

Taking Social Investment Seriously in EU Cohesion Policy

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1. Coming from the *HLG on Social Protection and the Welfare State in the EU*

HLG Future of the Welfare State and Social Protection in the EU

Megatrends: demographic change, digitalization, the changing world of work, climate change and the green transition

Social (under-)performance: child poverty (19%), NEETs (16,5%), rising number of the very old (+75), growing number non-standard workers not covered by social protection.

Policy challenge: to make the social investment “double dividend” work and not waste any “low hanging fruit”

Normative benchmark: inclusive welfare provision is not only about monetary poverty reduction or full employment but also about **actively supporting ‘human flourishing’ and well-being.**

Subnational correlates

- Care provision and changing family structures requiring high quality and affordable social services – from early childhood education to long-term care
- Stepping-stone ALPM and digital skill formation
- Changing work and mobility patterns (working from home and part-time)
- Migration not without improved integration
- Energy efficient housing and public transport
- Green-transition urban design and healthy food provision
- Digital public administration and e-health
- Third sector engagement throughout all of the above

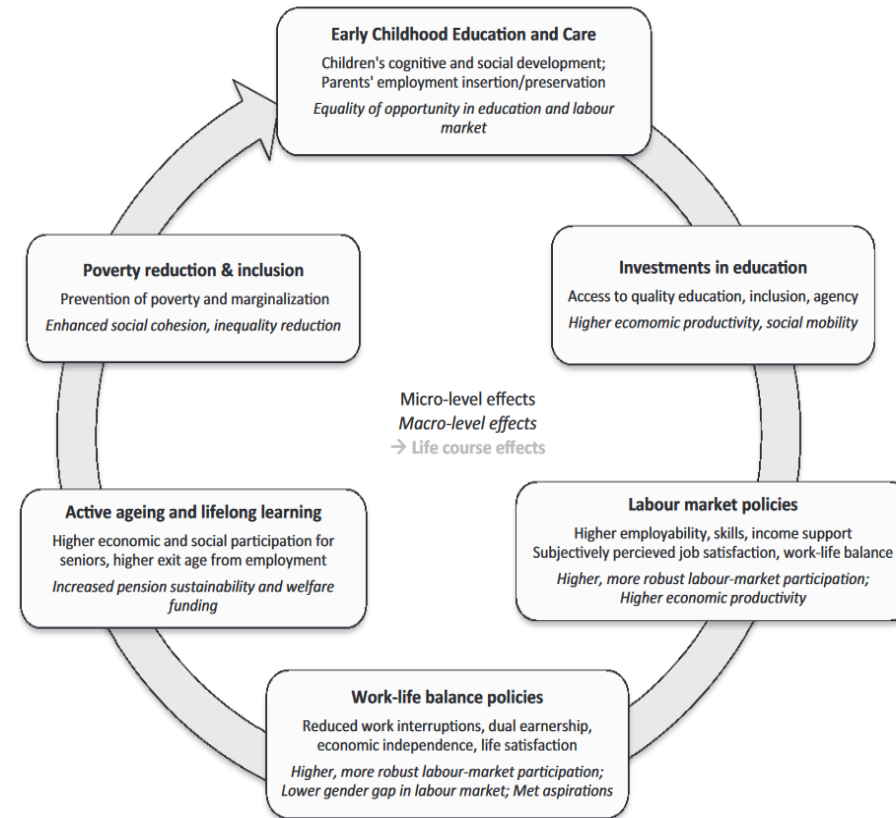
2. The specter of post-industrial territorial drift

- Two interrelated but analytically distinct **processes** have shed light on the territorial dimension of public policy in general (and welfare policy in particular)
 - Territorial **agglomeration**, i.e., concentration of economic activity in fewer places, leading to **divergence** – not only economic, but also social, political, institutional, environmental, and cultural – both *between* and *within* regions
 - Territorial **rescaling**, i.e., redefinition of the role of national government in public policy
 - *Horizontally*, public policy responsibilities are reassigned to organisations above and below national government
 - *Vertically*, public policy responsibilities are reassigned to organisations outside government, including business and third-sector organisations
 - The determinants of territorial rescaling are both *functional* and *political*

3. The social investment multiplier logic in a life-course perspective and subnational capacitation

More heterogeneous and less standardized working and family lives require **differentiated portfolio welfare provision**. This is where the **social investment approach gains portent**

- Three key welfare functions: (1) fostering life-long human capital “**stock**” development; (2) easing the “**flow**” of family life-course and labour market transitions; and (3) upholding inclusive social protection “**buffers**” in times of need
- The ‘**life-course multiplier**’ cycle: social investment returns reaped over the life-course generate a positive cycle of positive well-being returns, in terms of employment opportunities, gender equity, with positive results on intra- and intergenerational poverty mitigation



- The SI life-course multiplier dynamic is highly contingent on **subnational implementation and governance** and results from
 1. the **horizontal alignment of the policy functions** of stocks, flows, and buffers, as they fall under the authority of several ministries and institutions
 2. the **vertical commitment to facilitate subnational discretion** in local welfare provision
- **Subnational institutional capacity and autonomy** are essential for effective SI delivery, balanced by **learning-by-monitoring policy feedback** mechanisms
- The shift towards a more **service-oriented welfare state** has triggered a progressive **expansion of the stakeholders** involved in the territorial service provision: EU cohesion policy can support them and boost SI capacitating services to gain long-term wellbeing returns

4. A glass half-full: the social investment record of accomplishment in EU cohesion policy

- NGEU is a **temporary** instrument which is organised on a **sectoral** basis. Cohesion policy continues to be the main permanent instrument to reduce territorial inequalities and support long-term territorial economic and social development
- Cohesion policy is today an important complement to national welfare states, particularly when it comes to supporting projects which deliver **capacitating services**
- Without cohesion policy, it is likely that less developed member states would have few resources left to dedicate to investments in **capacitating services** after meeting their commitments on social security *buffers*
- Cohesion policy is therefore a key EU-level instrument for making progress on the recommendations of the *Future of Social Protection and of the Welfare State in the EU (2023)* report

- Policymakers in member states are confronted with the same challenges as those confronting cohesion policy: how to reduce territorial inequalities and support long-term territorial economic and social development?
- This produces **mutual learning opportunities**: EU can learn from member state social investment successes, member states can learn from successes of cohesion policy in delivering capacitating services
- Cohesion policy invests in three types of stocks necessary in post-industrial economies: physical capital, human capital, and social capital – this has been a strength of cohesion policy and should continue post-2027
- Despite successes, there is room for improvement to **better align cohesion policy with social investment**

5. A glass half empty: the limitations of cohesion policy in relation to social investment

- **Mismatching** arises as cohesion policy fails to account for the broader environment in which it operates
 - Environment understood as *exogenous* to cohesion policy – e.g., mismatches between supply and demand of physical infrastructure (cathedrals in the desert) and skills
 - Environment understood as *endogenous* to cohesion policy – e.g., mismatches between distinct policy interventions delivered in siloed fashion
- In project planning and delivery, cohesion policy is caught in a **tension between sector-based and place-based intervention**
 - In project *planning*, we argue for more decisive commitment to place-based intervention
 - In project *delivery*, we argue for **differentiated approach**
 - Bottom-up experimentation in places with strong coordination capacities
 - More closely coordinated approach in places with weaker coordination capacities, alongside additional resources to build those capacities in the long run

6. A way forward: levelling-up social investment in EU cohesion policy

- EU Cohesion Policy leverage potential for social investment delivery and governance with substantive and long-term focus
- Yet, historically, more attention to physical infrastructure than social infrastructure (which is cheaper and more inclusive)
- A service-oriented welfare state requires strong cohesion supports across the life-course: in addition to availability/accessibility, quality matters greatly
- Non-profit and social economy stakeholder involvement in institutional complementarity

Learning from NGEU

- Subnational ownership more aligned with national political ownership
- Effective conditionalities and performance-based financing as a model for inspiration
- Diagnostic monitoring systems integrated into a single overarching multi-level framework, thereby creating economies of scale and scope (Zeitlin et al., 2023)