Re-InVEST Policy Brief

Issue 09/2018

Re-Focusing Social Investment on Capabilities and Human Rights

Author(s) Jean-Michel Bonvin and Francesco Laruffa

Re-Focusing Social Investment on Capabilities and Human Rights

Introduction

In 2012 the Committee on Employment and Social Affairs of the European Parliament approved a "Social Investment Pact" as a response to the crisis, thereby encouraging the European Commission and the Member States to embrace the social investment approach to welfare reform. In the document it is argued that the economic crisis requires a "modernization" of the European Social Model and national social policies, transforming welfare states from institutions "that mainly respond to damages caused by market failure" into "activating welfare states", that "invest in people and provide instruments and incentives with a view to create sustainable jobs and growth as well as prevent social distortions". Thus, social investment aims at "preparing individuals, families and societies to adapt to changing economic conditions and labor market demands", contributing "to reassure a proper employment level in the future and to improve Europe's competitiveness"[1]. In the social investment perspective, governments should treat social policies not primarily as spending but rather "as investments that will give real return in the future"[2]. Responding to the initiative by the European Parliament, the European Commission adopted in 2013 a "Social Investment Package" aimed at influencing the content of the European Semester, promoting a focus on social investment and active inclusion in country specific recommendations[3]. The twofold aim of this Policy Brief is: to assess the Social Investment Package against the normative framework developed on the human rights and capabilities approaches (HRCA) and to highlight the key policy implications for a renewed social investment agenda.

What does Social Investment mean for the European Commission?

The Social Investment Package (SIP) does not give a complete definition of what social investment is. Yet, the SIP contains a lot of information, which makes it possible to identify some central characteristics of this approach. In particular, we identified four main normative lines that underlie the EC social investment strategy.

Promotion of employment

First, social investment involves a re-definition of social policy as a productive factor, i.e.

[1] European Parliament (2012): Report on Social Investment Pact as a response to the crisis, p. 6.

[2] Ibid., pp. 10-11.

[3] European Commission (2013), Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020, Brussels, DG Empl., SWD(2013)83 final, p. 22.

RE-InVEST
REBUILDING AN INCLUSIVE, VALUE-BASED EUROPE OF SOLIDARITY AND TRUST THROUGH SOCIAL INVESTMENTS

social policy should be seen as an investment rather than a cost. This conception is centered on the contribution of social policy to the promotion of paid employment. Thus, making work pay is a central aspect of this strategy, which implies getting "people back into jobs". In this context, it seems that *all* social policy interventions should be assessed along this overarching goal. Even the provision of childcare services, for example, is appreciated as "a key factor in enabling female employment and fostering labor market participation"[4]. Moreover, the emphasis put on the increase of the employment rate seems to accord priority to the quantity of jobs over their *quality*.

Incentives for work

Second, in social investment the policy effort is centered on the supply-side of the labor market, focusing on activation measures. Hence, the social investment strategy leaves the demand side to market actors (thus following the line of the flexicurity strategy). Furthermore, social investment seems to share with workfare strategies the view that safety net benefit systems create disincentives to work[5]. Thus, the focus is on re-designing the benefit system in order to make "it more attractive to take a job" and end "benefit dependency"[6] – which may require sanctions, such as the suspension, lowering or withdrawal of benefits[7].

Children first for a high return on investment

Third, the logic of social investment policies applies to all stages of the life course but specific emphasis is put on "investing in children" since the "rate of return" on human capital investment is highest in the very early years of childhood[8]. Indeed, investing in children leads to "significant savings in the longer term, since the public expenditure needed to correct the consequences of childhood poverty throughout a person's life-span is significantly higher than that necessary to improve their life chances by support provided during childhood"[9].

Profit-seeking in social policy

Fourth, the SIP suggests increasing the involvement of for-profit private capital in the funding, provision and delivery of social policy: "The for-profit parts of the private sector would need to be further encouraged to use the potential of social investment"10 and "Innovative financing of social investment from private and third sector resources is crucial to complement public sector effort"11. Thus, social investment is strongly oriented toward the higher involvement of private actors. Accordingly, the definition of social enterprises has been broadened to include also profit-seeking actors. Hence, social enterprises are no longer only those charities, cooperatives and other non-profit organizations whose aim is the contribution to the common good, but also those private companies that deliver a social contribution while also obtaining profit from their activities. Besides, new financial instruments such as "social impact bonds" have been developed in order to attract profit-seeking actors, who are now allowed to earn a profit on social policy investments. The fact of opening to private capital – to profit-seeking private actors – the financing and

[4] European Commission (2013), Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy, Commission Staff Working Document accompanying the Social Investment Package, SWD(2013)38, p. 73.

[5] European Commission (2013), Report on Follow-up on the Implementation by the Member States of the 2008 European Commission Recommendation on Active Inclusion of People Excluded from the Labour Market – Towards a social investment approach. SWD(2013)39 final, p. 6.

[6] Ibid., pp. 9-13.

[7] Ibid., p. 36.

[8] European Commission (2013), Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy, Commission Staff Working Document accompanying the Social Investment Package, SWD (2013) 38, p. 60.

[9] Ibid., p. 61.

[10] European Commission (2013), Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020, Brussels, DG Empl., SWD(2013)83 final, p. 5.

[11] Ibid., p. 15.

implementation of social policy requires transforming it in a way that makes it attractive for private investors. This involves setting up clear quantitative objectives (the targets to be reached), accompanied by proper structures of incentives (financial rewards in case of success) in order to generate the expected outcomes. Hence, social investment seems to imply a managerial approach in which performance indicators and incentives play a crucial role (payment is made only if results are obtained, and the level of payment depends on the level of outcomes). The involvement of private capital and the subsequent re-organization of social policies along market logic are maybe the most radical innovations brought about by the social investment perspective, which suggests re-interpreting the social as an economic object capable of generating a financial profit.

An alternative social investment concept based on a human rights and capabilities approach (HRCA)

When assessing the SIP against the normative framework of HRCA, three main problems emerge.

The rationale: mainstream economics vs. human rights and capabilities

First, the social investment approach relies excessively on an economic rationale. Thus, the idea that the "social" should produce profit is not without risks. On the one hand there is the risk of instrumentalism, whereby for example children are envisaged mainly as future workers and taxpayers. This appears in sentences such as: "The adequacy of future pensions depends on the human capital of those who are today children"12. On the other hand, the economic rationale implicit in the logic of "investment" may be in tension with other forms of rationality, such as those based on the criteria of "needs" or "rights". The priority accorded to the economic rationale over other concerns risks reproducing rather than contrasting existing patterns of inequality. Indeed, the economic case for social policy seems problematic because it tends to justify social interventions only as long as they yield financial returns and contribute to economic growth. Instead, in the normative framework of HRCA, economic growth is not treated as an end in itself but as a means for enhancing capabilities. Rather than economic growth, we suggest using capabilities and human rights as the proper yardstick for assessing the quality of social investment policies. This does not imply that the economic rationale of efficiency and financial sustainability should be abandoned altogether, but that it should be balanced with other concerns. For instance, costly interventions that contribute to the enhancement of capabilities and human rights should not be discarded under the pretext of their excessive cost or because they seem not to deliver short-term returns. This also calls for a more nuanced view of the "making work pay" motto: indeed, bringing people back to work should be evaluated not in economic terms only (whereby all placements would be positively evaluated), but against the impact on human rights and capabilities (and there is evidence that not all jobs are equally capability- and human rights-friendly). This suggests bringing to the fore of the social investment perspective the issues of human dignity and job quality, even though they may induce higher costs and fewer returns in the short run.

Anthropology: human capital vs. "receivers-doers-judges"

Second, in the SIP individuals are essentially interpreted as (future) workers for the economy. This "human capital anthropology" diverges from the anthropological conception informing the framework based on HRCA. Indeed, we argue that human beings are not only economic but also social and political actors, who can flourish in a plurality of dimensions beyond work. The conception of the person that informs our normative framework is not a self-made independent homo oeconomicus but a relational and interdependent being with a plurality of identities, commitments and values – whereas the notion of human capital seems to emphasize mainly the economic side of being

[12] Ibid., p. 13.

human and the linked aspects of "strength" and "activity". The human capital anthropology informing the SIP differs from our normative framework in three main ways. First, it does not properly recognize the inherent vulnerability of human beings and, accordingly, tends to consider cash benefits as possible sources of inactivity or dependency traps. In contrast, our framework insists on the value of these benefits not only to support vulnerable human beings but also to promote their valuable agency (via providing them with alternative resources that allow them, e.g., to refuse job offers that would go against their dignity). Hence, such benefits should be strengthened precisely because they contribute to the enhancement of capabilities and human rights, instead of being reduced with a view to suppressing their potential disincentive effects. Second, it does not take sufficient account of the voices of vulnerable people. In the HRCA framework, taking vulnerable people's voices seriously is a prerequisite to promote their agency in a way that is valuable in their eyes, rather than imposing on them, in a top-down way, a view of agency that they may well not share. Third, the SIP conceives human agency as related to employment in the labor market, thus neglecting other forms of valuable agency. A typical example would be care work, which is a necessary and valuable contribution to society. As long as the aspect of agency that is promoted and recognized by social policy is related to economic productivity and participation in the labor market, engaging as a "carer" will be more difficult – with negative consequences for gender equity. Our framework requires considering all human beings equally – whatever their age, sex, education level, class, etc. –as receivers (vulnerable beings in need of support), doers (active beings capable of agency within and beyond paid employment) and judges (political beings able to formulate and advance proposals about the life and society they value). From this perspective, the problem with the SIP and its human capital logic is that it tends to value only a restricted view of the doer dimension, appreciating citizens as productive workers.

Welfare reform: technical vs. political approach

Third, the SIP tends to deny the political nature of welfare reform. It adopts instead a technocratic approach, which reduces the complex issues related to welfare reform to a matter of "modernization". In this context, the social investment approach is presented as a necessary adaptation to various demographic and socioeconomic transformations. In the SIP perspective, it seems that efficiency can be reached without public debate about the ends and objectives to be pursued via public action. It is not a matter of politics, but of letting experts and technocrats design the proper performance indicators and set up the appropriate structure of incentives. From the perspective of our normative framework, the issue of efficiency cannot be detached from politics and requires tackling the following issue: What are the goals to be pursued efficiently? Thereby, the importance of efficiency is not denied, but the necessity to have a public debate about the fundamental question "efficiency for what?" is emphasized. This issue should be decided by all stakeholders, including the vulnerable people that are the target of social policies. Such a proposal would result in a better adjustment between the goals of social policies and the needs and living conditions of their recipients; in other words, it would contribute to filling the gap between social investment strategies and the enhancement of their beneficiaries' capabilities and human rights. This is the reason why the HRCA puts major emphasis on the participation of vulnerable people into the design and implementation of social policies.

Conclusion and Policy Implications

In the light of the HRCA normative framework, we have developed a critique of the SIP centered on three main points. First, a traditional economic rationale seems misplaced to frame the issue of welfare reform: "good" social policies are not necessarily the most productive in terms of employment rates and GDP but those that expand individuals' capabilities and that contribute to realize their rights. Hence, the yardstick to assess social policies should not be their financial return on investment, but their contribution to the enhancement of human rights and capabilities.

Second, the SIP is mainly based on the anthropology of human capital, which tends to see human beings primarily as workers, neglecting other important dimensions of human life. Policies should instead support individuals to flourish in all these relevant dimensions. This means that cash benefits should be granted without fearing that this will automatically lead to high levels of inactivity: people generally want to work – and for reasons that do not boil down to the need of income. Crucially, difficulties in finding a job may be the result of structural and demand-side issues rather than of individuals' lack of motivation or insufficient skills. Hence, social investment strategies should a) assess the value of cash benefits not against their cost, but against their impact on human flourishing, b) recognize other notions of human agency than wage work and support them via public action, c) consider human agency as relational, which requires an encompassing view of public action integrating both supply and demand-side, individual and societal conversion factors.

Third, the SIP frames welfare reform as a technical matter (i.e. finding the right incentives to reach predefined targets), which impedes to recognize the importance of public debate in the formulation, implementation and evaluation of social policies. In contrast, policies should give large room to participation so that the beneficiaries of social policy can become also their co-authors. Allowing people to actively participate in establishing the goals of policies will increase not only their legitimacy but also their efficiency – a central concern in the SIP. One of the central aims of Re-InVEST is precisely to make the voices of vulnerable people count within the debate on the goals of social policy and its implementation. Such a participatory process would shed light on important aspects that a technocratic approach tends to overlook. The central example in this context is that social investment (as developed when relying mainly on experts' knowledge) focuses on remedying individuals' deficiencies. In this way, it overlooks precisely those power asymmetries and discriminating social norms that the dialogue with vulnerable people (and with NGOs working with them) reveals being among the greatest obstacles to the inclusion of these groups.

From a HRCA perspective, the main policy implications for a social investment approach are:

- Social policies should be assessed not (primarily) in terms of their financial returns but in terms of their impact on people's capabilities and human rights. This will automatically lead to a balance between universalism and priority investment into the most disadvantaged (progressive universalism). It will also avoid the enforcement of one-size-fits-all policies, and value free choice as an essential dimension of well-being;

- Social policies should take proper account of the inherent vulnerability of human beings, as well as their own role as social investors. This implies maintaining and even improving cash benefits without fearing that they will lead to high levels of inactivity;

- Social policies should take proper account of the diversity of human agency, valuing and supporting other notions of human agency beyond employment in the labor market;

- Social policies should take proper account of the voices of vulnerable people, allowing them to have an effective say in the debate on the goals of social policies. Social investment should therefore reach beyond investment in individuals: it should include capacity building in civil society organizations and public services for the enhancement of collective agency;

- Social policies should focus not only on improving individuals' skills but also on demand-side issues related both to job quantity and quality.

References

Bonvin, J-M., & Laruffa, F. (2017). Towards a Normative Framework for Welfare Reform Based on the Capability and Human Rights Approaches (Re-InVEST Working Paper Series D4.1). Switzerland: UNIGE/Leuven: RE-InVEST

Bonvin, J-M., & Laruffa, F., (2017). Multidimensional disadvantage and conversion factors. The example of political poverty (Re-InVEST Working Paper Series D4.1). Switzerland: UNIGE/Leuven: RE-InVEST.

Bonvin, J-M., & Laruffa, F. (2017). Assessing the Social Investment Package against the normative framework of capabilities and human rights (RE-InVEST Working Paper Series D4.2). Switzerland: UNIGE/Leuven: Re-InVEST.

De Munck, J. & Lits, G., (2017). From human capital to human capabilities. A broader normative foundation for the social investment perspective in Europe (Re-InVEST Working Paper Series, D4.1). Louvain-la-Neuve: UCL/Leuven: Re-InVEST.

Leßmann, O. (2017). Capability, collectivities and participatory research (RE-InVEST working paper series D4.1). Salzburg: IFZ /Leuven: RE-InVEST.

Lits, G, (2017). What does 'Social Investment' mean for the European Commission? An interpretative content analysis of the 2013 Social Investment Package (SIP) (RE-InVEST Working Paper Series D4.2). Louvain-la-Neuve: UCL/ Leuven: Re-InVEST.

Salais, R. (2017). Assessing the Social Investment Package against the normative framework of capabilities and human rights (RE-InVEST Working Paper Series D4.2). Paris: IDHES /Leuven : Re-InVEST.