Theme 4: Social policies. EUROPE

Concept note
"Social investments over the life course: The dawn of a new policy strategy in Europe"

First Latin American Social Cohesion Conference.
A strategic priority in the European Union-Latin American partnership

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PROGRAMME FOR SOCIAL COHESION IN LATIN AMERICA

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Abstract

National European Social Models are at a critical juncture. The economic crisis combined with demographic ageing makes reform of national welfare systems pertinent. The most successful countries are not only reform social protection reforms but also implement social investments strategies contributing to both economic and social goals. From 2014 the European Commission promotes the social investment strategy as part of the European Semester and the backbone of the modernization of the European Social Models. Until now, however, European Union country specific recommendations have concentrated on social protection reforms and less on social investments. Nevertheless, in the future the EU may promote a two-pronged reform agenda on both social protection and social investments. The last part of this paper sets out key aspects of the social investment strategy in a life course perspective. Unfortunately, those countries who need social investments the most are also the countries least able to implement such policies in the short term.

The challenges

Ageing populations, diversification of family structures, low fertility levels and migration[1] are the chief demographic challenges facing Europe. Next to these social changes, changing labor markets call for greater flexibility of workers and many European countries still suffer from the economic crisis with high levels of unemployment, especially among youth, and high public debt levels. Fiscal consolidation and austerity policies have added to the social costs of the crisis, tragically in particularly in those countries that are most affected by the economic crisis. As a result inequalities are persistent, if not growing, in the majority of European countries. Obviously, there are large differences in the nature and size of these challenges across European countries just as they have weathered the economic crisis differently.

1. Migration within the European Union (EU) and from non-EU countries to the EU raise issues of economic sustainability and social cohesion that in turn pose political challenges at the national and EU levels.

European social models

In fact, there is not one European Social Model, but rather three or four different versions of the European Social Model. The Anglo-Saxon model only caters for persons in need when family and market solutions have failed in the form of social assistance and various minimum income benefits, often earmarked and means-tested. However, in Europe the Anglo-Saxon model also have extensive health and education policies. The Continental European model chiefly maintains the status of insiders primarily through social insurance and employment protection legislation. The Social Democratic model combines relatively generous social assistance and social insurance with extensive social, educational and health services and active labour market policies which are later shown to be the cardinal policies in the social investment strategy.

Table 1. Policies in the three European Social Models

	Social assistance	Social insurance	Employment protection Legislation	Health	Education	Active labor market policies	Social services
Anglo-Saxon	+	-	-	+	+	-	-
Continental	+	+	+	+	+	-	-
Nordic	+	+	+	+	+	+	+

In reality all European countries have traits of all three models, often varying across policy areas and over time. No country is a pure copy of the Anglo-Saxon, Nordic, or Continental European model. That said, there is no doubt that countries tend to lean towards one or more of these models. Not surprisingly the Nordic countries lean towards the Nordic model to varying extent. The UK and Ireland have traits of the Anglo-Saxon model but also provide universal services characteristic of the Nordic model. Benelux, France and Germany have extensive social insurance schemes and employment protection legislation. The Central and Eastern European countries have social assistance and social insurance, albeit most at lower levels than in the Continental model, and some of these countries also have extensive social services as in the Nordic model, albeit not of the same quality.

The reform agenda

The EU 2020 strategy aims at smart, sustainable and inclusive growth with headline targets on employment; research and development; climate and energy; education; social inclusion and poverty. At the moment there are European discussions about what strategy and targets should replace the EU 2020 strategy.[2] However, it can be taken for given that social protection and social cohesion will continue to be discussed on the background of the demographic, economic and social challenges outlined above. Most challenges call for reforms that increase employment. Higher employment is central to maintain the sustainability of the European social models when more elderly become dependent on pensions, health and long-term care and when fewer people of working age can deliver social, education and health services. Increases of migrants' employment are seen as particularly important for not only boosting the financial sustainability and delivery of benefits, but also to secure the continued broad support of national systems of welfare. Higher employment must not come at the price of lower fertility levels as these are already below reproduction levels. Better reconciliation of work and family life is seen as key to increase employment without work and fertility becoming a trade-off.

2. The European Council discussed the successor of EU 2020 for the first time at its meeting, 21-22 March, 2014. A five month consultation ended in October 2014, Taking stock of the EU2020 strategy, provided the European Commission with inputs to the new strategy. The Commission will launch its proposal for a new strategy in the Spring of 2015.

The new EU reform framework - The European semester

Policy responses to increase employment and to meet the challenges described earlier take place within a strengthened system of economic governance in the EU, the European Semester, installed in 2010 as a response to the debt crisis. The 28 EU member states (EU 28) are not allowed to run annual public deficits above 3% of their gross domestic product (GDP) and their public debt may not exceed 60% of GDP. These criteria are not new, but were part of the Economic and Monetary Union. However, the criteria got institutionalized in the European Semester which is a 12 month cyclical process going from adopting an EU Annual Growth Survey (AGS) with overall goals, examination of national public budgets and reform plans, negotiations, country specific recommendations, implementation analysis, and back to a new AGS and examination of public budgets and reform plans. There are also automatic sanctions, including fines, to countries not confirming to established criteria, agreements and recommendations.

Hence the European Semester obliges countries breaching the convergence criteria to undertake reforms. However, all countries get country specific recommendations to improve their economy. All countries have —to varying extent— received country specific recommendations to lax employment protection regulation favoring insiders and to adopt reforms that ensure the sustainability, adequacy and modernity of pension systems. As a result all EU countries implement social protection reforms that increase effective pension ages whereas progress on adequate benefits and modern pension systems varies more between countries.

In the future CSR's on social protection reforms will be supplemented by country specific recommendations on social investment reforms as the EU gradually implement its new social investment strategy.

The new EU reform agenda - The new social investment strategy meeting both economic and social goals

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 February 2013 the Commission launched the Social Investment Package (SIP) which is a new reform strategy meant to be integrated in the European Semester and thus complementing social goals. In brief SIP consisted of one Communication, a Recommendation plus eight staff working papers. The separate strategies on health, social protection, long-term care and social inclusion were merged into one social policy reform strategy, that of social investments. In October 2013 the European Council agreed to integrate the social dimension of the EMU into the European Semester, as suggested by the Commission. As a result, 2014 was the first European Semester to be informed by the social investment strategy and the social objectives in the Annual Growth Survey.

When launching the strategy, Lazlo Andor (2013), then Commissioner for Employment, Social Affairs and Inclusion, declared that '… We can restore and maintain prosperity in Europe if we invest in our human capital, from cradle to old age. This is what social investment is about'. The three-stage life cycle approach with childhood, adulthood and old age was originally put forward by Rowntree (1901) and informed poverty relief and social insurance in the nineteenth and twentieth centuries. However, the life cycle perspective is problematic on two accounts. First, it assumes uniformity in our paths through life. However, because of social and structural change generations' paths through life have become more complex and diverse across different socioeconomic groups, including gender. Second, the perspective is problematic because many social issues and returns to social investments evolve over time and across dimensions. The significance of a life event or policy intervention in one life stage depends in part on what happened in the previous stage(s) and have consequences for what happens later and, possibly, in more dimensions.

However, a seemingly small change of perspective from life cycle to life course dramatically changes our understanding of social issues and policies. Indeed, the life course perspective on social investments addresses the dynamic and multidimensional nature of social issues and social investment policies; contain multiple disciplinary approaches; emphasises differences between generations and diversity within generations due to a dialectic relationship between human agency and contextual factors; and is high on policy relevance.

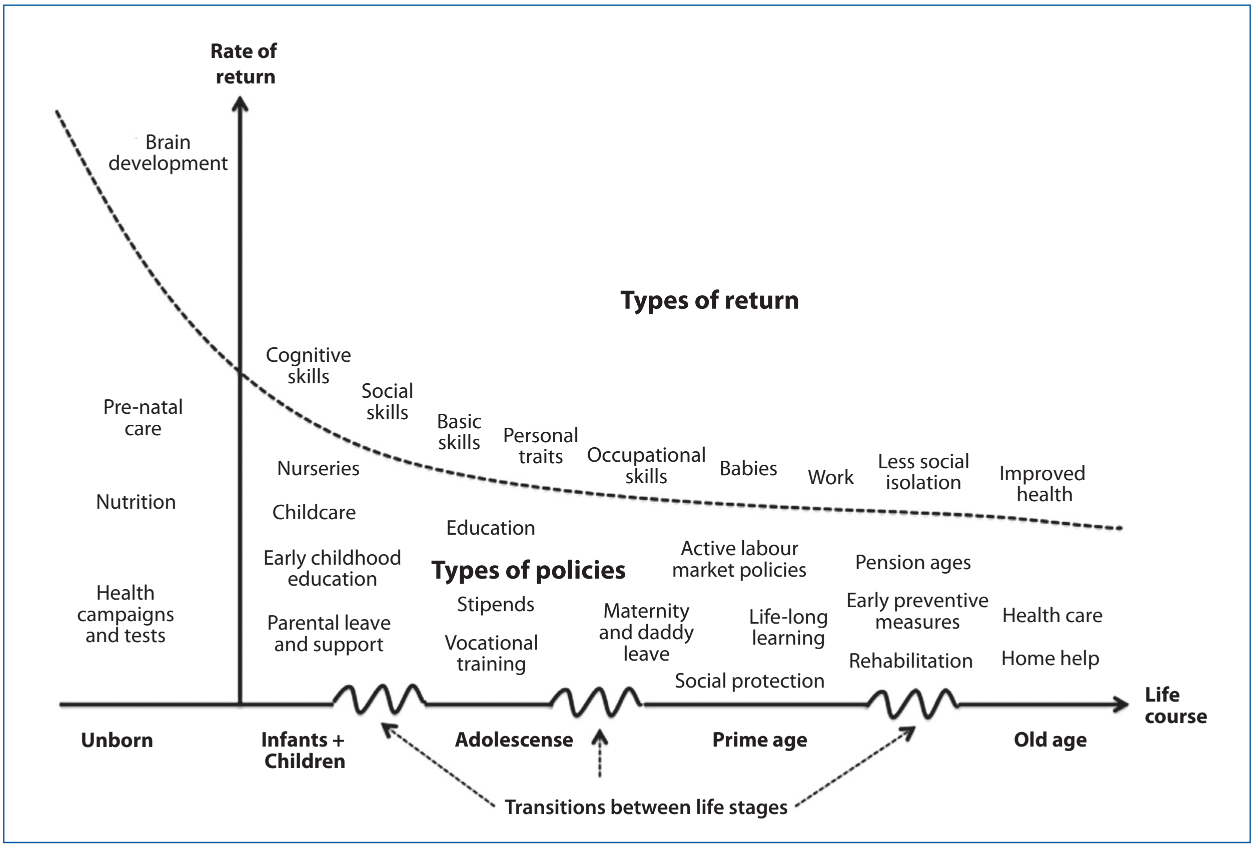
Comparing social protection and social investment strategies

Table 2. Comparing the two elements of the EU reform agenda: social protection and social investments

	Social protection	Social investments
View of life, age and cohorts	Life cycle consists of distinct stages anchored to biological age: from childhood and youth over prime aged to elderly	Life course consists of stages that are flexible and that varies across socio-economic groups and individuals and over historical time: from childhood and adolescence to youth and prime aged to elderly and frail elderly
Dominant family model	Male bread-winner model	Diverse family types
Dominant labor market model	Fordist economy with life-long employment and stable skill demands	Post-fordist economy with unstable jobs and changing skill demands
Poverty and social exclusion is fought by….	… social insurance compensate workers loss of income. … social assistance and other means-tested benefits, notably housing and child family benefits, provide a minimum income and ameliorate poverty and its effects	… social investments that aim to prevent poverty from occurring … social investments that aim to ameliorate the consequences of poverty … social investments that rehabilitate persons to get out of poverty
Link between policy and effect	Immediate effect of policy. Person(s) facing social contingencies like unemployment, illness, work incapacity, old age or family receive benefits	Lagged effect of policy. Persons at earlier stages of life are targeted with policies that at later stages will give effects in the form of better and mutually reinforcing life chances as establishing families, getting work and improving health

Social investments are made by different actors, including most notably families, firms and various state interventions. Public policies can thus be directed not only at the individual, but also at the family and civil society and at firms and employers. There are two constitutive dimensions to the social investment strategy, the inputs or social investment policies and the outputs or the returns of social investment policies. Figure 1 shows that the type of policies and returns vary over the life course and extend far beyond education and activation policies and yield more than economic returns. Indeed, the social investment strategy contains a broad range of policies and returns from the start of life to the end of life.

Figure 1. Social investments over the life course: Policies, returns and transitions



Source: Kvist (2015).

From a social investment perspective the social and economic costs of illness and underdevelopment must, if possible, be avoided and, to the extent possible, replaced by healthier and productive lives.
Life starts in the womb. To secure a healthy development of the fetus, health promotion campaigns, outreach, health checks, screening and other prenatal measures can be directed at pregnant girls and women in areas and situations where risk factors are high. After the birth, a variety of health professionals and community support workers can help the mother to breastfeed and offer other parenting skills support.

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 successes of the educational system thus rest on the availability and quality of these early policies.

Later the educational system provides the fundament for stepping into the labor 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 eldercare enter the policy toolbox but now to facilitate traditional care givers to participate in the labor market. Better reconciliation of family life helps boost female labor supply and thus tax revenues as well as reduce the occurrence of fertility strikes associated with better education of women in countries with scarce public social care. 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.

EU-Latin American exchanges

Countries in the EU and Latin America have many possibilities of learning from one another. Although I am no expert on Latin America, my hunch would be that the social investment strategy squares well with the needs and demands of growing middle classes and labor markets in Latin American countries. In general ageing populations, austerity and dissatisfied middle classes highlight 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 is, of course, no easy task anywhere. 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.

EU countries may learn from Latin America on a number of accounts. The perhaps most obvious lesson would be to draw on insights from the conditional cash transfer (CTT) schemes where various social security benefits (most notably social assistance, housing benefits, and child family allowances) are conditioned on especially the children's take up of schooling and regular health checks. Making social security conditional on a given behavior of the claimants is not new to Europe. However, the systematic use of conditionality tied to the children is not widespread to the same extent in Europe as in Latin America. Hence, Latin American countries may learn European countries a lot about how to reach out to groups of disadvantaged children which is the backbone, if any, of any social investment strategy.

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