Taking Social Investment Seriously in EU Cohesion Policy

Anton Hemerijck
European University Institute (EUI)

anton.hemerijck@eui.eu

www.eui.eu
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1. Coming from the HLG on Social Protection and the Welfare State 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
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.

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