Briefing 3.1

Social Investment in Times of Crisis: A Quiet Revolution or a Shaken Welfare Capitalism?

This project has received funding from the European Commission Horizon 2020 Programme Societal challenges: European societies after the crisis under grant agreement no. 649189

Contents

innosi
Innovative Social Investment
Strengthening communities in Europe

1. Overview

The purpose of this report is to analyse and understand whether and how, in the last twenty years, the EU member countries have adopted welfare systems which incorporate aspects of social investment.

The quantitative and comparative study is focused on social investment strategies across 28 European member states. The aim is to map out and explore the effectiveness of different social investment strategies. An overview of macro-level welfare performance indicators consist of a review of available macro-indicators to assess welfare performance in the light of social investment decisions.

2. Key policy implications

Data confirm to some extent the interpretation of a quiet revolution (Hemerijck 2015) and for other and fundamental extent challenge it. On one side, the thesis of a stable European welfare system proceeding in a slow but progressive way is confirmed. On the other side, there are no clear trends towards more social investment spending. In particular there is not a clear trade-off neither between compensatory and social investment spending, nor between social spending for elderly and social spending for childhood and youth.

3. Context

- The working definition of social investment is the one proposed by the European Commission: The social investment approach stresses the case for considering certain parts of employment and social policies — and possibly other policy areas, such as education — as entailing investments improving prospects for future employment and social participation, together with more social cohesion and stability … thus stressing the life course dimension of social policies and their long-term benefits for society. (European Commission, 2013: 3).
- The emerging literature on social investment paradigm focuses on two theoretical and empirical pillars:

  1) the development of a knowledge-based economy; 2) the contrast toward the so-called "new social risks".

- The report stresses the innovative features of social investment from three different points of view:

  -Time horizons: from the present to the future, from consumption to investing policies.

  -Factual issues: from repairing to preparing, from passivity to activity, from compensating to promoting.

  -Social vision: from the hierarchical model to social poliarchy; from standardised social services to personalised social services.

4. Methodology

- The use of social expenditure data to equate social spending with welfare state effort is raises different issues (methodological, political, institutional and concerning taxation), discussed in the paper.

- The analysis of social investment adopts four different perspectives: total social expenditure; three specific areas of social investment; capacitating versus compensating spending; life-course perspective.

- The period under investigation has been divided into three phases, linked to specific events characterising the EU history: pre-Lisbon era (1994-2000); Lisbon agenda (2001-2007); socio-economic crisis (2008-2013).

- The report relies upon Eurostat database as data source in order to analyse data for 28 European member states.

innosi
Innovative Social Investment
Strengthening communities in Europe

5. Main findings

- By considering total social expenditure, data show an up-ward trend for almost all countries from 1995- 2000 to 2008-2013.

- The situation is different if we analyse the three policy areas typical of social investment:

  -The ESPN issue about a reduction in spending on families and children function is not confirmed: we find that in the crisis period family function expenditure has the most important growth together with education.

  -Support for parents' labour market participation is the new real emerging policies field. Childcare, long term care and maternal/paternal/parental leave schemes have an important growth.

  -ALMPS are the weakest link: they decreased from 0,73 (1997-2000) to 0,40 % of GDP (2008-2012).

- European states show a small growth in public expenses for education, but not a trend towards convergence.

  Moreover, the life-course analysis shows the importance of old age expenditure. After 2008 there is an upswing for almost all European nation.

- An important insight, the social investment core shift from the activation policies for market exclusion to policies that support women to save time for work.

6. Interpretation/Limitations

The main interpretative issues of our results lie upon the choice of the measure for total social expenditure and for the distribution of total expenditure across social policies. Since our analysis covers the economic crisis period, the percentage of GDP may become a misleading measure for social expenditures. We thus decided to use also euro per inhabitants and PPS per capita. The joint analysis of these three measures allows us to compare our results with the related literature, and to show some interesting insights from the analysis of the crisis period.

7. Impact & Implications

Our report presents several insights. The first insight is that the social investment core shifts from the activation policies for market exclusion to policies that support women to free time for work. The core of activation policies is not as strong as that of time freeing. The second insight is that if social investment approach advocated policy re-orientation from the “numerator” to the “denominator”, the process to increase the “denominator” pertains the augment of paid workers, but not a process of human capital upgrading. From the crisis, things get complicated. Data show a double movement: a first moment of Keynesian policies that have an impact on social spending and a second period of the neo-liberal retrenchment.

The idea of a convergence around the compensatory social policies could mean that the quiet revolution slow down, giving way to a stronger trend towards austerity. Our statistical analyses provide a different interpretative point of view on Hemerijck’s hypothesis: it could be a recalibration process of welfare capitalism that, while it aims at human capital creation suited to the new knowledge-based economy, on the other side it is forced to buy time through compensatory policies, that serve to prop up the system in crisis.

innosi
Innovative Social Investment
Strengthening communities in Europe

8. Further information

To access the full report, go to **http://innosi.eu/wp-content/uploads/2016/03/D3-1-Unibo-100316.pdf**

For further information on the INNOSI: Innovations in Social Investment: Strengthening Communities in Europe visit our website at **http://innosi.eu/**

Authors:

Riccardo Prandini is Full Professor of Sociology of Cultural and Communicative Processes at the Department of Sociology and Business Law, University of Bologna.

Matteo Orlandini is a post-doc in Sociology at the Department of Sociology and Business Law, University of Bologna.

Alice Guerra is a postdoc in Law and Economics at the Department of Business and Politics at Copenhagen Business School.

www.innosi.eu

innosi
Innovative Social Investment
Strengthening communities in Europe