1. Conceptualizing social investment
2. Social investment stocks, flows and buffers in institutional complementary (literature review)
3. Towards measurement: five methodological caveats
4. Social investment return assessment – the example of ALMP:
   - Growth
   - Productivity
   - Poverty-reduction
5. Towards a layered ‘practical-pluralist’ methodology
6. For discussion – proof or plausibility?

OUTLINE

SOCIAL INVESTMENT: A DEFINITION

Social investment policy aims at ‘preparing’ individuals, families and societies to respond to novel risks, rather than simply ‘repair’ damages after moments of economic or personal crisis. Welfare states in advanced economies are pressured to raise the quantity and quality of enabling or ‘capacitating’ social services (family services, care provision and rehabilitation) alongside social security, not easily provided for by markets, to equip and assist people to surmount the increasingly uncertain hazards of the labour market and the life course.

WHY WE NEED A NEW WELFARE STATE (2002)

Number supported by provision welfare | Average consumption per welfare client
------------------------------------------|------------------------------------------
Number of workers | Average production per worker
(hours worked) |

Dominant focus on ‘numerator’ distributive side of equation in aging societies (them and us, here and now).

Long-term strength economy and welfare provision depend on potential social policy contribution to the (dynamic) productive human capital ‘denominator’ side of the welfare equation.

2. ‘CARRYING CAPACITY’ THROUGH RAISING ‘STOCKS’, EASING ‘FLOWS’ AND UNIVERSALIZING ‘BUFFERS’

Social risks of the life course and the labor market have become less predictable – and therefore less insurable by employment based social insurance alone.

1. Raising the quality of human capital ‘stock’ over the life course from the young to the old (cumulative returns)
2. Easing the ‘flow’ of contemporary labour market transitions in line with (gendered) life course dynamics
3. Upkeeping/upgrading strong minimum-income universal safety nets as social (income) protection and macro-economic stabilization ‘buffers’ over risky transitions

From (un-)employment insurance to life course insurance

INSTITUTIONAL COMPLEMENTARITIES WITHIN AND BETWEEN PRIMARY AND SUBSIDIARY FUNCTIONS

<table>
<thead>
<tr>
<th>Stock</th>
<th>Flow</th>
<th>Buffer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills to complement existing human capital stock and further learning</td>
<td>Skills to enter and change jobs in competitive labour markets</td>
<td>Skills to live healthy and safe during risky transitions of inactivity</td>
</tr>
<tr>
<td>Facilitates transitions from training to work and vice versa</td>
<td>Facilitates labour market transitions in sync with work-life balance</td>
<td>Facilitates transitions to secure market income (including social insurance requalification)</td>
</tr>
<tr>
<td>Provides income security to uphold skills and health</td>
<td>Provides income security to enable successful job search and risk-taking</td>
<td>Provides income security after social risk contingencies and during rehabilitation and/or care obligations and job search</td>
</tr>
</tbody>
</table>

From (un-)employment insurance to life course insurance
**21ST CENTURY KNOWLEDGE ECONOMY SOCIAL INVESTMENT LIFE COURSE MULTIPLIER**

![Diagram](image)

**3. METHODOLOGICAL CAVEATS**

1. Multi-dimensionality (stocks, flows, and buffers in institutional complementarity): operationalization inputs, outputs and outcomes
2. Interaction effects and multiplicity of returns making (dynamic) causal attribution difficult
3. Temporal uncertainty about future payoff in growth, employment and poverty mitigation: how to value and assess an appropriate 'discount rate' for modeling (very) long-term 'returns' (cf. climate)
4. Time-series cross-section aggregates, micro-data logs and insufficiencies (social investment is 'new kid on the block').
5. Inherent difficulties of ex ante policy analysis (compared to ex post)

**NEED FOR METHODOLOGICAL COMPROMISES**

1. Linking social investment effort to social policy spending by function ('compensating' versus 'capacitating' social spending (Vandenbroucke and Vlemirx, 2011; Nicolai, 2010; Hemanjick, 2013; De Deeken, 2014).
3. Assess services (in-kind benefits) by imputing income (production cost) as a way to gauge their distributive impact (Vaalavuo, 2011; Verbist et al., 2012; Verbist, 2016).
4. Single policy-specific interventions as proxy for social investment (Heckman) without taking into account network externalities

**IMPERFECT LAYERED PRACTICAL PLURALISM (RECOGNITION CAVEATS) WORK IN PROGRESS**

1. Mapping social investment effort over life course and aggregate socioeconomic performance - Bar and line graphs of policy change
   - Comparative radar chart analysis inputs and outputs
   - Social investment contribution to employment growth and productivity
2. Mapping aggregate socioeconomic performance - Time-series analysis of selective policy interventions (ALMP, ECEC)
   - Long-term effects on redistribution and relative poverty
   - Worklife balance wellbeing and GDP?
3. Triangulation macro- and micro-level analysis for job-intensive growth in ageing societies. Urge in-depth institutional analysis beyond first layers of quantitative inference (giving up on singular elasticity/discount rate?)

**4. LOOKING AT OUTCOMES (2011)**

![Outcomes Chart](image)

**OUTCOMES OVER TIME - NETHERLANDS**

![Outcomes Chart](image)
GOOD NEWS AND A CONCERN

- Increasing empirical support (OECD), including the argument (also IMF) that **inequality is bad for the economy** through pre-emptive human capital and social mobility destruction in ageing societies.

- Adverse Matthew Effects and Dualization Drifts not ‘givens’ but increasing empirical support (OECD), including the argument (also IMF) that **inequality is bad for the economy** through pre-emptive human capital and social mobility destruction in ageing societies.

- Predicament of intellectual inertia/cognitive capture: Social investment not (yet) positively embedded in E(M)U governance regime!

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<table>
<thead>
<tr>
<th>Policy problem</th>
<th>Social austerity asW (oriotic risk reduction</th>
<th>Social investment consolidation (oripore mitigation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost containment</td>
<td>Engineered &quot;sloth shift&quot; to private sphere (Baumol cost disease)</td>
<td>Reversing (resources)</td>
</tr>
<tr>
<td>Balanced budgets</td>
<td>Maximizing employment (service productivity bonus)</td>
<td>Social investments: &quot;crowd in&quot; private initiative and competitiveness through interventions across the course (axiomatic)</td>
</tr>
<tr>
<td>Market deregulation</td>
<td>Trade-off: &quot;supply and efficiency&quot; (crowding out) private economic sector: (Baumol disease)</td>
<td>Mitigate &quot;race to the bottom&quot; (private sector)</td>
</tr>
<tr>
<td>Social services</td>
<td>Labour market deregulation, privatization social services, and targeted minimum poverty protection as poor (Baumol disease)</td>
<td>&quot;Race to the bottom&quot;</td>
</tr>
<tr>
<td>(oripore mitigation)</td>
<td>Targeting low poverty (Baumol disease)</td>
<td>&quot;Race to the bottom&quot;</td>
</tr>
<tr>
<td>Universal safety net</td>
<td>Universal safety net</td>
<td>Economic stabilization in more pre-emptive stages</td>
</tr>
</tbody>
</table>

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**Theory state**

- Negative: Diverse institutions both constrain and measure public services (Baumol disease) |
- Positive: Diverse institutions both constrain and measure public services (Baumol disease) |

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**Political discourse**

- **TRUE:** "European social model is dead"—Mario Draghi (2012) |
- Towards a capacitating, caring and dynamic Social Market Economy
NEXT STEPS

- Similar macro-micro analysis for ECEC, with focus on gender specific employment patterns
- Same for PISA
- Control for relevant institutional complementarities
  - ECEC and parental leave
  - ALMP and labour market regulation
  - Vocational education and training links to labour market
  - Lifelong learning and retirement policy

CONCLUSION

Based on the ‘state of the art’ conceptualization, literature review, and available methodologies: there is no compelling reason to cast doubt over the plausibility of the social investment argument.

- Employment effects social investment self-evident
- Distributive effects social investment seemingly mitigate Matthew Effects
- Growth not hindered by social investment. If anything, social investment (well-calibrated institutional complementarities) supports employment-oriented economic growth more than any competing policy theory (neoclassical trade-off welfare economics and structural reform or traditional end-of-pipe social policy)
- Increasingly consistent with Inclusive Growth conjecture and evidence (Lisbon Treaty/Europe 2020/OECD/World Bank)