



Social investment policies: a new wave

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Protective welfare states are still needed to give people the confidence to take risks in this disruptive new age

Two major forces are at work in European societies at the present time, which offer important challenges for the social investment welfare state (SIWS). One is the reinvigorated wave of neoliberal reform, which involves reducing protections from competitive forces across wide areas of the economy, but especially in the labour market. The second is the reaction of many working people to the disruption to life that globalisation and deregulation bring, which is increasingly taking the form of xenophobic populism. Social policies of the kind associated with social and Christian democracy become the main victims of this clash between globalisation and xenophobia. The idea of a welfare state becomes almost entirely detached from the concept of social citizenship, becoming instead the American idea of welfare as handouts to immigrants, ethnic minorities, the disabled, the work-shy and other non-deserving groups, almost a badge of non-citizenship.

There is a triangular conflict among neoliberal globalisation, xenophobic populism and the social (and to some extent Christian) democratic welfare state – the first two being on the attack, the last on the defensive. In some respects the sharpest conflict is between neoliberalism and xenophobia, since the former represents unfettered globalisation and the free movement of all factors of production including labour. The populist movements oppose globalisation, are often protectionist, and sometimes seek to maintain social protection provided it is restricted to natives. However, we often see oxymoronic alliances between neoliberalism and right-wing populism: for example, in the British Conservative party, the US Republican party, past Dutch and present Norwegian governments. Neoliberalism is an abstract, rather academic doctrine, not easily converted into mass democratic mobilisation apart from a few slogans about lower taxes and less regulation. Neoliberals tend to work behind the scenes, lobbying governments and international organisations outside the frame of democratic politics. When they need to make a wider public appeal it is usually articulated in alliance with the traditional right. But that right is changing, with its moderate, largely Christian, component declining in favour of its nationalistic and xenophobic one.

This can be a highly powerful coalition, as it gains strength from its own negative consequences. The

more that neoliberalism generates instability in people's lives, the more this can be blamed on sundry 'foreigners' rather than on neoliberalism itself, creating popular support for the xenophobic part of the alliance. Far from suffering from the social instability it creates, neoliberalism is indirectly rewarded for it. But there is serious question over its long-term viability. The populist project rarely restricts its attack to immigrants, but becomes a generally protectionist, anti-globalisation agenda. We see this in the National Front in France and the current governing party in Hungary. The forthcoming referendum in the UK over membership of the EU will reveal tensions there. On both sides of the Atlantic the confrontation will sharpen considerably if the Transatlantic Trade and Investment Partnership goes ahead in any form. While in the longer term the comparative advantages that liberalised trade usually bring would benefit many parts of Europe and North America, this would only be after a long and disruptive process as whole regional economies entered crises of competitiveness. There would be considerable disruption and insecurity, which would likely strengthen the right-wing populist wave. There may also be countries where social democracy moves to take a protectionist and nationalistic form. What would happen in Greece if European insistence on an uncompromising neoliberal solution to the country's crisis produces first a collapse of Syriza and then an amalgamation of a large part of Syriza's former support with the neo-Nazi New Dawn?

How likely is it that eventually neoliberals may find that a compromise with social democracy is less dangerous to their project than that with xenophobic populism?

We experienced such compromises in the 1990s 'third way' phenomena as Britain's New Labour, the German SPD's Neue Mitte, the New Democrats in the US. One continues today in the Renzi government in Italy. These movements all accepted a large part of the neoliberal market-making agenda, particularly in the labour market, but retained the social democratic welfare state, and completely resisted xenophobia. Its intellectual expression in labour and social policy terms can be found in the ideas of New Social Risks (NSR) and the first formulation of the social investment approach. NSR analysis assisted a compromise with neoliberalism because it stressed the need for workers to adapt to the requirements of the market, and took the optimistic view that the nature of risks in workers' lives had changed since the basic problems of need and insecurity of 20th century industrial life had been addressed by the welfare state. Money that had been spent confronting the old risks could be transferred to spending on social investment, in particular education and childcare.

SIWS Mark II

But recent research suggests that policies based on this analysis were inadequate, leading to reformulations that amount to a Mark II social investment strategy. For the most thorough accounts, see Hemerijck (2012), Cantillon and Vandenbroucke (2014), Morel, Palier and Palme (2012). Nothing discredits the basic arguments for SIWS. Those north-western European countries with a strong social investment approach remain economically successful, with lower levels of inequality than nearly all those that lack such policies (Crouch 2015). However, Mark I SIWS policies underestimated the degree of instability and turbulence in the contemporary economy, and the consequent continuing need for strong social-policy support if workers are to enjoy some protection from extreme insecurity. This need is made more intense by the continuing growth of inequality. The very wealthy are taking an increasing share of consumption growth, leaving less to serve as a

cushion against uncertainty for the rest of the population (Bastagli et al 2012; Förster et al 2014; OECD 2011). People have responded by having increasing recourse to consumption credit, which brings its own threat of economic instability and a return of financial crisis.

The original case for SIWS assumed that economic change will create more opportunities for highly educated people than it will destroy jobs for the low skilled. So far this has proved to be the case (OECD 2011: ch. 1). But the optimism that this implies needs three corrections. First, a certain proportion of low-skilled jobs will always remain. The holders of these are not helped by social investment alone. Second, within the overall up-market move of the advanced economies there will always be major shock episodes, not just issues of marginal adjustments with which equilibrium can cope, when major firms, industries, sometimes entire regional economies, collapse. These disturb orderly market adjustments, and should be expected to increase in frequency in the globalised economy. Eventually new and better activities should arrive to provide new opportunities in affected areas, but this can be a protracted process, lasting a whole generation. In the meantime a population incurs major insecurity and possibly a move into poverty. This is when the rise of right-wing populism becomes a particular risk. Finally, we cannot assume that what Jan Tinbergen as long ago as 1975 called the race between technology and education will continue to turn out so even. At least in some countries and regions it might easily occur that the search for constant upgrading will be unsuccessful.

In all these cases, the protective welfare state continues to be necessary, partly to provide passive support, but also to give people the confidence to take risks when opportunities do occur. Generous unemployment support, as well as the provision of vital services like education, health and care outside the frame of the market continue to be essential, not only for their own direct if 'passive' contributions to life stability, but also more constructively as they enable people to continue to consume and thereby support other parts of the economy. Mark II SIWS policies involve confronting 'consolidated' old and new risks. This is expensive, and requires a reaffirmation of the citizenship welfare state.

Neoliberals will be reluctant to accept a compromise on these terms. Since they have paradoxically emerged strengthened from the financial crisis that was caused by their own deregulatory strategies, they are today less willing to accept compromise with the declining forces of organised labour and social democracy. The increase in public debt incurred by countries struggling with the crisis has been interpreted as justifying an intensified assault on social spending in general. One sees this dramatic shift to the right in the conduct of the European commission and European Central Bank, whose approach to the crisis in Greece, the other southern European debtor countries and Ireland has been for austerity and social retrenchment pure and simple.

But as insecurity looms larger, so does the xenophobic threat. In that context neoliberals may come to accept that some kind of accommodation to SIWS Mark II constitutes their least uncomfortable future path.

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