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Preserving prosperity and social cohesion: the social investment strategy

The challenges

- Population ageing
- Managing a multicultural society
- Labour market transformation (upskilling, polarisation)
- Family change
- Globalisation

The response: a social investment welfare state?

- Perspective located between traditional social democracy and (neo-)liberalism
- Focuses on investment in human capital, promotion of labour market participation
- Focus on children (childcare, pre-school education)
- Should not replace social protection
- Supported by academics, taken up by the EU

A definition of social investment

“Social investment is about investing in people. It means policies designed to strengthen people’s skills and capacities and support them to participate fully in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job-search assistance and rehabilitation”.

Source:

<http://ec.europa.eu/social/main.jsp?catId=1044&langId=en>

A social investment turn?

- Spending data provides some evidence that a reorientation is under way
- Many reforms adopted since the 2000s have a strong social investment flavour
- But what kind of social investment?
 - Third Way/activation version
 - Traditional Swedish high quality provision version
- And there are some problems ...

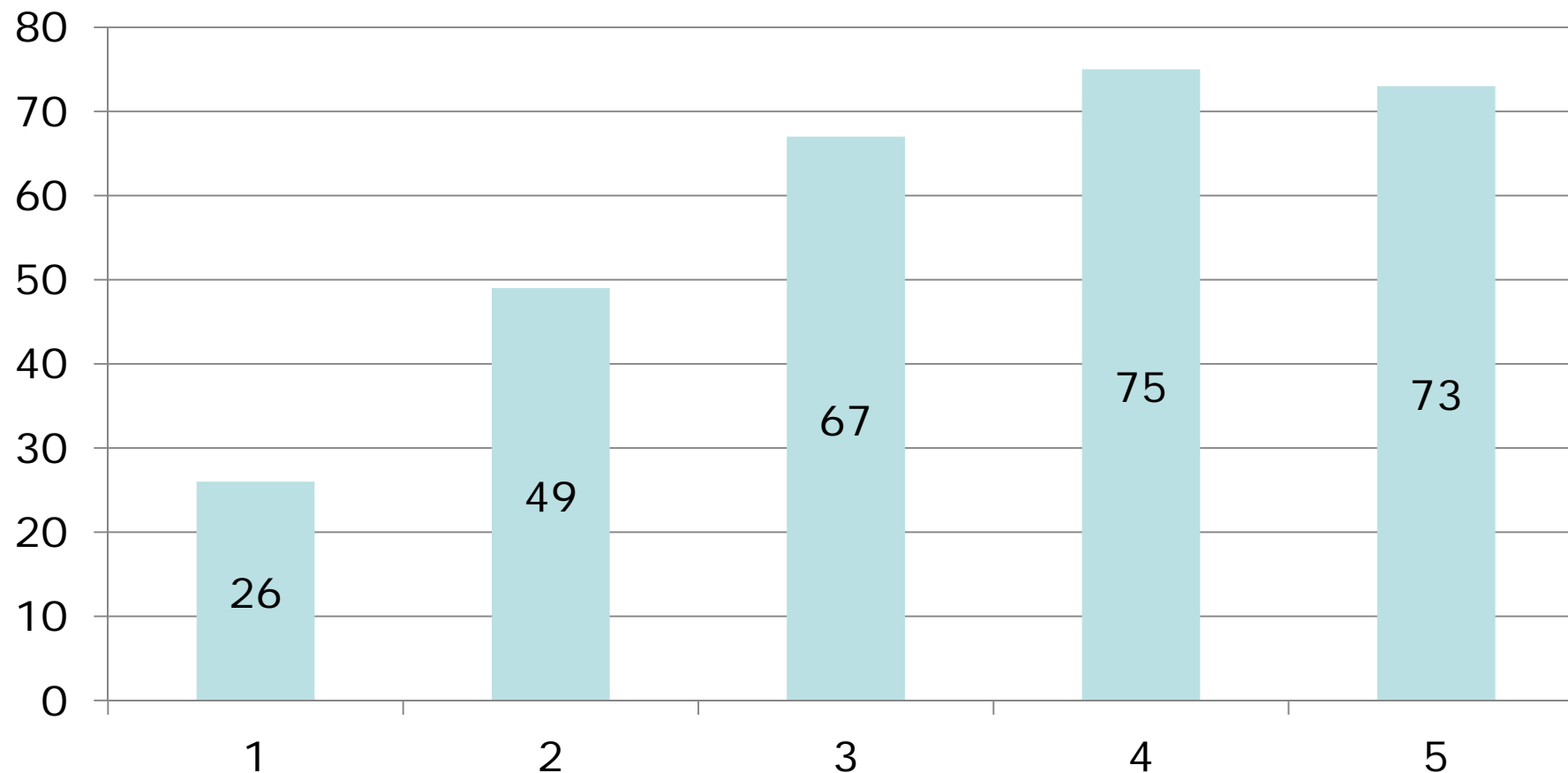
Problem # 1: Relationship between income protection and active policies

- Argument is made that social investment should not substitute income protection (Hemerijck, Palier)
- Access to a decent income is considered to be essential for promoting the capabilities that are needed to profit from social investment
- But how about incentives? Tension
- Sometimes activation oriented reforms have reduced benefit levels and contributed to inequality (e.g. Hartz IV)

Problem # 2: The Matthew effect

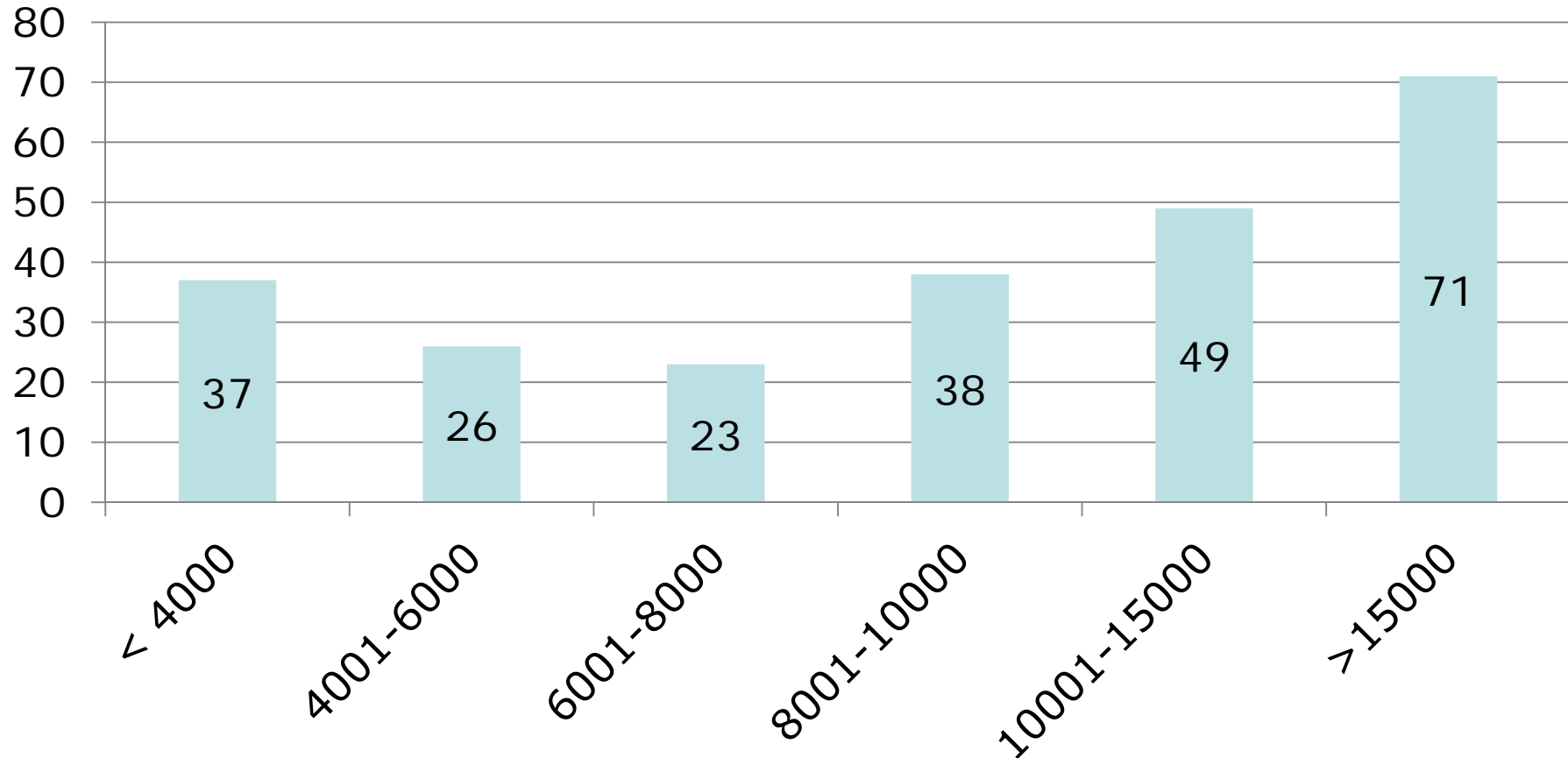
- Investment policies tend to benefit those who are least disadvantaged
- *“For to everyone who has will more be given, and he will have an abundance. But from the one who has not, even what he has will be taken away” (Matthew 25:29).*
- Effect is very clear in the field of childcare
- Similar effect is visible for adult training
- ALMPs in general are selective, and result in a Matthew effect

Proportion of children aged <3 in formal childcare, by income quintile, Flanders, 2005



Source: Van Lancker, W. & Ghysels, J. (2012) Who benefits? The social distribution of subsidized childcare in Sweden and Flanders. *Acta Sociologica*, 55, **125-142**.

Proportion of children aged <5 in formal childcare, by income group (CHF per month), Swiss canton of Vaud, 2012

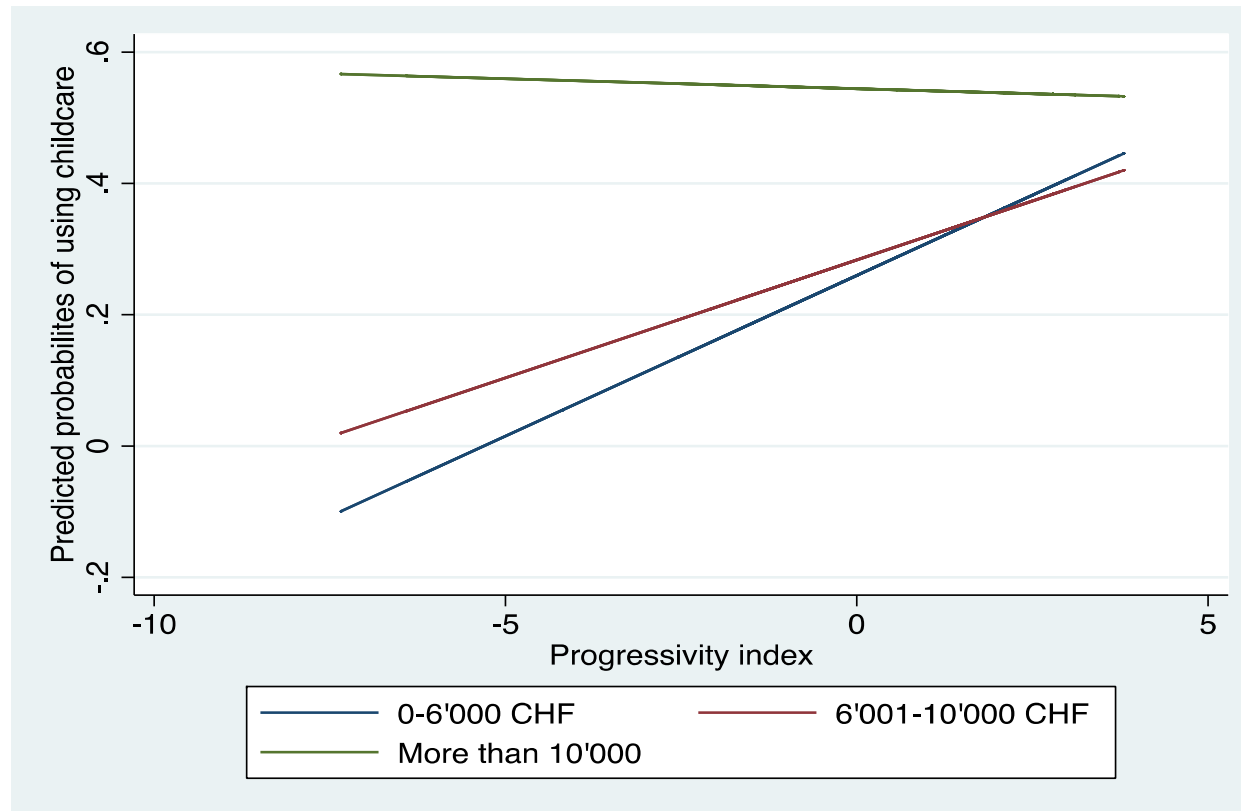


Bonoli, Giuliano, and Sandrine Vuille. 2013. *L'accueil de jour des enfants dans le Canton de Vaud*. Lausanne: Fondation pour l'accueil de jour de enfants (FAJE-VD).

Why a Matthew effect in childcare?

- Work intensity of household
- Cost
- Shortage of places and ability to obtain them
- Cultural factors

Predicted probabilities of using childcare depending on the progressivity of the fee schedule, for three income levels



Controls: employment status of mother, nationality, age of child, household type.

Source: Abrassart, A. & Bonoli, G. (2014) *Obstacles to Childcare Services for Low Income Families*, Paper prepared for presentation at the XVIII ISA World Congress of Sociology, Yokohama, Japan, 13-19 July.

Labour market related training

- US studies, mostly no or weak results (see Heckmann and colleagues)
- Some European studies offer grounds for more optimism:
 - Winter-Ebmer (2006) in Austria: 5-7% increase in earnings
 - Lechner et al. 2004, in Germany, 10-15 pc.points increases in employment rate
- BUT: very low participation

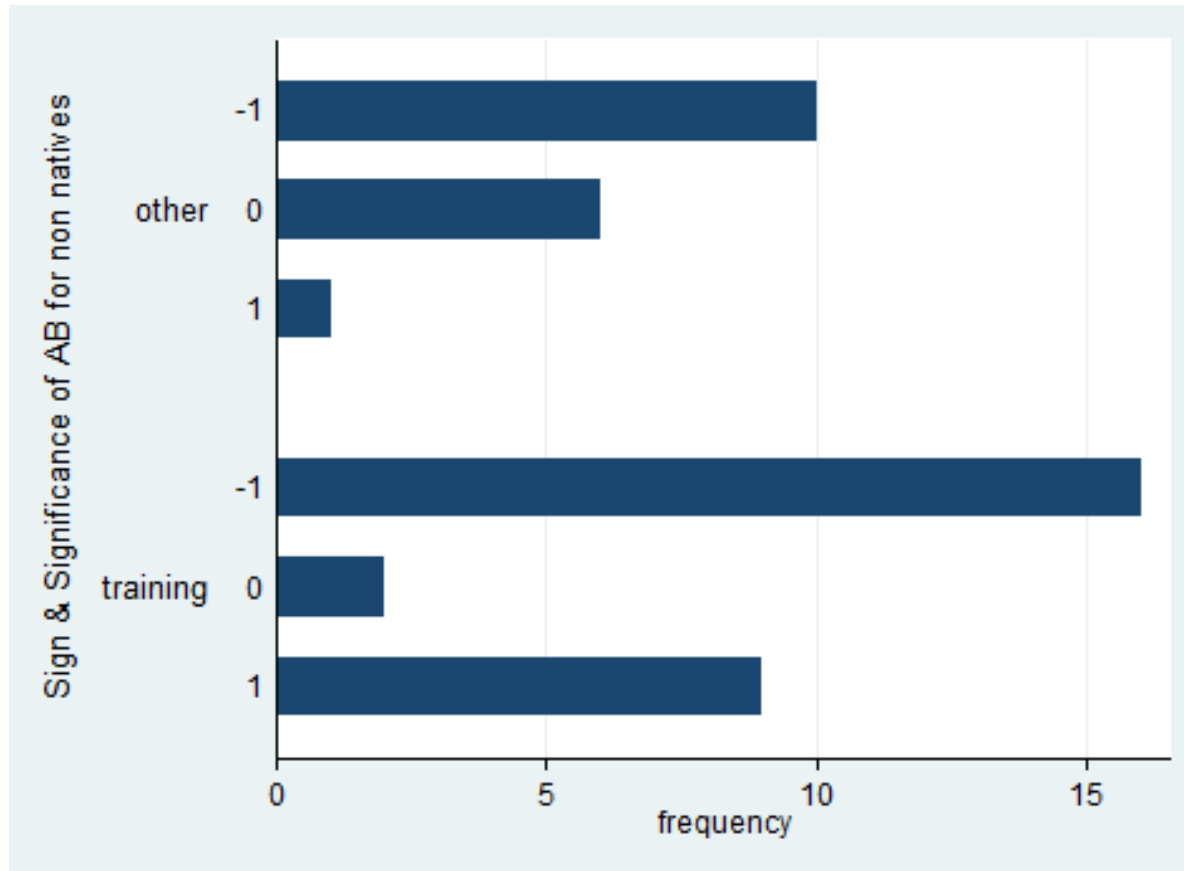
Who benefits most from training?

- Probably a double Matthew effect
- Better qualified people are more likely to enter training
- They are more likely to benefit from it
- Disadvantaged people lack the cognitive and non-cognitive skills needed to succeed in training and education

A meta-analysis of 78 programme evaluation studies

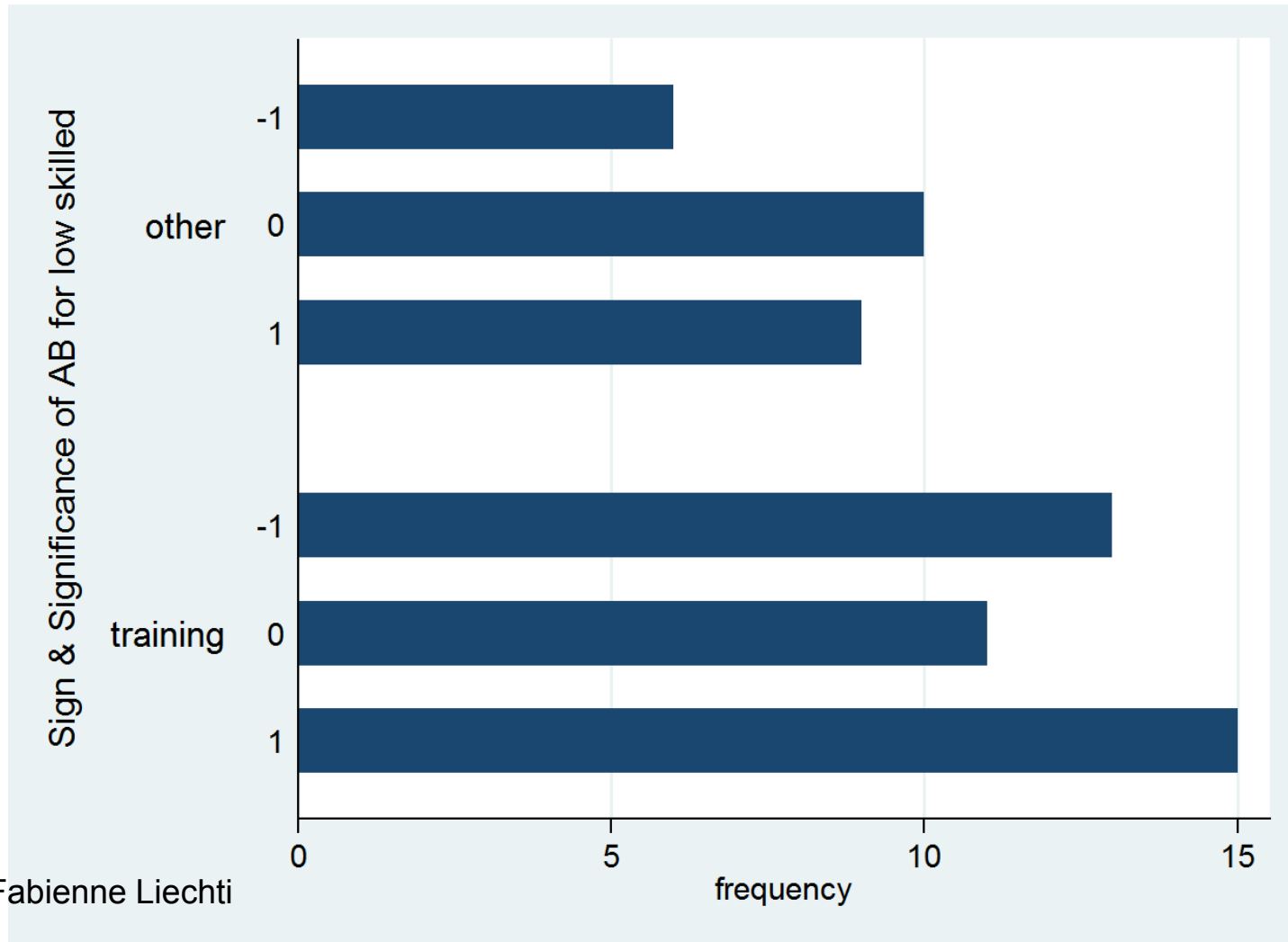
- Observations are evaluation studies
- Studies carried out in several OECD countries
- Coded as follows:
 - Significant access bias against the group: -1
 - No significant access bias: 0
 - Significant bias in favour of the group: +1

Immigrants versus natives



Source: Fabienne Liechti

Low skilled versus mid-skilled



Source: Fabienne Liechti

Social investment tends to favour the least disadvantaged?

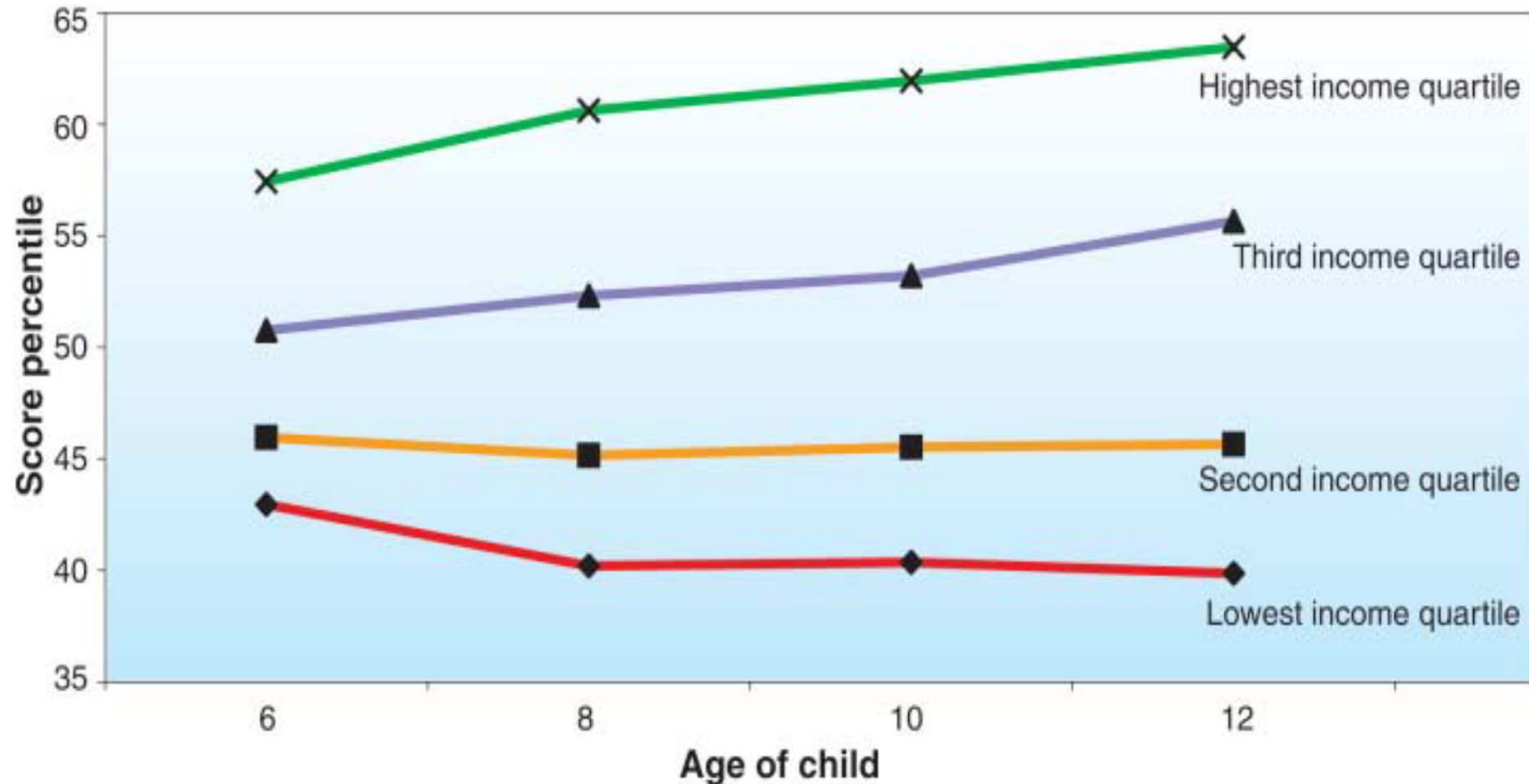
- Bea Cantillon: main bénéficiaires are not non-working households
- Increases in employment volume have concerned households with moderate labour force participation
- In contrast, non-working households are more likely to be poor

Cantillon, B. (2011) The paradox of the social investment state: Growth, employment and poverty in the Lisbon era. *Journal of European Social Policy*, 21(5), 432-449.

Problem # 3: The context of social investment

- Macro-economic structural context (job creation and job quality)
- Values
- Overall education and social policy context
- Inequality?
- Kazepov and Ranci on Italy:
 - Low returns on higher education
 - High incidence of low quality employment
 - Labour market difficulties for women, including highly educated ones

Cognitive skills in children by age and family income

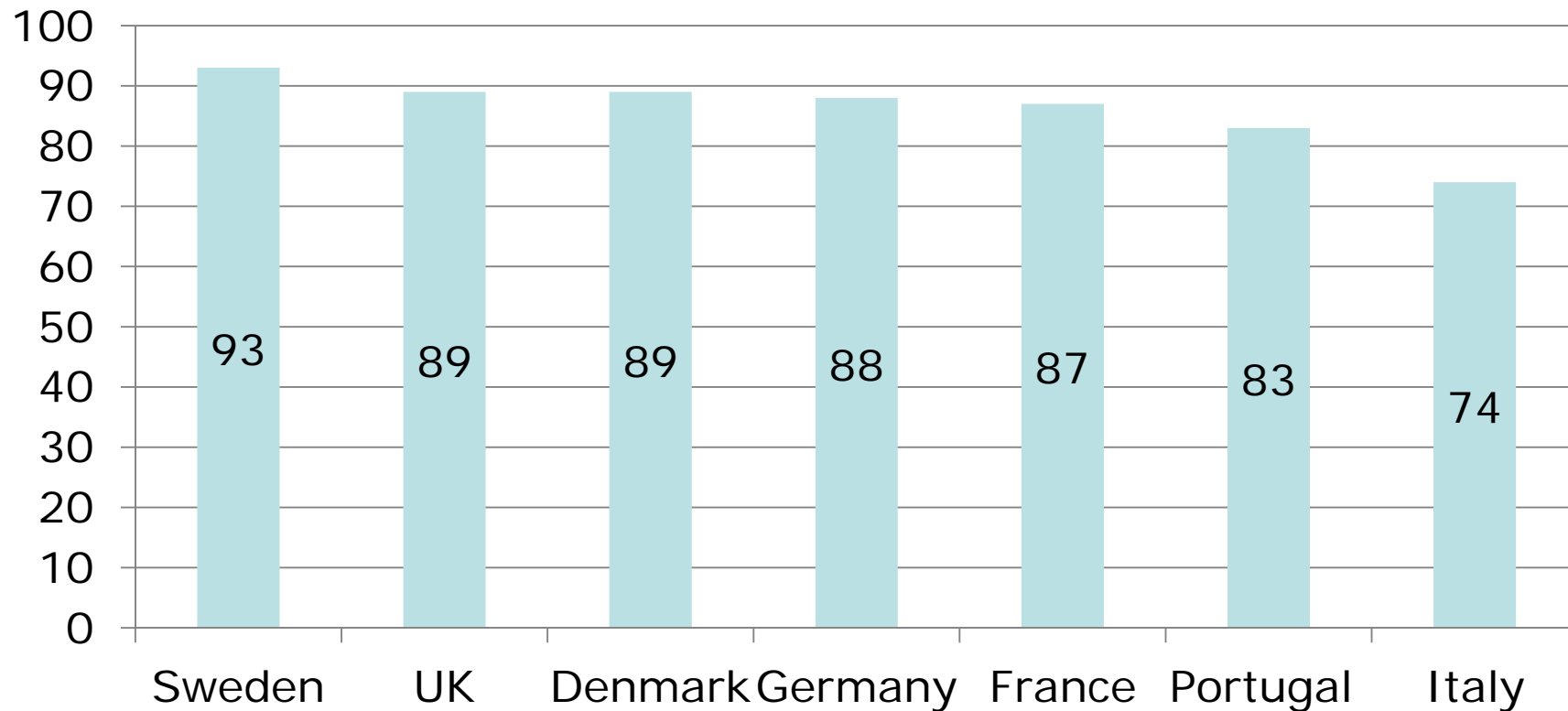


Source: Heckman, J. J. (2006). "Skill Formation and the Economics of Investing in Disadvantaged Children." *Science* 312: pp. 1900-1902.

Problem # 4: Political feasibility

- Are there majorities in Europe today in favour of a social investment turn?
- What about the Maastricht treaty constraints?
- What kind of social investment would be supported?
- Activation rather than a full blown social investment strategy?

% agreeing with the statement “The unemployed should be given the time and opportunity to improve their education and skills”



Source: Eurobarometer 57.1, 2001

A question of credibility?

- Preconditions for social investment turn to be credible:
 - Administrative capacities
 - Employers support
- A social investment coalition?

Conclusion: an assessment

- The problems and contradictions of social investment must be recognised
- Better policy design can help fix some of them
- The social investment strategy must be seen in the context of the alternatives that are today available to European welfare states