EUI DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

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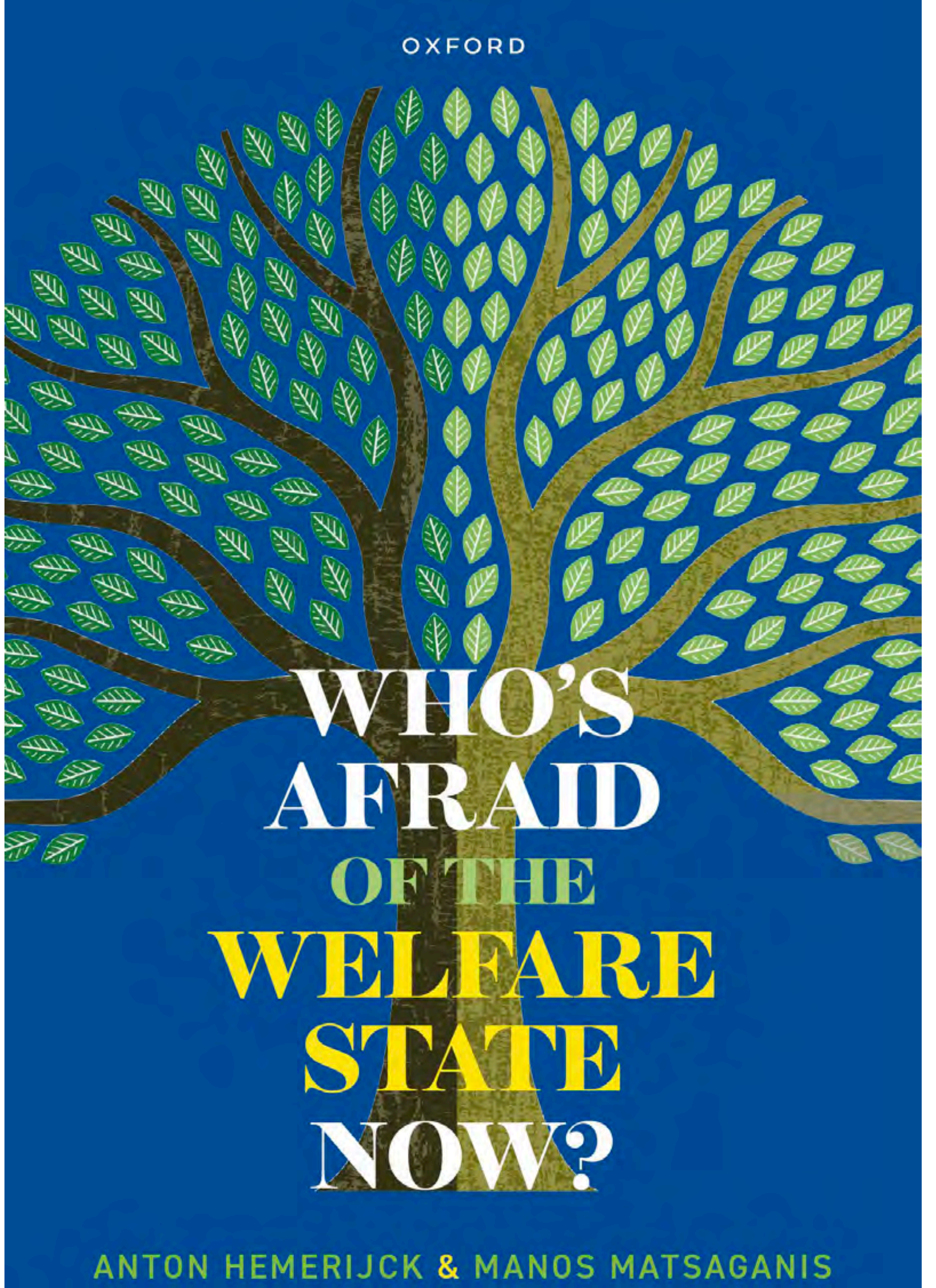
WellSIre Wellbeing Returns on Social Investment Recalibration



Argument in a nutshell

1. There is **more** to the welfare state **than *redistribution***. The exclusive focus of neoliberals and progressives on **redistributive economic and politics** is theoretically **misleading** and **misguided**.
2. The **trade off** between economic dynamism and high levels of social protection does not exist when we broaden our theoretical purview.
3. When the role of women (and demography) changes, everything changes.
4. Well-designed social protection systems made **the global financial crisis less painful** than it would otherwise have been. Some countries did better than others, but **improvements** took place almost **everywhere** over the long 2010s, incl. where least expected (e.g. Greece or Italy).
5. Cautious **optimism** towards the future. Worrying trends should not blind us to real proof of social progress and a broad(er) **consensus** on the **positive role of welfare provision**.

Social Investment *fille rouge*

- **Social investment *policy change*** across Europe’s mature welfare states, however truncated, reluctant and without conviction.

- Social investment-oriented welfare states more successful

    - in achieving **social objectives**,

    - in **neutralising economic trade-offs**, and

    - in **broadening political consensus**.

When the *existential threat* of the *Covid-19* pandemic met the *experiential legacy* of the *Great Recession*

Great Recession (2007-14) rather than rerun the ***Great Depression***

- European welfare states absorbed economic and social aftershocks well
- Generous capacity building welfare states of north-western Europe bounced back most promptly
- Reinforced by *"whatever it takes"* **heterodox monetary policy**

Annus Horribilis 2020

- Lockdown restrictions imperative to buy time to develop vaccines
- Strengthenings safety nets, building on post-2009 success of short-time work schemes
- From Stability and Growth Pact (SGP) **escape clause** to New Generation EU **fiscal solidarity**

The Economist (6 March 2021): ***"greatest expansion"*** of the welfare state in history

Background *policy theory*

"The EU has around 7% of the world population, accounts for almost 25% of global GDP [and] for nearly 50% of global social spending"

Angela Merkel (*World Economic Forum,* 24 January 2013)

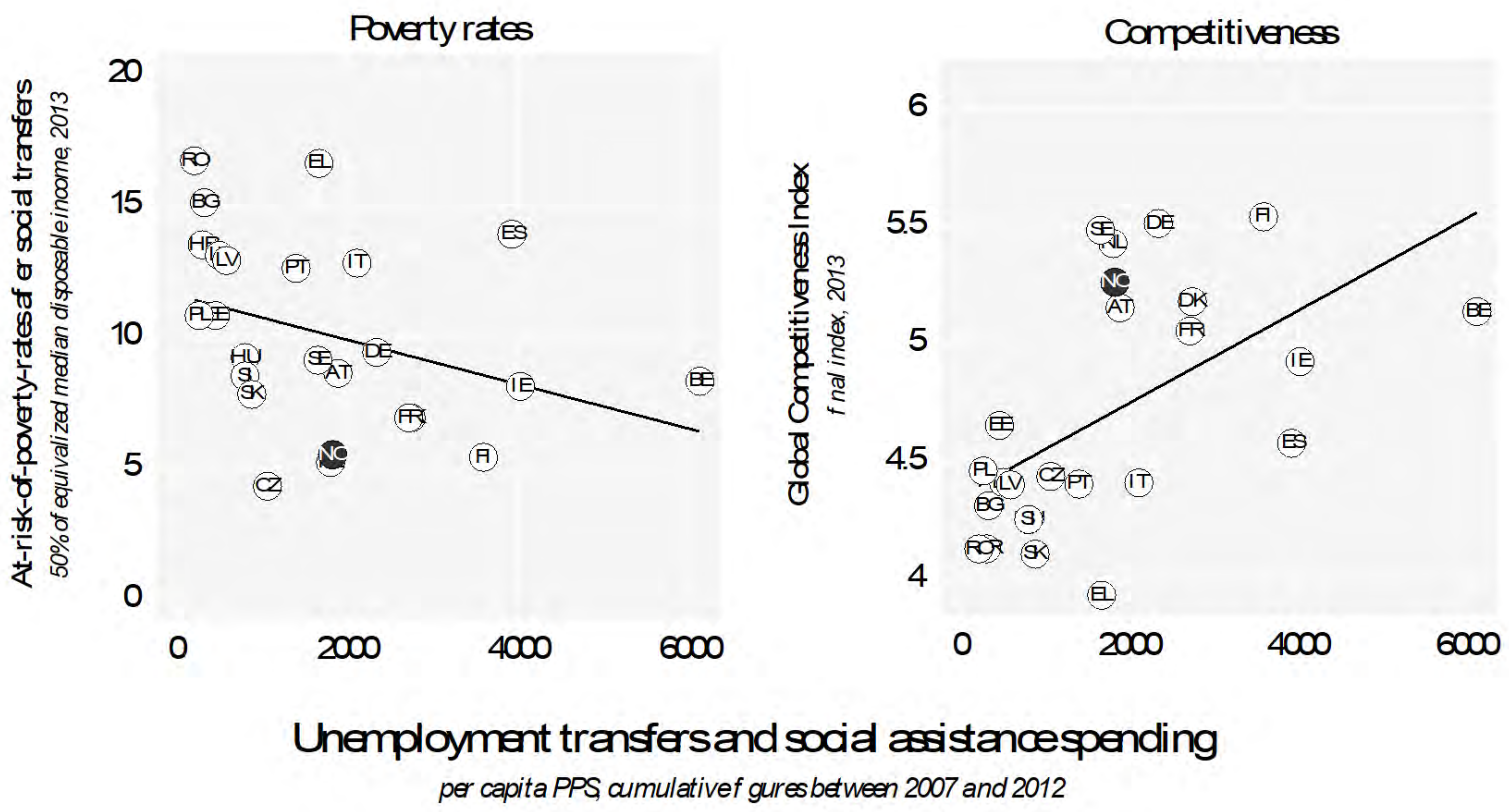
Reasons to *fear* welfare states (*literature*)

- ***Economic inefficiency*** – tradeoffs and trillemmas (Hayek, 1945; Friedman, 1963; Okun, 1975; Malinvaud & Dreze, 1993) Iversen & Wren, 1998; Alesina & Giavazzi, 2008): ***jeopardy***

- ***State capture*** – new-politics policy feedback (Olson, 1981; Pierson, 1994; 1998; 2001) irresistable forces, immovable objects: ***futility***

- ***Policy misallocation*** – Matthew Effects (Cantillon, 2013; Cantillon & Van Lancker; 2013) and post-war social security's blind eye for property relations (Pikkety, 2014; 2019): ***perversity***

Unemployment transfers, poverty rates and competitiveness



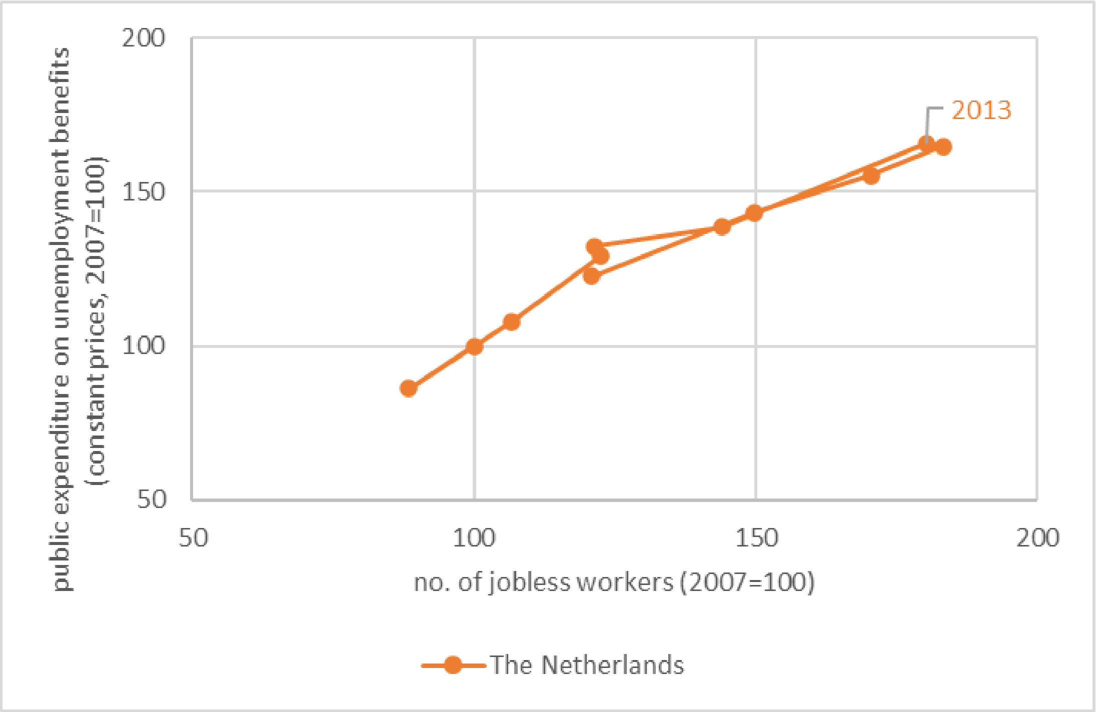
Automatic stabilisers work

In a recession, as the number of jobless workers goes up, public spending on unemployment benefits should also increase.

(And vice versa when the economy grows again.)

Is this how things played out during the Euro crisis?

In the Netherlands: yes!



Automatic stabilisers

In a recession, as the number of jobless workers goes up, public spending on unemployment benefits should also increase.

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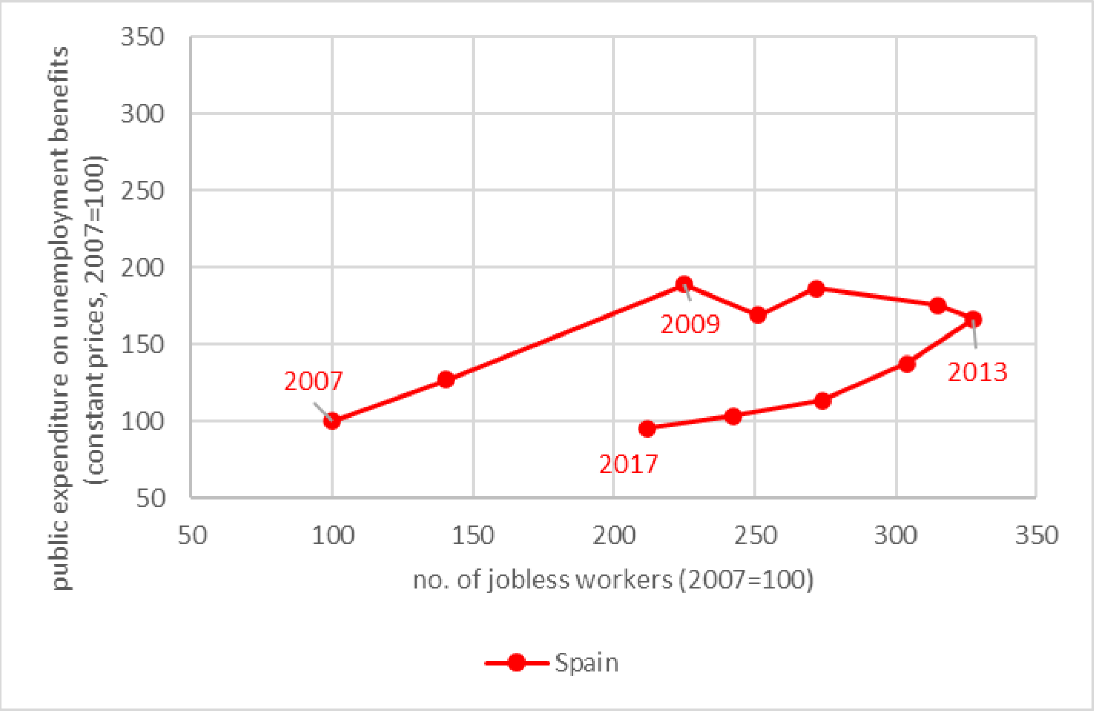
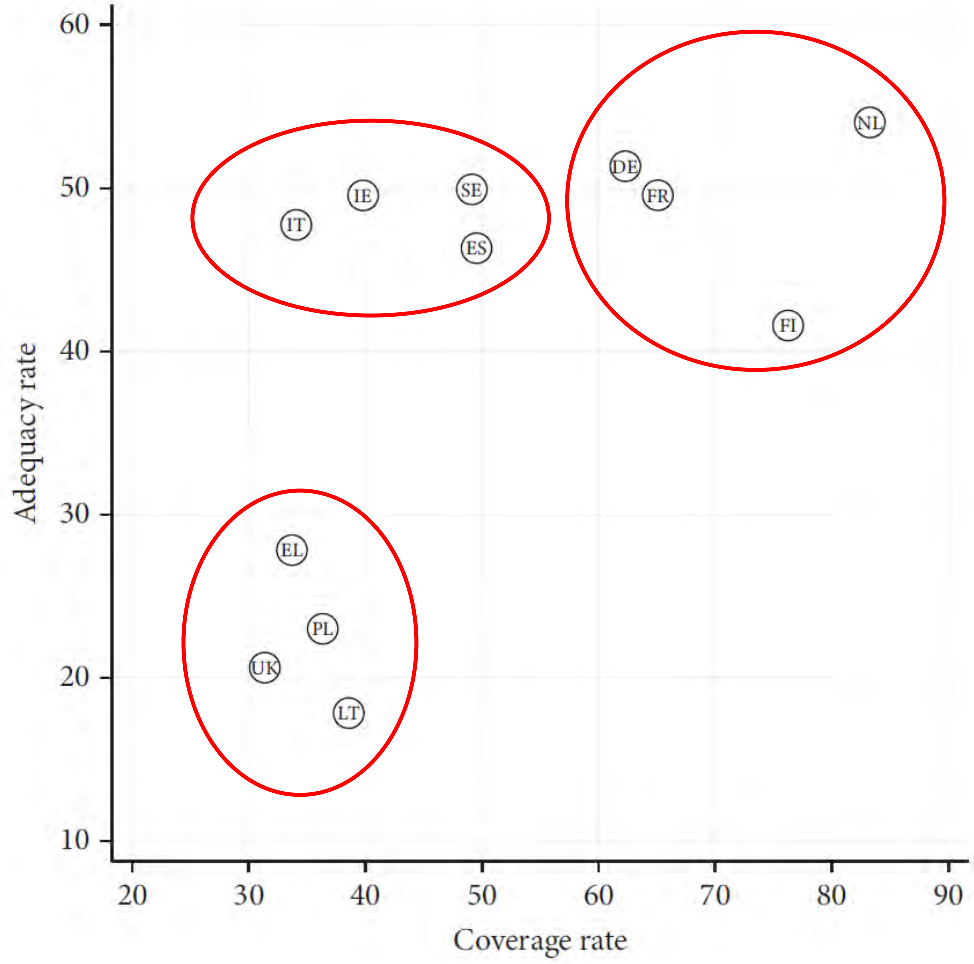
Is this how things played out during the Euro crisis?

In Spain: not in 2009-13!



Clusters of successful (and less successful) welfare states

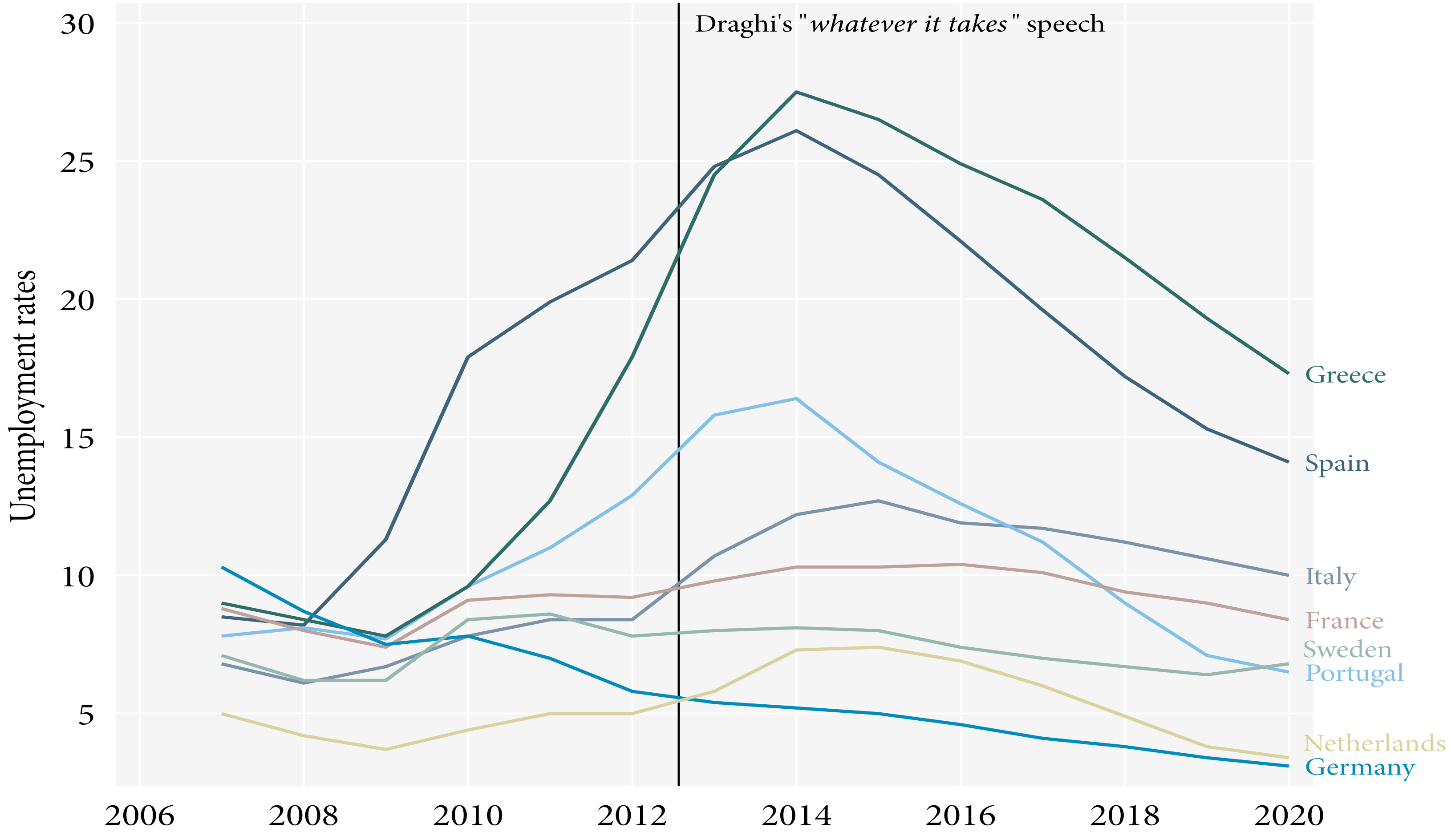


Coverage and adequacy of social benefits *in households suffering job and earnings loss (2013-2018)*

Coverage*: how many of these households saw their income from social benefits increase?*

Adequacy*: how much of the earnings loss was compensated by the increase in social benefits?*

Whatever it takes … and unemployment



Same *(de-)commodifying* welfare state as before? **No, a changing *capacitating* welfare state!**

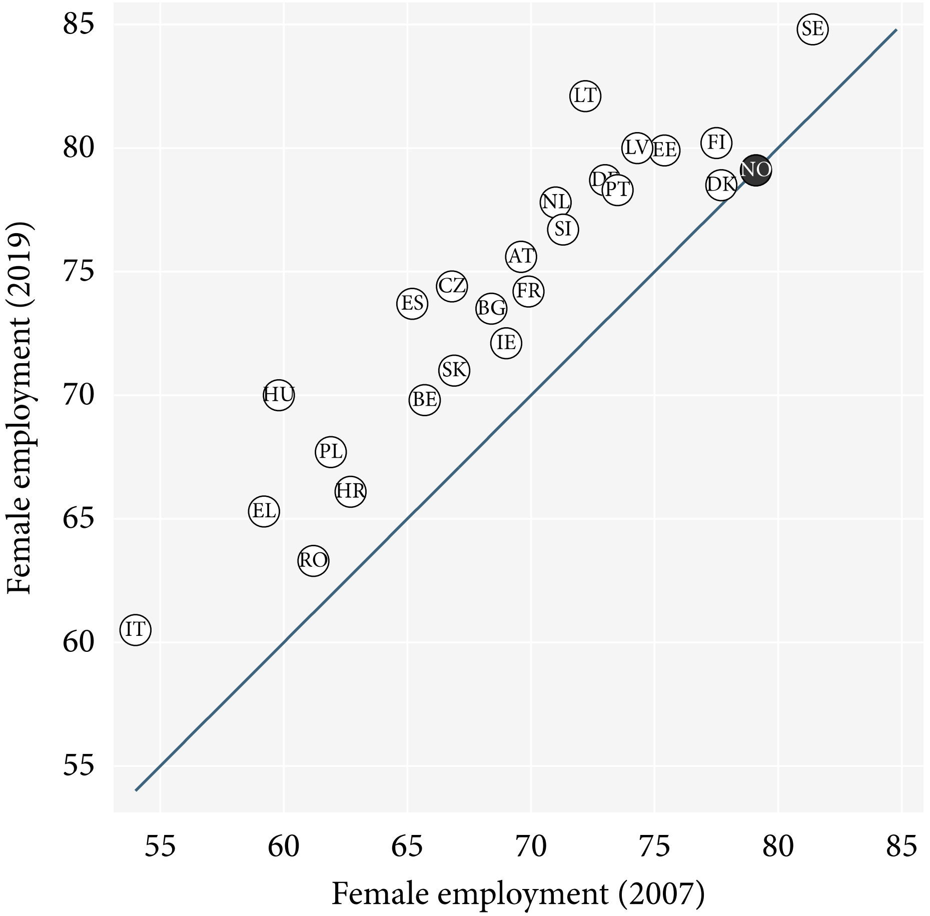
- **Early Childhood Education and Care**: Crucial for parental employment, especially for working mothers, reducing gender imbalances, whilst fostering children's cognitive and social development.
- **Investments in Education**: High-quality education systems correlate with improved employment rates and reduced poverty among young adults, fostering skilled labour for knowledge economies.
- **Active Labour Market Policies (ALMPs)**: Promote skill development and economic participation, through training, thus reducing unemployment and poverty.
- **Active Ageing**: Focus on late career training, flexible retirement options, and long-term care to promote active ageing, prolong employment, and support high levels of female labour market participation.

Stock, *Flow*, and *Buffer* complementarities

21st century welfare provision: ***three*** (interdependent and complementary) policy ***functions***:

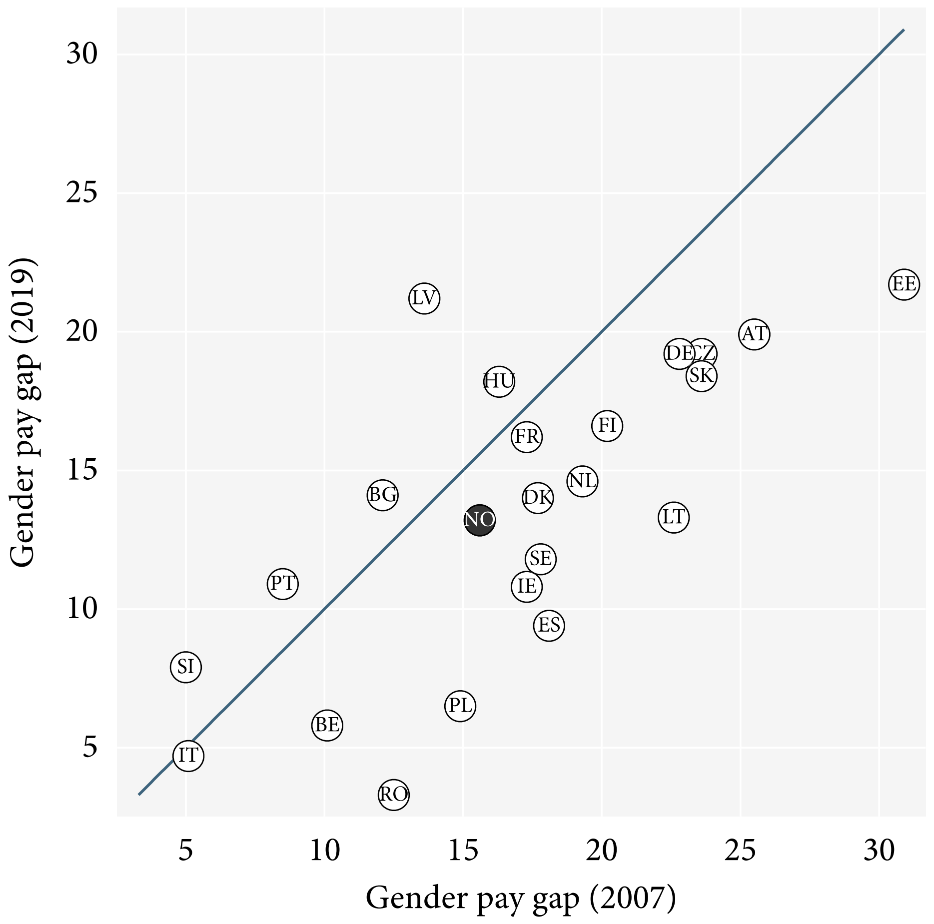
- ***Stock*****:** Improving society's lifelong human capital **stocks** through better education and training of the workforce through all phases of life (*knowledge economy*)
- ***Flow*****:** Easing the **flow** in gendered labour markets and in family life-course transitions to help reconcile work and family life (*world-of-work and household transformation*)
- ***Buffer*****:** Maintaining and updating inclusive social protection **buffers** to mitigate household poverty resulting from life-course transitions or misfortune (*demographic ageing*).

Signs of progress



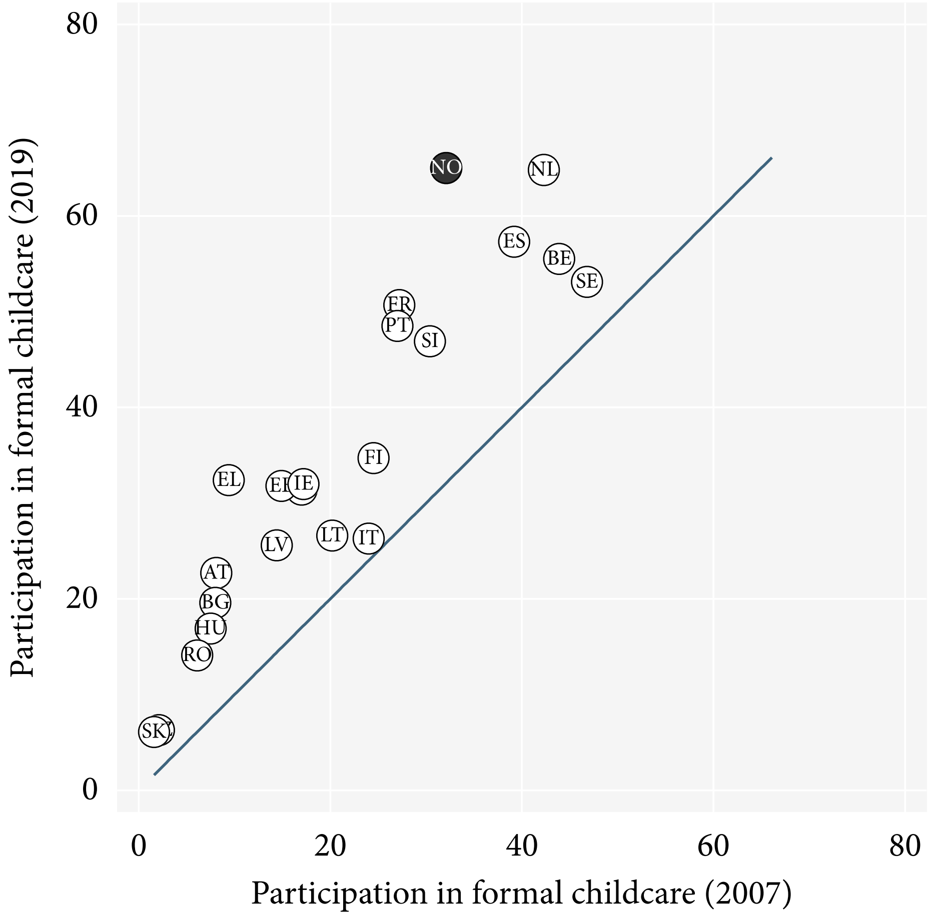
Female employment
Percentage of women in employment amongst women in the workforce

Signs of progress



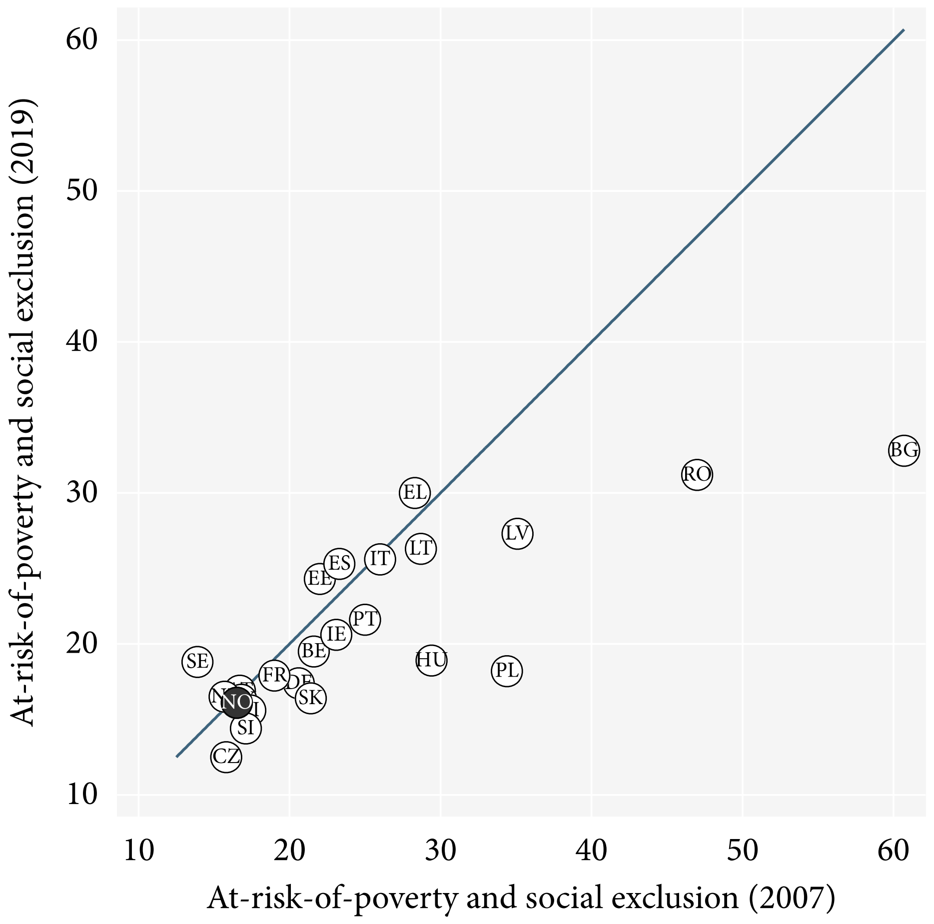
Gender pay gap
Difference between the average wage of men compared to the average wage of women

Signs of progress



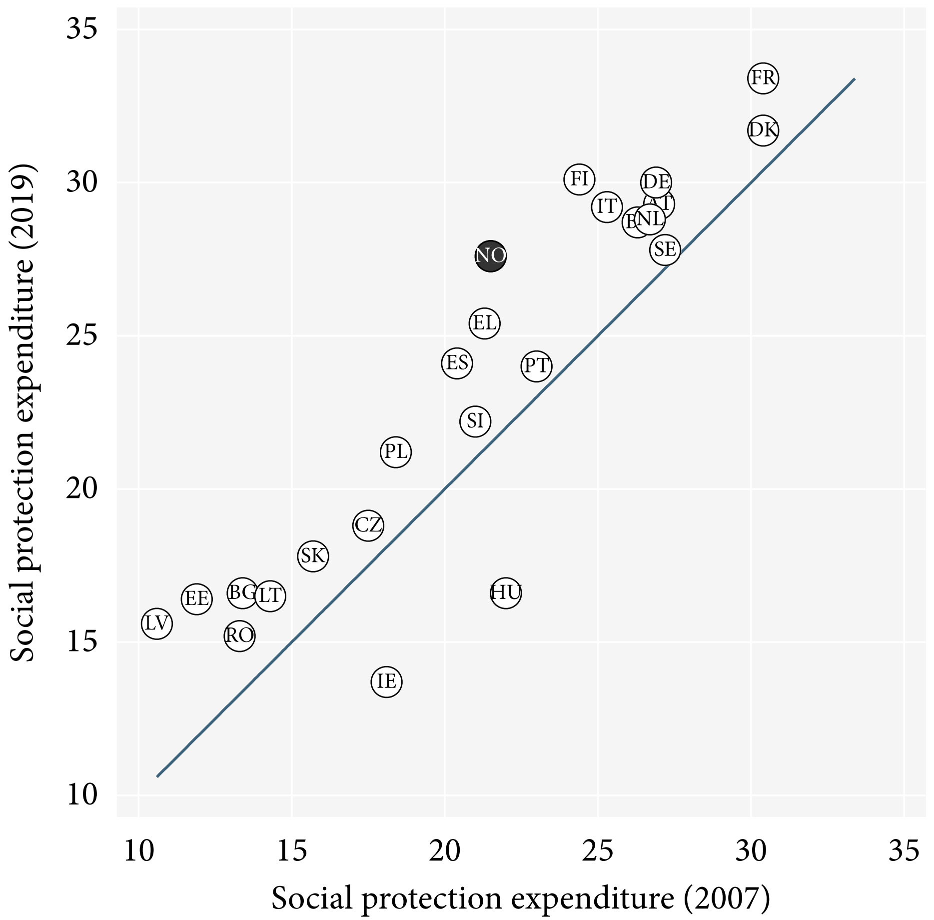
Participation in formal childcare
Percentage of children 3 years-old or younger in formal childcare arrangements (part-time and full-time)

Signs of progress



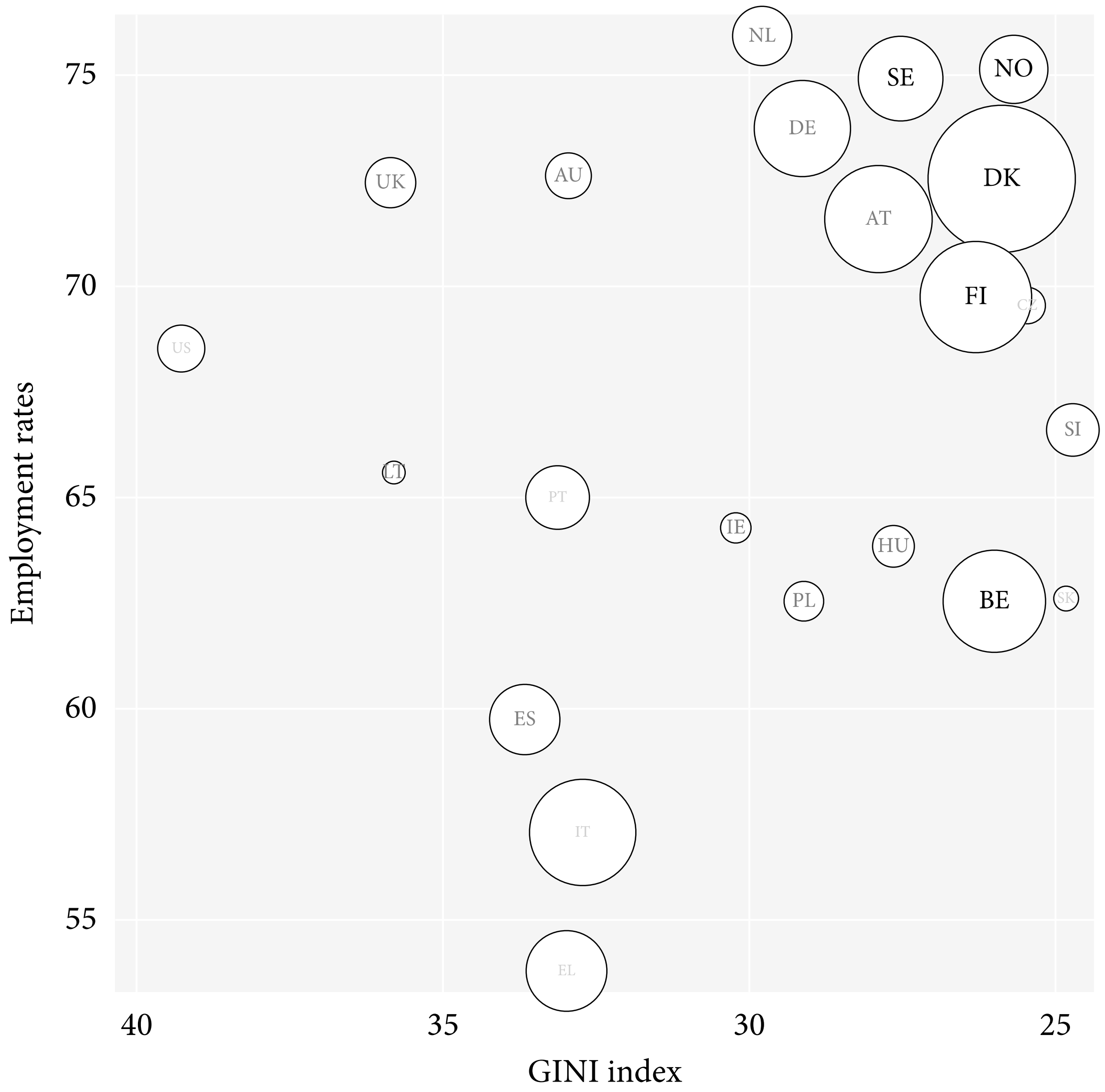
Risk of poverty or social exclusion
At-risk-of-poverty and social exclusion rates for all population. 60% of median earnings.

And a correlate



Social protection expenditure as percentage of GDP
- Unemployment
- Pensions and survivors
- Sickness and disability
- Family and children
- Housing
- Social exclusion

Takeaway: European welfare states: *expensive*, *effective*, *popular*, yet *affordable!*



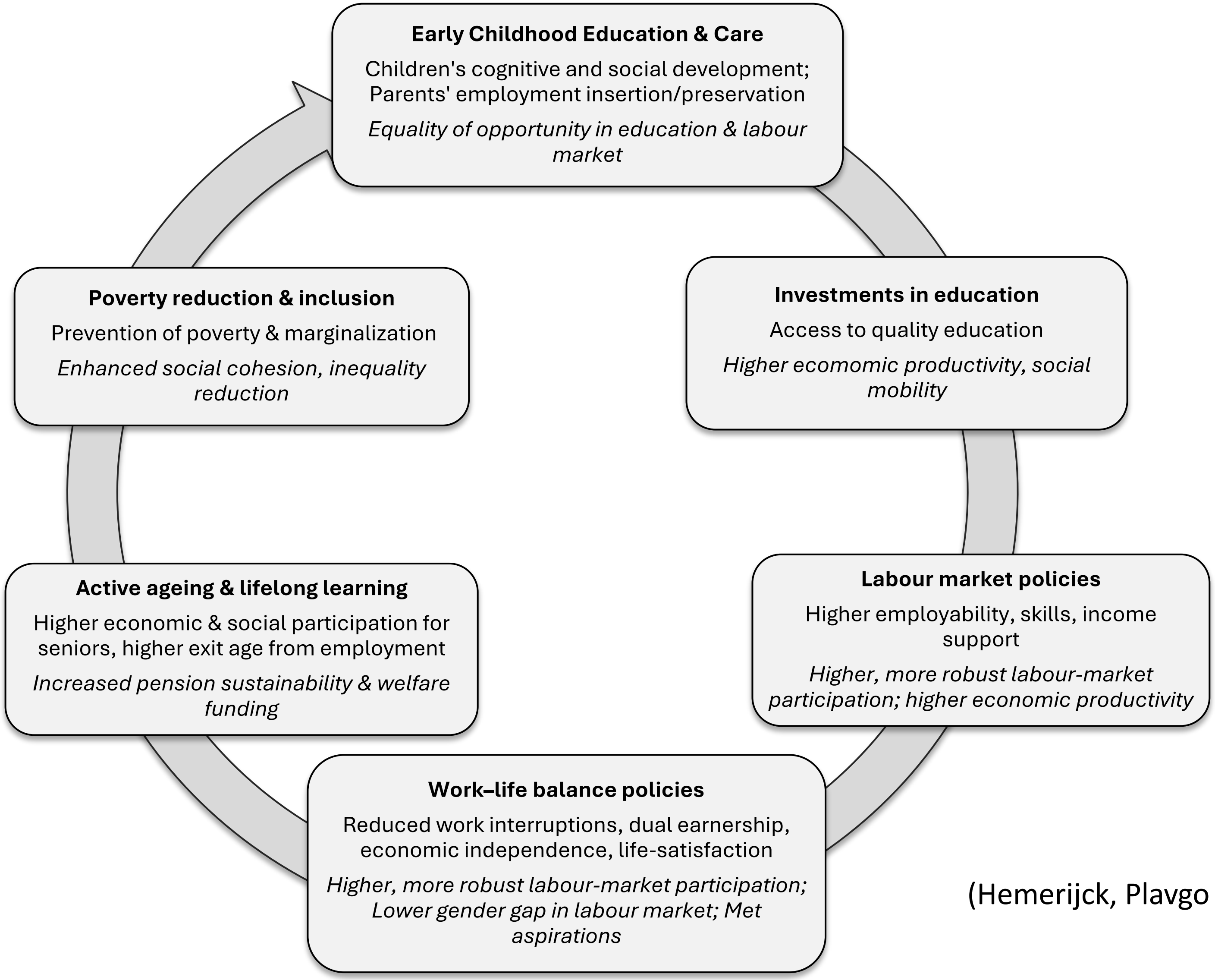
The size of the bubbles represent social spending as % of GDP.

Social investment:

CZ, EL, IT, PT, SK, US	Lower than 2.5% of GDP
AT, AU, DE, ES, HU, IE, LT, NL, PL, SI, UK	Between 2.5 and 4% of GDP
BE, DK, FI, NO, SE	More than 4% of GDP

Novel policy theory: social investment *life-course multiplier*

Micro-level effects
Macro-level effects
→ **Life-course effects**



(Hemerijck, Plavgo & Ronchi, 2022)

Comeback of Social Europe

- Political evolution of the EU's social agenda in the wake of the Great Recession in three periods:
  - **Conservative reflex** (2009-2012),
  - **Paradigm contestation and social imbalances recognition** (2013-2014), and
  - **Social Europe comeback** (2015-2019).
- From 2010, low growth, **high unemployment, and falling investments, together with deepening poverty and social exclusion** – especially in countries adversely affected by the eurozone crisis – **triggered a search process** as to how the **EU** can reliably **support** inclusive **welfare provision** across member states.
- The **weakening** of 'expansionary **austerity**' paradigm gave way to new **impetus** to **social Europe**, from the hesitant launch of the ***Social Investment Package*** (SIP) in 2013 up to the more assertive endorsement of the ***European Pillar of Social Rights*** (EPSR) in 2017.
- Commitment of the European Commission under **Juncker** and **Von der Leyen** to an **ambitious social agenda** in wake of the Covid-19 pandemic.

Towards an explanation:
conversion in policy orientation

Number citizens supported by welfare provision (*transient*)	**Average consumption per welfare client** (*benefits and services*)
Number of workers (hours worked)	**Average productivity per worker**

From *nominator* politics to *denominator* governance (Esping-Andersen, et al., 2002)

Cumulative evidence revealing that long-term strength of the economy and welfare provision increasingly contingent on the contribution of social policy to the (*dynamic*) productive ***denominator*** side of the welfare equation.

Incomplete (dual earner) gender revolution, knowledge economies, and ageing societies, require a wider and more multidimensional ambit of capacitating policy interventions across the entire ***life-course***, beginning with children.

21st century *welfare politics*

Overall ***vector of change*** suggesting that welfare states gradually ***converse*** policy efforts by **aligning *compensatory*** social security to ***capacitating* and *gender-balanced*** social investments that promise long-term employment gains to sustain future social protection (pension) provision whilst mitigating poverty in aging societies and knowledge economies.

Begs the question: ***why should short-term and myopic politicians bother?***

Because the long-term is already present

Electoral cycles are short. Yet, a **politics of the long-term** is **implicated in mature welfare states**, precisely because standing collective commitments to the young and the old are hefty and popular, and likewise difficult to rescind.

Elections matter but parties entering government (may) undergo a **political *Gestaltswitch*** in mature welfare states.

When about a third of GDP is devoted to welfare provision and three quarters of public budgets, office-seeking distributive campaigners (*nominator politics*), becoming government ministers, are incentivized to shift from ***electoral responsiveness*** to ***welfare commons responsibility*** (*denominator governance*).

Of course, elected governments are free to flunk responsibilities and singularly pamper insider cleavages and/or put social investment progress at risk, but not without adverse electoral consequences in competitive democracies with mature welfare states (e.g. Conte; Truss).

Social compass for inclusive and sustainable growth

- **Effective welfare states enhance the performance of market economies and legitimacy of liberal democracies**.

- At the outbreak of the global financial crisis many **pundits** confidently announced the imminent **demise of the welfare state**. 15 years later, the **welfare state is in good health**.

- **Putin's attack** on Ukraine has, if anything, **strengthened European solidarity**.

- As we enter a **post-neoliberal** world, the notion that the **EU** can advance as a **mere project of market integration** has been **abandoned**.

- ***New social compass*** requires a **macroeconomic *holding environment*** allowing **national welfare states to prosper**; **sustained investments** in health and skills on which future prosperity depends; and **shared appreciation** that a **robust welfare state** are essential to ageing societies and knowledge economies.

Thank You!