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Social Investments - meeting social and economic goals in new ways

by Jon Kvist*

The social investment strategy holds the promise of achieving both social and economic goals. In brief the strategy hinges on different policies and returns over the life cycle that aims to help create, maintain and use human capital.

In childhood and youth social investment consists of policies like childcare, early childhood education, schools and colleges. Childcare and early childhood education stimulates the important social and cognitive skills that are vital for us to acquire new knowledge, skills and competences later in life. The success of the educational system thus rests on the availability and quality of these early policies. In turn the educational system provide the fundament - different skill-sets - for stepping into the labour market. The social investment strategy is a dynamic framework where investment and return at one stage determine what policies and returns can be made at the next stage. Early investments in children are thus also crucial for the success of policies aimed at people later in life.

For people of working age the aim is less about the creation of human capital and more about its maintenance and use. Childcare and elderly care enters the policy toolbox but now to facilitate traditional care givers to participate in the labour market. Better reconciliation of family life helps boost female labour supply and thus tax revenues as well as reduce the occurrence of fertility strikes associated with better education of women in countries with little public care programmes. Production and reproduction are the most important return of social investment policies directed at people of working and fertile age.

Finally social investment policies for elderly people are prevention, rehabilitation and amelioration measures. Measures that enable elderly to become more autonomous and healthy and thus less expensive in the health and social care sectors.

The social investment strategy in these ways undertakes horizontal redistribution over the life cycle: "from me at one stage of the life cycle to myself at another stage. People of working age pay back on what they received in terms of childcare and education and forward to what they are to receive in old age from pensions and social and health services. This is based on a generational contract; each generation of working age produce enough to sustain also the generations not of working age based on being in the receiving end at other points in time.

The social investment strategy also rests on a gender contract. Each generation needs to reproduce itself for the society to remain vibrant and affluent. If not, economic stagnation and conflict between generations will ensue. Thus, social investment policies must enable women to get children without sacrificing their career or other
aspirations.

Fortunately the social investment strategy squares well with the needs of contemporary societal challenges and the demands of growing middle classes in many countries. Ageing populations, austerity and dissatisfied middle classes has to varying degree in countries highlighted the need to move away from conventional compensatory strategies dominant in social insurance heavy countries towards innovative social investment strategies building more on services. Shifting from cash to services and from compensation to investment also imply a short of the time perspective and the policy dynamics. Insiders of today must be brought to understand that investments in their grandchildren is key to achieve the aspiration of their son and daughters to both work and get families and to ensure the social cohesion and economic sustainability of the societies of tomorrow.

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