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What use is 'social investment'?

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Abstract

The notion of 'social investment' has come to play a major part in debates about the role of social spending and the future of welfare states in Europe. This paper argues that social investment can be seen as a more or less detailed orientation or paradigm for social policies and spending or as a conceptual base and framework for analysis, and that it is also increasingly employed for political or rhetorical as well as academic purposes. It then sets out some serious issues and concerns in that regard, including whether social investment can credibly be presented as the paradigm most likely to underpin economic growth per se or indeed employment-friendly growth, whether the distinction between social 'investment' and other social spending is robust conceptually and the difficulties faced in seeking to make such a distinction empirically, and whether focusing on that distinction and on a narrowly economic rationale is the most useful way to frame the debate about the future of social spending.

Keywords

Economic growth, human capital, social investment, social spending, welfare state

Introduction

The notion of 'social investment' has come to play a major part in debates about the role of social spending and the future of welfare states in the rich countries, particularly in Europe where the language of social investment has become embedded in European Union discourse since the adoption of the Lisbon Agenda in 2000. A number of important recent contributions have highlighted its potential as a new perspective on or paradigm for social policy in the context of the current economic crisis and the demands of the knowledge-based economy more broadly, as an alternative to neo-liberal responses focusing on retrenchment in social spending, and as a key ingredient in responding to the macroeconomic/Euro crisis (see, for example, the contributions to Morel et al., 2012; Hemerijck and Vandenbroucke, 2012; and Vandenbroucke et al., 2011). Others have sought to assess the extent to which recent directions in social policies and spending patterns could be characterized as moving towards a social investment strategy, and whether disappointing outcomes in terms of poverty can be seen as a failure of such a strategy (Cantillon, 2011; Van Kersbergen and Hemerijck, 2012; Vandenbroucke and Vleminckx, 2011). The EU is paying serious attention to this debate, as evidenced by the launch in early 2013 of the Social Investment Package, with the European

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Commission calling on Member States to prioritise social investment and improve active inclusion strategies (European Commission, 2013).

This paper steps back from such immediate concerns and debates to ask what the social investment perspective or paradigm is 'for', and seeks to differentiate between several distinct (though interrelated) aspects and roles. I then highlight and attempt to tease out some issues and concerns in that regard, namely whether social investment can be credibly presented as the paradigm most likely to underpin economic growth per se, or indeed employment-friendly growth, whether the distinction between social 'investment' and other social spending is robust conceptually and what difficulties are faced in seeking to make such a distinction empirically, and whether focusing on that distinction and on a narrowly economic rationale is the most useful way to frame the debate about the future of social spending or instead risks serious 'collateral damage'. The intention is to advance constructive criticism in order to contribute to clarification and debate about the notion of social investment and the most useful way to employ it.

What is the social investment paradigm 'for'?

In thinking about the social investment perspective or paradigm, the first point to make is that it has to be seen not simply from an academic perspective but also from a political one. It can be seen, and clearly is seen by some of its proponents, as offering a potentially powerful platform from which to argue for the critical role of (at least some forms of) social spending in underpinning productive capacity and economic growth, in the face of alternative ideological perspectives and demands for 'retrenchment' across the board. To serve this function – of a rhetorical device writ large, as it were – the social investment perspective would need to have some 'purchase', to resonate with key audiences. Achieving that political purchase may or may not require it to be a fully fledged paradigm underpinned by conceptual innovation and an associated analytical framework, which represent the key claims for social investment from an academic point of view.

While returning to its potential strengths and limitations in a more political context below, it is important to be clear about the nature of those claims. The social investment perspective aims to go beyond simply reinforcing the recent 'turn' towards 'active' rather than 'passive' policies and strategies with respect to the labour market and highlighting the return from early childhood care and education, adding to an already-significant impetus from many academic and policy-focused contributions (including from the European Commission and the OECD). Much more ambitiously, rather than a general orientation or perspective, the social investment *paradigm* can be seen as aiming to set out the optimal institutional structuring for the welfare state (or at least the most promising among currently available alternatives), towards which efforts to reform current structures and policies should be directed. (This would indeed be consistent with the Oxford English Dictionary definition of paradigm as a pattern or model, an exemplar.) Combining that desired end-point with a set of measures designed to get from here to there in a series of stages over time would clearly represent a social investment *strategy* for the welfare state.

That is indeed clearly the ambition of some of those discussing or promoting the social investment perspective, notably Vandenbroucke et al. (2011), the collection of papers brought together in Morel et al. (2012), and Hemerijck and Vandenbroucke (2012). Morel et al. (2012) in the introductory and concluding chapters in the volume they edited make it clear that they see social investment as an emerging paradigm rather than one that is fully formed or fleshed out, acknowledge that there is some degree of ambiguity around some of the ideas or components, and say that 'the social investment perspective may have a chance to become the new paradigm' (2012: 371). While less than fully formed as yet, the ambition is clear.[1]

Related to but distinct from this role as paradigm/strategy, the social investment perspective is also advanced as offering an innovative analytical framework for thinking about social policy, which entails making the clear conceptual distinction between forms of social spending that can be regarded as 'investment' and others which cannot. Social policies and spending patterns can then be analysed empirically through this lens, for example, to compare the

composition of spending across countries or its evolution over time, and to assess the effectiveness of different forms of spending. On this basis different welfare states can also be identified as more or less focused on social investment, and as moving over time towards or away from a social investment focus.

Having drawn the distinction between the academic versus political role of the notion of social investment and between its employment as paradigm versus analytic framework, we now highlight and discuss some central questions and concerns that arise. We start in the next section with social investment as (emerging) paradigm, and ask whether it can be credibly presented as the most likely to produce economic growth or employment. In the following section we focus on the core concept itself and its application. We ask first whether the distinction between social 'investment' and other social spending is robust conceptually. We then highlight the difficulties faced in seeking to make such a distinction empirically, as well as the sometimes uncomfortable conclusions to which efforts to do so can lead. Finally, we return to the political, and ask whether focusing on the distinction between social investment versus other forms of social spending and on a narrowly economic rationale for the social investment paradigm is the most useful way to frame the debate about the future of social spending.

Social investment, growth and employment

Taken as a paradigm that might take root, it would be reasonable to see the major claim for the social investment perspective to be that it offers the social component of an over-arching economic and social model in which economic growth and/or employment can be fostered. The credibility of the case advanced is subject to a variety of methodological and empirical challenges. A sceptic might ask first whether it simply represents an updated version of the Scandinavian social model, focused on current labour market trends and challenges, and if so why should those who were unwilling to embrace the Scandinavian model now be convinced? This focuses our attention initially on assessments of the relative performance of the Scandinavian model versus others, and then on why a social investment variant would be expected to do better (than alternatives) in the future.

Looking backwards, a very substantial literature on the determinants of economic growth at the aggregate level has failed to produce a consensus about the role of the state more generally, much less welfare state institutions and spending specifically. Debates among Swedish economists and sociologists (notably Assar Lindbeck and Walter Korpi) about Sweden's experience show how difficult it is to even agree on an assessment of relative performance over time in terms of economic growth, much less the role social spending may or may not have played in that regard. Much of the research literature on the determinants of economic growth, as exemplified by Barro (1991) and Glaeser et al. (2004), includes both developing and developed countries, and while 'institutions' are often found to be significant these are often framed very broadly. Whatever about the differences among developing countries or between developing and developed ones, the results cannot be taken as applicable to explaining the much narrower variation across the sub-set of rich countries taken on their own. In studies concentrating on OECD countries, welfare institutions and spending are often ignored or captured crudely at best (see, for example, Bassanini and Scarpetta, 2001).

In any case, studies based on such aggregate indicators/evidence face major difficulties. As Atkinson (1995) brought out, aggregate empirics of the relation between the Welfare State and economic performance are open to the objection of being 'measurement without theory'. Robust statistical correlations are not easy to establish, and even harder to ascribe to underlying causal mechanisms. Most obviously, it may be poor economic performance that leads to high Welfare State spending, rather than vice versa, and pooling time-series with cross-country data does not adequately address this central problem. The impact of social spending on economic activity can be expected to depend on the specifics of the programmes involved, so analysis based on a single aggregate spending variable or limited set of institutional variables is not likely to be particularly illuminating. Valuable sets of detailed institutional indicators are now available, but the institutional features they capture have not been reliably shown to affect aggregate growth rates. Findings

from this type of analysis should in any case be taken as more suggestive than conclusive, as the evolution of the broader economic literature on determinants of economic growth makes clear.

While its impact on economic growth is generally highlighted, the argument for the social investment paradigm sometimes focuses instead (or as well) on employment, either as an end in itself or as a way of underpinning growth. The chapter by Nelson and Stephens in Morel et al. (2012), for example, uses the pooled time-series/cross-section approach to assess the impact of a range of institutional and spending variables on employment, and concludes that short-term unemployment rates, sickness insurance, daycare spending, education spending, active labour market policy and average years of education all have significant positive effects on total employment levels. What they term 'high-quality employment' is also examined by Nelson and Stephens as a dependent variable.

So the economic performance standard that the social investment paradigm is set by its proponents needs to be clarified: is it to be seen as the most growth-friendly of available models, or is it to be assessed primarily in terms of employment levels and 'quality'? It may indeed be the case that comparisons across countries or/and over time show specific institutional features, or indeed more aggregated social spending patterns, to be more consistently associated with labour market outcomes than with aggregate growth rates – though once again this should only be taken as suggestive. Conclusions with regard to employment, or even 'high-quality employment', do not necessarily translate into more economic growth. Of course the two are related, but medium- to long- term comparative analysis makes clear that there have been alternative paths to achieving economic growth in the past – as brought out in the contrast drawn in some of the contributions in Morel et al. (2012) between the neo-liberal versus social investment approaches.

The fact that economic growth was achieved via different paths in the past does not of course mean that this will continue to be possible into the future. The case for the social investment paradigm rests heavily on the argument that the world is changing rapidly so that in the new knowledge-based economy a skilled and flexible labour force is the key motor for growth, with social investment then central to producing such a labour force. It is not obvious, though, why even in such a changing environment economic growth could not be achieved via selective intensive investment in the highly skilled minority who will occupy the 'quality' jobs and drive aggregate productivity and economic growth, with a hollowed-out middle and many in much less-skilled employment or not working – which is how critics would characterize the neo-liberal model or recent US experience. The nature of that economic growth might not appeal in terms of social outcomes – one could certainly claim that social investment will produce economic growth that is societally 'better' in terms other than employment – but that is a different argument, to which we return in the fifth section.

As Bonoli (2012) puts it, the social investment project is largely based on the promise that monies spent today will pay off at some point in the future, and the extent to which that is credible depends on the availability of empirical studies showing that returns do materialize. This focuses attention on evaluation-type micro studies focused on the various elements of the strategy, such as active labour market policies and early childcare and education. Some such studies (notably Heckman, 2006, on investing in early childhood) have been highly influential, but others have cast a colder eye on substantial parts of the active labour market agenda. The evidence base on which the case for the social investment paradigm must rest is evolving, and aggregating up from the (limited) examples of specific schemes or interventions that perform well in evaluations in their own specific country and institutional setting to a coherent and convincing overall paradigm is extremely challenging.

Social investment as a concept and analytical framework

While potentially evolving into a paradigm, the core of the social investment perspective rests on its capacity to provide an innovative, robust and useful conceptual and analytical framework for thinking about social policy. The innovative element could perhaps be questioned – it could be argued that social investment is to a significant extent 'old wine in new

bottles', seeking to reinvigorate the long-standing Scandinavian emphasis on 'productive' social policy and the Dutch emphasis in the 1990s on social policy as a productive factor, resurfacing in debates about 'active' versus 'passive' labour market policies and the varied roles social security is expected to play (on which, see, for example, Clasen, 1999). Indeed, one could also refer back to the distinction drawn from a neo-Marxist perspective by O'Connor (1973) between 'social investment', 'social consumption' and 'social expense' and subsequent debates (see, for example, Gough, 1975). Be that as it may, the core contribution entails first making the conceptual distinction between forms of social spending which can be regarded as 'investment' and others which cannot; then, elaborating on this distinction in concrete terms to provide an analytical framework allowing social policies and spending patterns to be examined empirically. There have indeed been several recent studies attempting to develop and apply such a framework, notably Vandenbroucke and Vlemincx (2011), Nikolai (2012) and De Deken (2012), using it to compare the composition of spending across countries or its evolution over time. We focus first on concerns about the conceptual distinction and then the (related) ones about empirical application.

The central question to be asked from a conceptual perspective is how meaningful and robust is the distinction between 'social investment' and other forms of social spending? To answer this requires a clear understanding of what is meant by 'investment'. In economic theory, investment is spending on goods that are not consumed but are to be used for future production – most obviously, factories in which, and machines on which, workers produce. No-one would wish to allocate scarce resources to producing such capital stock for its own sake: they do not add to utility or contribute to well-being directly. Instead, they increase the economy's capacity to produce goods that will do so in the future. So investment represents postponed consumption, in order to enhance productive capacity. Social expenditure, by contrast, while it may or may not influence productive capacity in the future, generally makes a direct contribution to current individual utility or well-being in the period it occurs. So social spending is not then purely 'investment' in the standard sense that economists traditionally have used the term.

However, mainstream economics has also embraced the concept of 'human capital' since the 'Chicago School' of economics (see especially Mincer, 1958, and Becker, 1964) argued strongly for the view that human capital is similar to physical means of production, in that investment in enhancing capacities and skills, notably through education and training, also increases future productive capacity. Much of the emphasis in the economics literature has been on micro-economic investigation of this relationship via estimation of the returns accruing to the individual in terms of earnings, but from a macroeconomic perspective improving the education and skills of the workforce has also assumed a central role in strategies to promote economic growth. From this perspective, education and training represent a form of 'investment' that is distinct from spending on factories and machinery, but with a quantifiable return in terms of extra output/income available to the individual and to society. The complication, though, is that education also clearly has consumption benefits to the individual, in terms of enjoyment of and fulfilment from the educational process itself. These direct benefits in terms of utility or wellbeing are generally ignored in empirical studies employing the human capital model to explain the demand for education and its impact on production, but that does not make them any less real or significant. So the distinction between 'investment' and 'consumption' is rather less clear-cut once one focuses on the productive capacity of workers. It is not then hard to argue that at least those forms of social spending conventionally grouped under the 'active labour market' umbrella, which are closely linked to education and training, can also be seen as 'investment' in human capital.

More broadly, though, thinking of labour as a factor of production whose productivity is not purely determined by innate abilities and the capital stock with which they are combined opens up a Pandora's box conceptually, given the very wide range of factors that could influence a person's productivity. This was captured by the Cambridge economist, Arthur Pigou, when he wrote in 1928:

> There is such a thing as investment in human capital as well as investment in material capital. So soon as this is recognized, the distinction between economy in

> consumption and economy in investment becomes blurred. For, up to a point, consumption is investment in personal productive capacity. This is especially important in connection with children: to reduce unduly expenditure on their consumption may greatly lower their efficiency in after-life. (Pigou, 1928: 29)

This has a very modern ring to it in its emphasis on the impact that spending on children may have on their future capacity to be productive members of the labour force. More broadly, at least some spending by the individual on food, clothing, and so on, counted unambiguously as consumption in national accounting terms, clearly also has a potential return in terms of worker productivity. In the same vein, the recognition that the health and physical capacity of the workforce can play a crucial role in productive capacity helped to motivate health-focused interventions going back to the birth of modern welfare states, encompassing both provision of healthcare and public health measures such as provision of clean water and sanitation. The same could be said of unemployment insurance, helping to keep up the individual's nutritional intake and physical strength while he or she seeks alternative work so that they are still productive when they succeed. Even old age and disability pensions can be (and would on introduction have been) seen as allowing unproductive workers to exit the labour force and thus not act as a drag on industrial productivity and restructuring.

Thus, central planks of the welfare state target and support current consumption, but have also always been seen as influencing the productive capacity of the workforce into the future. What then of the distinction between consumption and investment in the context of social spending? It is very difficult to think of a form of social spending that is purely investment, without a substantial element of current consumption. In thinking about education, as already noted, the 'consumption' benefits are extremely difficult to quantify and often ignored in economic analysis. That may be acceptable in economic studies that by intention and design have a narrow human capital focus, though even there it is critical that the limitations and dangers of such an approach are clearly acknowledged. Indeed, this issue was also clearly recognized by T.W. Schultz in his highly influential 1961 *American Economic Review* paper 'Investment in Human Capital' where he wrote:

> We can think of three classes of expenditures: expenditures that satisfy consumer preferences and in no way enhance the capabilities under discussion – these represent pure consumption; expenditures that enhance capabilities and do not satisfy any preferences underlying consumption – these represent pure investment; and expenditures that have both effects. Most relevant activities clearly are in the third class, partly consumption and partly investment, which is why the task of identifying each component is so formidable and why the measurement of capital formation by expenditures is less useful for human investment than for investment in physical goods. (1961: 8)

Applying that approach more generally is certainly not what proponents of the social investment perspective or paradigm have in mind, but there is a clear danger that seeking to highlight the investment aspect of social spending contributes to the consumption benefits being down-played or ignored – a fundamental concern to which we return in the next section.

Rather than suggesting that some social spending can be seen as purely investment, the term social investment is intended to convey the message that some types of social spending do add to the productive capacity of individuals and of the economy in aggregate – something that is indeed often ignored. However, the real conceptual 'bite' only arises if other types of social spending do not generate such a return, are instead 'only' consumption, or generate only a modest return and are 'mostly' consumption, and we can reliably and usefully distinguish between them. This distinction turns out to be hard to make in practice, judging from recent efforts to do so, particularly if conceived as a dichotomy. Nikolai (2012), for example, uses OECD social expenditure data by programme (from the SOCX database) to distinguish 'compensatory' spending (on old age pensions and unemployment compensation) from 'investment' spending (on families, active labour market policies and education). Vandenbroucke and Vlemincx (2011) use the same data to distinguish 'old' from 'new' social spending, where the former is seen as relating to 'old social risks' and includes healthcare, old age and survivors pensions, and cash benefits for the working age population, whereas the latter

includes programmes that seek to alleviate 'new social risks' and include parental leave, eldercare, active labour market policies, and pre-school, primary and secondary education. De Deken (2012) has a useful discussion of the differences between these two studies and proposes an elaboration of Vandenbroucke and Vlemincx's approach distinguishing a number of sub-categories of both 'old/compensatory' and 'new/investing' spending programmes (although why the 'old/new risks' distinction would equate to the 'compensatory/investing' one is not obvious).

These studies bring out that the allocation of specific forms of social spending into such categories can be particularly problematic – family benefits and long-term care, for example, would generally be seen as more passive than active in nature, but can also be seen as facilitating labour force participation by those who would otherwise be constrained from doing so by family care-work. The more fundamental question, though, is that with a definition of 'investment' broad enough to include anything that might conceivably facilitate higher labour force participation or contribute (directly or indirectly) to the health and productive capacity of the workforce, what is it legitimate to exclude? Most income transfer programmes for those of working age that are 'passive' in nature would have to count as having an investment element – certainly (as De Deken notes) short-term insurance-type income supports that allow the physical health of the unemployed to be maintained and job searching to be continued until a good 'match' is found. Longer-term income support may also contribute to maintaining unemployed workers' physical capacity, while even income replacement for those who are not likely to work again due to incapacity may facilitate working by other family members.

Furthermore, retirement and old-age pensions are generally seen as purely compensatory in this context, but this ignores the potential for dynamic interaction between labour force composition, capital investment and the overall productive capacity of the economy. By facilitating exit from the labour force of older workers, these income supports may lead to greater investment by firms in new plant, equipment and technologies, leading not only to higher productivity per employed worker but also to greater productive capacity for the economy than would otherwise be the case. From a macroeconomic perspective, maximizing labour force participation is not the only way to contribute to greater productive capacity, and 'passively' supporting some people not to have to work may enhance rather than undermine that capacity: capital investment has to be seen as endogenous rather than exogenous in this context. (This has of course always influenced the employers' perspective on social protection.)

So in seeking to identify types of social spending that offer no prospect of directly or indirectly enhancing the productive capacity of the economy, one is left with a very limited set, such as expenditure on healthcare for elderly persons who would not be working with or without it. It may be argued that the real aim is not to distinguish investment from non-investment, but instead to place different types of social spending on a scale from 'substantial investment element' at the top through 'significant' down to 'marginal' and finally 'no investment element'. The fact that it is extremely difficult to work through the dynamic effects of different types of social spending on the productive capacity of the economy makes such an attribution problematic empirically, to put it mildly. (It is relevant to note that in O'Connor's (1973) neo-Marxist attempt to distinguish between different forms of social spending, the problems in actually classifying expenditures in this way were acknowledged, since nearly every state expenditure is part 'social investment', part 'social consumption' and part 'social expense'.)

An even more fundamental objection to this approach, however, is the fact that the 'return' involved in deciding whether spending is to be construed as 'investment' is taken to be purely in terms of productive capacity. This is a narrow and potentially hazardous way to frame the potential return from social spending, as we seek to bring out in the next section.

Social investment as platform

A core concern underlying the development of the social investment perspective is that, particularly in the current economic crisis, social spending is under threat, and that this threat is exacerbated by the

widely-held notion that it is 'unproductive'. As Morel et al. (2012) put it, the social investment perspective could be seen as offering a potentially powerful platform from which to argue for the critical role of social spending in underpinning productive capacity and economic growth, in the face of alternative ideological perspectives and demands for 'retrenchment' across the board. To serve this rhetorical or advocacy function in a political sense, the social investment perspective clearly needs to have some 'purchase', to resonate with key audiences, which means that its formulation and evidence base have to engage those audiences.

Important among those key audiences are those predisposed by their conventional frameworks of economic analysis to view social policy as redistribution of the economic 'pie' rather than potentially contributing to it, a cost and hindrance to economic growth. One of the main aims of the proponents of the social investment perspective is to seek to convince that audience – which we will label for short 'standard economics' – that social spending is or can be a productive factor. The considerable success achieved over the past decade or more in injecting the language of social investment and social policy as a productive factor into the mainstream of EU and in some cases national policy debate has not been matched by evident engagement of that audience. Diagnosing why is a complex matter that needs in-depth investigation, with a wealth of potential contributory factors that include the political and sociological as well as intellectual.

The issues and concerns discussed in the two preceding sections are clearly relevant here: greater conceptual clarity, a more developed theoretical underpinning and a stronger evidence base than currently available could certainly help in engaging that audience. However, the more fundamental issue about social investment as 'platform' is the price being paid in attempting to engage with 'standard economics' on its own ground. The 'return' involved in deciding whether social spending is construed as 'investment' is taken to be an economic one, whether framed with reference to economic performance loosely defined, aggregate output, productive capacity or employment. This is a narrow and potentially hazardous way to frame the potential return from social spending. As clearly acknowledged and addressed in Morel et al. (2012), the social investment strategy in implementation has been criticized as potentially or actually ignoring today's poor and increasing poverty as spending is rechanneled to activation from income support, and focused on cost-containment (see, for example, Barbier, 2012; Cantillon, 2011). The concern that focusing on social investment has been at the expense of social policies that mitigate poverty and inequality is also noted in, for example, Van Kersbergen and Hemmerijck (2012). More broadly, this central criticism can be put simply: why should social spending be assessed in terms of economic rather than social 'returns'? Social spending is primarily designed to address social needs; one would want to maximize the extent to which that is done in a 'growth-friendly' rather than 'growth-reducing' manner, but framing some social spending as 'investment' and – explicitly or implicitly – the remainder as 'consumption' puts the cart before the horse, runs the risk that economic impact will be seen as the dominant consideration, and could serve to skew choices about social spending.

The investment perspective may serve as a rationale for shifting support for those of work age from 'passive' to 'active', though even there care is needed not to undermine the adequacy of income support in the process. More broadly, though, what does the social investment perspective imply about the balance between spending on children, those of working age and the elderly, or education versus healthcare? What does it have to say about whether one spends on early childcare and education versus healthcare for the elderly? One could argue that capital spending on for example hospice care towards end of life would generate a very substantial social return over a long period, and in that sense should surely qualify as 'social investment'? This goes well beyond a matter of terminology to the basis on which core social choices are made. A significant risk with the social investment perspective is that it masks the normative basis on which such social choices need to be made, giving the impression that they 'fall out' from an economic analysis. For example, one can certainly make the case for a shift in resources from the retired to children on the basis of one's assessment of the current situation of these groups in at least some rich countries and what

constitutes distributive and inter-generational equity, but the values and preferences involved need to be clearly articulated and to the fore rather than underlying an apparently technical argument.

It may of course be argued credibly that the impact of social spending on economic performance crucially affects the capacity to maintain social spending into the future and thus attain social goals; the implications need to be carefully thought through and reflected in the argument advanced. Where a clear choice exists between framing social spending directed towards a particular end – for example supporting the living standards of working age people unable to find paid work – in a way that is growth-enhancing versus growth-reducing in a dynamic perspective, then there is every reason to favour the former. Where, though, does this leave us in terms of core choices between supporting the living standards of retired versus working-age people, older versus younger unemployed or early childhood education versus healthcare for the elderly? The economic return from these types of social spending will vary widely: is that relevant to choices about them, and if so how? At very least, it is a legitimate concern that emphasizing the potential economic return from certain forms of spending in contrast to others could distract from the centrality of value-based choices in this arena.

Even the distinction between focusing on economic returns framed in terms of growth versus 'more and better jobs', to which we drew attention earlier, highlights that growth and employment are means to an end rather than ends in themselves. The core of the argument for focusing on more and better jobs rather than purely on growth is that the implications in terms of societal and individual well-being from a given rate of growth achieved via widely based versus narrowly based employment growth will be very different. It is success in attaining social goals, not least by sustaining good levels of economic growth, rather than exceptional growth performance per se that represents the attraction of the Scandinavian model. The social investment perspective can indeed be broadened to encompass the potential attractions in terms of social inclusion and the realization of social rights, and this is more prominent in some presentations than in others (see for example Evers and Guillemard, 2012; Ferrera, 2009). If it does not do so, but instead engages primarily in terms of narrow growth-focused economic arguments, it runs the risk that even if it gains some purchase the best one can hope for is that some recalibration of welfare spending will be embraced in a context of overall retrenchment. A rhetorical platform focused on achieving better social outcomes may have more prospect of success than one that could be construed as taking on the economists on their own ground and allowing that to frame the debate.

Conclusions

The notion of 'social investment' has come to play a major part in debates about the role of social spending and the future of welfare states in Europe. This paper has differentiated between a number of distinct ways that notion could be seen – as a paradigm and strategy for social policies and spending, as a conceptual base and analytical framework, and/or as a platform for political engagement in both a narrow and broad sense. It then set out some serious issues and concerns, first about whether social investment can credibly be presented as the paradigm most likely to underpin economic growth or employment, then about whether the distinction between social 'investment' and other social spending is robust conceptually and empirically, and finally about whether highlighting that distinction is the most useful and productive way to frame the debate about the future of social spending. It argues that the evidence underpinning claims with regard to economic growth is less than robust, that the conceptual distinction is in fact problematic both in theory and application, and that framing debate in terms of a narrow economic argument runs the risk of obscuring normative choices and the broader case for social spending. This discussion is intended to contribute to clarification and debate about the notion of social investment and the most useful way to employ it, at a time of economic crisis when austerity and retrenchment threaten social spending and yet the need for it is more evident than ever.

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Note

1. A degree of ambiguity may of course sometimes be helpful in seeking to build a broad political coalition.

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