



***SOCIAL INVESTMENT: THE EU'S NEW SKILLS,  
JOBS AND CARE AGENDA***

***ANTON HEMERIJCK***, VRIJE UNIVERSITEIT  
AMSTERDAM/LONDON SCHOOL OF ECONOMICS  
(LSE)

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# OUTLINE

1. Angela Merkel 2013 and the post-neoliberal paradox
1. Social investment policy analysis
2. VET systems and welfare complementarities
1. Where there is way, there is a will

# 1. ANGELA MERKEL (2013)

The European Union accounts for 7% of the world's population and 25% of its GDP, but over 50% of its welfare spending.

.... We are not competitive!

# GOOD NEWS AND WORRYING TRENDS

We live longer

We are richer

We go to school longer

We work more

We spend more on social policy than ever

***Welfare states can adapt, mitigate shocks and are popular, but***

Growing inequality between young and old (Southern Europe)

Rising inequality between work-rich and work-poor households  
(Northern-Europa)

High youth and long-term unemployment

Low growth

Too little private and public investment (education especially)

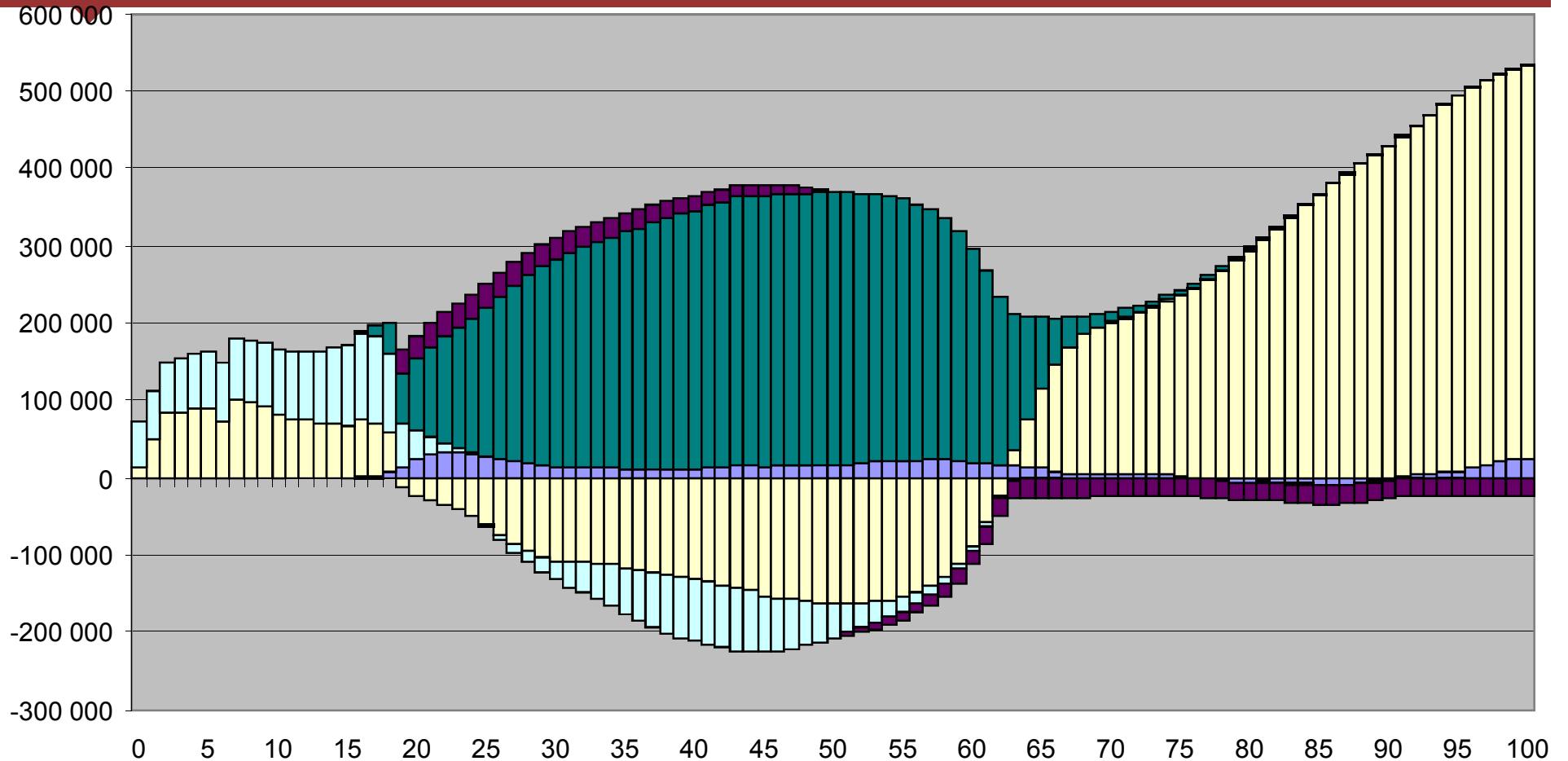
## 2. SOCIAL INVESTMENT POLICY ANALYSIS

$$\frac{\text{Citizens supported by welfare provision}}{\text{Number of workers (hours worked)}} \times \frac{\text{Average consumption per welfare client}}{\text{Average production per worker}}$$

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

Long-term strength economy also depends on social policy contribution to the (dynamic) *productive* human capital ‘**denominator**’ side of the welfare equation.

# ACCOUNTING IN A LIFE COURSE PERSPECTIVE



- Net savings
- Within households
- Between households
- Public sector
- Income from labour

# THREE CORE WELFARE FUNCTIONS

- **Social insurance** (over the life course) – *Piggy Bank*
  - Risk sharing and risk insurance
- **Redistribution** (between rich and poor) – *Robin Hood*
  - Fighting poverty
  - Reduce inequality
  - Counter social exclusion
- **Capacitation** (services devolution) – *Social investment*
  - Human capital development
  - Easing labour market transitions
  - Regional economic policy

## **“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 social protection only.***

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

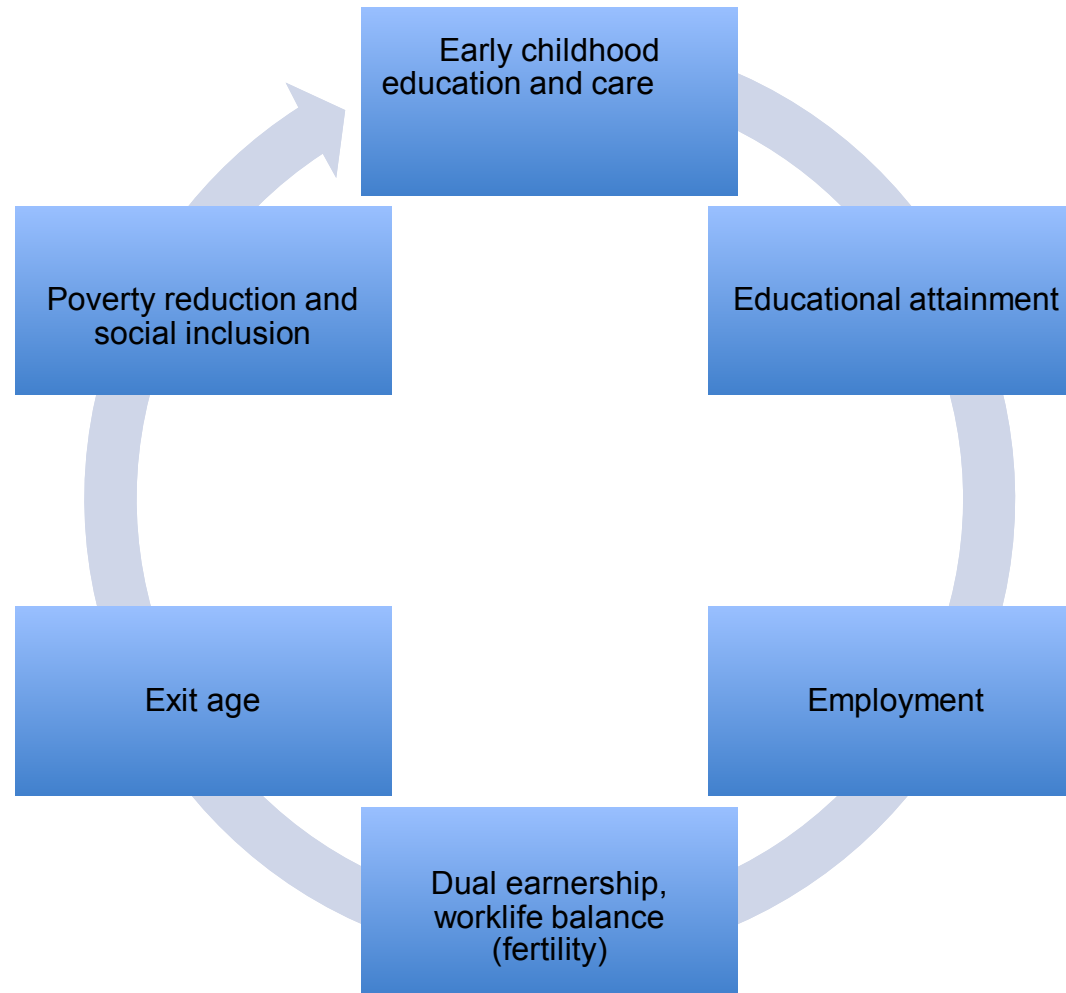
From remedial social insurance to preventive ***life course insurance***



# FUNCTIONAL OVERLAP AND INSTITUTIONAL COMPLEMENTARITIES

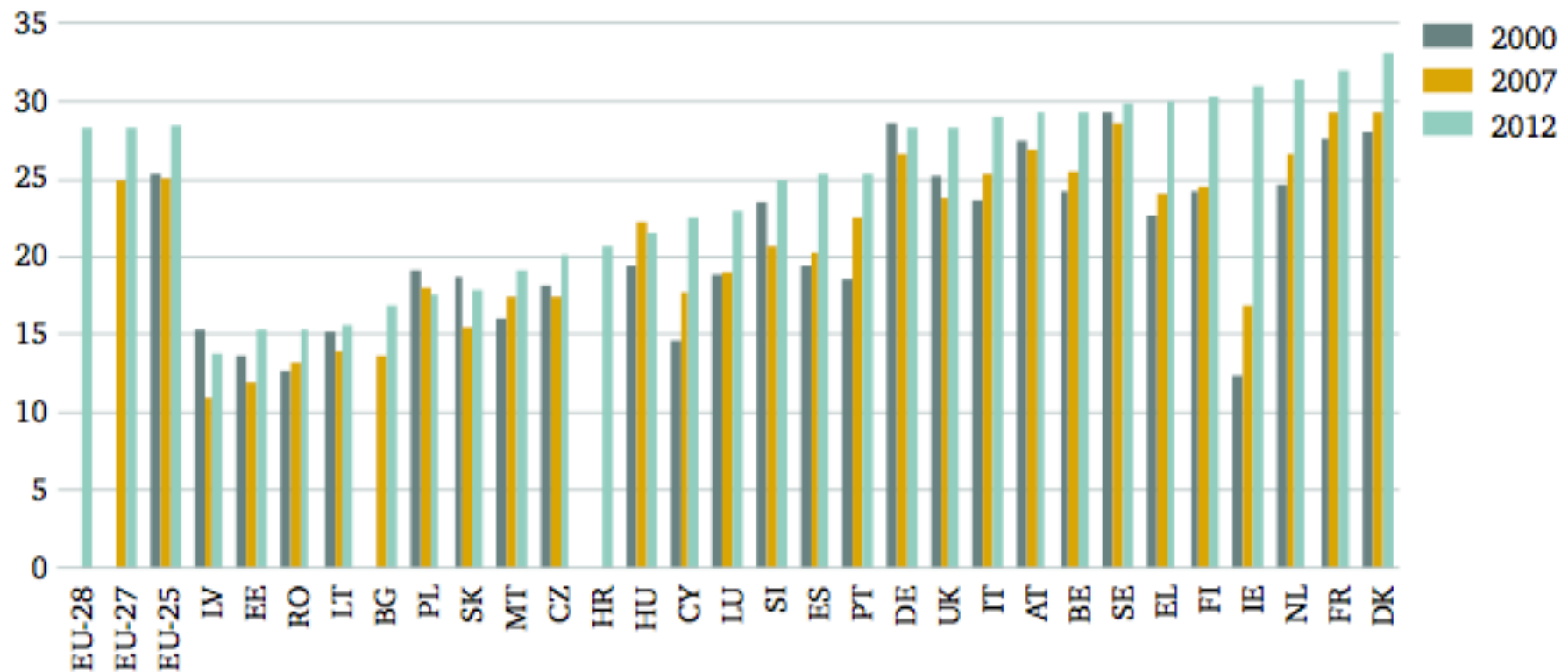
	Stock	Flow	Buffer
Stock	<b><i>Skill development to complement existing human capital stock and further learning</i></b>	Skills to enter and change jobs in competitive labour markets	Skills to live healthy and safe during risky transitions of inactivity
Flow	Facilitates transitions from training to work and vice versa	<b><i>Facilitates labour market transitions in sync with work-life balance</i></b>	Facilitates transitions to secure market income (including social insurance requalification)
Buffer	Provides income security to uphold skills. Provides income security necessary for “innovative risk taking” in training	Provides income security to enable successful job search and risk-taking	<b><i>Provides income security in inactivity rehabilitation and/or care obligations and job search</i></b>

# SOCIAL INVESTMENT LIFE COURSE MULTIPLIER (*POST-NEOLIBERAL POLICY CONSENSUS*)

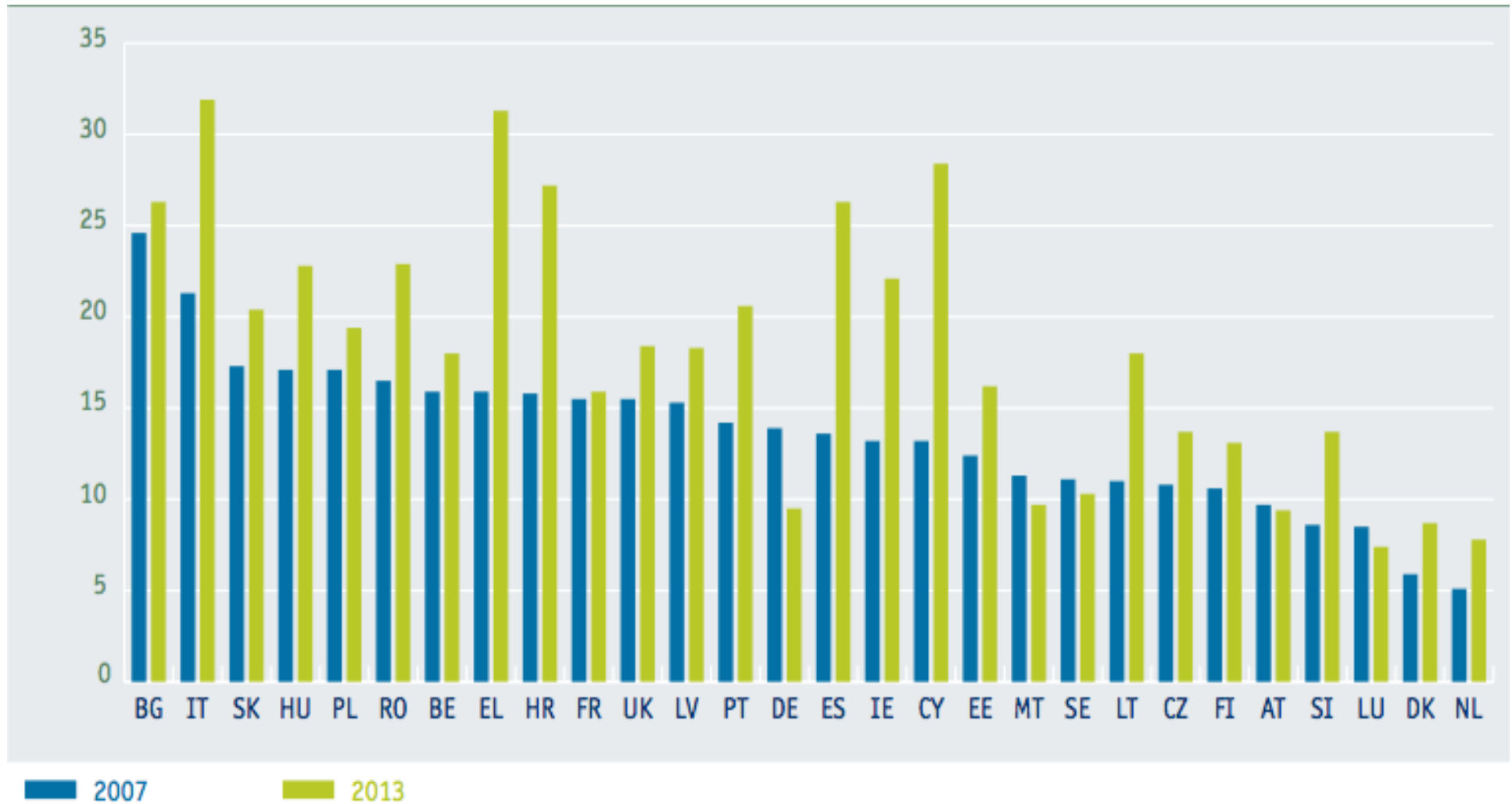


# THE WELFARE STATE IN CRISIS AGAIN

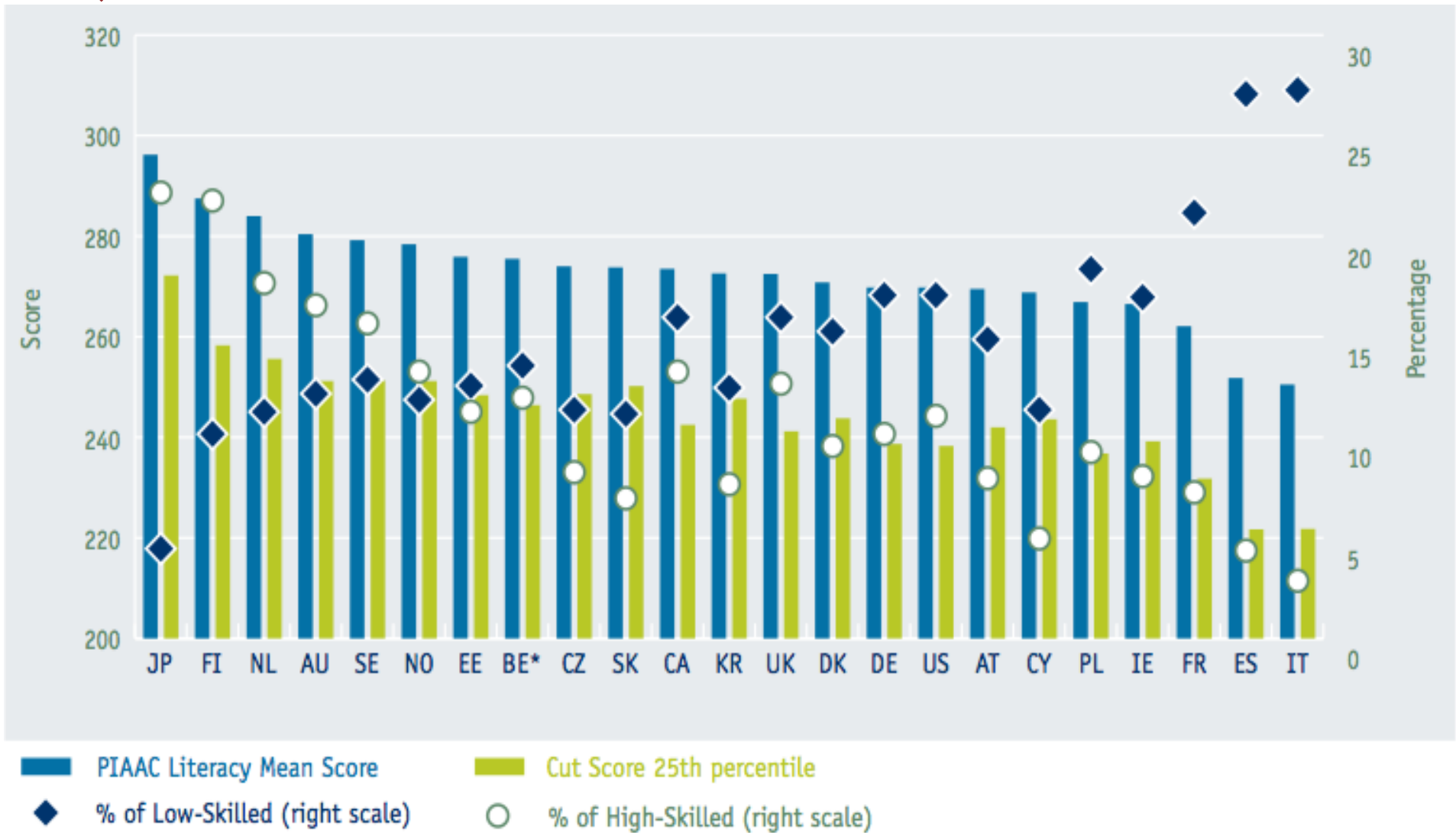
Figure 3: Social protection benefits – all functions (expenditure as % of GDP)



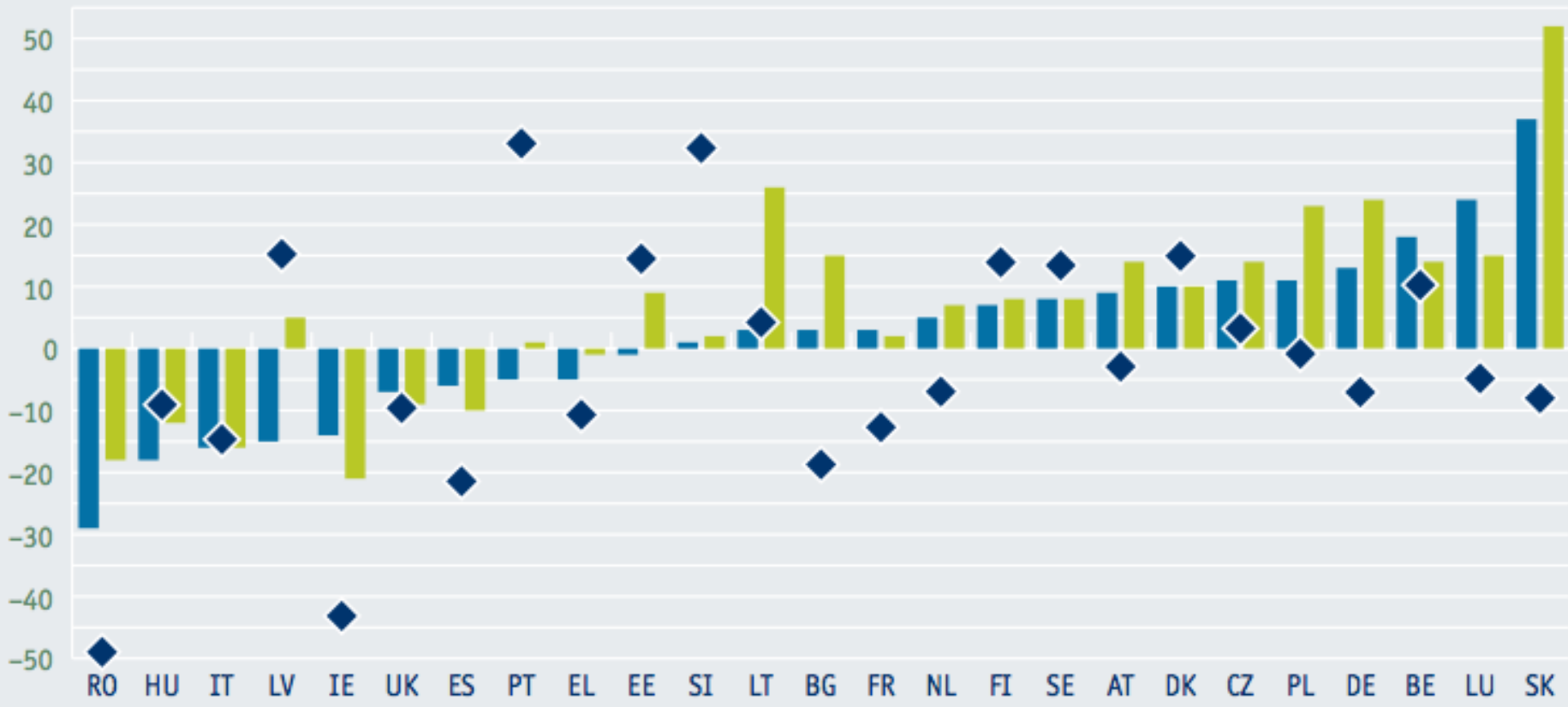
# YOUNG PEOPLE NOT IN EMPLOYMENT, EDUCATION OR TRAINING AGED 20–24 (% OF COHORT POPULATION)



# DISTRIBUTION OF ADULT SKILLS ACROSS COUNTRIES



# EDUCATION SPENDING BEFORE AND AFTER THE CRISIS



- Real spending on education (percentage change), 2013 vs. 2006-08
- Real spending on education per inhabitant less than 19 years old (percentage change), 2013 vs. 2006-08
- Spending % GDP, demographically adjusted, vs. average, 2013

## STATES WITH AGILE VET SYSTEMS IN TRANSITION (WEF)

1. **Switzerland (professional VET partnership)**
2. Singapore (high education spending)
3. United States
4. **Germany (industry specific VET)**
5. **Netherlands (school based and work based VET apprenticeship)**
6. Japan (firm specific VET)
7. Hong Kong
8. **Finland (remedial teaching based differentiation)**
9. **Sweden (state based vocationalism)**
10. United Kingdom (Great training robbery)

# RECALIBRATING STOCKS, FLOWS AND BUFFERS I

## **Netherlands**

Fighting early school leaving through 'bridging' activating 'buffers', labour market 'flow' job coaches, and public-private training and apprenticeships 'stock' rehabilitation

Early selection and barriers between initial and post-initial training (for high skill groups and largely private). Layering of educational streams across learning careers good for migrant youngsters

## **Italy and France**

Little modernization and bridging of 'stocks', 'flows', and 'buffers' results inequitable, unequal and inefficient welfare states



# RECALIBRATING STOCKS, FLOWS, AND BUFFERS I

## **Germany:**

Kurzarbeit 'buffers', expansion of low pay sector sector 'flow' (minijobs), intensification joint (employer-union) defense of sector sponsored VET (**dualization drift**)

## **Denmark:**

Generous activating 'buffers', facilitating 'flow', low barriers between school-based training and firm based apprenticeships and between training for employed and unemployed through modularization and training individualization by local public administration (**embedded flexibilization**)

## 4. CONCLUSION

- ‘Contingent’ convergence toward social investment and VET emancipation (gradual transformative change)
- Active, family-friendly welfare states with effective VET systems outperform others – *positive lesson*
- Problematic policy legacies exposed (pension-biased/dualization/perverse familialism) – *negative lesson*
- Post-neoliberal inclusive growth theory World Bank and OECD: inequality is bad for the economy because it undermines talent development, human capital and social mobility
- Bridging ‘stocks’, ‘flows’ and ‘buffers’ is the new Triple-Helix!

# WHERE THERE'S A WAY, THERE'S A WILL

- **Asymmetric competition, social divergence, dramatic youth unemployment undermine E(M)U viability – *macro lesson***
- Undifferentiated fiscal austerity undermines budgetary consolidation in problem countries – *crisis management lesson*
- Insecure futures breeding ground for xenophobia – *political lesson*
- Social investment ***imperative for economic, social and political reasons*** (education spending discounting in SGP by a ***Social Investment Protocol***)

# THANK YOU



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