



POLICY PAPER

SOCIAL INVESTMENT – RECOMMENDATIONS FOR INVESTING IN PEOPLE’S SKILLS AND CAPABILITIES

What is the social investment approach?

The social investment approach emerged gradually as a social policy perspective in the 1990s in response to fundamental changes in our societies. Politicians started to focus on policies that prepare individuals, families and societies to adapt to various transformations, such as changing career patterns and working conditions, emergence of new social risks and population ageing. Today, the social investment approach is based on the idea that social policies should be implemented in a way that invests in people and in the wider society. Due to the financial and economic crisis throughout the last five years, Europe has tended to focus on “reacting” social policies which seek to help people by repairing damage already done, while still trying to reduce public expenditures and implement austerity measures. This type of reactive social policy usually attempts to handle the current social issue but not provide any deeper solutions such as preventative measures or policies that address the root of the social problem. Eurodiaconia believes that investment in ambitious social policies that are both empowering and inclusive is as essential as ensuring that social and health care services are accessible of high quality and innovative.

László Andor, Commissioner for Employment, Social Affairs, Skills and Labour Mobility during the Barroso II administration, has continuously stressed the importance of a social investment approach, for example at the 2012 CECODHAS Housing Europe Conference he stated in his opening remarks that, *“An investment approach towards social protection expenditure and human capital formation allows us to consider the longer-term costs of non-action, both from the social and from the economic perspective. But it also helps us consider which expenditure is most important and how interventions should be designed to achieve the best socio-economic effects”*. He highlights that: *“The basic idea is that social investments are made proactively to prevent much higher economic and social costs in the future. It is certainly smart to invest early rather than pay later for the consequences of failing to do so.”*¹

Marianne Thyssen, the current Commissioner for Employment, Social Affairs, Skills and Labour Mobility, gave a speech at the Annual Convention of the European Platform against Poverty and Social Exclusion in November 2014 in Brussels, highlighting the importance of adopting a social investment approach when designing social policy, *“The Member States whose social welfare systems invest in people at all stages of life are those that have the most successful and competitive economies. They are the ones that have resisted the crisis best. Nonetheless, population ageing is putting the financing of social protection systems under high pressure. We must consolidate and improve the effectiveness of social protection, and step up the struggle against poverty.”*²

These quotes touch upon the very essence of social investment, preparing rather than repairing, emphasising the longer-term cost of non-interventions and the benefit of investing in people at all stages of life in order to

¹ Andor, László: Affordable housing, social investment and EU economic governance (Speech, 2012):

http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.housingeurope.eu%2Ffile%2F70%2Fdownload&ei=5edBVbDbHNjiao7dqPgO&usq=AFQjCNGKiPf6UBZ4uUQs4bMW_loqLjQptA&sig2=ZRCypAnXibOTI4EAAhjptA&bvm=bv.92189499,d.d2s&cad=rja

² Thyssen, Marianne: A fresh start for job creation and social fairness (Speech, 2014): http://europa.eu/rapid/press-release_SPEECH-14-2000_en.htm





boost the economy. Therefore, social policies should be seen as a productive factor, essential to economic development and to employment growth, instead of as a cost and a hindrance to growth. Empowerment and investment lead overall to higher productivity, so that again means for investments are generated for those who take longer time or those who will never be able to contribute to an return on investment, such as people with severe disability or people who are homeless.

The social investment approach rests on policies that invest in people's skills and capabilities, such as education, quality childcare, training and job-search assistance as well as people's wellbeing, such as healthcare and rehabilitation. The following sections will look at policy areas relevant for Eurodiaconia members and will elaborate why a social investment approach is vital when designing these policies and will also present how social investment produces positive economic and social returns in each of these policies when implemented properly.

What diaconal actors bring to the discussion?

Eurodiaconia members are monitoring the implementation of a social investment approach at national level as social investment is at the very heart of their activities. Our members not only work on the ground to provide social and health care services to combat poverty and social exclusion, but some of them take on a more external role as expert or advocacy group. Those who carry out advocacy, work very hard to put the social investment approach on the political agenda and influence decision makers to provide adequate funding for social investment policies to be implemented at local level.

Eurodiaconia's member Diakonie Austria stresses that the whole non-profit sector achieves a substantial economic performance and every Euro earned is again reinvested in new initiatives. The organisation argues that when one invests a million Euros in kindergartens, one creates 14 to 15 full-time jobs elsewhere. This multiplier effect is apparent: the electricity industry displays an employment multiple of 13, while that of the construction sector is 11. In 2010, for example, Austrian non-profit organisations generated a gross added value of 5.9 billion euros – not counting voluntary work.³

Eurodiaconia member Diakonie Deutschland welcomes and supports an initiative of the German government to establish a law with a focus on prevention as opposed to repairing social policies but at the same time calls for acknowledging the importance of responding to the needs of the individual in a holistic way. This includes the active participation of service users when it comes to developing strategies for social investment and ensuring the quality of social services, as prevention can only be successful if people in need have a chance to express themselves and be involved. With the wealth of experience that our members have in the area of social service provision they are a valuable partner for decision makers in designing social investment type of policies.

Some of our members, as is the case with Diakonie Deutschland, are also monitoring the implementation of the Social Investment Package. Diakonie Deutschland sees the SIP as an important approach to the social dimension of the EU and therefore demands that the efficiency and effectiveness of social protection systems must always be aligned with a high quality for individuals. Eurodiaconia has summarised the experience of its members in a report with the title "Social Investment in Europe: examples, policy analysis and recommendations".⁴

³ See: <http://blog.diakonie.at/blog/long-term-care-and-child-care-driver-economy>

⁴ Eurodiaconia report: Social Investment in Europe: examples, policy analysis and recommendations (2015): <http://www.eurodiaconia.org/images/stories/2015/final%20social%20investment%20report%20for%20web.pdf>



Our Recommendations to EU institutions on social investment in general

- Reinforce the social dimension of the European Semester through a broader and more socially balanced set of priorities in the Annual Growth Survey and Country Specific Recommendations
- Make the Investment Plan and European Fund for Strategic Investments include a clear social dimension, including the promotion of investment in measures developing strong and integrated social protection systems and social services, in line with the 2013 Social Investment Package.
 - Request the inclusion of a social dimension and a social investment approach in the investment guidelines, strategic policies and asset allocation of the EFSI, which is decided by the fund's Steering Board.
 - b. Call for the appointment of specialists in social policy to the EFSI Investment Committee, including from the European Commission, to ensure the implementation of the social dimension of the EFSI and to assess the social impact and rate of return of submitted projects.
- Ensure the new European Commission initiatives and follow-up to key instruments such as the Social dimension of the Economic and Monetary Union and the Europe 2020 review will strongly encourage Member States to value and develop meaningful social policies, i.e. investment policies geared toward positive social impact as a fundamental priority.

Investing in housing

The European Commission recognises the fact that the risk of homelessness is increasing in all Member States of the European Union, as stated in the 2013 Staff Working Document (CSWD) entitled “Confronting Homelessness in the European Union”. According to the European Commission EU Member States have primary responsibility and competence to address homelessness. In the 2013 Social Investment Package, it encourages them to adopt long-term, housing-led, integrated homelessness strategies at national, regional and local level and to introduce efficient policies to prevent evictions. Prevention and early intervention play a primary role when combating homelessness. Eurodiaconia has repeatedly called for the development of an integrated approach to homelessness also at EU level.

As stated by László Andor: *“People will not develop their economic potential to the full if they do not have decent housing. Social dynamics within a community depend on material living conditions as well as on economic opportunities.”*⁵

Eurodiaconia believes that social investments in the area of homelessness are necessary in order to reduce and prevent homelessness at the same time. Effective homelessness strategies that fall within a social investment approach to housing policy may cover prevention and early intervention, quality homelessness service delivery, rapid re-housing, systematic data collection, monitoring and using shared definitions (ETHOS typology). As an example of social investment in housing, our member Helsinki Deaconess Institute has been involved in the European Housing First project through the ‘Aurora House’, providing housing for 125 persons who have very different backgrounds and have repeatedly lost their homes.⁶

On the homepage of Pathways to Housing a simple comparison shows that the daily costs in a Housing First programme are about 57 \$ (appr. 50 Euro), while a night in an emergency shelter costs 73 \$ (appr. 65 Euro), in jail 164 \$ (146 Euro), in an emergency ward of a hospital 519 \$ (appr. 463 Euro), and in a psychiatric hospital 1,185 \$ (appr. 1057 Euro). Accordingly, an investment in save and stable housing is much more cost-effective than dealing with the consequence of emergency situations. Of course frequency and duration of use of

⁵ Ando, László: Homelessness in the EU and the Social Investment Package (Speech, 2013): http://europa.eu/rapid/press-release_SPEECH-13-175_en.htm

⁶ More information here: <http://www.socialstyrelsen.dk/housingfirsteurope/peer-site/helsinki>



emergency services may be very different from person to person, while service users tend to stay long-term in housing first projects.

Eurodiaconia believes that despite the economic and financial crisis, the European Union and Member States have the means to eradicate homelessness and establish a minimum living standard for all by rationalising and prioritising their efforts and financial investment. Eurodiaconia therefore advocates for developing the care for homeless people in order to go beyond the only provision of emergency services, to go toward a strong long term political vision, aiming to eradicate homelessness and improve the life condition of people with inadequate housing conditions on a permanent basis.

Eurodiaconia therefore calls for investing in solidarity *for social cohesion*: Solidarity mechanisms, such as those implemented by a strong welfare state, are the cement of social cohesion. As inequalities are growing, social cohesion is cracking. The EU must develop policies to reinforce social cohesion such as urbanism and also adopt housing policies aiming to increase social mix, policies strengthening social protection systems and allowing quality, holistic and personalized care services for people in need.

Eurodiaconia recommends the European Commission:

- Homelessness and housing exclusion are not limited to housing but are multi-dimensional. Therefore, investment strategies must look at a variety of areas such as health, employment, minimum income, access to services of general interest and access to health and social services
- to make more data and statistics available on the topic of homelessness in order to provide a clear picture of the situation at EU level and identify investment priorities
- to increase the support for the most vulnerable people in society through measures aiming at prevention and empowerment

Eurodiaconia recommends to Member States:

- to continue investments in the cost-effective interventions of homelessness prevention and rapid re-housing (adopting a housing first approach)
- to set up a national homelessness strategy with a strong focus on prevention according to the social investment approach
- to stop the criminalisation of homelessness at the local and/or national level

Investing in children

Child poverty has been steadily increasing since the financial crisis has put enormous pressure on households in Europe, especially those with several children. One fifth of the EU's total population is under 18 and children are more at risk of poverty and social exclusion than the overall population in a large majority of EU countries. Almost 28% of children and young people in the EU are at risk of poverty or social exclusion, and only eight European countries guarantee adequate access to early childhood education and care (ECEC). The European Commission considers that early intervention and prevention are essential, recognising that the costs of public expenditure in responding to the consequences of child poverty are greater than consequences of policies which intervene in child poverty at an early age. It also recognises that budget consolidation efforts in a number of countries present significant challenges to ensure that social policies remain adequate and effective in the short as well as long run.

Poor health, school drop-outs, youth offenses, and low civic engagement can, more often than not, be tracked back to adverse childhood experiences. This also underscores the need for both universal and targeted measures to invest in children from disadvantaged backgrounds and discriminated groups as a priority. A paradigm shift is needed across Europe towards prioritising investment in all children and families as the most cost-effective public policy at European, national, regional and local levels. Investment in children and their families, particularly the most vulnerable, makes sense – morally, economically, socially and politically. Europe needs visionary leaders who understand that there is no more effective and sustainable way of overcoming



social and economic inequalities in the long-term and of building more inclusive, safe and resilient communities.⁷

Evidence shows that investing in effective, comprehensive strategies to promote the inclusion of all children leads to better outcomes and reduced public expenditure in the long-term. Investing in early childhood development, for example, leads to a return of 8 dollars for every 1 dollar invested, as has been calculated by Nobel prize winner (2000) James Heckman from the United States. When investing in disadvantaged children the social return on investment is as high as 16 dollars for every 1 dollar spent.⁸ If Europe invests in all children in a way that supports parents and families, ensures access to preventive services, and empowers children and young people to be fully included in society and participate in decision-making, we will build the foundations for a better future.

Eurodiaconia welcomes the Recommendation on Child Poverty⁹ which brings a very necessary political momentum and which sets in stone the objective of tackling child poverty during this time of austerity and elimination of many social safeguards. **Such a European initiative will also contribute to reaching 3 out of 5 of the Europe 2020 targets for employment, education and poverty. This initiative would also constitutes an investment at European level by strengthening social cohesion, which is particularly important in the context of significant demographic challenges that are increasing.** However, a Recommendation is not enough to tackle child poverty; Member States must respond with commitment and must put into practice the actions they promise in Council conclusions. The European Commission must in turn ensure the implementation is effectively monitored.

Eurodiaconia recommends that MS:

- Invest in training, employment schemes and parenting support programmes that can raise not only parents' qualifications and employability but also help build their parenting skills.

Member States should invest in social and health care services and in particular, high quality early childhood education and care (ECEC) services which are vital to reduce poverty and address development delays among children growing up in families where the parents are struggling to fully meet children's needs. Accessible, affordable and quality ECEC also give parents and single parent families the opportunity to enter the labour market. Again, given the interrelated causes of poverty, access to decent housing services and health care services will certainly impact a child's success at school and the general wellbeing of the child.

Ensuring all children have equal access to good quality services is key to breaking the intergenerational transmission of poverty.

Therefore Eurodiaconia recommends the European Commission:

- Includes investment in social and health services and social infrastructure in its investment to promote growth
- Earmarks part of EU structural funds for investment in social and health services and infrastructure
- Improves monitoring at national and EU level of member states' use of EU funds to ensure that projects benefit those they are meant to target

Eurodiaconia also recommends the Member States:

- Invest in high quality ECEC and after-school services
- Earmark part of EU structural funds for investment in social and health services and infrastructure

⁷ EU Alliance for Investing in Children, Alliance Handbook (2015): <http://www.alliance4investinginchildren.eu/wp-content/uploads/2015/03/EU-Alliance-Implementation-Handbook.pdf>

⁸ Diakonie Austria (2015): <http://blog.diakonie.at/blog/pflege-und-kinderbetreuung-als-wirtschaftsmotor>

⁹ See: http://ec.europa.eu/justice/fundamental-rights/files/c_2013_778_en.pdf



Investments in long-term care

The European Commission predicts a number of future challenges posed by an ageing population in Europe in their 2013 “**Staff working document: Long-term care in ageing societies – Challenges and policy options**” that will affect our societies in the period of 2010 to 2060. The Commission expects a continuous rise in the number of Europeans aged 80 and above, a shrinking working-age population, changing structures of the informal care workforce as well as changing family structures and public spending on long-term care will have to double.¹⁰ Investing in medical research and technology has led to increased life expectancy and increased autonomy for older people with care needs, but what investment do we put into ensuring older people live in dignity, free from poverty and social exclusion? How can we ensure all older people can live “active” lives?

The staff working document argues for the implementation of national social investment strategies in long-term care and proposes a social investment approach to social protection in order to find solutions to the increasing demand for long-term care in a time of budget cuts. **Eurodiaconia believes it is important to shift from intervention to early prevention and to promote good health and rehabilitation.** Therefore, investments in independent living arrangements for older people, such as age-friendly environments, assisted living and assisted living technologies can help carry the burden of an ageing society. Furthermore, other aspects of prevention should be taken into account, such as the social, functional and mental capacity of older people. Overall, the approach to long-term care needs to be a holistic one, linking social and health services and using innovative approaches to foster holistic care, such as case management approaches, while involving service users in the process.

In order to focus on and understand the needs of older people, personalised care, varied and flexible forms of residential, community, respite and home care should be promoted, aided by investment and research to further develop new ways of providing services for older people.

Eurodiaconia recommends the European Commission:

- intensifies support to Member States, facilitating policy and practical exchange in Independent living, Assistive Technologies (AT) and Ambient Assisted Living (AAL)
- research into technological solutions must incorporate service users’ perspectives and research projects in this field must involve long-term care service providers
- calls for proposals under EU Research programmes relating to long-term care and ambient assisted living should ensure the engagement of service providers

Eurodiaconia recommends to Member States:

- in terms of preventive care public authorities must think long term, making good commitments to invest more in this area
 - more research to prove cost effectiveness of preventive care should be carried out, and member states should share initiatives in this area, to enable more and better spending
- in terms of tackling isolation and poverty, public authorities must invest in social services that seek to reach the most marginalised older people, including experimental pilot projects
 - all stakeholders should develop and reinforce participatory structures and methodologies, in addition to volunteering opportunities, which develop supportive communities.

¹⁰ European Commission (2013): [Staff Working Document: Long-term care in ageing societies – challenges and policy options.](#)