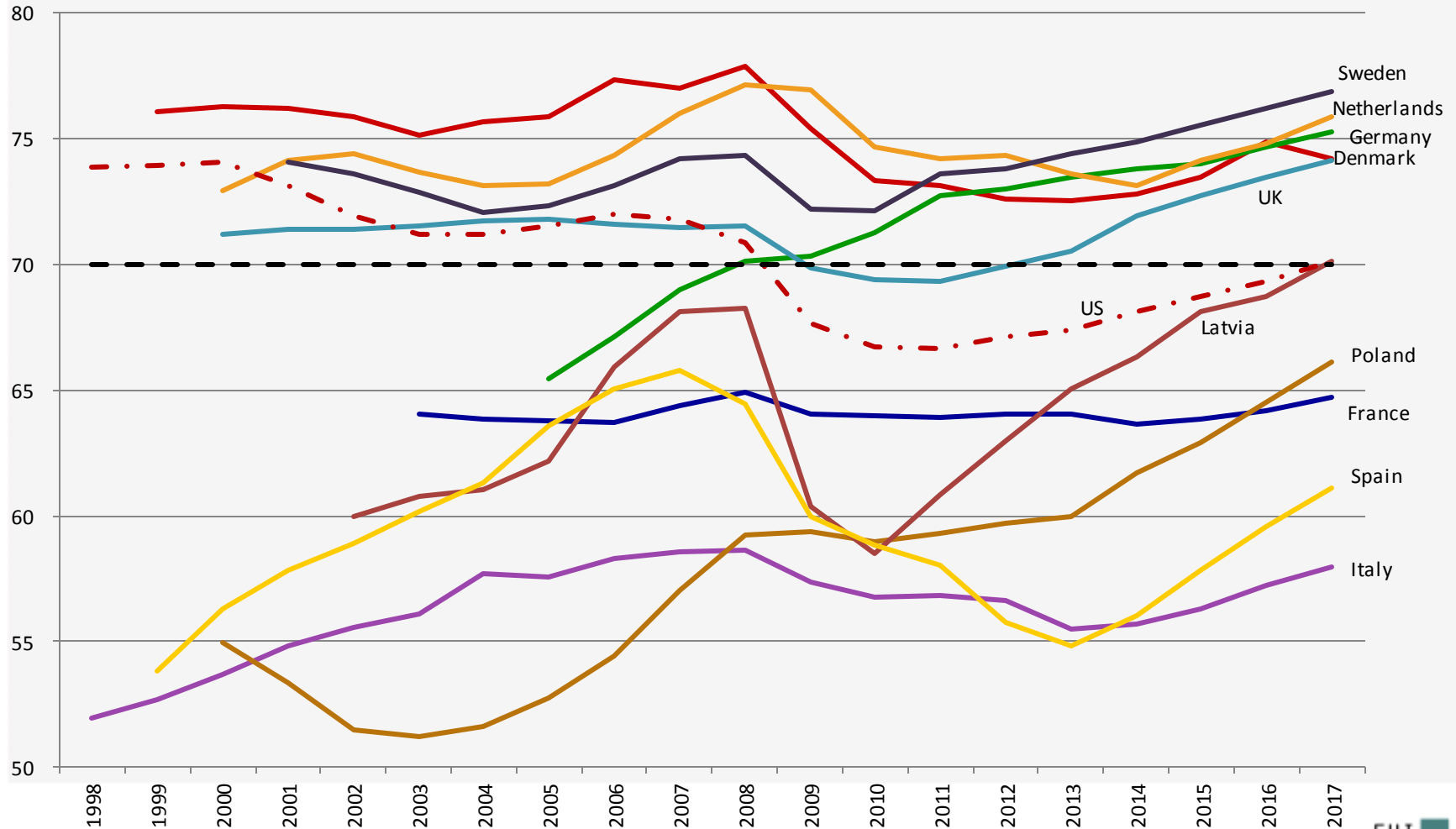
3. Puzzling observations for seeing *social risks in a new light* once again

As knowledge economy and aging societies
transform welfare state environment



Glass half full

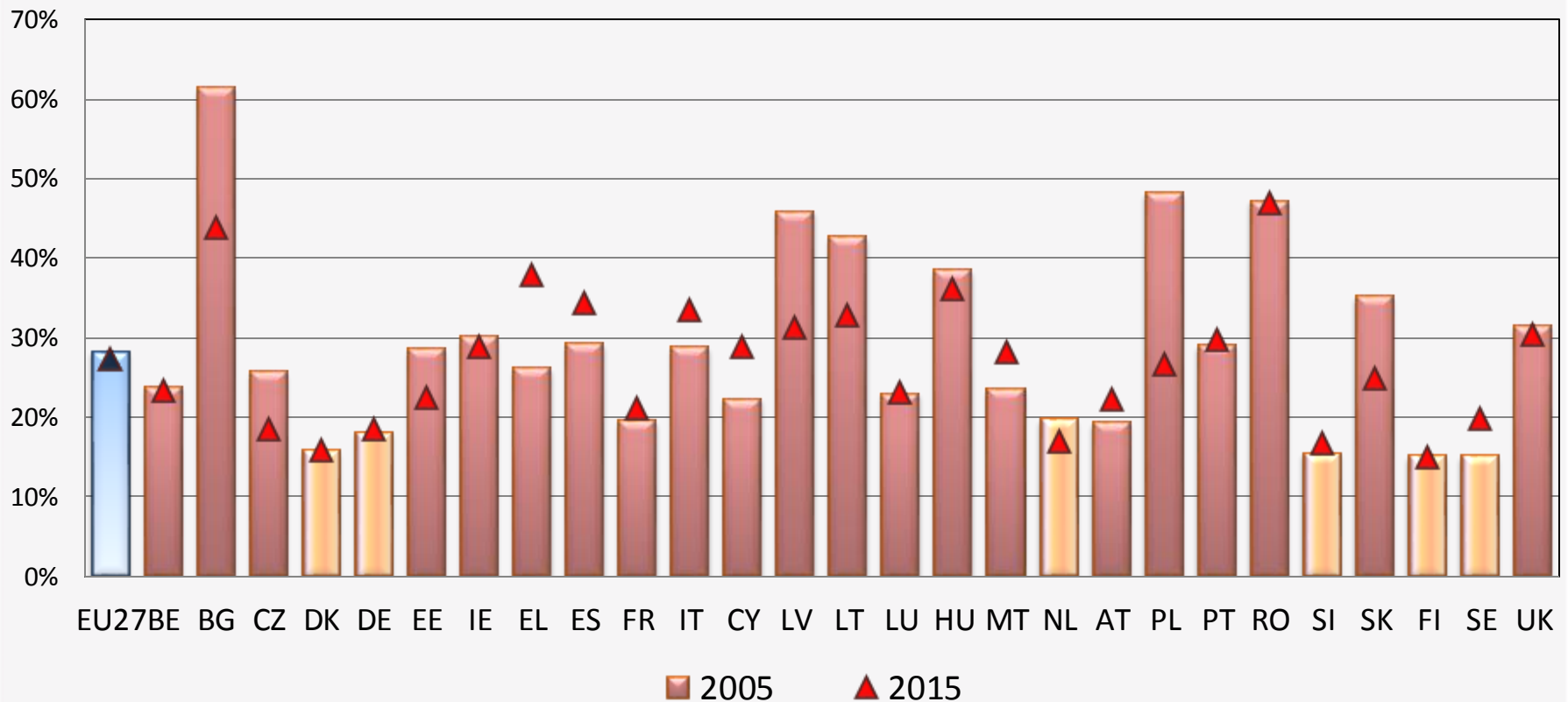
Employment trends in 11 selected OECD countries (% of working-age population; Source: OECD)





Glass half empty

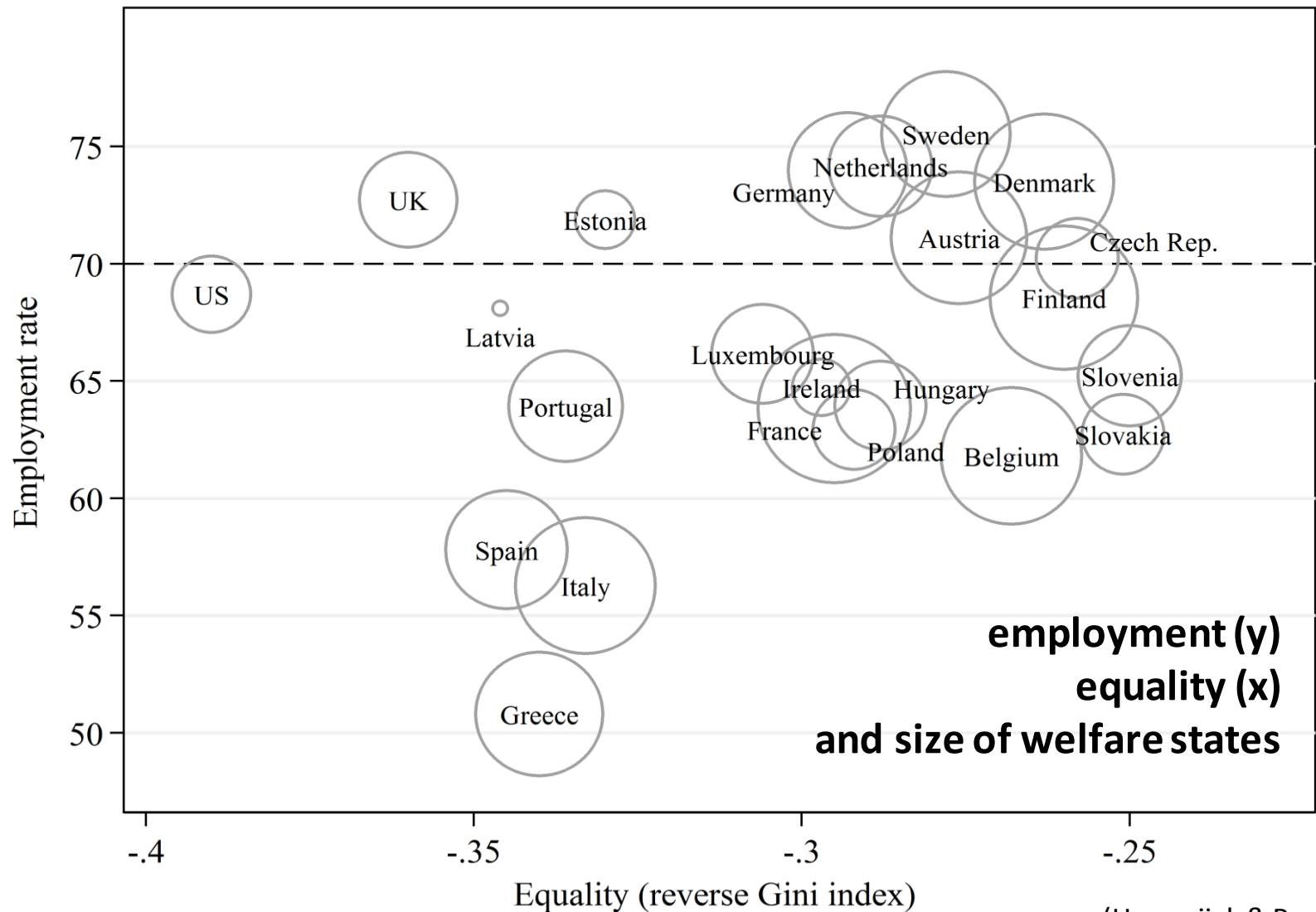
Children at risk of poverty or social exclusion



Source: Eurostat



Beyond Okun's Big Tradeoff: *wasteful* or *productive* welfare states?





4. Biography of social investment *cumulative policy engagement*

*Progressive policy makers' hunger for ideas
inspiring academic progress (with delay)*



Third Way beyond the OECD default theory

- 1997 NL-EU Presidency (*Social Policy as a Productive Factor*)
- 1997 Employment Chapter (*Open Coordination monitoring*)
- 1998-99 European Forum [EUI] on *Recasting the Welfare State*
- 2000 Lisbon Agenda (*Future of Social Europe*)
- 2001 Belgian Presidency (*Why We Need a New Welfare State*)
 - 2005 NESC: *The Developmental Welfare State*
 - 2006 IFS: *Sustainable Policies in an Ageing Europe: A Human Capital Response*
 - 2006 WRR: *De Verzorgingsstaat Herwogen: Over Verzorgen, Verzekeren, Verheffen en Verbinden*
- *Social Investment Package* (2013)
- *Pillar of Social Rights* (2019)
- *EU ESDE Report* (2019)



Conjoint *but truncated* learning experience

- *Third Way* electoral success on promise *TINA*-alternative (small state exceptions to neoliberal rule – NL, DK, SW, FI, IE)
- Engaged academia: from initial supplier of *benign metaphor* (**productive factor**) to *sui generis* social investment *policy theory* development (beyond exceptions)
- EU as ideational facilitator (small bureaucracy distant from national welfare state jealousies) – *EU Presidencies*
- Social investment academic theorizing after 2000 *independent* from original political impetus (intellectual *eigendynamik*)
- Not instantly welcome in welfare research (*intellectual inertia*)
- Inspiring further (*competitive*) theoretical sophistication
- **Conservative reflex:** *wasteful welfare state default theory* defines Great Recession management politics



5. Welfare research in a bind

Retreat from inter-disciplinarity invoking a
'normal-science' *cul-de-sac*



Turning tables today?

- International policy community (OECD/WB/EU), erstwhile cheerleaders of neo-liberalism, embrace social investment...
- However, social investment *under-appreciated academically* as methodologies based on antecedent welfare paradigm(s) inform most post-crisis contributions



What happened?

Sociology after Esping-Andersen (1990):

- Reduction of complexity to *decommodification* as welfare state ***Gestalt*** *pars pro toto* proxy (ignorant of *social insurance* and *pre-distribution*) - 1990s
- Narrowing scope to (measuring) single interventions - 2000s
- ***Retreat***: *population science* (extricating ‘middle range’ *configurational* research) steeped in micro-foundations

Political science since Pierson (1994):

- From expansion to retrenchment as *distributive* struggle - 1990s
- To default *downward drift* invoking upward *welfare recalibration* as [Nordic] *exception* to dualization only-show-in-town - 2000s
- ***Retreat***: *partisan (input-only) welfare politics*; declining interest processes and outcomes, (re-)turning policy into a *black-box*



'Normal science' *cul-de-sac*

Academic bias to *here-and-now redistribution*, where the numbers are. Little attempt to gauge/measure dynamic *life chances* and *wellbeing* from a *Gestalt* perspective (Brian Nolan; ***What Use is Social Investment?*** Bea Cantillon; ***Shortcomings of Social Investment***).

- Under-appreciation of positive returns (due to *short-term distributive* time horizons)
- Defensive redistribution-only understanding of the *politics* of welfare reform
- Under-exploration of 'quality' returns of social policy in bridging people's *capabilities* and life-course *subjective wellbeing*
- Over-estimation of 'Matthew effects' by treating benefits and services as substitutes (rather than *complementarities*)



6. Biting the bullet

Taking social investment seriously –
empirically, theoretically and politically



Social investment [WLB, ECEC, ALMP, LTC] progress *cannot be denied*

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

Lesson: countries matter – welfare regimes less so



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*

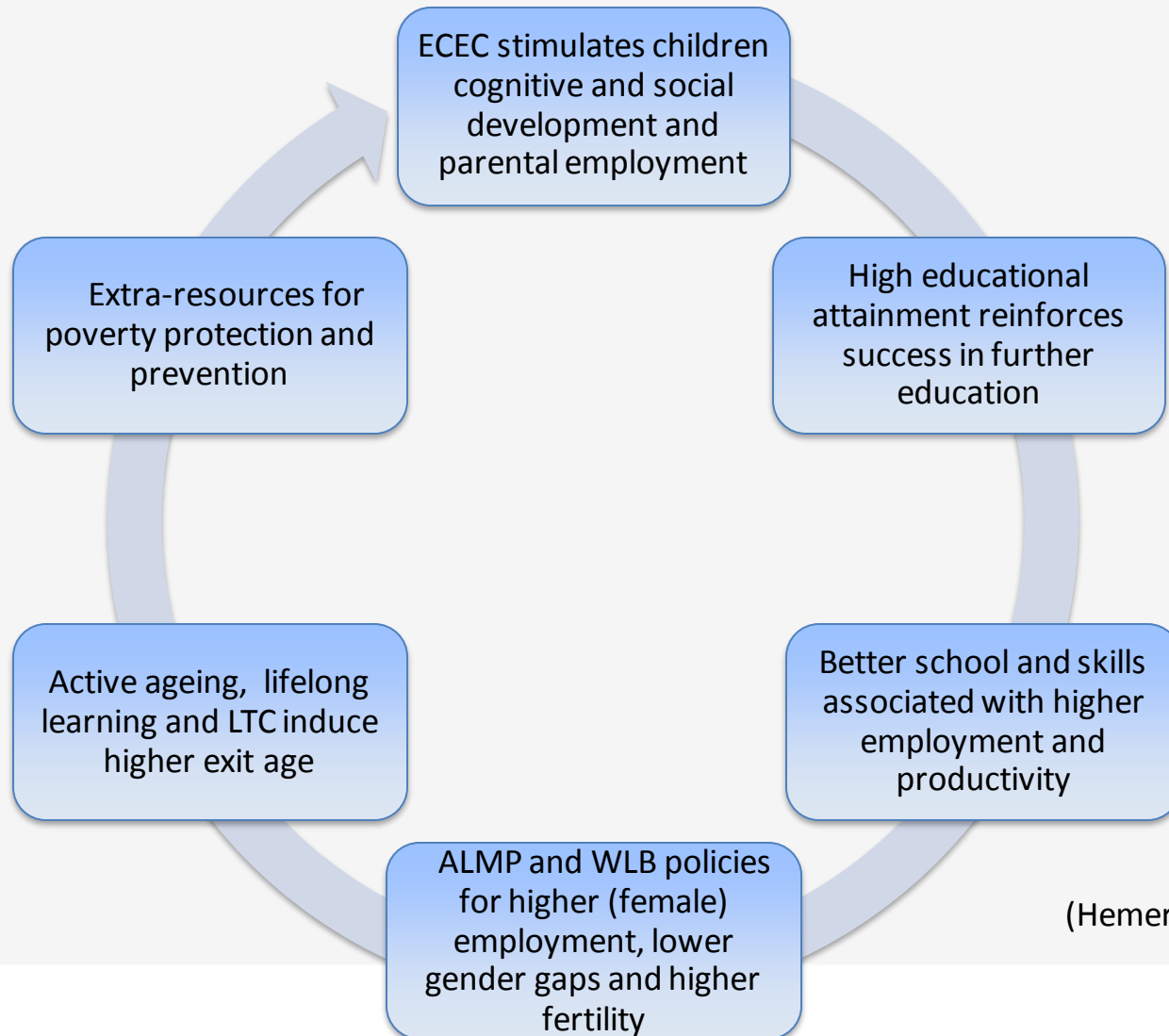
Three complementary functions:

- *Raising* the quality of *lifelong* human capital **stock** and capabilities from the young to the old
- *Easing* and improving *gender-balanced flow* of contemporary labour market transitions in line with life course dynamics to *retain* human capital
- *Upkeeping* and upgrading *inclusive* 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)



Social investment *ideal-typical* 'life-course multiplier'



(Hemerijck 2017)



Policy complementarity

Policy mix 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 at lower inequality)



21st century social risks in a 'new light'

- **Theoretical challenge:**
 - Reframing social protection in terms preventive **life-course** insurance
 - Sensitive to life-course risks and risk-group **heterogeneity**
 - Shift from static to **dynamic** analysis [gauging cumulative returns and lack thereof in relation to institutional (in-)complementarities]
 - Dynamic understanding of **state responsibility** – **party responsiveness interface** over multi-dimensional welfare *recalibration*
- **Methodological requirements:**
 - New operational metrics and tools
 - To link macro-observations to micro-foundations (*over time*)
 - Examining wellbeing (*hand-up* versus *handout*)
 - To re-align reform processes, institutions, politics and policies to mid-range configurational mechanisms (***bringing-the-state-back-in-again at 40% GDP***)



What returns? dependent variables

Social investment well-being returns				
<i>'Quantity' returns</i> Objective material conditions		<i>'Quality' returns</i> Subjective wellbeing Capability gaps		
<i>Economic</i> <i>Social</i>	Employment Productivity Gender equity Economic security	<i>Work</i> <i>Family</i>	Job satisfaction WLB satisfaction	Skill gap Working-time gap WLB gap Child gap

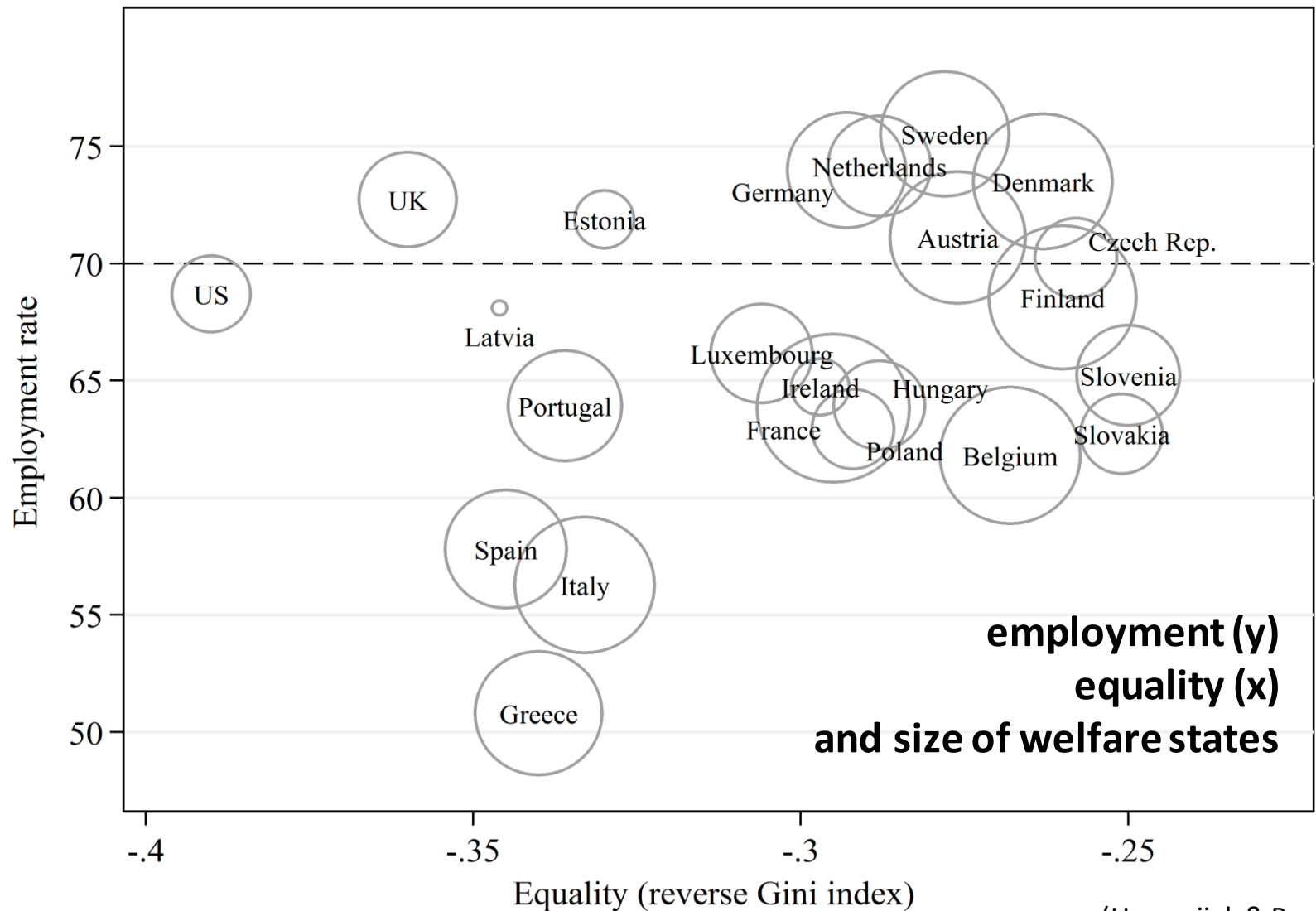


Welfare lesson from the Great Recession

- Automatic stabilizers work (*inclusive buffers*)
- Macroeconomic discretion matters (fiscal prudence)
- Social investment pays (*gender-balance flow; lifelong stock*)
- Euro-membership not a blessing per se
- *Regressive* versus *progressive austerity* and *revenue shifts*
- Unthankful politics of deep crisis management (*not about re-election* – pace J.-C. Juncker)
- *Consensus democracies* (PR) [with social partnership] better able to flexibly maintain a politics of long-term social investment reform with ample electoral support (stemming the populist tide)



Inclusive welfare provision as a «productive constraint» *variable*





Thank You!

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