Assessing the Social Investment Package against the normative framework of capabilities and human rights

Synthesis Report Work Package 4.2

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Introduction

This short paper synthesises the main teachings oflessons from our ex-ante assessment of the Social Investment Package (SIP) adopted by the European Commission in 2013, using the normative framework elaborated in the synthesis report of Deliverable 4.1. The report is structured around two steps. We first identify the norma¬tive guidelines of the social investment perspective as endorsed by the European Commission, then we assess it against the normative framework developed in Deliverable 4.1.

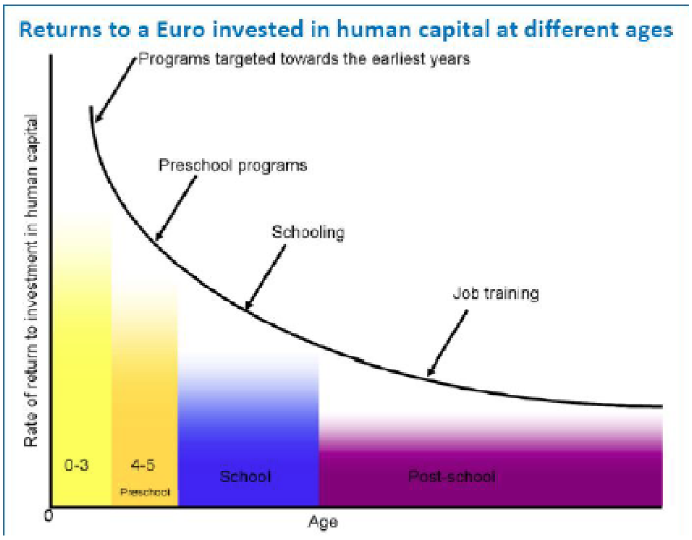
1. What is Social Investment for the European Commission?

The Social Investment Package (SIP), approved in 2013 by the European Commission, aims at influencing the content of the European Semester, promoting a focus on social investment and active inclusion in country specific recommendations (EC, 2013a: 22). But what does social investment mean for the European Commission? It is difficult to find in the SIP an explicit and complete definition of the social investment approach to welfare reform. 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 underly the EC social investment strategy.

First, social investment involves a re-definition of social policy as a productive factor, that is, not as a cost but as an investment. This conception is centred on the contribution of social policy to the promotion of paid employment. Thus, raising employability is a central aspect of this strategy (EC, 2013a: 10), which implies getting 'people back into jobs' (EC, 2013b: 4). In this context, two characteristics appear especially relevant. On the one hand, it seems that all social policy interventions should be assessed according to this overarching goal. Even the provision of childcare services, for example, is appreciated as 'a key factor in enabling female employment and fostering labour market participation' (EC, 2013: 73). On the other hand, the goal of including as many people as possible in the labour market, hence maximising the employment rate, seems to receive priority over the issue of job quality (see Salais' paper). Thus, the emphasis put on the necessity to improve the efficiency of social policies specifically relates to, and is assessed against, the increase of the employment rate, as it is confirmed by the interpretative content analysis of the SIP performed in Lits' paper. According to this logic measuring efficiency in terms of increased employment rate, four precarious jobs would be better than one secure job (see Salais' paper) and the goal of reintegrating people into work may even legitimise 'mandatory measures to ensure activation', such as 'compulsory involvement in public works (e.g. providing social services, cleaning)' (EC, 2013b: 35).

Second, while social investment tends to distinguish itself from the 'work-first' approach (where benefit reduction and constraint are envisaged as the ways to push people back into work) by insisting on the necessity to invest in human capital through education and training (EC, 2013b: 4), the policy effort remains centred on the supply-side of the labour market, giving activation measures a prominent role (EC2013a: 3). In so doing, the EC social investment strategy leaves the demand side to market actors (thus following the line of the flexicurity strategy). Furthermore, social investment seems to share the view with *making work pay* strategies that safety net benefit systems create disincentives to work (EC, 2013b: 6) so that, for example, 'only a minimum income level no higher than 40 % [of the median income] would eliminate inactivity traps' (EC, 2013b: 9) – a level well below the relative poverty threshold of 60%. Thus, the focus is on strengthening incentives to take up jobs in order to end 'benefit dependency' (EC, 2013b: 10), which requires re-designing the benefit system in order to make 'it more attractive to take a job' (EC, 2013b: 13). Hence, also in the context of social investment 'Reluctant behaviours or attitudes such as refusing a job offer or refusing to take part in active labour market policies' may require sanctions, such as the suspension, lowering or withdrawal of benefits (EC, 2013b: 36). To sum up, social investment mainly relies on a combination of monetary (dis-)incentives (i.e. reduced benefits) and supply-side policies focused on human capital enhancement in order to achieve the goal of promoting participation in paid employment. Third, the logic of social investment policies applies to all stages of the life course, where the objective is to design policies that deliver the highest return on investment (see Bonvin & Laruffa's paper). This very rationale accounts for the specific emphasis put on 'investing in children' (EC, 2013d) where the argument is that the 'rate of return' on human capital investment is 'highest in the very early years of childhood' - during which most of the essential cognitive and social skills are formed - and 'for children from disadvantaged backgrounds' (EC, 2013c: 60). In other words, the principle for which 'preparing is better than repairing' is especially true in the case of children, which legitimises a focus on early interventions (see also Figure 1.1, which displays the differential returns according to the stage of the life course). 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' (EC, 2013c: 61).

Figure 1.1 Return on human capital investment

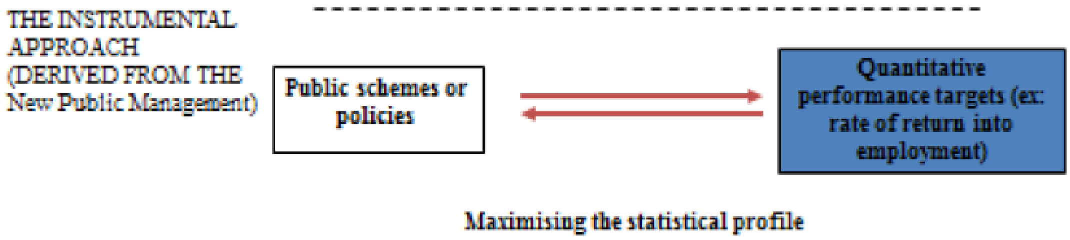


Source The case for investing in disadvantaged young children, James J. Heckman (figure reported in EC, 2013c: 62).

Fourth, the SIP suggests involving to a much larger extent private for-profit and third sector actors 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' (EC, 2013a: 5) and 'Innovative financing of social investment from private and third sector resources is crucial to complement public sector effort' (EC, 2013: 15). As Salais demonstrates, social investment is strongly oriented toward the higher involvement of private actors. On the one hand, 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 organisations whose aim is to contribute to the common good, but also those private companies that deliver a social contribution while obtaining profit from their activities. On the other hand, new financial instruments, such as the '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.

In this context, the rationality underlying social policy should be transformed and made similar to that of the market. Indeed, the fact of opening to private capital - to profit-seeking private actors - the financing and implementation of social policy requires transforming the latter in a way that makes it attractive for private investors. This involves processes of standardisation and quantification, that is, 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 and performance. As shown by Salais, this is a managerial approach in which indicators of performance and incentives (payment is made only if results are obtained, and the level of payment depends on the level of outcomes) play a crucial role (see Figure 1.2).

Figure 1.2 The instrumental approach to social policy



Source Salais' paper

This last issue - the involvement of private capital and the re-organisation of social policies following a market logic - is maybe the most radical innovation brought about by the social investment perspective. Indeed, considering social policy as a 'productive factor', which contributes to economic growth and is mainly concerned with the promotion of employment, is nothing fundamentally new in the European context, where similar ideas already informed previous strategies endorsed by the European Commission such as the Lisbon Strategy. The fact that this does not represent a radical change in the European approach to social policy also emerges from the in-depth analysis of the references used in the EC documents related to the SIP: most of them are documents previously issued by the European institutions themselves (see Lits' paper). By contrast, the opening up of social policies to private for-profit actors introduces a new conception of social policy, which suggests re-interpreting the social as an economic object, capable of generating a financial profit.

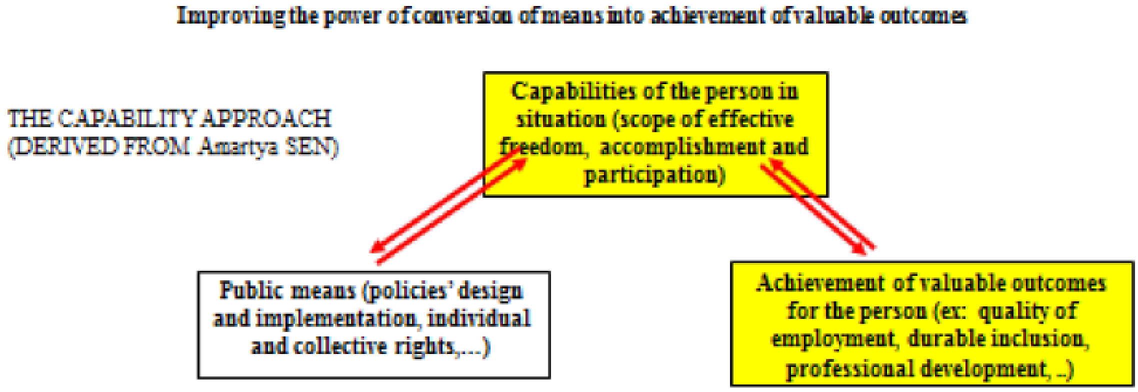
2. Assessing the Social Investment approach against the normative framework of Deliverable 4.1

Three main problems emerge from our ex-ante assessment of the SIP against the normative framework proposed in Deliverable 4.1. First, the social investment approach excessively relies on the economic profit rationale (see also De Munck & Lits' paper for Deliverable 4.1 as well as Bonvin & Dahmen, 2017a; Bonvin & Dahmen, 2017b). Thus, the idea that the 'social' should produce profit is not without risks of distortion (see Salais' paper). On the one hand there is the risk of instrumentalism, whereby for example children are treated as 'workers of the future' and education is re-interpreted as a commodity (Lister, 2003). This appears in sentences such as: 'The adequacy of future pensions depends on the human capital of those who are today children' (EC, 2013a: 13). 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 the 'need' and/or 'rights'. The priority given to the economic rationale over other concerns risks reproducing rather than contrasting existing patterns of inequality (see Cantillon, 2011; Cantillon & Van Lancker, 2013; Bonvin & Dahmen, 2017b). 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 proposed in Deliverable 4.1 economic growth is not treated as an end in itself but rather as a means for enhancing capabilities. Instead of 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 rather 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 supposedly do not deliver short-term returns. In particular, this calls for a more nuanced view of the 'employability' motto: indeed, bringing people back to work should be evaluated not in economic terms only (whereby all placements would be positively evaluated because they contribute to reducing the caseload), but against the impact on human rights and capabilities (and there is plenty of evidence that not all jobs are equally capability- and human rights-friendly). This suggests bringing to the fore of the social investment perspective the issue of job quality, even though it may induce higher costs and fewer returns in the short run.

Second, in the SIP individuals are essentially interpreted as workers for the economy and children as future workers. This 'human capital anthropology' (Laruffa, 2016) diverges from the anthropological conception informing the normative framework of Deliverable 4.1. Indeed, we have argued 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 *homo oeconomicus* but a relational and vulnerable being with a plurality of identities, commitments and values (see Bonvin & Laruffa's, Dubois & Droy's & Lessmann's papers) – whereas the notion of human capital seems to emphasise mainly the economic side of being human and the linked aspects of 'strength' and 'activity'. Thus, the human capital anthropology informing the SIP differs from our normative framework in two main ways. First, it does not properly recognise the 'receiver' and 'judge' dimensions, insofar as it considers passive benefits as possible sources of inactivity or dependency traps and it does not take sufficient account of the voices of vulnerable people. In contrast, our framework insists on the value of social benefits not only to support vulnerable human beings but also to promote valuable agency (e.g. via providing recipient with alternative resources that allow them to refuse job offers that would go against their dignity or the enhancement of their capabilities). Hence, such benefits should be considered as valuable and strengthened precisely because of their contribution to capabilities and human rights rather than being reduced (or 'modernised' as it is often phrased) with a view to suppressing their potential disincentive effects. In the same way, taking vulnerable people's voices seriously is a prerequisite to promote human agency that is valuable in their eyes rather than imposing on them, in a top-down way, a view of valuable agency that they may not share. Second the SIP conceives human agency – the 'doer' dimension – as related only to employment in the labour market, while neglecting other forms of valuable agency. A typical example would be care work (e.g. Williams, 2001), which is a necessary and valuable contribution to society, which however requires a lot of resources in terms of time, energy and money. As long as the only aspect of the 'doer' dimension promoted and recognised by social policy remains the 'worker', engaging as a 'carer' will be a de-valued and unsupported option – with negative consequences for gender equity and quality of life. Considering each person equally as a 'receiver', a 'doer' (in the more encompassing sense advocated in our framework) and a 'judge' also implies that public action should not focus on children with the aim of equalising initial opportunities, but should also care about inequalities or poverty emerging later in life, even though the returns on investment would be lower at that stage. Indeed, policies should aim at expanding individuals' capabilities and at realising their rights in all stages of their life. To sum up, the SIP is faced with a twofold challenge: (a) taking proper account of the 'receiver' and the 'judge' dimension, (b) valuing and concretely supporting other notions of human agency, beyond employment in the labour market.

Third, the SIP tends to deny or ignore the unavoidable *political* nature of welfare reform. It adopts instead a technocratic approach, which reduces the complex and controversial issues related to welfare reform to a matter of 'modernisation' (EC, 2013a: 3 – see also Lits' and Salais' papers). In this context, the social investment approach is presented as a *necessary* adaptation to various demographic and socioeconomic transformations (Bonvin and Dahmen 2017a; Bonvin and Laruffa's paper), which seem to make democratic deliberation on welfare reform superfluous (Laruffa, 2015). 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 political matter, but a matter of designing the proper performance indicators and setting up the appropriate structure of incentives. From the perspective of our normative framework (see Deliverable 4.1), the issue of efficiency is much more complex and requires tackling the following issues: What are the goals to be pursued efficiently? Who should choose these goals? Who should evaluate their efficient implementation? Thereby, the importance of efficiency is not denied, but the necessity to tackle the two questions of 'efficiency for what' and of 'who decides about the goals to be pursued' is emphasised. From the SIP perspective, it seems that the efficiency of social policies should be assessed in terms of their contribution to the performance indicators established by the Commission (e.g. the employment rate). This is a very specific answer to the questions of 'efficiency for what' (that is, for the performance indicators) and 'who decides' (that is, the Commission or, more precisely, the members of the Committees in charge of designing the performance indicators). The risk of such a conception is that the main concern becomes the maximisation of the indicators of performance (such as the employment rate) rather than the real improvement of the living conditions of the people targeted by social policy (see Salais' paper). Our normative framework points to another solution: on the one hand, efficiency should aim at enhancing human rights and capabilities, which requires – if one wants to stick to the idea of governing by indicators – establishing alternative indicators; on the other hand, this issue should not be decided by members of the Commission alone, but by all stakeholders, including the vulnerable people who are the target of social policies as well as the local agents in charge of their day-to-day implementation. 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 present gap between social investment strategies and the enhancement of their beneficiaries' capabilities and human rights (see Figure 2.1, in contrast to Figure 1.2 above). This is also the reason why, the RE-InVEST project puts major emphasis on the 'merging of knowledge' and on taking into account the voices of those who are targeted by social policies, when doing research about vulnerability.

Figure 2.1 The capability approach to social policy



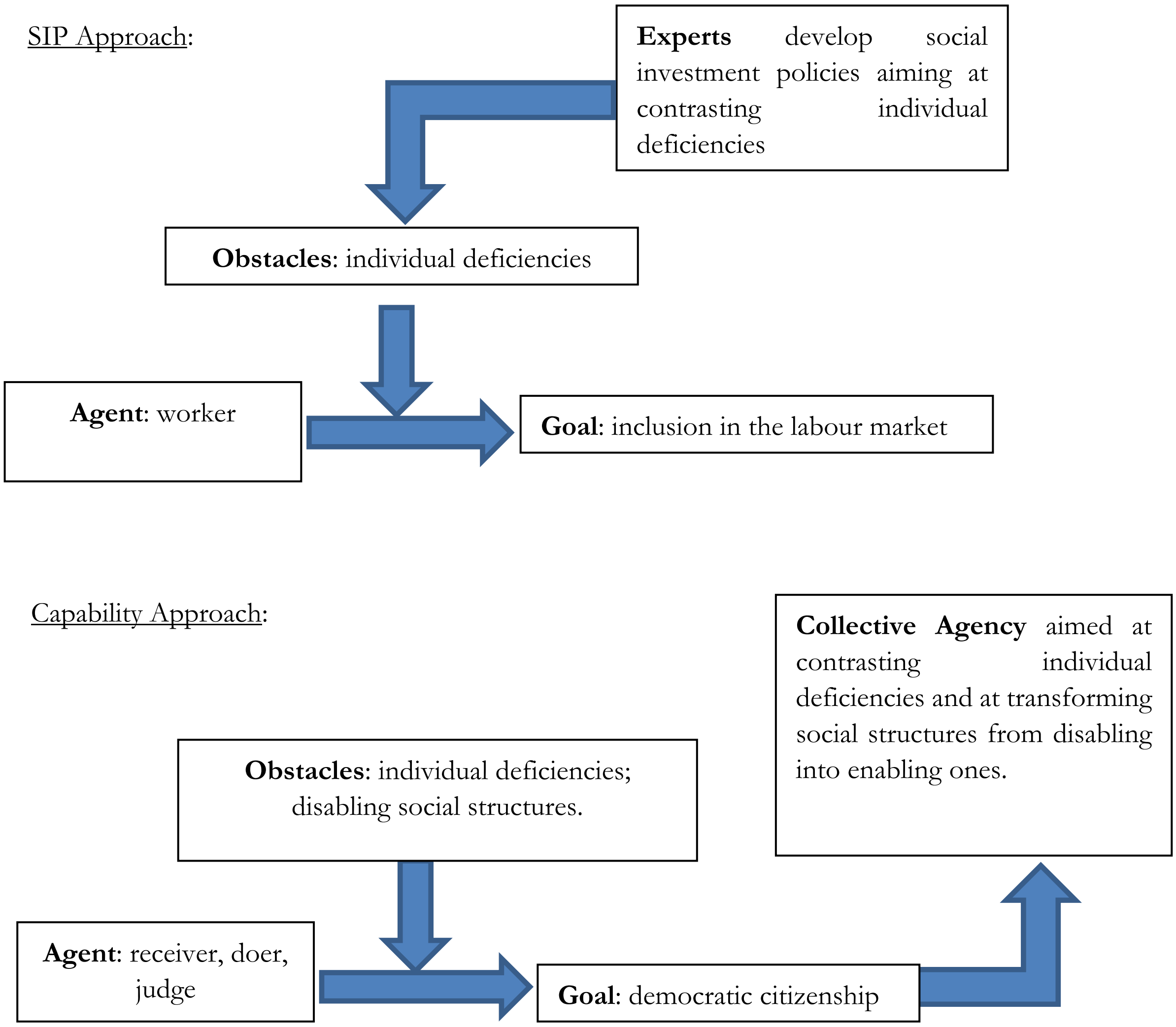
Source Salais' paper

3. Conclusion

The ex-ante assessment of the SIP against the HR-CA framework proposed in Deliverable 4.1 calls for a richer and enlarged notion of social investment. The SIP involves a framework essentially oriented towards: (a) the promotion of (almost any kind of) employment; (b) the reduction of welfare generosity if this produces disincentives for taking up jobs; (c) the investment in those social policy areas that deliver the highest return on investment (e.g. childcare services); (d) the enlargement of opportunities for profit-seeking actors to participate in the financing and implementation of social policy with a view to obtaining a financial return. In light of the normative framework proposed in Deliverable 4.1, we have developed a critique of the SIP centred on three main points.

- First, a narrow economic rationale seems inadequate to frame the issue of welfare reform: 'good' social policies are not necessarily the most economically productive but those that expand individuals' capabilities and that contribute to realise their rights. Hence, the yardstick to assess social policies should not be their return on investment, but their contribution to the enhancement of human rights and capabilities.
- Second, the SIP is based on the anthropology of human capital, which tends to see human beings primarily as workers, neglecting other ways of being 'doers' as well as ignoring the 'receiver' and 'judge' dimensions. Policies should instead support individuals to flourish in all these dimensions. This means that generous social benefits should be maintained without fearing that this will automatically lead to high levels of inactivity: people generally *want* to work – and for reasons that most often exceed the need of income. Crucially, difficulties in finding a job may well be the result of structural and demand-side issues rather than of individuals' lack of motivation or of their insufficient skills. Hence, social investment strategies should a) assess the value of so-called 'passive' benefits not against their cost, but against their impact on human flourishing, b) recognise 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 the supply and the demand-side, individual and societal conversion factors.
- Third, the SIP frames welfare reform as a technical matter (that is, finding the right incentives to reach predefined targets), ignoring the importance of the 'judge' dimension, that is, of political participation in the formulation, implementation and evaluation of social policies. In contrast, policies should provide room to participation so that the beneficiaries of social policy can become also their co-authors. Following a HR-CA perspective, 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. Indeed, the knowledge that the beneficiaries of social policies possess should be mobilised for formulating the social investment strategy. One of the central aims of RE-InVEST is precisely to bring the voice of vulnerable people into the debate on the goals of social policy (see especially WP3 and the WP5). Such a participatory process sheds 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, this approach overlooks precisely those power asymmetries, discriminating social norms, oppressive institutions and other structural disabling factors that the dialogue with vulnerable people (and with the NGOs working with them) reveals as being among the greatest obstacles to the inclusion of these groups (see Figure 3.1).

Figure 3.1 The SIP and capability approaches to social policy compared



Source Bonvin and Laruffa's paper.

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RE-InVEST - Rebuilding an Inclusive, Value-based Europe of Solidarity and Trust through Social Investments

In 2013, as a response to rising inequalities, poverty and distrust in the EU, the Commission launched a major endeavour to rebalance economic and social policies with the Social Investment Package (SIP). RE-InVEST aims to strengthen the philosophical, institutional and empirical underpinnings of the SIP, based on social investment in human rights and capabilities. Our consortium is embedded in the 'Alliances to Fight Poverty'. We will actively involve European citizens severely affected by the crisis in the co-construction of a more powerful and effective social investment agenda with policy recommendations.

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