EDUCATION AND SOCIAL INVESTMENT: KEY TO A RENEWED EUROPE 2020 STRATEGY?

Iain Begg

NEUJOBS Policy Brief No. 14/10

November 2014

The Europe 2020 strategy is intended to be at the heart of the EU’s efforts to boost jobs and growth, while paying heed to social policy objectives. However, during the years of crisis, some of the ambitions of the strategy have had to be curbed and the strategy has lost momentum. The contention of this paper, which is informed by findings from several pieces of NEUJOBS research, is that a greater emphasis on education and on social investment can give a new impetus to Europe 2020 and, by doing so, facilitate progress towards necessary societal transition.

This policy brief provides a summary of the main findings and conclusions from the 4th NEUJOBS Brainstorming workshop.

NEUJOBS Policy Briefs are intended to highlight issues relevant to decision-makers from work being conducted within the NEUJOBS research project and to stimulate reactions from other experts in the field. The views expressed in this paper are those of the author and do not necessarily represent any institution with which he is affiliated or the NEUJOBS project as a whole. See the back page for more information about the NEUJOBS project.
EDUCATION AND SOCIAL INVESTMENT: KEY TO A RENEWED EUROPE 2020 STRATEGY?

IAIN BEGG

NEUJOBS POLICY BRIEF NO. 14/10 - NOVEMBER 2014

Slow growth, the inability of many Member States to extricate themselves from the protracted economic crisis and a rate of job creation insufficient to reduce persistently high unemployment are increasingly being recognised as the most pressing challenges facing the EU. Crisis management and governance reforms to restore the EU’s economic sustainability were urgent and unavoidable and have, rightly, occupied much of the attention and efforts of policymakers since 2010 when the Europe 2020 strategy was launched. However a price has had to be paid. Some Member States either pay little heed to the Europe 2020 strategy or, even if they do, have come to regard the annual cycle around the country-specific recommendations (CSR) as the principal channel for interacting with the EU level of economic governance. Longer-term objectives and initiatives have lost visibility and political salience, there is little chance of some of the targets of Europe 2020 being achieved, and debate on new directions for the strategy has been only partly engaged.

As a result, there has been a comparative dearth of fresh concepts, empirical findings and policy analyses being fed into the recasting of the strategy. The European Commission (2014) stocktaking paper on Europe 2020, published earlier this year, notes that the growth model of previous decades is no longer viable. The paper emphasises the ‘weaknesses in education and training systems’ and alludes to unemployment and ‘widening social inequalities’ as problems that have not been resolved. As attention returns to growth and jobs (Beblavý et al. 2014), there have been calls to develop a new narrative for Europe 2020 and cognate EU policy initiatives.

It is increasingly accepted that Europe’s place in the global economy will depend on its ability to compete on the basis of knowledge and human capital, calling for a widening beyond physical capital of the interpretation of ‘investment’. There are growing demands for EU governance to embrace a range of social objectives and to link these to human capital enhancement. The notion of human capital is intuitively easy to grasp: a simple definition offered by Chlóń-Domińczak and Lis (2013) is that its average quality in a society derives from the combination of health and skills. A somewhat broader definition would take account of how social policy in aggregate shapes the evolution of human capital and ensures that it can be effectively deployed.

* London School of Economics. This report draws on contributions to a workshop held on 20th November 2014 at CEPS in Brussels. Thanks are due to all the workshop participants for their lively and candid contributions. Because the workshop was conducted under the Chatham House rule, no opinions are directly attributed in this note. Helpful comments were provided by Miroslav Beblavý, Anton Hemerijck, Moira Nelson and Bart Vanhercke.
A fresh look at the transformative ambitions of the strategy is, therefore, warranted, and new thinking will be needed on the design and implementation of policies, taking into account Europe 2020’s evolving position in the EU framework for socio-economic governance. For example, it sits alongside specific initiatives, such as the new Commission’s €315 bn. Investment Plan, the Social Investment Package and the Youth Guarantee. Cohesion Policy is described as the EU’s investment instrument and in the 2014-20 programme period for the Structural and Investment Funds financed from the EU budget, the Europe 2020 strategy has a prominent role. In addition to shaping how Member States and regions design and implement development strategies, new obligations to conform to macroeconomic stability objectives have been introduced.

This policy brief provides an overview of these and other policy issues discussed at the 4th NEUJOBS ‘brainstorming’ workshop. Its objective was to draw attention to two policy areas examined in several strands of NEUJOBS research, both of which suggest potential shifts in the orientations of Europe 2020. The first is education, encompassing: the contribution of early schooling to human capital development; analysis of tertiary education and some of the challenges associated with its rapid expansion; and the provision of further education aimed at upgrading the skills of those already in the workforce. The second policy theme is social investment which is increasingly being seen as the basis for a reconfiguration of the welfare state, despite evoking a number of criticisms as a policy model or narrative.

The remainder of this note summarises the principal messages and conclusions for policy-makers emanating from the workshop, embedding references to relevant NEUJOBS research.

**Key messages from the workshop**

Ten principal policy messages from the workshop have been summarised under three main headings. These messages cover analytic findings, aspects of the debate on which there are continuing uncertainties and issues requiring strategic choices to be made.

**Education**

Although education policy has been at the heart of the Europe 2020 strategy since its inception, the main focus of attention has, hitherto, been on enrolment and the achievement of qualifications. Yet as the PIACC findings show, there is also a concern about skills in the workforce (European Commission, 2013a). The findings of NEUJOBS research point to a variety of other issues that need to be factored into a comprehensive approach towards enhancing human capital. These include: education for those in work, notably older workers (Chłoń-Domińczak, 2013; Van Dalen et al., 2014; and Ruzik-Sziederzinska, 2013); the nature and content of tertiary education and the resulting degrees (Beblavý et al., 2013; Thum et al. 2013); and the targeting of education (Beblavý et al., 2012; and Chłoń-Domińczak and Lis, 2013).

1. **Quality is a crucial element in education systems** and is not always sufficiently reflected in some of the most prominent components of the Europe 2020 strategy or measures used to gauge its progress. In particular, targets which are confined to

---

1 A background note, circulated in advance to workshop participants, provided an overview of NEUJOBS findings on the themes of the workshop. It can be accessed at [www.neujobs.eu](http://www.neujobs.eu)
inputs or to quantitative indicators (such as enrolment rates) are unable to capture the performance of education systems in providing students with an appropriate standard of education for the knowledge economy of today and tomorrow. More generally, targets have advantages that are prone to be overlooked, notably in giving busy decision-makers visible and credible objectives. But they also have the shortcoming that aiming for a target may distort the policy effort and risk losing sight of the underlying goals of policy interventions.

2. Detail matters in the content of education systems, with the policy implication that, however laudable aims such as raising the proportion of youths obtaining tertiary qualifications might be, what they study and how it is delivered matter. There was a consensus in the workshop on the vital role of early education in providing the platform for subsequent phases, bearing in mind the disturbing numbers of adults lacking basic literacy and numeracy skills.

3. More attention should be paid to the needs and capabilities of individuals, from two perspectives.
   a. First, given the inexorable logic of the distribution of ability, higher enrolment in tertiary education must be expected to see average student quality drop in hard academic subjects. But not enough effort is put into broadening tertiary curricula or supporting complementary vocational education.
   b. Second, for students to obtain the optimal return from education, they have to compare the cost (both financial and in time spent acquiring educational qualifications) with the likely benefits in terms of earnings and career prospects. For many students, the net benefit is higher in subjects other than STEM (science, technology, engineering and mathematics).

4. Education systems evolve slowly and turning them round is akin to changing the course of an ocean liner. They also have to take account of changes in demography and of the need for additional input at different stages of life. An important policy message is to look at the system as a whole and to think in terms of per capita spending and the mix of provision, and not just aggregate outlays.

5. There is a productivity paradox around education. Most EU Member States have steadily been boosting spending on education and a consistent message from the Europe 2020 strategy is that further increases are vital. Yet there are few signs that underlying economic performance has improved. On the contrary, falling productivity and persistent unemployment suggest that resources spent on education are being squandered. It may be that there are such long lags in the transformation of education systems that it is too soon to expect better outcomes. If so, the timescales have to be better understood in monitoring strategic initiatives.

Social investment
More investment is widely believed to be necessary to reinvigorate the EU economy and to underpin growth and jobs, but this is usually understood as physical and business capital. Social investment, as explained by proponents such as Hemerijck (2012), consists
of three distinct, but interdependent and complementary welfare policy functions. The first is easing the ‘flow’ of contemporary labour-market and life-course transitions, while the second is raising the quality of the ‘stock’ of human capital and the capabilities of individuals, affording them greater scope to take advantage of opportunities, particularly for employment (Nelson, 2012; Dräbing, 2013). A third function is maintaining strong minimum-income universal safety nets as social protection and economic stabilization ‘buffers’, a function which may require some redefinition in ageing societies (Hemerijck et al., 2013).

6. It has critics, but drawing on the available evidence, **social investment is, on the whole, a policy direction which is proving to be effective** and is both theoretically and empirically well-founded. It does so by boosting the ‘carrying capacity’ of the economy to support more extensive social programmes. There is persuasive evidence to rebut many of the specific criticisms of social investment, for example that it works best for comparatively better-off households (the Matthew effect) or does not do enough to counter poverty. However, the transferability among Member States of social investment policies is open to doubt. Some measures identifiable as social investment will work better in national contexts in which there is a receptive institutional framework, widely defined.

7. A genuine **social investment approach does not come cheaply**, with two policy implications. First, budgetary pressures on so many of the Member States which, analytically, could be expected to see the greatest returns from adopting social investment, will mean that they struggle most to fund them. Second, a lack of resources could mean that only a partial approach can be afforded, with the dear attendant **risk that incompleteness leads to limited results** and thus undermines the political case for an investment-orientated approach.

8. The state has a pivotal role to play in developing and implementing a social investment model, notably in relation to the ‘capacitating’ services through which the stock of social capital is enhanced. **Without effective government, the return on social investment will be disappointing** and there is empirical evidence that weak or poorly organised governments detract from outcomes.

**Governance and the narrative for the Europe 2020 strategy**

In times of crisis, it is easy for long-term objectives to be neglected (Begg, 2013) or for the productive function of many social policies to be given lower priority, even though myths abound about what welfare states do (Hills (2014). Zeitlin and Vanhercke (2014) suggest that social concerns have made something of a come-back in the last year and the integration of social policies is manifestly on the agenda for the coming years (see, European Commission, 2013b). However, ensuring good governance will be crucial if the policy areas discussed in workshop are to become more central to Europe 2020.

9. **Coherent educational and social policies with transformative ambitions require coherent institutional underpinnings.** A strong policy message from the workshop was that this aspect of Europe 2020 should be stressed in three respects:
a. Trust in governments cannot be taken for granted, with the implication that enhancement of institutional capacity is vital to enable policy actors to contribute effectively. In this regard, quality of governance matters, not just the amount of expenditure, even if resources invested are substantial.

b. The local and regional level has a frontline role in implementing educational and social policies, making it clear that the territorial dimension of Europe 2020 is vital and that where it has been neglected, it is likely to have a deleterious effect.

c. Europe 2020 is about the long-term and about changing policy trajectories, but such change is often resisted or misinterpreted. The mix of thematic and country-specific messages from the EU institutions has to be carefully communicated to the Member States.

10. Rethinking Europe 2020 is not just about the balance of policies it covers, but also whether the strategy as a whole is politically attractive and can be portrayed in a favourable light to different stakeholders. The ‘smart, sustainable and inclusive’ formula of the Europe 2020 strategy could be elaborated in the light of findings from NEUJOBS and elsewhere on the potential benefits of a re-orientation of the strategy towards education and social investment objectives. Specifically:

a. Investment in the quantity and quality of human capital should be stressed within ‘smart’, complementing the current approach to innovation, research and development. The significance of human capital for the knowledge-based, rather than industrial, economy model of the future has to be highlighted, as is the need for creativity skills in increasingly diverse service sector activities.

b. ‘Sustainable’ as understood in an EU context has long encompassed social as well as ecological goals, but the latter have been most prominent in the Europe 2020 strategy so far. Social investment offers an opportunity to restore a strong social dimension to sustainability.

c. Despite high unemployment today, the inexorable logic of ageing means that it will not be long before labour supply becomes a major concern, suggesting an amended narrative on ‘inclusive’. Many of the policies associated with social investment can offer an answer in terms of greater inclusion of excluded groups (the Roma, for example), while educational provision geared towards the life-course can boost the inclusion of groups like youths and older workers.

A final, possibly contentious consideration is that, precisely because social investment is open to different interpretations, a degree of ambiguity about what it means and entails could be politically advantageous. It allows national policy-makers to put forward a reform programme which reflects national preferences, while conforming to the principles of social investment as a paradigm.
References

NEUJOBS publications


Other


ABOUT NEUJOBS

“Creating and adapting jobs in Europe in the context of a socio-ecological transition”

NEUJOBS is a research project financed by the European Commission under the 7th Framework Programme. Its objective is to analyse likely future developments in the European labour market(s), in view of four major transitions that will impact employment - particularly certain sectors of the labour force and the economy - and European societies in general. What are these transitions? The first is the socio-ecological transition: a comprehensive change in the patterns of social organisation and culture, production and consumption that will drive humanity beyond the current industrial model towards a more sustainable future. The second is the societal transition, produced by a combination of population ageing, low fertility rates, changing family structures, urbanisation and growing female employment. The third transition concerns new territorial dynamics and the balance between agglomeration and dispersion forces. The fourth is a skills (upgrading) transition and its likely consequences for employment and (in)equality.

Research Areas

NEUJOBS consists of 23 work packages organised in six groups:

- **Group 1** provides a conceptualisation of the socio-ecological transition that constitutes the basis for the other work-packages.
- **Group 2** considers in detail the main drivers for change and the resulting relevant policies. Regarding the drivers we analyse the discourse on job quality, educational needs, changes in the organisation of production and in the employment structure. Regarding relevant policies, research in this group assesses the impact of changes in family composition, the effect of labour relations and the issue of financing transition in an era of budget constraints. The regional dimension is taken into account, also in relation to migration flows.
- **Group 3** models economic and employment development on the basis of the inputs provided in the previous work packages.
- **Group 4** examines possible employment trends in key sectors of the economy in the light of the transition processes: energy, health care and goods/services for the ageing population, care services, housing and transport.
- **Group 5** focuses on impact groups, namely those vital for employment growth in the EU: women, the elderly, immigrants and Roma.
- **Group 6** is composed of transversal work packages: implications NEUJOBS findings for EU policy-making, dissemination, management and coordination.

For more information, visit: [www.neujobs.eu](http://www.neujobs.eu)

Project coordinator: Miroslav Beblavý ([Miroslav.Beblavy@ext.ceps.eu](mailto:Miroslav.Beblavy@ext.ceps.eu))