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Social Investment Perspective and its Territorial Dimension

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Abstract

This literature review presents a survey of existing literature on the link between the Social Investment (SI) approach to social policy and territorial cohesion (TC). The SI approach is presented looking at its origins and underpinning principles. The SI perspective has been debated and so far promoted mainly at national and supranational level, while the territorial dimension of this approach has been relatively underestimated in the policy as well as academic debate. Therefore, a theoretical frame to articulate the territorial dimension of SI is also provided. A place-sensitive approach to complementarities should be included within the analytical framework when addressing the territorial articulation of SI, as territorial-related variables may foster or hinder SI policies.

Key-words

Cities, Landscapes and Territories; Territorial Cohesion; Social Investment

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The Social Investment Perspective

Social Investment emerged at the end of the nineties, as a policy perspective supporting the view of welfare state expenditure as a productive factor, to combine social inclusion and economic competitiveness (European Commission, 2013; Morel et al., 2012; Jenson, 2009). SI approach has arisen as a normative approach to counterbalance neoliberalist trends towards austerity policies promoting retrenchment in welfare expenditure. The origins of SI go back to contributions addressing in a novel way the relationship between economy and the welfare state (OECD, 1997; Giddens, 1998; Esping-Andersen et al., 2002). Moving away from the dominant neoliberal paradigm, these authors consider the welfare state not as an obstacle to economic development, but as an actor of coordination, promotion and stimulation. SI contributions refer to a positive theory of the state, that should assume at the same time a redistributive function, providing social protection to citizens in need, as well as a capacitating one, providing services that promote human capital and work-life balance. The main aim is to increase the participation to the labour market, especially in high quality jobs: social investment can be understood as policy investment in tomorrow's tax payers as future productive workers (Hemerijck et al., 2016). In the SI perspective the development of human capital through education and training represents the core purpose of a policy mix that aims at preparing the individuals to face social risks, rather than compensating them when the risks occur (Morel et al., 2012). The concept of human capital refers here to knowledge, skills and competencies embodied in individuals and promoting personal, social and economic well-being (Hemerijck, 2017). However, this should not be substituting conventional income guarantees (like minimum income schemes and unemployment benefits), as the minimization of poverty and income security is a precondition for SI to be effective (Esping-Andersen et al., 2002).

According to Esping-Andersen et al. (2002), the need for a new welfare specifically arises from five findings in the social policy research:

1) The changing nature of social risks
2) A novel assessment of the carrying capacity of the new welfare state
3) The imperative of evaluating welfare provision from a dynamic life-course perspective
4) The intimately related dimension of family demography and gender role change
5) Updated normative conception of *capacitating* social justice

SI can be viewed as a paradigmatic change in the field of social policies. According to this perspective, policy interventions should shift from protection to prevention, preparing individuals to face the less predictable and changing configuration of social risks affecting contemporary societies. This is to be reached by adopting a life course perspective (Esping-Andersen et al., 2002), promoting the development of skills and human capital through (lifelong) education and training, participation on the labour market in high-quality jobs, work-life balance and female employment. This empowerment of workers and citizens should also led to more growing and competitive societies. This shift from protection to activation in social policy fields is not a prerogative of the SI investment approach, but it has characterized the programs of several governments in various European countries, especially the Nordic ones (Sabatinelli 2010, Serrano 2007).

The ambitious goals of SI have to be pursued through a comprehensive policy mix (Solga, 2014), broadly encompassing education policies, labour market policies, poverty alleviation policies and family policies. Broadly speaking, the following types of policies have been described as coherent with the SI approach (Hemerijck et al., 2016; Dräbing and Nelson, 2017; Bouget et al., 2015):

- Education and training policies (e.g., policies addressing coverage, quality and accessibility of Early childhood education and care (ECEC); coverage, attainment and

quality or achievement in primary education, secondary and vocational education and training, tertiary education, lifelong learning)
- Selected labour market policies (e.g., generous but short-term unemployment benefits, availability and accessibility of training programs, employment services and active labour market policies directed at employment growth and avoiding depletion of human capital)
- Poverty alleviation policies (e.g. social assistance and minimum income, housing benefits and generally policies aimed at equal opportunities and poverty reduction)
- Employment-centred family policies (e.g. parental leave policies and other work-family life reconciliation measures, coverage and accessibility of ECEC).

In this report, we will present the Social Investment approach. First, we go through its origins at the end of the 1990s, in connection with the long-term spread of new and changing social risks (Section 1). The main goal of SI is to increase labour market productivity and inclusive growth, through polices that prepare and equip people to face new social risks and actively participate in a globalised knowledge economy. Then we focus on the relationship between SI, knowledge society and skills (Section 2), as well on the characteristics of political economics dominated by service production (Section 3). The emphasis on education and skills should also consider the characteristic of the economy and firms, moreover it must be taken into account that future effects in investments in education are not easy to predict. Turning to the general characteristics of the economies, contemporary societies are dominated by service production and delivery, where investments and interventions fostering knowledge intensive services are considered the way to create more employment and rising real incomes in high-productivity service sectors. We then review the main critics and shortcoming of SI, especially related to unintended effects on inequalities, as they have emerged in the recent debate (Section 4). Finally, we elaborate on the concept of institutional and contextual complementarities, as an analytical tool to investigate the relational and multi-faceted causal mechanisms underpinning the SI approach.

New social risks and the social investment approach

The aim of a Social Investment strategy (SI) is quite ambitious. In fact, it "stands to reduce human suffering, environmental degradation and government debt" (Nelson and Stephens 2012). SI approach introduces a new vision of welfare state, no more as an obstacle to economy development, but rather as an actor of coordination, promotion and stimulation (Giddens 1998, Esping-Andersen 2002). This vision arose from the identification of new social risks that brought a crisis of welfare states particularly in Europe. New social risks are mainly related to uncertainty in post-industrial political economies in contrast to previous relative stability of labour work, economic development, demographic trends, family structures and social security. The response to these pressures has followed different paths of adaptation, rather than tracing a convergent trend towards retrenchment, mainly because path-dependent and path-shaping logics of existing commitments have been driving welfare states development. Divisions among groups of countries remain relevant, due to the persistence of specific institutional complementarities characterizing welfare regimes, according to the balance between State, market and family (Esping-Andersen, 1998). Recognising these changes and adapting welfare states accordingly is vital for keeping a high social standard in Europe (Taylor-Gooby, 2002). According to Ranci (2010, 4f.), three key erosions feed new social risks:

(1) **Break with long-term wage-earner model** through "weakening of the labour market to function as the principal mechanism of social integration." New technological advances and globalised economic demands broke previously long-term labour work into short-term, insecure employment courses with regular phases of unemployment experienced by an ever-growing number of people.

(2) **Weakening of kinship support networks** with demographic developments particularly concerning household size, but also in-family care work. As female employment grows, the main agent of in-family care work directs her resources and labour outside the household.

(3) **Trapped welfare systems:** Related to (1), existing welfare systems in Europe and their social policies struggle with new labour models. The old social protection models aimed at citizens who were usually fully integrated in labour markets for longer periods of time. The still rigid social protection systems based on this kind of wage labour are unable to cope with the new realities of labour, in particular with fragmented careers and rapid demand changes of employees' skills. Therefore, the old rigid welfare systems for protection are trapped in a cycle of providing too little (or even counterproductive) support for those trying to (re-)enter ever-changing labour markets.

As old welfare policies base benefits on traditional ways of wage labour, the new socio-economic conditions challenge these policies to the point where policies are not only insufficient, but unsustainable as well. As a consequence, five principal critical problems can be identified (Ranci, 2010):

a) Temporary (relative) poverty between multiple career and job changes experienced by a large share of the population
b) Housing deprivation caused by increase in housing costs, whereas jobs become more insecure. This results in housing bottlenecks, financial problems, and difficulties of (re-) entering the labour market because of housing deprivation (or even homelessness), affecting especially young people.
c) Precarious working arrangements, mostly related to insecurity due to short-term contracts, forced self-employment models and increasing part-time positions.
d) Changes in care-work reconciliation, especially in women's roles and in the longevity of marriages, affecting the demand for childcare facilities.
e) Worsening living conditions for elderly as facilities or families have to take care of an increasing number of elderly people with chronic conditions but public funds are cut as they depend on taxes based on traditional wage labour.

These particular social risks are new in the sense that a larger share of the population experience them, which was not the case 20-30 years ago. SI proposes a way to deal with these challenges to social justice by changing old welfare state provisions into more dynamic public investment in people (European Commission, 2013). Furthermore, the SI approach considers social policies as productive factors allowing to combine social inclusion and economic competitiveness (Morel et al., 2012). By investing in people combined with traditional social protection, welfare systems become more sustainable as they adapt to the new socio-economic developments as well as meet the needs of future generations (Cefalo and Kazepov, 2018). Specifically, a key element of SI is to increase social inclusion through education and work, by equipping the population to participate in a more flexible market, requiring higher and specific skills according to the characteristics of the "knowledge" or "learning" society (de la Porte and Jacobsson, 2012; Lundvall and Lorenz, 2012). So, according to the SI approach, social policy should not protect individuals from the perils of the market, but should prepare them to navigate an ever-changing labour market, equipping people with tools needed to succeed in a globalised knowledge economy (Cantillon and Van Lancker 2013). Social policy is conceived as a trampoline instead of a safety net, following a logic of "preparing" rather than "repairing". This goal is expected to achieve positive results both at individual and societal levels. In fact, by enabling individuals in participating to the labour market (individual level), these policies promote the increase of national income, reduce long-term reliance on social benefits lowering the budgetary pressure and encourage new forms of business investment. Social investment strategy aims at not only creating jobs, but rather at the creation of high-quality jobs, meaning jobs that are attractive in terms of working conditions and remuneration (Nelson and Stephens 2012). The impacts of traditional welfare policies focusing on employability are associated with higher employment but are mixed with respect to poverty reduction, therefore SI approach takes on the challenging "win-win" objective of simultaneously raising the quantity and quality of jobs (Cantillon and Vandenbroucke, 2014; Taylor-Gooby et al., 2015). The expansion of high-quality jobs pursues the objective of growth and competitiveness. The driver of this new welfare paradigm is the investment in human capital in a lifelong perspective: workers should be equipped with the skills and the abilities that prevent them to be targeted by the new social risks.

Moreover, social investment advocates for equality in opportunities, with a particular attention to the gender issue, since one goal is explicitly to raise female employment, the share of dual earner families and out-family childcare (Hemerijck et al. 2016). Work-family reconciliation policies are needed to foster both cognitive development of young children and the participation of mothers in paid work (Morgan, 2012; Leon and Pavolini, 2014). Thereby the SI approach addresses key challenges of new labour markets and tries to tackle old as well as new inequalities within societies that traditional welfare policies cannot mitigate anymore.

To deal with these conditions, the SI approach implies a shift in the social protection, from the collective to individual responsibility (Cantillon and Van Lancker 2013). In other words, social investment should create the ideal conditions for individuals to invest in their own human capital in order to be able to integrate in the labour market and to react to social risks. This also means that these conditions burden responsibility more onto individuals' shoulders (Cantillon and Van Lancker 2013). On one hand, it brings more flexibility, which is needed on labour markets of knowledge economies. On the other hand, especially social benefit policies need to carefully adapt to labour market contexts in order to avoid reinforcing negative effects like a loss in social mobility and re-enforcing poverty cycles. However, through investing in themselves with adequate social schemes, individuals/workers become also the best insurance against potential risks.

The role of social protection within the SI approach follows two opposite interpretations (Cronert, Palme, 2018). In a more liberal view, social investment should replace the traditional forms of social protection. Individuals, thanks to their human capital, are considered able to cope with the downfalls of life or transition periods. Or, as the model followed by Scandinavian countries, social investment and traditional forms of social protection should be implemented together, since income security is a precondition for an effective social investment strategy (Esping et al. 2002, Cantillon and Van Lanker 2013). This constitutive ambiguity of the SI perspective is also manifest in the varieties of SI reforms and trajectories displayed across countries that can be traced back to different combinations of institutional path dependencies and contextual conditions shaping the policy agenda, as well as the interests and ideas of actors (Garritzmann *et al.*, 2017).

SI approach follows three policy functions: stocks, flows and buffers, intervening through the various life course stages (**Table 1.1**). Stock is represented mainly by the human capital, namely capacitating interventions aiming at enhancing and maintaining skills and capabilities over the life course. Thus, stock function includes ECEC, general education, post-secondary vocational and university training, lifelong learning. All these services are targeted to guarantee future productivity. Flows' goal is assuring the highest levels of employment participation for both genders, which means acting as a bridge during the life transition, as from school to work or during maternity or paternity leaves and other delicate times of life transitions. Finally, buffers serve to secure income protection and economic stabilization: an adequate minimum-income protection is a precondition for an effective social investment strategy (Hemerijck 2017). Buffers mostly coincides with the traditional forms of social protection. It is mandatory, for an effective SI approach, that these three functions are aligned to a common goal. Sinergy and complementarity are at the basis of these policies (Dräbing and Nelson, 2017).

Table 1.1: Stocks, flows, and buffers in a life course perspective

	Toddler	**Child**	**Young Adult**	**Adult**	**Older Adult**
Stock	Universal and good quality ECEC promotes cognitive development and social integration. Also reduces intergenerational transfer of poverty	Good quality primary and secondary education further promote cognitive development and skill acquisition	Secondary education and vocational education and training further promote skill acquisition and supports high admission rate for tertiary education	Training programs increase and update individuals' skills. Fitting labour market placement also prevents skills deterioration	Training programs and lifelong learning contribute to an up-to-date set of skills that can be used for longer (higher labour market exit age)
Flow	Good quality ECEC fosters cooperation between parents and teachers for a more continuous learning experience	Inclusive education allows for the necessary preparatory classes and interventions to smooth early transitions (eg. Pre-school to school)	Apprenticeships, good secondary and tertiary education and vocational education and training ease the education-labour market transition, especially when well-coordinated at multiple levels of government	ALMP promotes fast return to labour market and unemployment benefits reduce job and skill mismatch. Training is available to smoothen the transition. Family policy allows to reconcile having children with full-time employment	Further training and development allows for better employment prospects, higher exit age and consequently a better pension.
Buffer	Living in a stable household with a low risk of poverty allows for proper nutrition and emotional development	Living in a stable household with a low risk of poverty fosters smaller school drop-out rates	Solid minimum wage enables one to be a working student sustainably. Transition from a family household to separate household is eased by eg. housing benefits	Minimum wage, unemployment benefits and earned income tax credit form a robust safety net. Family benefits or increasing normal benefits based on number of children can positively affect fertility rate	Either minimum wage and unemployment buffers, or a sustainable pension

Source: Hemerijck et al., 2016

Investing in human capital in diverse economies: skills acquisition, skill typologies (strengths and downsides)

As previously stated, the SI approach aims at decreasing social inequalities and differences in labour market participation, counterbalancing the effects of the occupational structure and the influence of social backgrounds.

In this perspective, the accumulation of human capital plays a pivotal role, since skills become essential for individuals to access better jobs and, more in general, to be prepared to face new social risks (Ranci 2010). It appears thus clear why educational policies are involved when social investment strategies are taken into consideration. In this view, the development of human capital has to be seen as a dynamic and cumulative process during the life course, where basic cognitive skills enable the acquisition of other and more specific skills, avoiding the risk of skills' atrophy in a period of labour market absence (Dräbing and Nelson, 2017). The investment in human capital should not be reduced only to primary, secondary or tertiary education, but should include also on-work skill acquisition in a lifelong learning perspective. The notion of a learning economy indicates this current phase of capitalism where continuous training and education is needed in order for individuals to adapt to/integrate in/succeed on labour markets. What is stressed is the complex interdependence between educational and labour market institutions and actors within national and local skill systems. This has implications related to employment outcomes, but also on inequalities: in certain conditions, concrete measures of investing in education can even bring unequal outcomes in terms of labour market participation and social cohesion, due to the role played by the occupational structure and the influence of social background.

Therefore, public expenditure on education should be accompanied by policies increasing the human capital of working adults, such as active labour market policies, high short-term unemployment benefits (to spark fast return on the labour market) and sick pays. This would allow to acquire general and specific skills, and to avoid skills obsolescence, in order to successfully navigate changing and increasingly flexible labour markets. However, the goal of high-quality jobs also calls for the need of considering the demand side and the regulation of employment. Since education plays a crucial role in the inclusion of people in the labour market, skills acquired have to be functional to national and/or regional economic contexts, as investment in knowledge needs to be complemented by firms' competitiveness and capacity of innovation. As Lundvall and Lorenz (2012) state, "the social investment perspective depends on correctly understanding the characteristics of the economy as a basis for identifying appropriate policies for promoting growth and competitiveness". They propose a mapping of work organization in Europe, identifying four different systems according to two criteria (tab.1):

- Problem solving and learning on the job
- Degree of freedom in work organization

Table 1.2 – Lundvall and Lorenz typologies of work organizations

	Problem solving and learning on the job	**Degree of freedom that the worker has to organize his or her work activities**	**Examples**
Discretionary learning	Complex problem solving	Freedom to choose or change one's work method and pace of work	Managers, experts or skilled workers with great autonomy
Lean production	Involves problem solving and learning but	Team job, job rotation, use of quality norms are	Workers in automobile factories with modern

	here the problems appear to be more narrowly defined and the space of possible solutions less wide	above average in the lean cluster. The pace of work is more constrained	management techniques
Taylorism organization	Low levels of problem solving and learning, very little access to learning	Little autonomy when it comes to organizing daily work	Textile factories in south Europe
Traditional organization	Task complexity is the lowest among the four types of organization	Constraints on the pace of work are relatively low	Methods are for the most part informal or non-codified (small shop or paid domestic work)

Source: Arundel et al., 2007; Lundvall and Lorenz, 2012

In a globalizing learning economy, having mostly high skilled workers continuously learning (as in lean production) represents a competitive advantage for a national economy. Whereas the two last forms of organization are more exposed to global competition, because they can be outsourced easily or simply disappear. Given the differences among countries, Lundvall and Lorenz (2012) have indicated that a movement towards learning economy have to be parallel to more active and more ambitious labour market policies combining mobility in the labour market with income security (minimum wage or basic income) and access to training (the so-called flexicurity) (Arundel et al., 2007). As mentioned before, SI investment put the individual responsibility at the centre of the functioning of this welfare system: individuals are expected to invest constantely in their education and skills.

This propensity of individuals to invest in skills depends on how the knowledge acquired is sellable on the labour market. Skills also differ in the extent to which they are useful to guarantee the entrance and the permanence in the labour market. This varies according to the labour market organizations. Estevez-Abe et al. (2001) identify three types of skills in which individuals can invest: firm specific, industry specific and general skills. **Firm specific** skills are acquired through on-the-job training, they are least portable and valuable to the employee who received the training. **Industry specific** skills are acquired instead though apprenticeship and vocational schools, they are recognized by any employer within a specific trade. **General** skills are recognized by all employers, in this sense they are highly portable. The expendability of these skills depends on the type of labour market individuals are likely to be embedded in. In chapter 4, we further elaborate on the connection between skills provided by educational institutions, the characteristics of the labour market and firms' strategies, as this nexus represents the core of vocational training and skill formation typologies.

Additionally, the likelihood to invest in specific skills depends on the presence of institutions that safeguard the returns of investing in education is a factor that contributes to explain why workers and employees invest in specific skills. In countries where such institutions do not exist (US and UK), workers are driven to invest especially in transferable skills, not specific abilities. In the absence of an institutional protection, acquiring general skills seems the best strategy to prevent future risks related to unemployment.

As far as social protection is concerned, the authors describe three types of policy instruments:

- *Employment protection*: institutional employment security
- *Unemployment protection*: protection from income reduction due to unemployment
- *Wage protection*: institutional mechanism that protects wages from market fluctuations

Since firm-specific skills are worthless outside of a specific firm, a work organization system based on them needs to guarantee a high level of employment protection to foster future and current workers to invest in this kind of skills. In case of industry-specific skills, employment protection matters less, while unemployment and wage protection become more relevant, which means securing earning-related benefits and guarantee a high replacement ration (keep skilled wages high even when the supply exceeds the demand). These measures should compensate the risk deriving from economic fluctuations. If there is little institutionalised social protection [by government/available to the general public], the best insurance for workers is to invest in general skills (Estevez-Abe et al. 2001). This kind of systems are likely to create a poverty trap. In fact, the transition from school to work is less institutionalized, hiring is more flexible and the absence of a clear vocational track creates a disadvantage for those who are not inclined to the academic path. In this system, weak students do not have an incentive to invest in industry specific skills. Additionally, in general skill systems of education, women face further issues, as these systems also lack in social protection.

In general-skills system, the labour market is thought as a system that self-regulate: being workers equipped with very transferable skills, the risk of losing a job is compensated by the (supposed) high likeability to be quickly re-employed from another firm.

When investing in specific skills, workers have to be assured that potential career interruptions will not lead to a dismissal or reduce their wage in the long run (Estevez-Abe et al. 2001). Otherwise, individuals will not take up these specific skills that are in fact much needed in a knowledge economy. A SI approach, on the other hand, explicitly incentivizes taking up industry specific skills not only by ALMP to accommodate changing labour market needs, but also by offering social protection to potentially disrupted careers (unemployment protection). In this way, SI complements acquisition of specific skills as human capital needed in knowledge economies and lean production work systems.

The focus on human capital and skills highlights another characteristic of SI. Because of the centrality of the investment on the human capital (stock) the main outcomes of SI policies are visible in the future (Esping-Andersen et. al 2002, Morel et al. 2012). Investments in human capital should foster high levels of quality and equality in educational and labour market outcomes later in life, thus helping to ease, together with adequate income protection, work- and life-transitions in times of uncertainty. For these very reasons the temporal dimension (Pierson 2002, Bonoli 2007) must be considered as paramount in the debate on SI. A SI approach aims at preparing the individual, thus translating the focus of policy interventions towards the future (Morel et al. 2012a). However, this would make more difficult to evaluate the effects of policies, as many unpredictable and variable events might intervene between the initial investment and the following transitions. The temporal gap between the adoption and implementation of educational measures and their impact in terms of both labour market and social participation may bring about a de-synchronization between needs, expectations and returns. This is also clearly shown by the literature on the relationship between welfare and education, stressing the special status of educational policies compared to more traditional welfare policies (Wilensky 1975, Busemeyer and Nikolai 2010). Given the role played by the occupational structure and the influence of social background, investing in education can bring to strongly differentiated outcomes in terms of inequality and labour market participation. Despite cross-country differences, access to higher education is still highly unequal: even in the best performing countries (Denmark and Iceland), young people with higher educated parents are twice as likely to be enrolled in higher education compared with young people with lowly educated parents (Bonoli et al. 2017). Therefore, middle- and higher income groups still reap the main benefits from public investments in higher education. In the same vein, Checchi et al. (2014) argue that investment in education may result in increased inequalities over time. In particular, a higher investment in tertiary education may turn out to be more pro-rich than redistributive (Verbist and Matsaganis 2012). Moreover, the mismatch between labour supply and job demand can bring to over-qualification and (intellectual) unemployment as, for instance, in the case of Italy (Sergi et al. 2018).

Governments and the three-way choice: employment growth, equity and budgetary restraint

Iversen and Wren (1998) state that since the transition from an economy dominated by manufacturing production to one dominated by the service production, governments face a so-called trilemma, since they are forced to choose only two out of three goals: budgetary restraint, income equality and employment growth. It is impossible to pursue all three of them simultaneously. According to the choice governments take, there are currently three ideal types of political economy:

1) Neoliberal model: A government chooses fiscal discipline and employment growth, the system will have a relatively secure labour market position but it will exacerbate class distinctions.
2) Christian Democratic model: A government privileges fiscal discipline and earnings equality, the weight on individual self-reliance and free market is lower than with the neoliberal type. High levels of employment are not a priority in this model because families, especially women, are expected to take care of households and children (unpaid care workers). This model creates long-term unemployment and labour-market exclusion, especially among women and old workers.
3) Social Democratic model: In this last case, budgetary restraint is sacrificed while priority is given to earnings equality and high employment. This is achieved through a strong investment in creating public employment. The State has a strong role in this model, creating jobs and maintaining equality. This model, because of the high public expenditure, endangers tax revolts and, by sheltering a large portion of service production from market competition, is liable/prone[?] to undermine international competitiveness.

In 2013, Wren revisited the trilemma and found a way out from the three-choice way: by expanding internationally traded knowledge-intensive services. These industries and jobs create in fact more employment in the high- productivity sectors themselves, but at the same time rising real incomes in high-productivity service sectors are likely to be associated with a parallel growth in demand and employment at the low end (Wren 2013). Thereby an expansion of knowledge intensive services has both direct and indirect consequences on employment creation. Wren denominates this bracket of the labour market as "dynamic service sector", in order to distinguish it from the non-dynamic service sector and welfare service sector. While in the dynamic service sector the levels of ICTs intensity, rates of productivity growth and international trade are high, the opposite situation is found in the non-dynamic service sector: services in which the interpersonal interaction is fundamental (Baumol 2007). In this sectors it is hard to think of an increase in production per head because of the introduction of ICTs, especially in those works based on the face-to-face interaction. Welfare service sector shares many features with the non-dynamic service sector, but is characterized by high levels of public provision in many countries

Moreover, incentives for individuals to invest privately in expensive higher skills are higher where the wages of high skilled workers are allowed to deviate from the average. A positive relationship is found between levels of earnings inequality at the upper end of earnings distribution and employment performance in dynamic service sectors. Conversely, increasing centralization of wage bargaining is associated instead with a negative impact on employment growth. Nevertheless, this negative effect on employment creation appears to be significantly smaller in the presence of higher levels of public investment in education (which is the case in social democratic regimes)(Wren 2013).

Thus, the capacity of an economy to generate employment, as well as the distribution of that employment across different economic sectors, is likely to be significantly influenced by the particular combination of wage bargaining and educational policies.

According to Wren (2013) a way out from the trilemma is given by the combination of the ICT revolution with high levels of public investments in education. In this model, the driver of employment creation are high-end internationally marketed private services. Expansion in this sector generates private sector employment and tax revenues, used to invest back into publically available education. The burden on the exchequer of the economic and particularly labour market sector is likely to be less onerous than that implied in the three ideal types of political economies answering the original trilemma.

Similar to Wren's proposal of tackling the current trilemma to political economies, the SI approach enlists education and especially investment in specific skills as a solution (Morel, 2013). SI focuses on specific conditions for individuals to integrate on the labour market. While Wren's proposal of investing in the dynamic service sector takes a more macro-economic view. Both, however, agree that investing in higher skills is key to sustain social protection models and high performing economies. As educational investment and broader social protection are a way to tackle new social risks and economic decline.

SI approach's flaws: Matthew effects, Nolan's critics

According to some scholars the criteria of economic return applied to social policies is likely to be problematic both in theory and policies application. Traditional social policies base their legitimation on normative commitments such as social justice, fairness, need, equality and social citizenship (Hemerijck 2017) that drive policies in order to not create further inequalities, at least in theory. Especially in times of dominant austerity policy and strong fiscal constraints, SI policies can delegitimise the normative basis of social spending in more traditional and compensatory policy fields that differ from capacitating and activating supply-side interventions, which risk to be considered as a mere cost burden in this productivity-based approach (Cantillon 2011). Social spending is usually designed on the need of answering social needs, not on the basis of an economic return. If the economic impact becomes the dominant consideration on the basis of which it is decided how much to spend and on what specific programmes and targets to spend (as opposed to others), the risk is a change in the priorities of social policies, with the neglect of more traditional and compensatory interventions that would not imply an economic return (Hemerijck 2017). This means that social spending could be more likely directed to particular fields, which are eligible to show an economic return. The result can be paradoxically an increasing in inequalities, as the SI approach gives less importance to goals that are not pertinent to economic rationality (Kazepov and Ranci 2017).

More in detail, three main arguments usually arise to discuss the SI perspective critically (Cantillon and Van Lanker 2013):

1) **Leaving out/behind non-productive people/people outside of labour markets** (e.g. frail people, people with disabilities and/or illnesses, etc.): In the SI approach, the participation to labour market is the key for the social inclusion. Then what happens to those people who cannot work? Who cannot be integrated into the labour market? In relation, how is (in-family) care work evaluated? Non-employed persons in charge of taking care of family's dependent members are at risk of poverty and social exclusion even more under this investment scheme (Saraceno 2015).

2) **Complexity of individual responsibility**: putting at the centre of the social investment paradigm the notion of responsibility means fostering conditional and disciplinary policies. Defining individual responsibility is not so simple, given the thin line between effort and circumstances. Social research has widely demonstrated how the contextual factors matter in defining the structure of opportunities and resources an individual can access from his or her birth. This has nothing to do with her or his responsibility, but with social environments/systems, cultural backgrounds, financial capital of the households and opportunities open to social groups in a society. Some individuals begin their life with a disadvantage for which they have not responsibility. "Such a narrow view of responsibility denies the context-specific nature of human agency and the unequal distribution of opportunities, which in itself shapes the range of choices open to people" (Cantillon and Van Lanker 2013, 7). Removing benefits from disadvantaged households because they fail in honouring some conditions is likely to worsening their already difficult situation.
3) **Solidifying inequalities/social stratification/Returns for already well-off (Matthew effect):** Research has proved that middle and higher income groups benefit the most from SI approach, especially in the field of education policies (Bonoli et al. 2017). SI implies considering education as key social policy; however, this can create ambiguous results, especially in terms of inequalities. Clearly, education can have the effect of stabilising social inequalities (Di Stasio e Solga, 2017; Busemeyer and Nikolai, 2010 etc.). Specifically, it can produce the so-called Matthew effect that is the fact that certain social groups with already high socio-economic status benefit most from public educational investment policies (Bonoli et al. 2017). Without careful policy design, SI would fortify social inequalities instead of revitalising social mobility, allowing only some groups of the population to tackle new social risks. One explicative example are childcare policies. Out-of-family childcare services mostly address those families with two already working parents. Since childcare service supply is rationed in all EU countries but Nordic countries and since dual earner-ship is not equally dispersed among income strata, lower income households with only one parent working (usually male) will be more often excluded from these services. As far as higher education is concerned, a Matthew effect is visible as well: even in the best performing countries (Denmark for example), middle and higher income groups' benefit the most from investment in higher education. Young people with higher/upper secondary or tertiary educated parents are twice as likely to be enrolled in higher education compared to young people with lower educated parents (Bonoli *et al.*, 2017). Investment in education may, then, exacerbate inequalities and existing divisions between different socio-economic groups of population (Checchi et al. 2014, Verbist and Matsaganis 2012) and also among territories (Sabatinelli and Semprebon, 2017).

Failures of this approach have been usually interpreted as a consequence of a wrong implementation or interpretation of the SI paradigm. Instead, Kazepov and Ranci (2017) highlight how social investment policies need a set of pre-conditions in order to work. Furthermore, Kazepov and Ranci (2017) suggest that sometime, as in the Italian case, in absence of the necessary pre-conditions, SI policies not only have not reached their goals, but have even had perverse effects.

Solga (2014) has already observed that the feasibility of SI strategies depends on the specific configuration of the interdependency existing among the education system, the labor market and social inclusion policies. Three main contextual preconditions have been identified as necessary for SI policies to work effectively (Kazepov and Ranci 2017):

a) Education system and labour market should share the same orientation towards high skill employment and work interdependently. Structural disconnection between these two systems can lead to the risk of over-education and poor economic returns.
b) Both households and labour market should show relatively high levels of gender parity. This is necessary in order to avoid Matthew effects especially in SI care/work conciliation.
c) Labour market and social protection system should be capable to include people into the labour market, more in details prevent individuals from social exclusion, providing them with opportunities for requalification and good quality employment.

Finally, while the SI perspective fosters the entrance of women into the labour market and a partial de-familization of care work, it does not value other non-market oriented activities typically carried out by women, such as care. Thereby, the SI approach potentially hides inequalities among women and men, since it does not claim for a gender equality in other dimension of social life but labour market, as family for instance. Despite the pressure on enforcing work-life balance measures, family responsibilities remain basically a women's burden (Saraceno 2015)

Institutional and contextual complementarities

It has been argued that the success of a SI strategy lies in a comprehensive policy mix, as well as in the interplay between institutional and structural conditions regarding the economic and demographic context (Kazepov and Ranci, 2017; Solga, 2014; Cefalo and Kazepov, 2018; Wren, 2017). All these contributions stress the relational aspect underpinning policies and institutions involved in the delivery of capacitating services, as well as of the context of implementation. Therefore, the concept of institutional complementarities (Hall and Soskice, 2001) is crucial when addressing the social investment perspective, its policy developments and territorial articulations.

Complementarities deal with the interdependence and the effects of interaction among single elements/institutions within a more complex configuration. The main idea is that certain institutional forms, when jointly present, reinforce each other and contribute to improving or hindering the functioning, coherence, and stability of specific institutional configurations (Crouch et al., 2005; Amable, 2016). This "goodness of fit" triggers synergic effects where the functional performance of one institution is positively affected by the combination with other institutions, resulting in a quantitatively and qualitatively better outcome. For instance, Germany is described as a coordinated market economy making extensive use of labour with high industry-specific skills provided by a publicly subsidized training system (the apprenticeship or dual system), that is supervised by industry-wide employer associations and trade unions. Another example is the Danish "flexicurity" model, where flexible labour markets, generous unemployment benefits and active labour market policies are triangulated to speed up the reintegration on the labour market and improve the quality of the supply of workers. Within a multilevel governance structure made up by the National Labour Market Authority, the regions and the municipalities, compulsory activation measures are combined in an integrated approach with high investments in short but qualitative classroom training programs and high involvement of private actors (Hemerijck, 2017).

As for SI, the idea is that individual policies and institutions can in fact complement each other by addressing different risks or in pursuing objectives like labour market participation and social inclusion. In this sense, institutional complementarities are necessary for reaching the SI goals. The complementarity between policies makes policies themselves more efficient and, in the long run, reduces the need of individuals for passive social protection benefits.

More in detail, within SI approach, complementarities can be theoretically found between and within the three SI functions of buffers, stocks and flows. From an institutional perspective, these functions represent social policies that can equip the individuals with the necessary tools to improve labour market integration and life-chances (Dräbing and Nelson, 2017).

Stocks are policies investing in education and providing facilities, funding etc. for individual skill acquisitions. Flows are mainly policies that help entering (back) into labour markets; these are classic unemployment services as well as ALMP. Buffers are typically social assistance and housing benefits to compensate, but also to keep a certain level of individual health as well as well-being, making it easier to get back into the labour market. As it is shown in Table 3 shows that *buffers* set the stage for skill acquisition (*stock*) providing the financial security needed by the individuals to participate to school and work. The financial stability and the accumulation of human capital assured by *buffer policies* enable also workers to faces risks such as career transitions (*flows*). Through the implementation of stock, individuals gain the knowledge and the abilities to live healthily and prevent themselves from risks (*buffer*) and to navigate into a competitive labour market (*flows*). Flows then promotes market income security (*buffer*) and the participation to school and labour market where training is carried on (*stock*).

A single policy can perform various functions as the case of ECEC: child education and care services, for example, represent a stock, as they foster investment in human capital, but at the same time, they act as flow since they facilitate the participation of women to the labour market. Moreover, taking these investments early on (e.g. ECEC, compulsory schooling systems) equips individuals best to deal with challenges in their life-course afterwards. In addition, because policies complement each other efficiently, continuity in every functions should be guaranteed.

Table. 1.3 – SI policy functions and complementarities

SI policy functions ↓	**Buffer** *How they complement each other →*	**Stock**	**Flow**
Buffer **(e.g. social assistance, social insurance)** ***Provides financial security to/for:***		- uphold health and thus participation in school and work - for innovative risk taking	- uphold health, thus enabling people to adjust to change and find work-life balance - for as successful job search - for innovative risk-taking
Stock **(e.g. investments in public education, retraining programmes for unemployed**) ***Provides skills and knowledge on how to:***	both live healthily and save for risky situation		enter competitive and changeable labour markets
Flow **(e.g. job-seeker assistance, day care, parental leave)** ***Facilitates transitions:***	that secure market income and thus requalify workers for social insurance	into school and work where training can occur	

Source: adapted from Dräbing and Nelson (2017) in Hemerijck (ed.) The Uses of Social Investment, 131

From an empirical point of view, Dräbing and Nelson (2017) show how (national) contexts that promote stock, flow and buffer policies simultaneously exhibit an increase in high quality employment (life for instance Sweden). They also highlight that the key for a successful promotion of stock, buffer and flow complementarity is not simply spending more on the three policy functions, but the coherence between policies and how they are implemented. Dräbing and Nelson point out the contextual nature of complementarities: it is still unclear how socio-economic changes affect the outcomes of these interrelated policies. Still, the careful calibration of policies by coordinating across policy sectors (horizontal) is key to achieve positive SI outcomes and minimize unintended Matthew effects.

Advocates for a strong version of complementarity conceived the Social Investment state as an equilibrium based on the complementarities among policies. Once this equilibrium is established, it should be reluctant to change (Pierson 2000). However, we cannot assume that institutional arrangements and policies remain fixed. Main critics to the concept of complementarities include the idea that it is exactly a too static notion, unable to account for actual institutional change (Peck and Theodore 2007). Accordingly, the concept of institutional complementarity should not be understood statically (Amable, 2016). Institutional and policy change is to be considered as a privileged perspective for understanding how social systems transform themselves, through the changing balances among their institutions (Streeck and Thelen, 2005). Processes of policy change usually intervene incrementally within the limits of institutional configurations, rather than occurring during critical junctures of institutional developments (Thelen, 2009; Béland, 2009). Moreover, incremental changes can also reach tipping points, kicking off broader processes of change.

Additionally, complementarity has not only positive effects. It can work both ways: reinforcing or weakening existing institutional configurations. If we consider complementarities as a continuum, we have:

- the positive extreme of goodness of fit and mutually reinforcing institutions, as in the case of coordinated market economies and liberal economies described in the VoC literature (Varieties of Capitalism, see Hall and Soskice, 2001);
- the mid-spectrum position where institutional subsystems may not be well calibrated with one another (Rhodes, 2005);
- the negative extreme, produced by cumulative and reinforcing negative effects resulting from institutional interaction (Cefalo and Kazepov, 2018).

Finally, SI policies, due to the lack of crucial structural conditions, may have ambiguous and even unexpected negative impacts on both economic growth and equal opportunities. In light of this, Kazepov and Ranci (2017) stress the necessity to enrich the knowledge on SI impacts by looking at contextual demographic socio-economic conditions and thus at the establishment of contextual complementarities structuring the interface between labour market, welfare state and education system and their territorial articulation. This also calls for the adoption of a territorially differentiated approach in order to spatialize SI and its implication for economic growth and territorial cohesion, as it is vital to understand national and even regional contexts of policy implementation and (constantly) seek context- and place-sensitive solutions under the idea of SI. However, despite the recognition that SI policies can only be implemented at local level – as they strongly rely on services and in-kind benefits provision (Morel et al., 2012), research contributions specifically focused on the territorial dimension of SI are limited. In the following chapter 2, we elaborate precisely on the missing link between SI and territories, providing evidence and analytical tools for the territorial articulation of SI.

Territorialised Social Investment

The SI perspective has been debated and so far promoted mainly at national and supranational level, while the territorial dimension of this approach has been relatively underestimated in the policy as well as academic debate. In this chapter, we unpack the territorial articulation of SI, as a consequence of the emergence of the increasing relevance gained by the local and the subnational level in social policy provision; and of the role of contextual specificities in the configuration of social risks. A neo-institutionalist perspective that considers institutional and contextual complementarities is a useful tool to analyse the interdependencies and the limitations of a comprehensive SI approach. The concept refers to the general underlying idea that two or more elements of a configuration or system need to be combined to generate a particular outcome. Therefore, situations of interdependence among institutions are relevant to explain institutional diversity across socio-economic systems (Gagliardi, 2014; Crouch et al., 2005). Complementarities between local institutional configurations and contextual socio-economic conditions have a crucial impact on life chances. A place-sensitive approach can be useful when addressing SI complementarities and related interventions, as territorial-related variables may foster or hinder policies. In particular, this view combines factors of social inclusion, territorial cohesion and economic growth in a multi-scalar setting. We will concentrate on the spatial dimension, although the time and historical arrangements within which SI develops influences its impacts on welfare provisions and individuals' life chances as well.

In section 2, we maintain that the relevance of the territorial scale in the SI perspective is due to the interaction between four main factors: 1) the reliance on the provision of capacitating services; 2) the process of institutional rescaling; 3) the persistence of spatial inequalities at subnational levels; 4) the characteristics of the knowledge and learning economy. In section 3, we argue that a place-sensitive approach to complementarities should be included within the analytical framework when addressing the territorial articulation of SI. We stress the role of contextual and institutional conditions (Kazepov and Ranci, 2017), which can be strongly territorialized, in fostering or hindering the success of investment-related interventions. In section 4, we attempt to operationalise territorial cohesion (TC) for quantitative empirical work under the lens of a SI perspective. By doing this, we identify dimensions that refer to the conceptualisation of a territorialised SI that is sensitive to contextual complementarities. Concretely, WP5 will shine light on three specific policy areas: Early Childhood Education and Care (ECEC), Active Labour Market Policy (ALMP) and Vocational Education and Training (VET), but also the socio-economic and institutional conditions related to SI interventions and their expected outcomes in terms of labour market participation and equality of opportunities will be considered. This will be done by looking at interdependence and complementarities among governance structures, policy areas, contextual specificities related to economy and the labour market.

The neglected territorial Dimension of Social Investment

The debate about social investment so far mainly focused on the national and supranational level, i.e. on country-level efforts and on the role of the European Union in the promotion of SI interventions (through the Social Investment Package, but also the Lisbon Strategy etc.). Less attention has been devoted to the sub-national levels in the design and implementation of SI strategies. This actually follows a wider trend in comparative social policy analysis, i.e. the long-term neglect of the territorial dimension of social citizenship (Kazepov and Barberis, 2017). Nevertheless, changes in the functioning of welfare institutions and in the distribution of social risks across groups and territories shed the spotlight on the territories as increasingly relevant to define the boundaries of social citizenship and the provision of welfare policies. Accordingly, neglecting the territorial articulation of SI may lead to ineffective interventions or to the reproduction of inequalities and disadvantages, thus negatively affecting territorial cohesion. As for SI, we argue that this territorial dimension is related to the interaction between four main factors: 1) the reliance on the provision of capacitating services; 2) the process of institutional rescaling; 3) the persistence of spatial inequalities at subnational levels; 4) the characteristics of the knowledge and learning economy.

Service delivery

Monetary transfers (for instance pension schemes and unemployment benefits) represented the main welfare response to old, more predictable and therefore insurable social risks. The changing needs addressed by SI emerged in the post-industrial society and require the provision of enabling social policies (Kenworthy, 2017), mainly as tailored in-kind benefits in form of services. The provision of capacitating social services aim at the early identification of problems and at equipping citizens to face and navigate the increasing uncertainties that characterize flexible labour markets and de-standardized life courses. This is why SI advocates for resources to be invested, among others, in childcare, education and training at secondary and tertiary level, lifelong learning and active labour market policies (Hemerijck et al., 2016). The emphasis on in-kind benefits also presumes the public organisation and/or co-ordination of the actual production of those services (Martinelli, 2018), thus resonating with the positive theory of the welfare state put forward by SI. However, one should bear in mind that services may have ambiguous impacts on inequalities (Checchi et al., 2014). Recent studies found out that traditional cash transfers are more redistributive than investments in service and educational provision (Verbist and Matzaganis 2012): for instance, a higher investment in tertiary education may turn out to be more pro-rich than redistributive, as in many countries the participation of middle- and higher income groups in this educational sector is higher than it is for low-income groups, so that the form reap the main benefits from the investment. This shifts the focus on the design and implementation of the measures more than on the amount of the investment, also including the territorial articulation of service delivery.

Social services are a major tool for social inclusion and territorial cohesion. SI policies, as strongly relying on services and in-kind benefits provision, are better managed and provided at local level (Morel et al., 2012), closer to the scale at which the needs arise, as they carry the possibility of being more context sensitive than nationally standardized schemes centrally designed and managed. The local level is in fact considered the ideal dimension to recognise and meet social needs, to create networks and to mobilise resources (Moulaert, 2013). This brings about the increasing relevance of local welfare and cities in the provision of social policies, as potential actors of innovation and construction of citizenship, social inclusion and participation (Andreotti et al., 2012). All in all, it can be stated that local governments in urban and rural areas are often faced with the task of providing integrated and quality social services to people to ensure their active inclusion into the labour market and society and to further social cohesion.

Service intensive welfare policies tend to maximise territorialisation effects, especially when compared to transfer-based measures that are usually managed at central level (Kazepov and Barberis, 2017). According to Sabel and colleagues (2017), the misguided conception of social welfare changes as concerted and comprehensive SI focused on country level efforts can obscure more feasible piecemeal approaches, meant as bottom-up solutions in the provision of capacitating services. Ferrera (2017) and Baines et al. (2019) also argue that the sub-national contexts can be precious assets for SI, as they are often becoming arenas for innovative solutions to social challenges. On the other hand, recent contributions challenged the consideration of local as ideal dimension for the recognition of social needs, stressing that decentralised service provision can also entail reduced accountability, public de-responsibilisation and increased territorial differences (Martinelli, 2018). Territorial differences in the supply of social services –

either among different regions, or between urban and rural areas – exist in every country, even Nordic ones (Trydegård and Thorslund, 2001), which are well known for their generous welfare policies. Moreover, in the absence of a definition of enforceable social rights and/or of minimum standards of intervention, local policy innovation may further increase inequalities among citizens, depending on where they live (Sabatinelli, 2015). This should warn against the risk of falling into "the local trap", i.e. the a priori assumption that the local scale is always preferable to larger scales or centralisation in social policy implementation (Purcell and Brown, 2005).
The nowadays request for tailored interventions and fast adaptation of service delivery adds another layer of complexity to welfare service delivery (Ranci et al., 2014). Therefore, when arguing for the inclusion of the territorial dimension in the SI frame, we need to consider the multi-scalar organisation of welfare provisions which combines the specificities of the local with the multilevel arrangements and networks they are embedded in. The specific multilevel set-up of a welfare state plays a crucial role in service delivery and, in what can be considered a circular relation, has in turn an impact on territorial differences.

Rescaling

It is important to notice that differences in the institutional settings exist not only between, but also within countries. Specific processes of territorial re-organisation of social policies started developing since the end of the 1970s (Kazepov, 2010). On the vertical dimension, those processes implied the territorial reorganisation of regulatory powers, along a general trend of decentralization and greater relevance attributed to subnational scales of governance. On the horizontal dimension, the multiplication of actors involved in the design, funding, management and implementation of social policies was observed. The multiplication of actors was accompanied by an increasing role of non-governmental actors like Third Sector, civil society and commercial providers. The combined effect of these processes have been defined as the subsidiarisation of social policies, pointing out complex multilevel governance solutions to the needs addressed by welfare policies. This increases the demand of vertical coordination among scales, as well horizontal coordination among different actors involved in the provision of benefits and services. The definition of subsidiarity implies that matters ought to be handled by the smallest of lowest competent authority, meaning that the central state should perform only those tasks that cannot be performed effectively at a lower level (Waschkuhn, 2013). Moreover, since the 90s the political agenda of the European Union has been increasingly characterized by efforts to strengthen its democratic legitimacy. Particular programmes and tools promoted this, aiming at involving civil society in the decision making process, both at European and local level, and in different policy sectors. Overall, processes of subsidiarisation and European integration redesigned the role of the central (nation) state government and at the same time attributed more relevance non to supra- and sub-national scales of governance (Kazepov, 2010). The central role of local scales and cities brought about the development of local welfare systems (Andreotti et al., 2012) with different impacts on social inequalities and vulnerabilities. In turn, this gave rise to different profiles of person in need; varying mixes of actors, interventions and stakeholders involved; diverse approaches for social policy provision. Along this line, Ranci et al. (2014) proposed a typology of local welfare systems, looking at cities as point of entry to analyse the interaction between socio-economic structural conditions and local welfare policies within the respective multilevel arrangement. In detail, among the 20 European cities analysed, they distinguish:

- Cities with complete universalistic welfare policies in Northern and some Central European cities;
- Cities with employment-based welfare supply in continental Central European cities;
- Cities with segmented welfare policies in South European cities;

- Cities with residual welfare policies in Eastern European cities.

Again, the recognition of rescaling and subsidiarisation processes should not be interpreted as a form of localism denying the relevance of central authorities. It rather opens the door to the consideration of complex multilevel governance arrangements hinging on relationality and interdependence among levels. Still, rescaling dynamics can create the conditions for developing effective and localised solutions to social needs, yet they entail some critical aspects. As observed by Sabatinelli and Semprebon (2018), rescaling reforms have not always brought about a clear and balanced attribution of competences and responsibilities among the various institutional levels in the four main functions involved in the regulation, financing, planning and provision of social services. Moreover, re-allocation of these functions has not always involved an adequate parallel attribution of resources. Finally, in some countries the central state has recently regained a more prominent role in steering policies (Kröger, 2011), sometimes due to the economic crisis of 2008 and following austerity measures. As a consequence, If cities have a front-line position in the provision of services, this/their autonomy may come with shrinking resources, due to the fact that the financing of measures and interventions has been, in many EU countries, increasingly controlled at the central level (Kazepov and Barberis, 2017).
Overall, nation states still influence urban and subnational policies, so local welfare systems are more coherent with national welfare systems than one might expect (Kazepov and Barberis, 2017). Rescaling analysis highlights the complexities of social policy provision as more than simple nation state concerns. Therefore, the role that SI attributes to the welfare state in coordinating the provision of capacitating services, has to be declined with respect to the scalar configurations of institutions and actors, since different levels of government and combinations of public and private actors are involved in the design and implementation of social policies. Rather, cities and local welfare actors are the entry points into structures of multilevel governance, which can provide investment-related interventions. Looking at local distributions of welfare in view of downward rescaling as well as recentralization trends further stresses the need of avoiding to assume the internal homogeneity of the social investment state (Morel et al., 2012).

Spatial inequalities

Europe harbours strong and persisting territorial disparities in unemployment, employment, economic and material living conditions across regions and within European countries. Per capita income, labour force participation and unemployment, the distribution of skills and returns to education are some of the main dimensions of differentiation (Dijkstra, 2017; Bruno et al., 2014). A great degree of territorial fragmentation in Europe has negative economic, social and environmental consequences, thus hampering well-being and quality of life (ESPON, 2017a; ESPON, 2017b; Eurostat, 2018), as also shown in the analysis carried out in WP3, D3.1 and D3.2. SI as an approach to social policies and welfare state provision cannot overlook the relevance of these documented spatial disparities since they negatively affect SI objectives of increasing employment, competitiveness and social cohesion.
Extensive research on spatial inequality in the EU shows how regions and cities have responded to labour market and socio-economic challenges (Elhorst, 2003; Marelli et al., 2012; Iammarino et al., 2018), thus marking the existence of a territorial patchwork of diverging income and labour market participation (Dijkstra et al., 2015). Many small- and medium-sized manufacturing cities continue to suffer from job loss or limited increase mainly in routine and relatively less-skilled jobs. This means declining labour-force participation or declining per capita income relative to the national average in these particular cities, while their surrounding suburban or rural areas are characterised by income stagnation (Iammarino et al., 2018). In contrast, many large metropolitan areas, including their suburbs, are among the most dynamic in terms of income and employment creation. The divide between stagnating, industrialised, remote regions and

privileged productive ones, normally metropolitan areas (Medeiros, 2016), has been complicated by the impact of the Great Recession. As a number of capital metropolitan regions have been severely hit, while some rural and intermediate regions have displayed more resilience (Charron et al., 2015).
As stated in the 7th European report on economic, social and territorial cohesion (Dijkstra, 2017), from 2008 onwards, regional disparities in employment and unemployment rates widened as did those in GDP per head. In 2014, disparities in employment started to narrow, followed by disparities in GDP per head in 2015. All in all, spatial disparities in socio-economic conditions and welfare in Europe remain highly pronounced, so that groups of regions can be distinguished, determined by the interaction between economy-wide forces that define the overall ladder of possibilities, and a variety of regional characteristics that determine the role of regions (Iammarino et al., 2018). This has also led to the identification of low-income and low-growth regions, as well as Inner Peripheries (ESPON, 2017b, see Figure 2.1), characterised by a combination of disadvantages, ranging from economic and demographic situations, to the access to services and connectedness to relevant social networks. In a similar vein, research on youth unemployment and NEETs showed that EU regions where young people experience more difficulties in entering the labour market tend to cluster close to each other (Bruno et al., 2014). In this light, Atkinson et al. (2002), Ranci (2010) stresses the importance of regional and place-based indicators in comparative research on poverty and inequalities, as local conditions can have a crucial impact on transitions and individual opportunity structures (Weßling et al., 2015).
The debate on territorial cohesion recognises that high levels of disparities and economic polarization represent a threat to economic progress and social cohesion, as spatial inequalities influence individuals' life chances (Barca, 2009; Barca et al., 2012). As Storper (2018, 248) puts it, "the divergent new geography of employment and incomes […] seems to correspond to a divergent new geography of opportunities". The core of the SI perspective lies in the promotion of both growth through labour market participation and increased social cohesion. In this view, equal opportunities and reduced inequalities are crucial in order to realize the potential of citizens (Hemerijck, 2017). However, spatially-blind SI interventions that ignore territorial differences, as well as their interaction with socio-economic trends and institutional features, may even contribute to produce new social inequalities or aggravate existing ones in a sort of as 'territorial Matthew effects' (Sabatinelli, 2016).

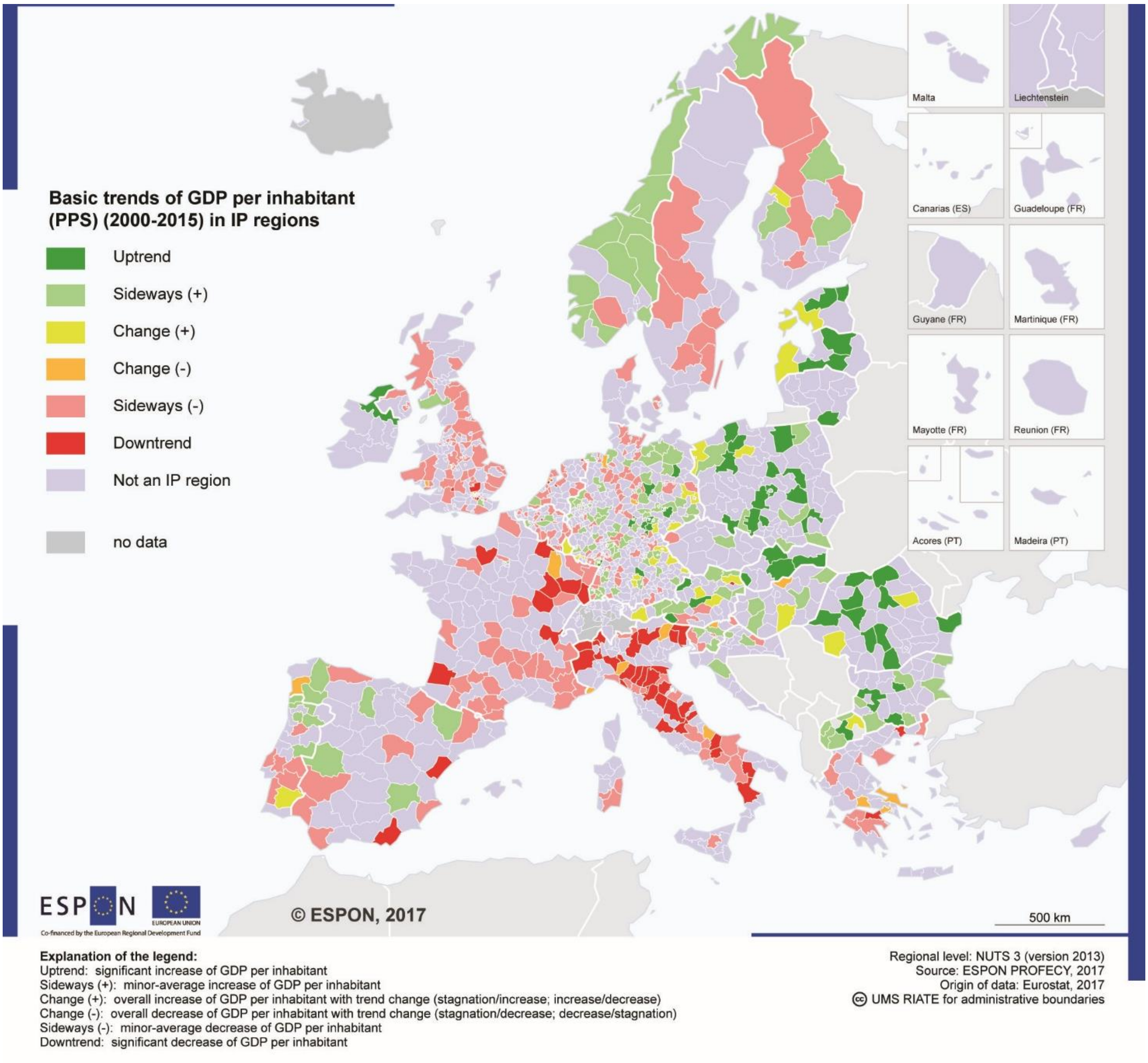

Figure 2.1 Inner peripheries in Europe according to GDP change 2000-2015
Source: ESPON, 2017b

Knowledge societies

SI emphasizes skill development and facilitation of employment, especially in high productivity service sectors (Lundvall and Lorenz, 2012; Wren, 2017). This is to be embedded within the context of a learning and knowledge economy where the capacity to learn and knowledge-intensive work are crucial for economic performance (Lundvall, 2016). The concept of knowledge economy comes with particular territorial implications (see Figure 2.2) , as it entails a high demand for specialised and highly skilled labour, for example in engineering, information and communication technologies, producing spill-over effects for the creation of jobs in related sectors and fostering a demand for the "upskilling" of workers (ESPON, 2017a). In this view, competitiveness and skill formation have an important spatial dimension that has been especially considered by economic geography and contributions on territorial cohesion (ESPON, 2018). The territorial articulation foremost refers to interdependencies that establish regional innovation systems. Those are localised networks of actors and institutions in the public and private sectors whose activities and interactions generate, import, modify and diffuse new technologies within and outside the region (Storper, 2018). In particular, large metropolitan areas and their suburbs are centres of agglomeration, specialization and cumulative advantages that show strong dynamism in terms of income and employment creation. However, technological developments (Kalleberg, 2009) and regional innovation also tend to reinforce territorial divergence in incomes and jobs, as they lead to a growing demand for higher skilled workers in certain regions, consequently pulling high-skilled labour force out of other regions. The presence of a competitive knowledge economy increases the flow of human and social capital, developing spatial concentration of firms and high population density of people with high education levels. Conversely, this skill-based technological change (Berman et al., 1998) creates imbalances, as less competitive regions are challenged by brain-drain dynamics, often depending on returning inflow of remittances (ESPON, 2017a). Overall, knowledge diffusion has not been strong enough to provide better opportunities for people remaining in lagging-behind regions. Therefore, the dark side of weak knowledge diffusion is the generation of polarization and inequalities (Iammarino et al., 2018).

Looking at the European context, innovation and employment growth is still concentrated in a limited number of north-western but mainly central-axis regions. There, virtuous circles of good interregional connections, a highly skilled labour force and an attractive business environment, allowed neighbouring regions to benefit from their proximity. Overall, dynamic regions seems to be more adaptable to socio-economic changes and better equipped to generate employment growth (Fratesi and Rodriguez-Pose, 2016). In southern and eastern Member States, the innovation performance is weaker and regions close to centres of innovation — mainly the capitals — do not benefit from their proximity (Dijkstra, 2017). Without place-sensitive interventions (Barca et al., 2012), which re-vitalise their socio-economic status, we can assume that a socio-economic downwards spiral will widen regional disparities socially, economically and politically. Equipping more regions with the tools to become resilient to economic changes would lift the European Union as a whole.

The view that skills in the local labour force are critical for a region‘s economic development is also shared by literature on political economy and skill formation, engaged with the coordination among interdependent actors in a local context (Finegold, 1999). Therefore, the focus on skills for the knowledge society builds a bridge between SI and the literature emphasizing the role of local contexts in skill formation and deployment. The matching of individual abilities with employment requirements, as well as the signalling role of qualifications that link education with job opportunities, takes place within different regional or local skills ecosystems (Dalziel, 2015; OECD, 2009), ranging from low to high skills equilibria. In research on school to work transitions, the internal homogeneity of transition systems has been often taken for granted (Raffe, 2014). However, recent studies found relevant variations of school-to-work transition outcomes on sub-national level. These variations are a result of institutional determinants and contextual socio-economic conditions. A prosperous region in a favourable national context is likely to provide better labour market opportunities for young people, whilst a weak region within a weak national context is likely to produce below average outcomes (Scandurra et al., 2018). Moreover, in more divided countries like Italy, France or Bulgaria, regional disparities in opportunities are likely to re-produce and even increase inequalities.

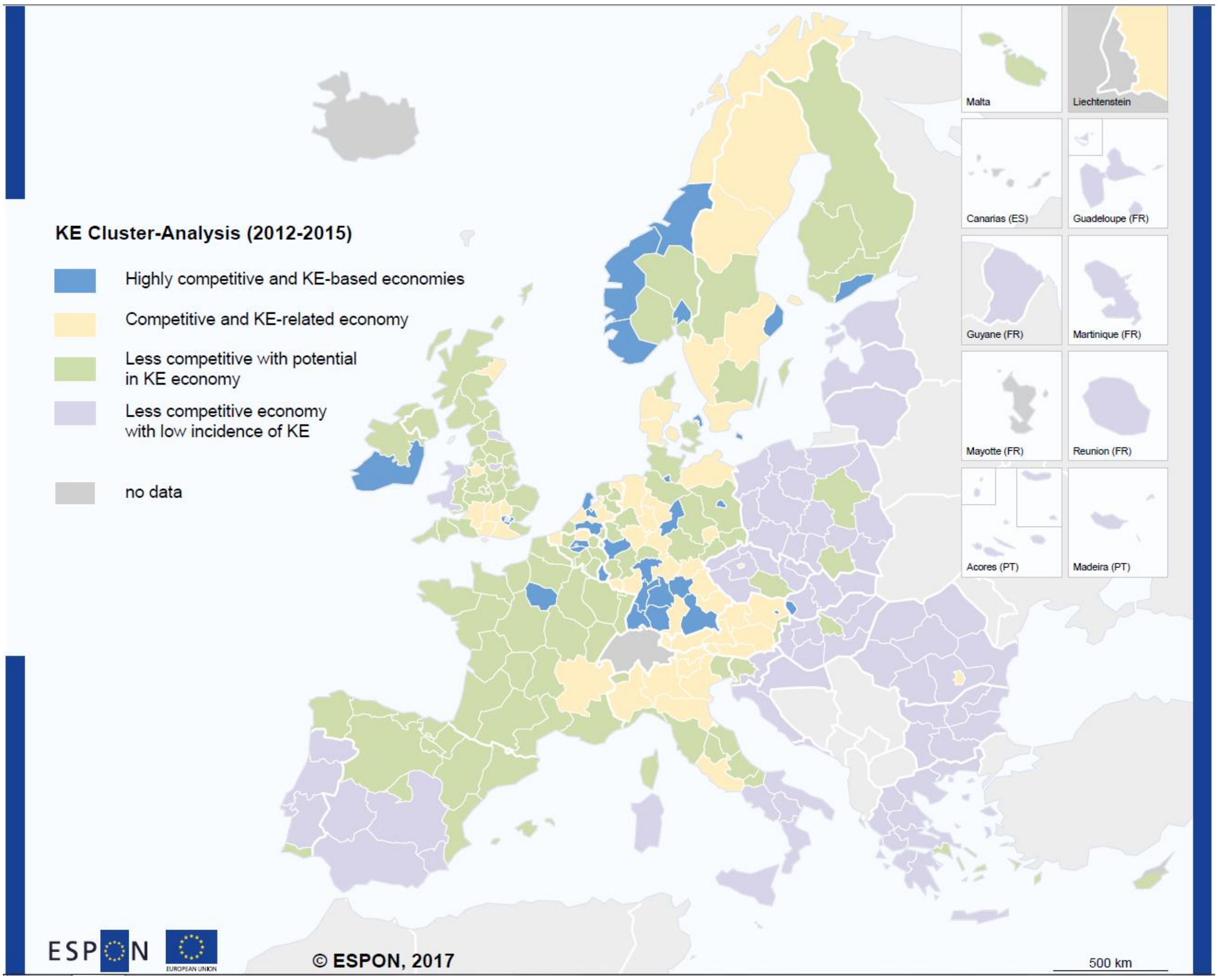

Figure 2.2 Knowledge economies in European region
Source: ESPON, 2017a

Complementarities and place-sensitive Social Investment

Scholars already highlighted that the achievement of far-reaching SI objectives of growth and inclusion relies on a complex policy mix cutting across different policy fields (Solga, 2014). The inherent multidimensionality underpinning the SI approach (Garritzmann et al., 2017) is also recognised by SI prominent advocate, Hemerijck (2017), arguing that interventions follow three distinctive policy functions: 1) Easing the flow of contemporary labour market and life-course transitions; 2) Raising the quality of the stock of human capital and capabilities; 3) Maintaining strong minimum-income universal safety nets, as social protection buffers in ageing societies.
These policy functions complement each other, as they provide better returns in a mix where all the three functions are aligned to a common goal in a multiplicity of areas. Such an argument stresses the relevance of institutional complementarities and synergies among policy interventions, as necessary conditions for an effective SI strategy (Dräbing and Nelson, 2017). However, the relationality implied entails not only different policy fields: structural socio-economic conditions as part of wider contextual complementarities must be taken into account as well (Kazepov and Ranci, 2017).
As argued in chapter 1, a perspective that considers institutional and contextual complementarities is a useful tool also when addressing the territorial articulation of the social

investment perspective. Therefore, situations of interdependence among institutions are relevant to explain institutional diversity across socio-economic systems (Gagliardi, 2014). Still, these positive institutional complementarities are not exclusive to a specific country case. Several combinations of complementary institutions exist that can bring about a beneficial effect in terms of aggregating economic performance (levels of growth, employment, productivity), and/or delivering benefits to specific groups (Crouch et al., 2005).

Along this line, Kazepov and Ranci (2017) expanded the concept, considering the interplay of institutional complementarities with socio-economic and socio-demographic characteristics. Altogether, these could be defined as "contextual complementarities": institutions influence socio-economic structures, but at the same time the latter influence institutions, in a dynamic process of interaction. There is no one-size-fits-all practice, but subsystems with their characteristic cooperation styles and unwritten rules, bringing to certain results. That is the interactive and relational nature of elements of a context, their mutual adaptations and influence that they exert. The goodness of fit among elements cannot be taken for granted. One has to consider the possibility that institutions and contexts negatively affect one another: complementarities also raise awareness for possible mismatches in policy results due to the potential desynchronization and misalignment of subsystems, thus creating vulnerabilities and disadvantages (Cefalo and Kazepov, 2018). If we consider complementarities as a continuum, or a matter of degrees, we have:

- the positive extreme of goodness of fit and mutually reinforcing institutions and contexts (Hall and Soskice, 2001);
- the mid-spectrum positions where institutional subsystems and contextual features may not be well calibrated with one another (Rhodes, 2005);
- the negative extreme, given by cumulative and reinforcing negative effects resulting from institutional and contextual interaction (Cefalo and Kazepov, 2018).

We can apply this general argument of institutional complementarities to contextual, locally based, conditions that can make investment policies actually effective (or ineffective). As we saw, local actors within multiscale governance arrangements have increasing responsibilities to promote new programs and to implement SI capacitating services (Ranci et al., 2014). In addition, contextual and territorial characteristics play a relevant role in the configuration of social risks and opportunities, exemplified by the spatial distribution of inequalities and the imbalanced diffusion of skills and innovation (ESPON, 2017b). Positive complementarities result from virtues circles of skilled labour, growth and innovation in neighbouring regions in north-western and central countries of the EU (ESPON, 2017a; Iammarino et al., 2018). Conversely, many southern and eastern EU regions are characterised by negative or weak complementarities to be seen in the lack of innovation, brain-drain dynamics and lack of job opportunities, and high youth unemployment and NEET rates (Storper, 2018).

Sharp geographic divides within countries relate to conditions of governance, skill formation, labour markets, patterns of family constellations and social organization. These deep variations among territories pave the risk for a fragmented and geographically uneven development, bringing about territorial Matthew Effects (Sabatinelli, 2016) and negative complementarities. Which means that deprived territories in which the positive impacts of SI services are needed the most, are also the territories in which the capacity to develop effective capacitating services are likely to be more limited. The lacking capacity stems from interactions between institutional conditions (for instance scarce availability of funds, short-sighting local elites and less efficient institutional performance) and socio-economic ones (for instance concentration of families with low human capital and income, and lack of innovative firms). As an example, we observed these dynamics in Italy with the national implementation of the Youth Guarantee against youth unemployment and inactivity. The programme turned out to be less effective especially in the already highly disadvantaged Southern regions due to specific (unfavourable) institutional and

socio-economic conditions ranging from largely ineffective employment services to the lack of firms investing in youth skilled labour (Cefalo, 2019).
Territories are the places where institutional and contextual features come to play and are mediated by local specificities, giving rise to different degrees of complementarities. This implies that, without considering the territorial articulation of complementarities, we miss an important part of the story. Therefore, we argue that SI complementarities should be investigated as territorially-related variables, which may foster or hinder social inclusion, territorial cohesion and economic growth.

Social Investment and Territorial Cohesion

In our attempt to operationalise TC for quantitative empirical work under the lens of a SI perspective, we present a review of rather concrete definitions of the concept instead of the more open approach. The latter follows the stance of Abrahams (2013) to look for what the TC does in concrete urban planning rather than defining it prior to operationalisation. For an indicator-based analysis, this is not feasible since we need to understand the dimensions of a concept to identify indicators and variables for its performance in various contexts also to analyse results comparatively. To synthesize and link the concept of TC with SI, we present a short overview of the most concrete definitions before examining similarities and differences with the SI approach.
Although territorial cohesion (TC) is most often used within the spatial planning contexts, which are concerned with infrastructure and transnational cooperation, it represents an inter-disciplinary concept of socio-economic development especially within the EU and its specific multilevel governance architecture. The Territorial Agenda 2020 indicates this in the very be-ginning of the document by stating that "territorial cohesion is a common goal for a more harmonious and balanced state of Europe" (European Commission, 2011). While the overall concept of social cohesion is a broad issue for EU institutions, TC references more concrete issues of territorial inequality leading to a divergent union. Moreover, addressing TC implies a desire to change this situation. Moreover, the debate on territorial cohesion and spatial inequality (Barca, 2009; Bohme et al., 2011) recognized that regional inequalities have a strong influence on individuals' opportunities. Consequently, strengthening economic and social cohesion by reducing disparities between regions is a clear objective of the EU (Faludi, 2013; Medeiros, 2016). As part of this objective, territorial cohesion is about ensuring that people are able to make the most of the inherent features of the areas in which they live. No European citizen should be disadvantaged in terms of access to public services, housing, or employment opportunities simply by living in one region rather than another according to this view. Still, there is not a coherent definition of territorial cohesion even within the most important EU documents (European Commission, 2008, 2010, 2011, 2014). Accordingly, adaptation processes of the concept into planning strategies on national and sub-national levels differ (Marques et al., 2018).
For Humer (2013), territorial cohesion refers to the territorialised provision of Services of General Interest (SGI). In this view, equal access to SGIs and particularly infrastructure are key for balanced economic and social resource distribution. Apart from this planning perspective, the connection between TC and spatial justice is also apparent in EU documents (European Commission, 2011; European Commission, 2008). Furthermore, the EU documents offer descriptions of social justice within TC that present social justice almost as a mean to achieve greater cohesion within the EU. Investigating regional development documents on TC in the case of Portugal, Marques et al. (2018) filtered the most relevant EU documents on the topic and came up with four dimensions of territorial cohesion. For the ESPON KITCASP (2013) project, the aim was to come up with policy indicators for measuring TC. For this work, the project identified four policy themes that are relevant to spatial planning and TC. Medeiros (2016) on the other hand

suggested a comprehensive definition due to the relevance the TC gained in the EU cohesion policy, containing four dimensions. (See table 2.3)

Table 2.3: Definitions of Territorial Cohesion

Working Definitions of Territorial Cohesion						
COHSMO report D2.3	Balanced development and accessibility to services	Polycentric development and (further) advancement of (urban) economic growth	Place-based approach [political participation]	Empowering of regional governments with EU-multi-level governance system [vertical collaboration]	Integration and co-ordination between policies [horizontal collaboration]	
Marques et.al. (2018)	Social and territorial solidarity and equity	Diversity and Specificity of territorial policies	Territorial Organisation		Territorial Governance	
ESPON KITCASP (2013)	Social Cohesion and Quality of Life	Economic Competitiveness and Resilience	Integrated Spatial Development			Environmental Resource Management
Medeiros (2016)	Social and Economic Cohesion	Polycentrism	Cooperation/Governance			Environmental Sustainability

Source: own elaboration

These definitions of TC do not differ greatly from what was elaborated on COHSMO D2.3, but help to see the connection with SI and operationalise them both in a quantitative way for our work in WP5. Except for the environmental aspect, D2.3 touches the definitions provided by the examined TC literature. A territorialised SI approach has several similarities with the concepts of TC, particularly in the way territorialised SI emphasizes inclusion (cohesion) and competitiveness (balanced and polycentric development), as well as the importance of complementarities resulting from multi-scalar interaction of public and private actors (vertical + horizontal coordination). In this view, literature on TC suggests that an integrated approach is needed in order to achieve a more balanced and sustainable development – both in socio-economic and ecological terms (Dao et al., 2017; Faludi, 2013; Medeiros, 2016; Medeiros und Rauhut, 2018; Daly et al., 2013). This implies better coordination between sectoral policies at horizontal as well vertical level (Marques et al., 2018; Faludi, 2010). An SI approach that incorporates the perspective of path-dependent, local institutional complementarities can offer such an integrated approach as well as increase coordination between sectoral policies (even across nation state boundaries).

TC and SI meet in the attempt of strengthening economic competitiveness and increasing individual well-being. For SI economic competitiveness is clearly a way to sustain welfare services and increase participation on labour markets. For TC this is more implicit in the goals of polycentric and balanced development as well as the utilization of existing territorial assets. Also, in the goal for improved access to services of general interests (e.g. ECEC, education facilities etc.) this is implicit. Successfully implemented these goals boost local economies, lifting lacking regions up and equipping these territories and their residents with means to successfully navigate economic markets. However, whereas TC already incorporates a spatial dimension, SI is more precise on which policies it entails. Furthermore, the two concepts differ in their analytical levels: Where SI focuses on individual life courses and well-being for a population, looking at the policies to be provided to increase opportunities for individuals; TC targets spatial units, regions and their collective (socio-economic) development, looking at infrastructure and resource distribution to improve balanced socio-economic development. Still, the two ideas meet again in the understanding of thriving for more (spatial) equality in socio-economic development. Territorialising SI means to incorporate institutional specificities, as well as territorial assets to better match stocks, flows and buffers. In other words, to look at multilevel governance arrangements and territorial specificities for implementing effective SI policies. Benefitting at first to individuals, in turn, SI will affect collective regional socio-economic development. Therefore, the SI approach is complementary to the more infrastructure-focused TC regional planning concept. Conversely, the SI approach benefits from the TC lenses of regional specifics and, more importantly, the focus on balancing socio-economic development by including a sensibility for regional disparities.

For our empirical investigation of local conditions under the concepts of SI and TC in (sub-national/regional) contexts, we came up with a tree of dimensions that grasp not only current policy performances, but also contextual socio-economic and institutional conditions, i.e. place-sensitive contextual and institutional complementarities. These dimensions provide a general frame for collecting the statistical indicators in the empirical phase of WP5.

These dimensions refer to the theoretical conceptualisation of a territorialised SI that is sensitive to contextual complementarities. Concretely, WP5 will shine light on three specific policy areas: Early Childhood Education and Care (ECEC), Active Labour Market Policy (ALMP) and Vocational Education and Training (VET), but also the socio-economic and institutional conditions related to governance structures, participation and inequalities will be considered. By researching concrete conditions of new social risks and their effect on regional societies, we aim at contributing to place-sensitive SI approaches that truly improve conditions and lift up lagging behind regions and their population.

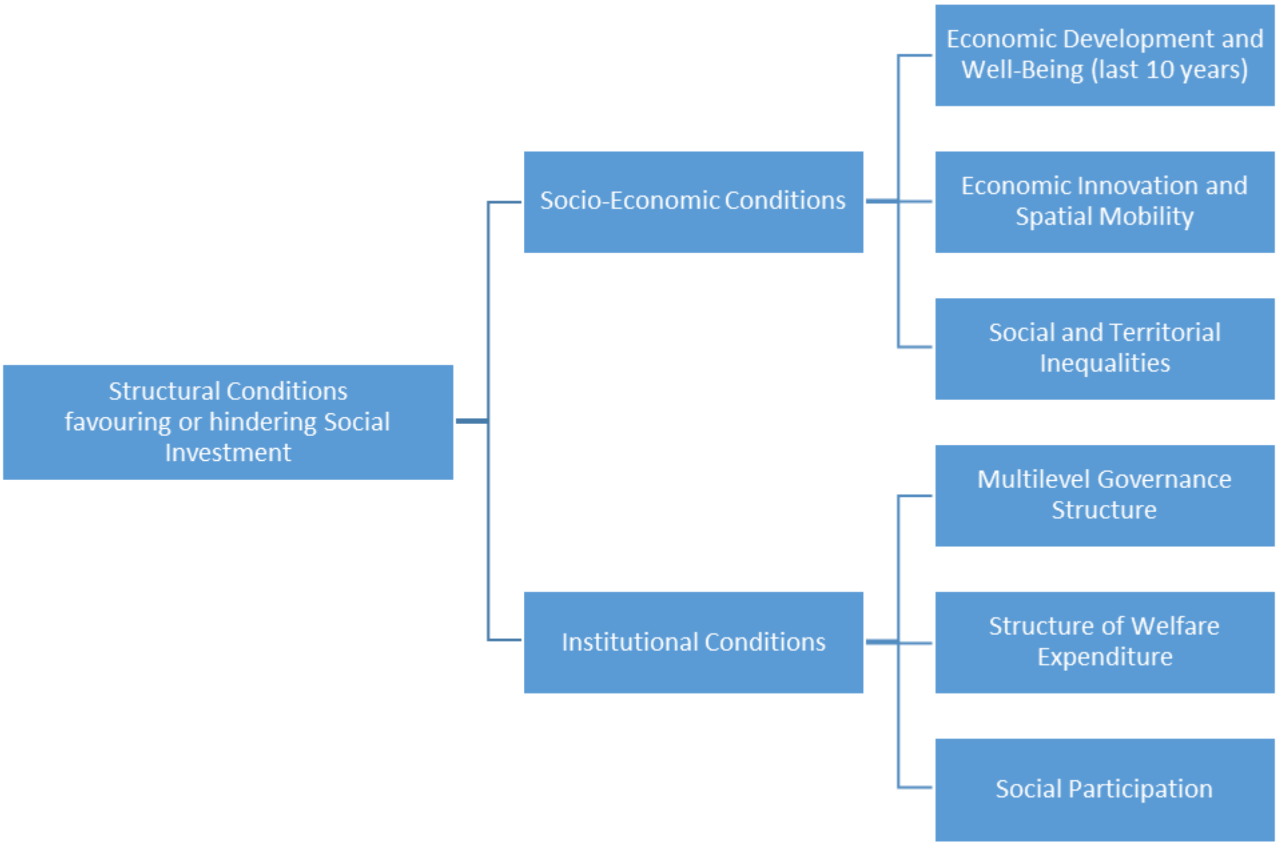

Figure 2.4 Draft framework on SI and TC connections for the identification of indicators
Source: own elaboration

The depiction here comes from the connections we found theoretically between SI, TC and institutional complementarities as well as our first collection of possible quantitative indicators. While the tree is concerned with structural dimensions and national conditions influencing socio-economic development. Since this is work-in progress this abstraction will eventually sharpen later on, when informed by our empirical work in the next tasks.

Conclusions

As SI was mainly theorized and discussed at the national level, we showed that the picture is more complex and needs to include the territorial dimension within the analytical frame. In light of the ongoing process of rescaling and territorialisation of social policies at the subnational level (Kazepov, 2010), and of persisting regional and local disparities (Dijkstra, 2017), local welfare arrangements gain increasing relevance as spatial disparities and concentration of skills and innovation do. Therefore, the success of a comprehensive SI strategy lies upon locally specific contextual conditions and multi-scalar institutional arrangements establishing complementarities among stocks, flows and buffers. The creation of virtuous circles helps to produce the win-win returns promised by SI in terms of social cohesion and economic growth (Hemerijck, 2017). Hence, local specificities within multilevel governance structures should be considered in the frame of Social Investment research and interventions, by assuming a context- and place-sensitive approach to complementarities. In fact, territories represent the place where institutional and contextual features come to play giving rise to different degrees of complementarities. From a policy perspective, this context-sensitive SI approach is equipped against the traps of localism, as it aims at equalising opportunity structures across different contexts, avoiding the reproduction of existing inequality structures through one-size-fits all policy solutions.

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