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Comment on Anton Hemerijck/2. Social Investment, a Problematic Concept with an Ambiguous Past

(doi: 10.2383/36889)

Sociologica (ISSN 1971-8853)
Fascicolo 1, gennaio-aprile 2012

Ente di afferenza:
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Essays

Comment on Anton Hemerijck/2

Social Investment, a Problematic Concept with an Ambiguous Past

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doi: 10.2383/36889

Because of its ambitious scope and the undeniable relevance of its substance, this is not an easy text to review for a sociologist. First, the text draws on a book to be published this autumn, in which a potential wealth of data and analysis will no doubt complement the introductory paper we read today. Commenting only from the introduction inevitably leads to bias and expose us to unfairness: I apologize in advance for this limitation. Second, besides an analysis of the social situation in the European Union, the text is at the same time a political programme in favor of "social investment" – not admittedly a partisan one ("what is needed is to rescue the social investment perspective from one-sided and pro-cyclical austerity policy orientations"). As I dealt with European integration and social policy, the kind of sociology I have been practicing has tried to remain faithful to the Weberian principle of objectivity and the (axiological) value neutrality and I have never departed from Weber's lesson: we social scientists are unable to provide scientific answers for deciding about values. Insofar we engage in science, we are engaged in a search for truth – "ein Ort […] wo Warheit gesucht wird."[1] As Weber's personal conduct amply illustrated, this does not certainly imply that for social scientists engaging in politics is a professional error. Far from it, it simply means that their special mission cannot be professionally conducted

[1] "A space where truth is sought" [Weber 2004, 365]. The quotation is from *Die Objektivität sozialwissenschaftlicher Erkenntnis*. It is found in the journal *Archiv für Sozialwissenschaft und Sozialpolitik* in which Weber's article was published in 1904.

in a state of confusion between politics and science. Given the progress made by the views promoted by M. Burawoy, I may now belong to a minority: paradoxically however, despite their new marketing, such traditional arguments are rather easily refuted [Goldberg and Van den Berg 2009; Barbier 2012]. Whatever my political leanings, as a consequence of this position of principle, I will limit my comments upon the programmatic aspect of the paper to a minimum: I will first compare it quickly with two other reform programmes promoted by actors at the EU level. Then I will concentrate on the analytical dimension of the paper, in two steps: one about the use of the notion of "social investment" and the second about the assessment of the outcomes and outputs of the past policies – most of which, considered with hindsight, seem to have been implemented under the welcoming banner of "social investment."

Programmes for Reforming EU and National Social Policies

As the crisis was gradually spreading, numerous programmes, pacts – or compacts, have been promoted on the left side of European politics, by various constituencies at the EU level and in the nations of Europe. Perhaps the earliest programme that could compare with a "social investment programme" [outlined in sections 5 ("social investment imperatives in the financial crisis' aftermath") and 6 of the paper ("Embedding social investment in the EU economic governance")] was issued by the Party of European Socialists (PES), before the crisis, when Poul Nyrup Rasmussen was its president (PES Council Vienna resolution, 2005), and even more in 2010, when the PES adopted its 2010-2014 strategy. The latter advocates three macroeconomic decisions: implementing Eurobonds, extending the powers of the ECB to intervene on the markets and devise a strategy for growth and jobs. They also advocate a financial transaction tax, but their main prescriptions with respect to social protection are about its quality, the decency of work, and the sustainability of the systems. All these elements feature in our author's paper. I lack space here to go into more details. But when one compares Hemerijck's approach (the "necessary" strategy) and the PES's, what is striking is the former's almost complete disregard of the role of EU law and of workers' – and other social – rights.[2] This has a consequence: "investment" and "capacitating" reforms are called for as if these were insulated from the role of national and EU law. We will come back to this essential point in our conclusion. Another aspect of the debate missing in the paper is the role of social actors – including social dialogue (at the EU level, article 152 of the treaty), or the negotiation between – as the Lisbon treaty has it, in its articles 146, 150 essentially –

[2] Labour law is only mentioned twice in the paper.

"management and labour" (at the national level).[3] In this respect, another key political document that took a strong position about questions related to "social investment" was the ETUC proposal, adopted in 2008 for a "Social Progress Protocol." For the organization, a fundamental change of EU law is indispensable, to balance the status of economic freedoms and the fundamental rights, and most prominently, social rights. The ETUC puts forward the strong claim that the development of the EU is asymmetrical in its favoring the famous five "economic freedoms." [4] As the legitimate porte-parole of the unions at the EU level, the ETUC has also advocated measures that are easily comparable with some in the PES programme and with Hemerijck's proposals, namely the adoption of the financial transaction tax, the Eurobonds, and an industrial strategy. On top of this list, the ETUC advocates active labour market policies, but only inasmuch as they promote "quality employment and social justice." Similarly, the ETUC has remained skeptical about the political slogan of "flexicurity" from the Seville congress in 2007, where John Monks, its former secretary general, was deploring the fact that "flexicurity" was a "menu à la carte" where one could pick and choose whatever one wished. This is why, contrary to what has wrongly been taken for granted by many, the ETUC never came to a common substantive position on "flexicurity strategies" with its counterpart employer association Business Europe.[5] I am not sure that this much too brief comparison between Hemerijck's proposed programme of social investment and the EU level social democrats' and union's points of view is relevant. But it provides a way of comparing the programme with a first type of "counterfactual." It is possible that the author will consider this type of comparison as irrelevant because the ETUC and unions in general have been increasingly described by political scientists as organizations fighting for the interests of "insiders."[6] In any case, the political aspect of a possible implementation of a social investment programme is not really part of a paper that – although not entirely – ignores the detailed political conditions of possibility of the strategy it outlines for the future on the basis of an assessment of the recent past.

[3] Social partners do not feature in the Lisbon treaty, except EU level "social partners."

[4] For an empirical test of this asymmetry see Barbier and Colomb 2012.

[5] In 2007, the European social partners issued a document entitled "Key Challenges Facing European Labour Markets: A Joint Analysis of European Social Partners", edited by ETUC, Business Europe, CEEP and UEAPME. This document had only one page (the last) out of 62 – with the very vague and non-committed assertion that flexicurity policies should be of "the right mix."

[6] If compared with many of our colleagues, A. Hemerjick is indeed economical with the use of the "insider-outsider paradigm." He has only three mentions of the labour segmentation [2012, 30], "insider-outsider gaps" for social assistance [ibidem, 33] and the "antiquated, fragmented and insider-biased" systems of Italy and Greece.

The concept of "social investment" and its implementation

Sociology is also often uneasy with "macro-concepts" that originate from political struggles. There is an increasing list of them flying around in the EU forums – whether scientific or policy community, forums (not to mention spin-doctors forums): "activation," "flexicurity," "workfare" are but three and "social investment" is a fourth instance.

Fully aware of an increasing overlap between scientific and policy forums, we propose to limit our discussion to the scientific ones observing that the proponents of the notion of social investment have not been entirely clear so far as to what the concept does and does not encompass. The invention has been attributed to A. Giddens [1998], in his position as T. Blair's policy guru, but this remains to be checked. What is certain is that social investment has never been a social science concept in the sense of a French "concept" or a German "Begriff."[7] Nowadays, this is rather a political notion expressed in international English, or better, Eurospeak (Commission speak),[8] after having been inserted into the New Labour lexicon. At a high level of abstraction, I would tend to consider that the notion of an "enabling state," initially coined by N. and B. Gilbert [1989][9] was very similar, although applied to America and not to Europe at the time. Morel et. al. [2011, 1, 8] indeed acknowledge the similarity of both approaches, but we don't have space enough to explore this point in more detail.[10] These latter authors nevertheless come to the conclusion that there are actually at least two polar approaches of social investment, one "social-democratic" and one "third-way" under the same "umbrella" [*ibidem*, 19] a very large umbrella indeed. For his part, Hemerijck does not address the definitional aspect of the question however in the present text. In this particular paper, however, he only implicitly defines "social investment" when he empirically separates what he calls "social investment spending" from "non-social investment spending" [Hemerijck 2012, 21-24] after admitting that there is no "agreed definition of social investment spending" [*ibidem*, 23]. The author does not provide precise justification as to why state outlays on "old-age, survivors, disability pensions, excluding the rehabilitation expenses, and unem-

7 For Jenson [2009, 41] it is a "quasi-concept."

8 The English language does not separate *notion* from *concept* as strictly as the French (as well as Latin) and German languages.

9 The Gilberts's basic motto was "public support for private responsibility", as N. Gilbert [1995, 153] wrote later.

10 A synthesis of the New Labour vision of a "social investment state" was captured by Amable [2003, 237]: it would "ensure equality of opportunities rather than equality of outcomes, and employability, based on welfare to work, and would grant no rights without responsibility. Social justice would mean social inclusion, fundamentally through participation in active and paid work."

ployment spending thus excluding expenses on active labour market programmes" [*ibidem*, 21] should be seen as "non-social investment." The eventual normative implications of this choice of empirical programmes are rather frightening, morally and politically. But this makes an interpretation of Hemerijck's figures 5 and 6 obviously difficult to achieve. Alternative interpretations have been proposed on the basis of the data he uses that the author does not have the time to discuss in the particular paper [De la Porte and Jacobsson 2011; Cantillon, 2011; Taylor-Gooby 2008].

Analysing The Social Situation With The Hindsight of The 1980s

As it is associated with an uncertain use of notions, the systematic *mélange* of normative and analytical assertions does not provide an easy framework to discuss. When he reviews the past developments in terms of what he calls "welfare reform," Hemerijck's is inevitably a bird's eye view, which may at times appear as over-simplified.[11] Where the author is at his clearest though is when he reviews "five lessons" he draws from the study of, here again using a very global notion, "welfare reform." The five lessons he stresses are sober enough and well established in the literature (his section 3): "welfare states" are not the result of some grand design; the world is made of path-dependent solutions; supranational agenda setting has an increasing role to play; the nation-state remains of vital importance, and finally, "changing welfare states" defy easy explanation.

When he goes on to praise some of the reforms that have been part of the agenda of what he puts under the welcoming umbrella of "social investment," the empirical base of his assertions is thin, partly because of the broad scope of problems he has chosen to cover. Hemerijck contends that "the shift to social pacts, activation, active ageing, basic pension guarantees, gender mainstreaming, childcare and parental leave expansion, alongside labor market "flexicurity," moreover, fundamentally transcend the traditional neoliberal retrenchment, deregulation, and negative incentive recipes of the 1980s and 1990s." [Hemerijck 2012, 12]. Does the past empirical evidence substantiate his claim? To understand this, we will focus on two reforms that, from the late 1980s on have attracted great attention, i.e. "activation" and "flexicurity."

[11] "the Danish arrangement" is described as "easy firing and hiring", a very simplified view; the author seems to think that there has been "benefit homogenization" across all the EU member states, but this in not empirically true for instance in Germany, France and Italy, if it is in the UK; despite the numerous efforts to achieve them in Germany, France, Denmark, for instance, the project of implementing "one-stop centres" never materialized in actual life.

Leaving aside the definitional uncertainty of what activation might be,[12] it is difficult to deny that the policies implemented under the banner of it have, overall, amounted to a shift of resources detrimental to the poor [Cantillon 2011], or a form of cost-containment [Barbier 2009] or re-commodification [De la Porte and Jacobsson 2012], consequences which are indeed difficult to disentangle from "traditional retrenchment and negative incentive recipes." It is all the more difficult to disentangle them because no single political promise of "activation strategies" has materialized in the real world: employment rates – before the 2008 crisis – have remained stable over the period when the major players of activation strategies implemented their reforms in a very favorable economic context (1997-2007); as B. Cantillon [2011] showed, poverty rates have either been stabilised in certain countries or increased in others. Moreover, as sanctions were introduced and reinforced across the board, the negative incentives seemed not to deliver the promised outcomes in terms of protection from social exclusion, while the stratum of working poor people increased everywhere in Europe, although very differently in the Scandinavian countries. These basic facts have not however yet been taken into account by politicians, presumably because of some hysteresis effect: while employment creation in the crisis has decreased dramatically, and unemployment increased, they have stuck to unchanged recipes – a form of Batesonian "more of the same" stubbornness. Should not a credible "social investment" strategy to be devised, as the author desires, "in the aftermath of the crisis," explicitly and empirically address this problem that no chart or statistics in his paper illustrate? Additionally, we also lack convincing data and evidence about the possible link existing between "activation" strategies – including the apparently special brand (*social activation*) that was implemented in the Netherlands – and the quality of jobs and employment relationships. Even more problematic in the paper is the fact that his author does not address explicitly the question of full employment. Is full employment a part of a social investment strategy for the future, or is it not?

The case for "flexicurity" is no more empirically addressed. With the notorious exception of the Netherlands where it was born [Wilthagen 1998] and Denmark, where it eventually became a national flag wrapped around the famous "gyldne trekant" (golden triangle) [Madsen 2006], one does not know exactly what "flexicurity" has meant altogether with hindsight. The catch-all power of this "semantic magnet" has indeed been observed across all the states of the European Union, and especially the older ones. However, the historically embedded institutions of the Nether-

[12] We have suggested speaking about "activation of social protection" as a reform trend that could be compatible with Pierson's categories of restructuring [Barbier and Mayerhofer 2004, 425]. Often the notion of "activation" is equated with programmes for the poor and the unemployed [Barbier 2009].

lands and of Denmark were never possible to transfer, let alone copy, in other countries. While the EU Commission did a lot for promoting the idea of flexicurity at the EU level, to the utter indifference of EU Citizens, its official burial was sanctioned by a 2008 Report to Vladimir Špidla – former Commissioner in charge of employment and social affairs – for the "mission on flexicurity" he had been commissioning at the time.[13] For instance, French unions and employers' associations brokered a special cross-sector agreement, with the help of the government, in January 2008, but the agreement remained half-implemented but for the flexibility part of it. Into the crisis, in 2008-2010, and before austerity really came to the country, the French government extended social protection coverage, especially for the young and the unemployed [Gautié 2011], but the limits of this transitory move quickly appeared and the Revenu de solidarité active that Hemerjick notes in passing [Hemerijck 2012, 4] can hardly pass for a form of "social investment," now that its complete failure has been exposed by the Evaluation Committee official report:[14] it has failed to take people out of poverty into employment and it appeared as the continuation of the previous Revenu minimum d'insertion (RMI) for the huge majority of recipients – except that the RSA benefit was no longer a legal unconditional right as the RMI benefit used to be. The current – and probably short-lived – promotion of "flexicurity" in Italy (March 2012), against the refusal by the CGIL of reforms that the previous Berlusconi government was unable to push through (namely the famous article 18 of the Labour code), is perhaps a fresh chance for the type of strategy. However, given the huge gap between the proposed updating of unemployment benefits (the security side) by the Monti government and what has existed in Denmark, and in the Netherlands, for that matter, the common label of "flexicurity," if used for Italy amounts to what Sartori [1991] used to call concept stretching (slargatura dei concetti). From a social-democratic or a union point of view, it is undeniably better that "balanced" collective agreements were struck about the collective management of the labour market and social protection, instead of unilateral imposition of regulation or deregulation by a hierarchical government. However, the extent to which these agreements are legitimised and become legitimate is always a sociological empirical question: if, in the recent past, such agreements have been legitimised in the Netherlands (despite their gender-biased design), they have not in the United Kingdom for instance or in France and Italy for that matter. That such legitimating processes might be possible in the future in the latter countries remains a moot question, empirically, given the present

[13] Report of the mission, December, 9, 2008, Council of the European Union, 17047/08.

[14] http://www.solidarite.gouv.fr/IMG/pdf/rapport_RSA_15dec2011_vf-2.pdf, Comité national d'évaluation, rapport final, Décembre 2011.

crisis, and the social, cultural and institutional conditions which are complex and path-dependent (lessons 2 and 5 of section 3 of the paper), as well as nation-based (lesson 4). No doubt the book of which this paper is only the introduction discusses these points more in detail.

Finally, as we noted before, the attention Hemerijck gives to EU and national law is amazingly modest. He has a remark in passing [Hemerijck 2012, 37] about the "ill-fated subsidiarity principle" and this is his only mention of the problem of EU law; the reference however remains cryptic, because in his lessons 3 and 4 (see above) he explains that the nation-state remains of vital importance, while at the same time, the supranational agenda setting is of increasing import. What has been noted for a long time is the contradiction between the absence of an empirical basis for political trust and solidarity at the EU level, and the stronger and stronger pressures for more federalism in the wake of the crisis [Barbier 2012]. Such pressures have never been as strong as they are now since 1957, and they have led to an increasing sidelining of democratic procedures at the nation-state level. Macroeconomic decisions, including the December treaty on Stability and Governance, have only recently succeeded in unilaterally imposing reforms of social protection and labour law on European peoples, without legal competences and "the principle of subsidiarity" being altered in the EU treaties. Never before probably have such strong tendencies for enlightened despotism been present. In this respect, A. Hemerijck is right to insist upon the not so astonishing marriage between the resurgence of what he calls "populism" and "preemptive austerity." However, there is more to the present changes in opinion polls about the European Union than just simple "old style welfare chauvinism." As social scientists, we are expected to try and disentangle more precisely what is on the one hand dissatisfaction with the EU, especially its constant and systematic jeopardizing of the systems of social protection and labour laws - because of *negative integration* [Scharpf 2010] and the increasing de-structuring role of the Court of Justice [Barbier and Colomb 2012] and a genuine "old-style" egoism and nationalism on the other.

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Comment on Anton Hemerijck/2

Social Investment, a Problematic Concept with an Ambiguous Past

Abstract: The comment argues that the notion of “social investment” is a very flexible mantle for including many things under it. Various empirical programmes have been promoted in the EU policy community and in the scientific forums under that name. It is thus difficult to discuss and analyse to what extent the political slogan of a reformed “enabling welfare state” with new characteristics has been accompanied by effective changes, in what countries and in what directions. “Activation” and “flexicurity” are also initially political slogans. The comment advocates opening a discussion among scholars about what their impact has really been over the period 1997-2007, before the crisis struck, because we do not know all about it.

Keywords: EU Law, national political cultures, EU Governance, solidarity, social protection.

Jean-Claude Barbier, sociologist, is CNRS emeritus researcher at the Centre d’économie de la Sorbonne, Université Paris 1 Panthéon Sorbonne. Over the last 20 years he has been active in many cross-national research projects, and often FP7-funded ones. The “Governance of Uncertainty and Sustainability” project (GUSTO) is one of the latest ones he contributed to, which had a “EU governance” work package, just completed (see the forthcoming book Barbier J.-C., Rogowski, R. and Colomb, F. (eds.), *The Sustainability of the European Social Model and Social Rights in Europe*, Cheltenham: Edward Elgar, 2013). His *The Long Road to Social Europe, A contemporary approach to political cultures and diversity in Europe* (2012), is published by Routledge.