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Abstract:

A wide spectrum of strategies aimed at increasing economic competitiveness and social inclusion, can be classified under the Social Investment (SI) approach, where social policies are seen as capable to integrate both social justice and economic growth goals. COHSMO recognizes these multiple dimensions and their complex interactions. At the same time, it aims at providing useful and targeted results for policy makers.

Accordingly, the project investigates three policy fields that are considered paramount in the SI perspective: 1) Early childhood education and care (ECEC), that should pursue the double goal of fostering labour market participation of parents, especially women, and contributing to the cognitive and emotional development of children; 2) Vocational and educational training (VET), aimed at providing practical training linked with local labour market needs; 3) Active labour market policies (ALMP), looking at the simultaneous goals of enhancing economic growth and social cohesion, by facilitating transitions into the labour market.

Within this framework, this briefing paper looks at the conditions that favor or hinder the development of SI strategies in European territories. Local conditions and institutions structure the opportunities of citizens, in terms of employment, social participation and overall well-being. Through the analysis of secondary data and policy documents, the paper looks at differences in socio-economic regional and local conditions in fertility and labour market participation; and at the specific structures of multilevel governance that impact on local service provision. Furthermore, the perceptions of the operators involved in promoting and implementing the policies considered at the local level are investigated to assess to what extent SI orientations have been adopted in the local provision of policies.

Keyword list: Territorial Cohesion, Social Investment, Multilevel Governance, Local Capacity.

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Abbreviations

ALMP	Active Labour Market Policies
ECEC	Early childhood education and care
GDP	Gross Domestic Product
ISCED	International Standard Classification of Education
NUTS	<p>Nomenclature of Territorial Units for Statistics</p> <p>The NUTs system as defined by Eurostat (2016 revision) divides country through a hierarchical system where three sub-national levels are identified:</p> <p>NUTs 1: major socio-economic regions;</p> <p>NUTs 2: basic regions for the application of regional policies;</p> <p>NUTs 3: small regions for specific diagnoses.</p> <p>NUTs are a coherent aggregation for statistical purposes, in some countries they also correspond to administrative units. We identified the NUTs 2 as the most pertinent level for this analysis as it guarantees a fairly detailed level of territorialization. At the same time, it should be noted that the size of NUTs 2 regions varies significantly and that this level of analysis does not allow to tap into intra-regional differentiation. The latter issue was the main focus in other analyses carried on within the COHSMO project.</p>
PES	Public Employment Services
SI	Social Investment
VET	Vocational Education and Training

1. Introduction: COHSMO and Social Investment

The rise of inequality across Europe is shown by persistent socio-economic divides among countries, regions and cities. In this context, **COHSMO aims at investigating how territorial cohesion at different European spatial scales affects economic growth, spatial justice and democratic capacities.** The underlying idea is that "location matters": inequality, cohesion, competitiveness and participation have a territorial dimension that must be considered in the design and implementation of policies at the European, national and local level, aimed at improving the life chances of EU citizens.

COHSMO looks at the crucial role played by governmental programs and policies. In particular, we study the conditions that favor or hinder the development of a social model of economic growth and democratic capacity. This approach is consistent with the Social Investment (SI) strategy, where **social policies are seen as capable to integrate both social justice and economic growth goals** (Hemerijck, 2017; Morel et al., 2012). However, the SI approach seems weak in recognizing the contextual, locally based, pre-conditions that can make these policies actually effective (see Box 1).

Therefore, the COHSMO project aims at studying under what local and contextual conditions a Social Investment strategy can be performed and can obtain positive results. Socio-economic regional and local conditions are related to the structures of multilevel governance that impact on local service provision. Local conditions and institutions also structure the opportunities of citizens, in terms of employment, social participation and overall well-being.

A wide spectrum of strategies aimed at increasing economic competitiveness and social inclusion, can be classified under the SI approach. COHSMO recognizes these multiple dimensions and their complex interactions. At the same time, it aims at providing useful and targeted results for policy makers.

The project investigates three policy fields that are considered paramount in the SI perspective:

Early childhood education and care (ECEC) should pursue the double goal of fostering labour market participation of parents, especially women, and contributing to the cognitive and emotional development of children. For children, ECEC is the first step towards education, social inclusion and well-being. For parents, ECEC is a crucial service for work-life balance.

Vocational and educational training (VET) aims at providing practical training linked with local labour market needs. VET programmes are designed for learners to acquire the knowledge, skills and competencies specific to a particular occupation, trade, or class of occupations or trades. By doing this, it should develop the skills of future workers and facilitate their transitions into employment.

Active labour market policies (ALMP) can pursue the simultaneous goals of enhancing economic growth and social cohesion, by facilitating transitions into the labour market. Training and re-training measures, customized labour market services should play a primary role, going together with the promotion of employment in knowledge-intensive sectors (for instance in the fields of information, communication, hi-tech).

Box 1: Why should we “territorialise” Social Investment?

- (1) In 2013 the European Union promoted the adoption of the SI strategy across EU countries (European Commission, 2013). In the definition of the European Commission: “**Social investment is about investing in people.** It means policies designed to strengthen people’s skills and capacities and support them to participate fully in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job-search assistance and rehabilitation”.
- <http://ec.europa.eu/social/main.jsp?catId=1044&langId=en>
- (2) The SI approach has mostly been promoted at the European and national level. Despite the focus on services like active labour market policies, childcare and training that are mostly locally organised, **SI strategies have been so far only partially sensitive to territorial conditions** that may influence the results of policies and services. These include, for instance,
- the structure of the local economy and the centralization or de-centralization of decision-making and funding of services.
- (3) The sensitivity to contexts, or the lack of it, also bears concrete consequences on European regional and cohesion policies, aimed at fighting inequalities and boosting cohesion among territories such as regions, cities, urban and rural areas, peripheries and metropolitan centers.
- (4) Context-blind policies may be highly ineffective, or even increase the divide between better-off and disadvantaged areas. Conversely, **SI context-sensitive measures should contribute to develop the potential of peripheral areas, without limiting the drive of most dynamic regions and cities**, thus enforcing territorial cohesion and heading towards a more competitive and inclusive European community.

2. Regional differences in COHSMO countries

SI policies fostering employment growth, human capital improvement and family conciliation should enable economic development together with social inclusion. However, policies are designed and implemented under very different political-institutional and socio-economic conditions. The variation is not only across groups of countries but also across governance and territorial scales below the national level.

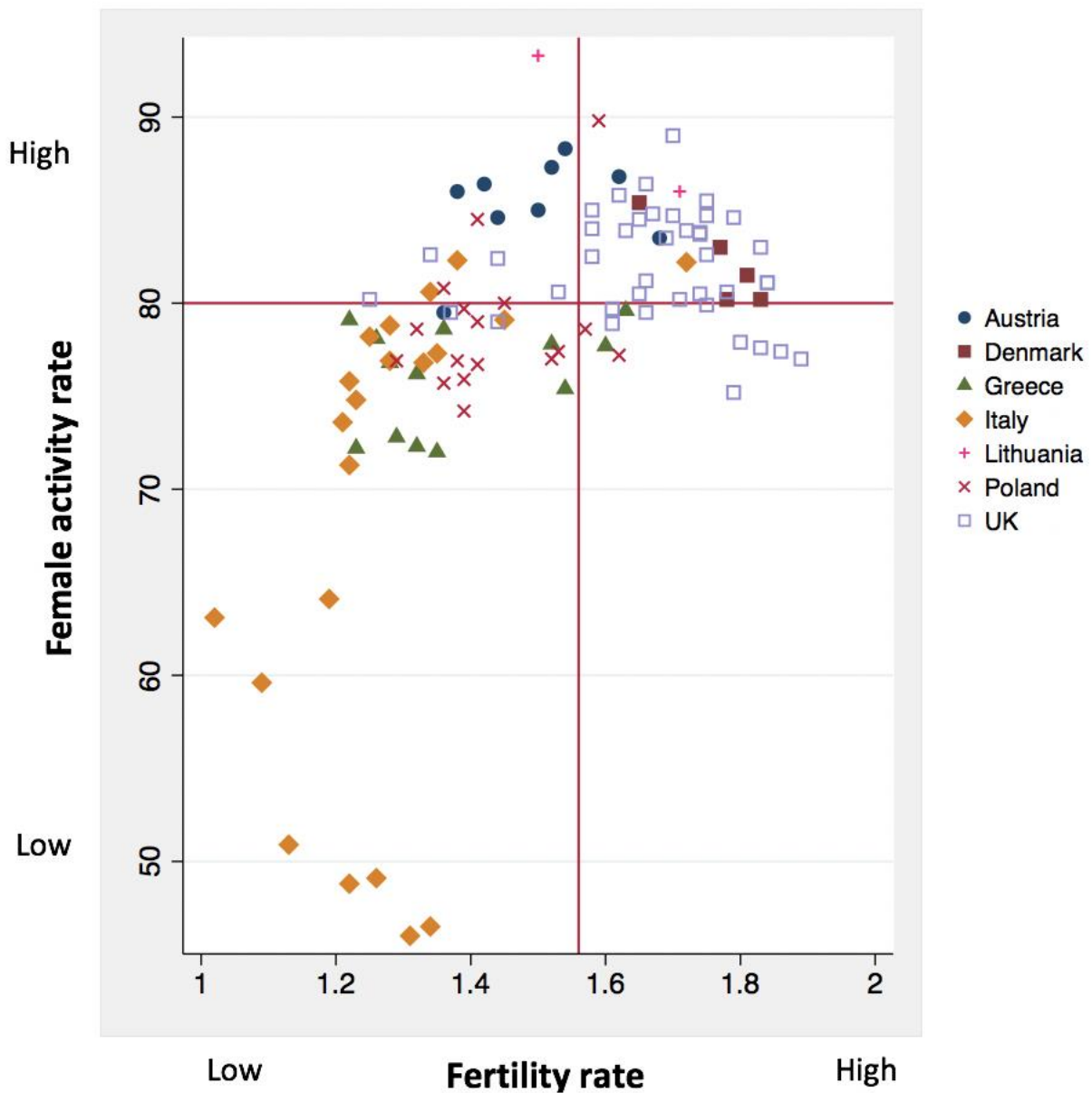
These conditions refer to the labour market, to the link between education and employment, to economic and demographic profiles. **The con-**

sideration of both specific national and sub-national contexts is therefore the necessary background for policy interventions and reforms to be effective.

The differentiation among territories can be gauged from the distribution of regional socio-economic indicators across COHSMO countries. The dispersion of participation and employment provide contextual information on subnational divides that are often overlooked and should represent the backbone of evidence-informed policy-making in the fields of ECEC, VET and ALMP. In this section, we

look at regional differences, considering NUTs
2 territories.

Figure 1 - Female activity rate for age group 25-54 and total fertility rate. 2018.



Source: Eurostat data warehouse (demographic statistics and Labour Force Survey), accessed 13.8.2020. Red lines=EU average values

Despite being usually more educated than men, women still have far lower employment and activity rates. This common trend comes however with persisting differences among COHSMO countries: activity rates for women are higher in most Austrian, Danish and Lithuanian regions, and low to very low especially in Southern Italy and in several Greek regions.

The reduction of this gender gap and the support of female participation in the labour market, is at the core of Social Investment. The relationship between labour market participation and fertility is affected by both the structure and the institutional arrangements of both labour market and service provision. **An adequate provision of services like childcare may contribute to a more balanced work-**

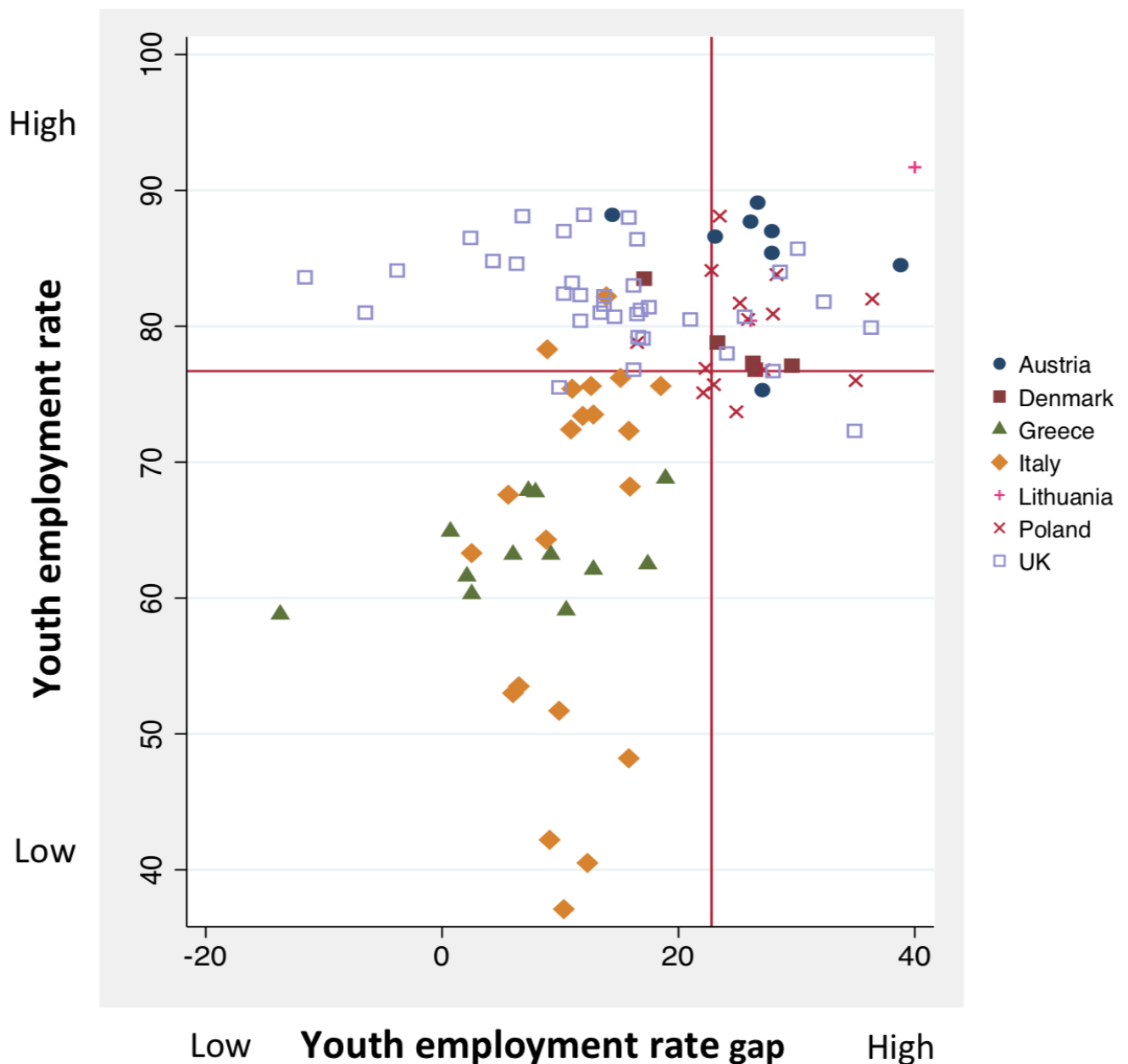
life conciliation, possibly promoting women participation without hindering fertility and family projects.

In COHSMO regions, a medium-high fertility rate is associated with higher levels of female activity rates mostly in UK, Denmark, Austria and Lithuania (see Figure 1). **These results show the absence of a trade-off between female participation and fertility, where the coverage and the quality of ECEC services is high.** However, these apparently similar outcomes may underline different situations. Indeed, the literature (Pfau-Effinger, 2004a) has identified different cultural family models that can combine childbearing with participation to labour market: (1) the male breadwinner/female part-time care model; (2) the dual breadwinner/external care model (with the state or the market providing care); and (3) the dual breadwinner model with childcare in the extended family. How these models are widespread indeed vary country from country. The female part-time care model is diffused in UK while in Denmark the full dual breadwinner model is the main cultural model. At the other end of the spectrum, in Southern Italy along with Greece, several regions display a combination of lower fertility rate and a very low ac-

tivity rate of women. This is the result of a vicious circle between the scarcity of services and the low rates of women employment. The demand of services is low since few women work, but at the same time the scarcity of services does not permit women to enter (or even attempt to) or to stay into the labour market. In these countries, unemployed women are the most affected by a low coverage of ECEC services, that usually best-off working parents benefit from. Presence of part-time opportunities and flexibility of employment relationship usually increase women's chance to remain active in the labour market around childbearing. The former is particularly scarce in Greece while Italian labour market is known for its rigidity in working arrangements, even if softened by recent reforms.

Behind these common scenarios, significant regional differences can also be observed, as it is the case of fertility rates in UK, fertility and female activity rates in Italy. Indeed, in some British regions and Northern Ireland along with Poland (where the dual breadwinner model with childcare in the extended family is the main family model), high female employment rates are coupled with low fertility levels highlighting a potential trade-off for women between work and childbearing.

Fig.2 – Youth (20-34 years old) employment rates and youth employment rates gap between ISCED 3-4 and ISCED 0-2 educated. 2018



Source: Eurostat data warehouse (Labour Force Survey), accessed 13.8.2020. Red lines=EU average values.

Note: In Figures 2 and 3 the employment gaps are calculated as the gap (difference in percentage points) between the employment rate of young people aged 20-34 with a certain level of educational attainment. The educational attainment level is coded according to the International Standard Classification of Education (ISCED):

- Less than primary, primary and lower secondary education (ISCED levels 0-2)
- Upper secondary and post-secondary non-tertiary education (ISCED levels 3 and 4)
- Tertiary education (ISCED levels 5-8).

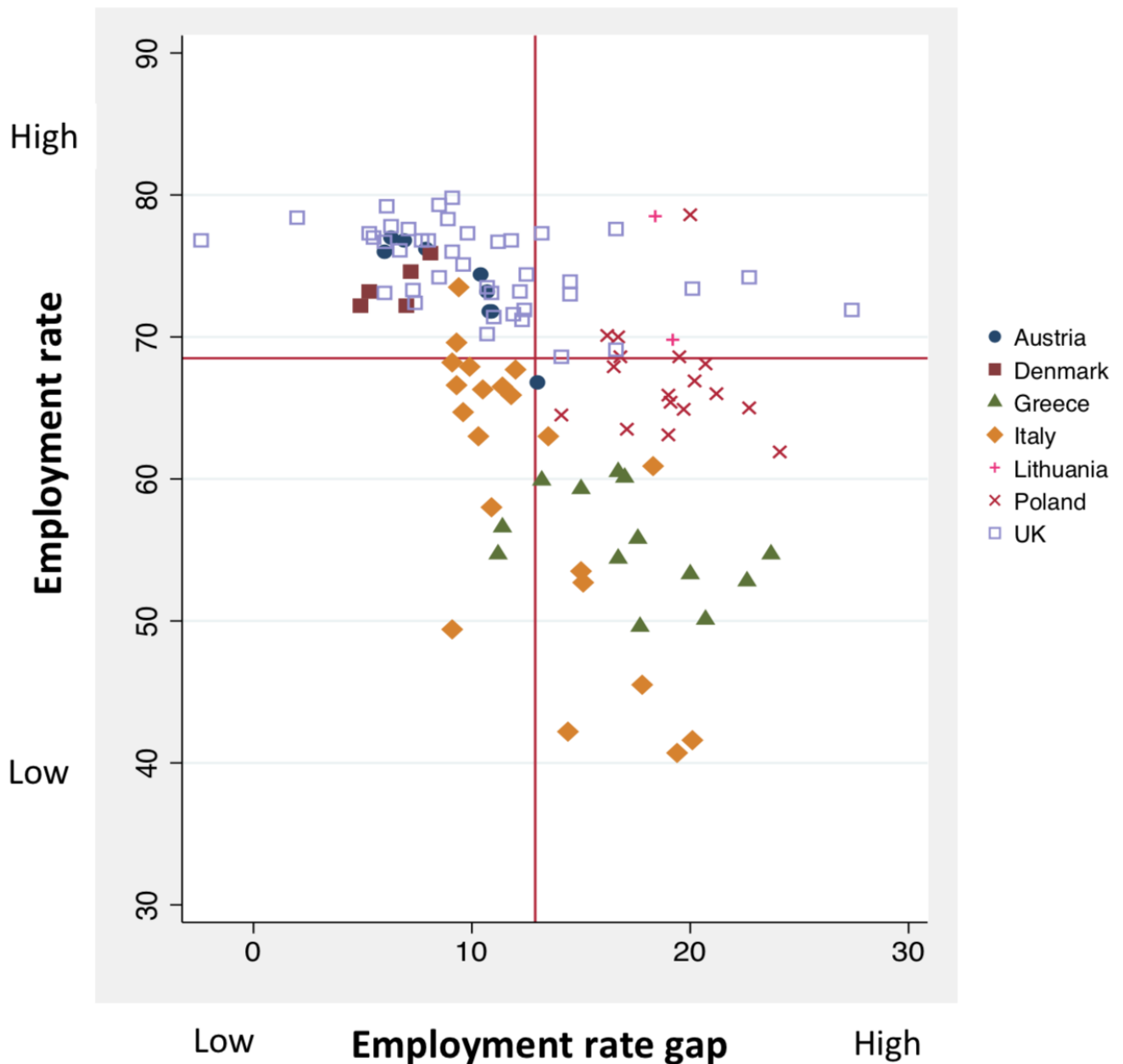
As investment in human capital to boost employability is a major part of the SI strategy, employment prospects generally improve with higher educational qualifications. COHSMO countries and regions showed an increase in

educational attainment in the last 15 years, coherently with the general trend of higher education expansion taking place in Western societies. Most adults in Europe have achieved at least an upper secondary qualification. This trend is in line with the changing requirements

of the labour market, due to speeding technological progress and reallocation of employment from manufacturing to services. Hence, **the completion of upper secondary education is usually seen as the minimum threshold for a successful labour market entry.** Therefore, people with upper secondary education are expected to show higher employment rates compared to people with lower education titles. On the downside, young people who leave school before completing upper secondary education may still face major difficulties in finding a job. Figure 2 plots the gap in employment rates between youth who achieved upper secondary education (ISCED 3-4) and those with only mandatory education or below (ISCED 0-2), against the total youth employment rate 20-34. The expected gap in employment rates between upper secondary educated and low-educated youth with only mandatory education or be low is visible in most regions from COHSMO countries, with the exception of few Greek and UK regions. The employment advantage of an upper secondary qualification is especially significant for Polish, Lithuanian and Austrian re-

gions. There the gap is high, i.e. holding an upper secondary degree increases substantially the chances to have a job. However, these countries differ in the overall youth employment levels. In Austria, Denmark, Lithuania, some parts of United Kingdom and Poland, the significant gap for upper secondary educated youth is coupled with overall high youth employment levels. On the other hand, in the majority of UK and some Northern Italy regions high employment rates co-exist with a low advantage for those with upper secondary attainment, suggesting that, to a certain extent, the labour market provides job opportunities for young people, regardless of their education level. However, the comparatively low returns to educational qualifications might also indicate that many opportunities are produced in low-qualified jobs. Therefore, better educated people are forced to accept jobs requiring lower qualifications, thus reducing the returns to education. Finally, in Greece and Southern Italy the labour market is generally offering scarce opportunities. The low gaps displayed are primarily due to the low or very low employment levels in these regions.

Figure 3 - Total (15-64 years old) employment rates and gap in employment rates between ISCED 5-8 and ISCED 3-4 educated. 2018



Source: Eurostat data warehouse (Labour Force Survey), accessed 13.8.2020. Red lines=EU average values.

A tertiary education qualification usually provides further and long-term advantages in labour market participation. Higher educated adults tend to display better employment and earning opportunities than those with upper secondary education. The continuing expansion of tertiary education could make the relative occupational and economic benefits go down over time. However, the current growth

of knowledge-based sectors in the economy will likely increase the opportunities for highly educated people in several dynamic EU territories. **In most COHSMO regions, a more educated population and supply of work matches with a growing demand for higher education and skills.** The gap in employment rates between tertiary educated individuals and those with upper education is present in all countries considered (Figure 3). Nevertheless,

in Denmark, Austria and United Kingdom, employment levels are high for both groups and therefore the gap is smaller.

In these countries the good shape of the labour market (and of the training system in Austria and Denmark) allows for equally good employment opportunities also for those with upper secondary education. On the other hand, in several United Kingdom regions and in Lithuania a tertiary education qualification seems to provide higher employment benefits with respect to upper secondary qualifications, in presence of high employment levels. Also, in Greece and Southern Italy, the highly educated

segment displays a significant occupational advantage. However, the overall employment rates are still very low. It means that even educated people struggle in the terms of job opportunities (even if less so than poorly educated people). Moreover, these countries are also characterized by considerable levels of over qualification in the labour market, meaning that better educated people find indeed work but they are forced to accept jobs requiring lower education attainments. Furthermore, in Italy, the internal territorial differences are particularly marked, as some of the Northern regions are grouped around the EU averages.

Box 2: indicators used

Total activity rate: this rate is given by the number of employed and unemployed people aged 15 to 64 divided by the number of people of the same age group.

Total fertility rate: this rate is given by the number of children who would be born per woman, if she were to pass through the childbearing years conforming to the fertility rates by age of a given year.

Total employment rate: this rate is given by the number of employed people aged 15 to 64 divided by the number of people of the same age group.

Youth employment rate: this rate is given by the number of employed people aged 20 to 34 not in education and training divided by the number of people of the same age group not in education or training.

Employment rate gap: the employment gaps are calculated as the gap (difference in percentage points) between the employment rate of individuals with different levels of education (ISCED 0-2, ISCED 3-4 or ISCED 5-8), and expressed in percentage points. The youth employment gap is calculated on age group 20-34 while the total employment gap is on individuals aged 15-64.

3. Governance and local capacities for service provision

3.1. What is the capacity of governments to act locally-sensitive?

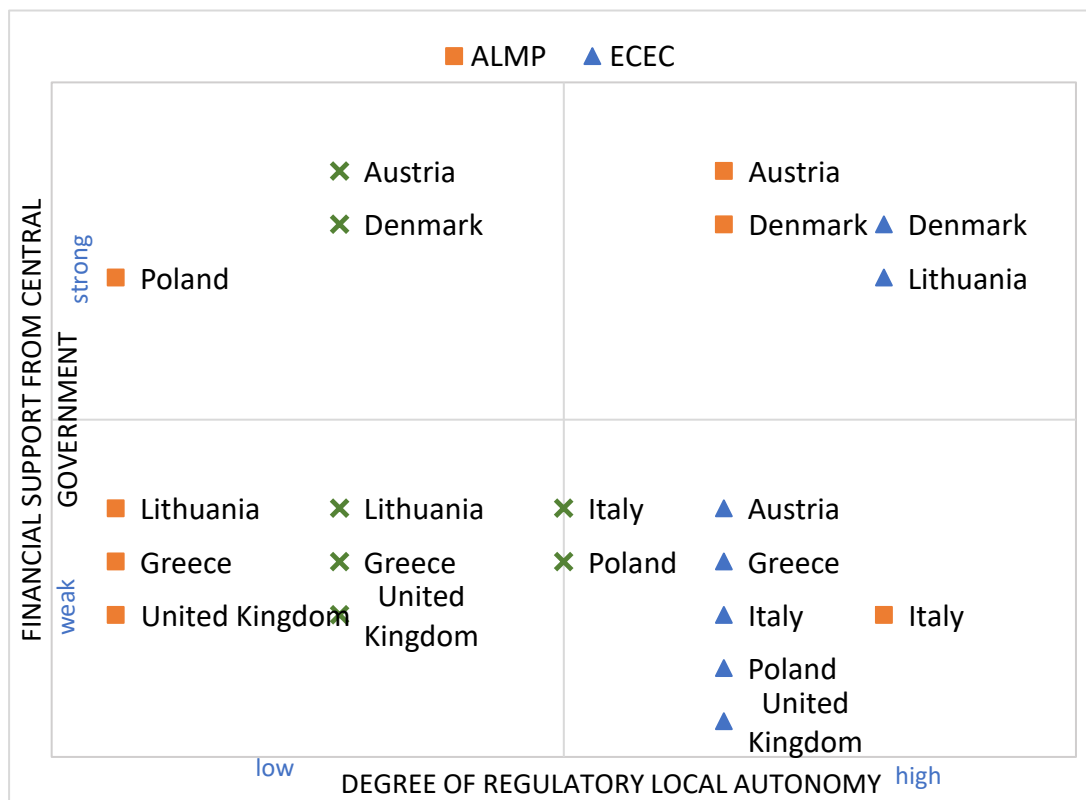
Policy provision is shaped by the multilevel governance setting between national and local levels. Accordingly, **local policy capacity hinges on the degree of local autonomy and**

on the degree of financial support from the central government (Kazepov, 2010). Looking at the different institutional settings within the participants of COHSMO, the local capacity in the fields of ALMP, VET and ECEC varies not only between COHSMO countries, but also between the policy fields in the same country. This has a significant impact on the provision of services effectively targeting local

needs to improve human capital and labour market participation, as well as on the coordination among different policy fields.

Local autonomy is high in all countries for ECEC, due to the strong localisation of conditions that impact on childcare services (such as fertility and employment rates), as well as to the local discretion in organizing the delivery of this service. On the contrary, in the case of VET policies, local autonomy is generally low. In Poland and in some VET programmes in Italy, local autonomy is comparatively higher for local and regional units, but the general framework is imposed by the central level.

Figure 4 – Typology of multi-level institutional governance



Source: Classification based on policy analysis in COHSMO WP5 and Kazepov (2010)

Note: This classification matrix is based on the analysis of relevant policy documents and secondary data (when available), not on quantitative index scores. The positions assigned in the figure are aimed at sorting countries into broad categories.

The degree of autonomy of local authorities in the implementation of ALMP policies is quite diversified: high degrees of autonomy in

ALMP provision are found in Denmark, Italy (at regional level), Austria. Denmark and Austria show a pattern of strong central financial

support in ALMP and VET (Denmark also in ECEC), considering comparatively high levels of expenditure (Eurostat, 2020a, 2020b). Italy, Greece and UK are characterized by a very weak state financial support in all the policy fields, often translating into a fragmented or ineffective service provision (see section 3). Interestingly, Italy, Greece and Lithuania have significant financial support from EU funds on ALMP, but less from central national governments. Poland displays a strong financial role by the state especially in ALMP.

Combining the two dimensions, we can identify the capacity of locally sensitive measures in these policy fields, across COHSMO countries. Denmark and Austria show a pattern of vertical subsidiarity in the field of ALMP, characterized by high local autonomy in setting policy rules and goals with strong state financial support. In these countries either municipalities or regions play a crucial role in the articulation, implementation and monitoring ALMP activities. While this local articulation is a recent development in Denmark, Austria has a long tradition of involving local social partners and stakeholders in the provision of active policies. UK, Lithuania and Greece display a sort of constrained localism both in ALMP and VET, with low local autonomy due to highly centralised regulatory power and weak financial support from the central State. For instance, in Lithuania the Central Government mostly covers the administrative costs for ALMP, while the specific programmes are usually financed through EU funding. In Poland, the degree of local autonomy is low and the central state plays a main role both in regulating and financing ALMP. Italy is the only country with a subsidiarity model in the governance of ALMP, having a high local autonomy, possibly reinforced by a strong regionalist institutional structure, but poor financial support from the state while regions heavily rely on the supranational level (EU funds).

¹ It should be noted that EU countries usually present mixed combination of the school-based and work-based components. For comparisons and country-case studies,

Vocational education varies significantly across EU countries (Chatzichristou et al., 2014). In Austria and Denmark, VET programmes have strong work-based components, such as dual apprenticeships involving contracts with private firms (European Commission, 2020). In Italy, Greece, Lithuania, Poland and UK vocational training is mostly provided in vocational and technical schools¹. This has a clear impact on the governance structure. Denmark and Austria show a strong central interventionism combined with generous financing per student (Eurostat, 2020b). Here, local governments have limited functional and institutional autonomy. However, the crucial role of local firms as providers in work-based VET allows for adaptations to specific contexts, as well as local innovative initiatives involving collaboration between schools, private actors and social partners. As in ALMP, UK, Lithuania and Greece are characterized by a strong centralization also in VET, with a direct link between the central state and providers. Their expenditures for VET are among the lowest in Europe, although reforms of vocational training are high priority in both policy agendas. The UK, instead, presents significant fragmentation due to the high competition for funding. Italy shows a mixed structure: depending on the VET track considered, state or regions are in charge of the funding, organization and implementation of services, but the expenditure per student is quite low. Also Poland displays a certain degree of local autonomy (at county level) in VET regulation, together with weak expenditure per student.

Regarding ECEC, all countries show high degrees of local autonomy. The variability is then mostly observed in the systems of funding. The combination between the diffused autonomy and the system of funding still identifies the capacities to implement local specificities. In Denmark and Lithuania, rules, quality standards, evaluation criteria, curricula as well as

visit the website of the European Centre for the Development of Vocational Training: <https://www.cedefop.europa.eu/en>

funding are set at national level, but municipalities benefit from a high degree of flexibility and adaptation. The other countries in our sample share a subsidiarity model. This means, that operations happen at the regional or municipal level, but the source of funding is diverse. While in some countries funding - such as in

UK and Italy - and regulations - such as in Poland and Greece - come from central government (or from the federal states in Austria), the implementation and practical organization of the services is done by municipalities. Thereby, **this policy field highlights the key factor of funding services properly for locally sensitive social investments.**

3.2. Are policies consistent with the social investment perspective?

Policy expenditure levels alone do not depict the more crucial parts of policy effectiveness. That is: how well do key policies perform regarding improving life-chances, qualification, and labour market transition? To classify the effective orientation of countries towards a Social Investment approach, two criteria can be considered, adapted from the scientific debate

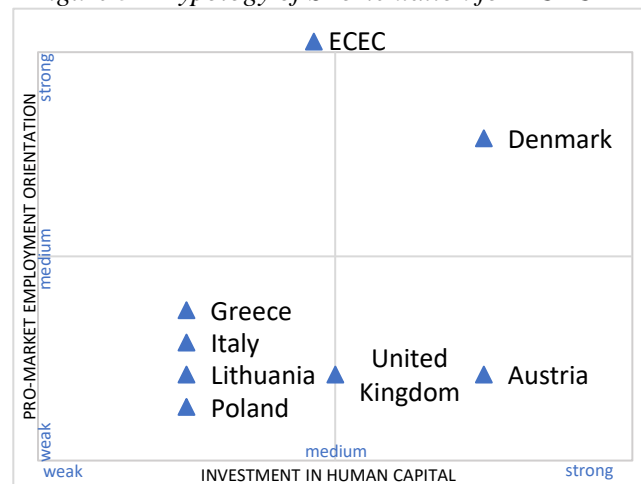
(Hemerijck, 2017; Bonoli, 2012): 1) the quality of services and investments in human capital and 2) the pro-employment orientation. The typology is an illustration based on the policy analysis in COHSMO tracing the changes of the last 10 years and their orientation regarding Social Investment in each country and policy field.

3.2.1. Childcare

In ECEC policies, investment in human capital implies the provision of a highly accessible and high-quality service, through curricula considering the whole development of children, standards with periodic quality controls, skilled and continuously trained staff with adequate working conditions. The pro-employment orientation refers to the capability of ECEC to foster parents' - especially mothers' - labour market participation. This can happen through high rates of coverage, extended duration and flexibility of service delivery. Apart from Denmark and Austria, a significant trend identified in the other COHSMO countries is the weak investment in human capital within the ECEC field. This could indicate that the relatively scarce quantitative provision in these contexts is coupled with insufficient attention to the pedagogical features of such services and lack of budget is not only constraining the offer but also the quality of the delivery. Only Denmark instead distinguishes itself for the pro-employment orientation of its ECEC services: this is linked

to the almost universal coverage that this country has reached.

Figure 5 – Typology of SI orientation for ECEC



Source: Classification based on policy analysis in COHSMO WP5 and Bonoli (2012).

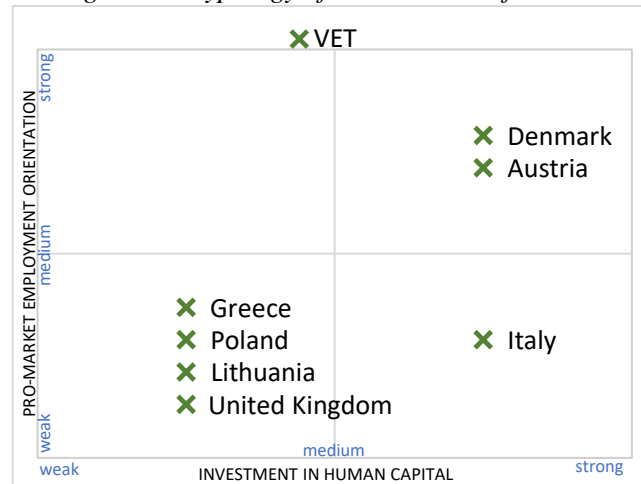
Note: the classification in Fig. 5, 6, 7 is based on the analysis of relevant policy documents and secondary data (when available), not on quantitative index scores.

3.2.2. Vocational Education and Training

VET policies comply to the SI approach whenever they manage to provide both quality theoretical and specialized training related to the job market demand, in order to foster a smooth school-to-work transition in quality employment but also giving opportunities for continuing training and education. In Denmark and Austria, the work-based and school-based programmes are integrated in VET systems that provide both labour market entry paths and opportunities for continuing education, also at the tertiary level. In the VET systems of Greece, Lithuania, Poland and UK the quality of training and human capital development seems to be quite weak. Here, vocational training suffers from fragmented provision and a lower status with respect to general education, as well as limited efficacy in terms of job opportunities. Italy displays some peculiar traits, as vocational school-based tracks present various

opportunities for continuing education but often show a weak link with labour market requests and an underdevelopment of work-based components.

Figure 6 – Typology of SI orientation for VET

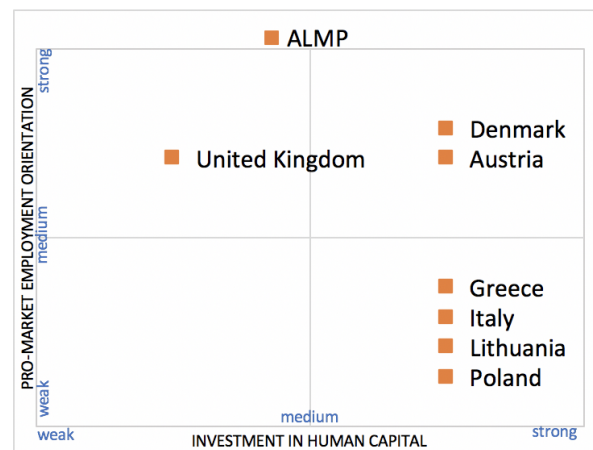


Source: Classification based on policy analysis in COHSMO WP5 and Bonoli (2012)

3.2.3. Active Labour Market Policies

The aim of ALMP is the reintegration in the labour market through training and re-training, upskilling, and personalized employment services in order to increase chances for jobseekers to find a “good” job, promoting quality-employment with satisfactory earnings and career prospects (Bonoli, 2013). All COHSMO countries show at least some degree of effort in providing active measures aimed at improving the quality of employment opportunities, via a wide range of services and providers. In our sample, the United Kingdom stands out as characterised by a very fragmented ALMP system, with high emphasis on benefit conditionality in order to speed up labour market reintegration, but low focus on training and upskilling (Martins, 2015).

Figure 7 – Typology of SI orientation for ALMP



Source: Classification based on policy analysis in COHSMO WP5 and Bonoli (2012)

4. How do policies enact social investment? Views from the field

A nation-wide survey addressing civil servants working in the three considered fields was conducted in the COHSMO countries, in order to collect the perceptions and opinions of the operators involved in promoting and implementing the policies considered. The online survey collected data between February and April of 2020. Target groups were civil servants in different localities (urban to rural) that manage and operate the policies ECEC, VET, or ALMP in each COHSMO country. For active labour market policies, we opted to concentrate on employment services, while for VET we focused on upper secondary education programmes with vocational orientation. According to the ISCED 2011 definition, this refers to programmes leading to labour-market

relevant, vocational qualifications acknowledged as occupationally-oriented by relevant national authorities and the labour market. In each country, the most relevant (in terms of participation) was selected. Sampling rules guaranteed that at least one city within each NUTS 2 region was included in the sample. The city has to be the biggest in terms of number of inhabitants or – in case this diverges – the one with more administrative powers. Total response (N) was 287. The aim was: 1) to highlight the strengths and weaknesses of the three policy sectors considered in the different contexts analysed by COHSMO; and 2) to assess to what extent SI orientations have been adopted in the local provision of policies, by looking at the policy orientation of the respondents.

4.1. Which aspect needs to be fixed immediately?

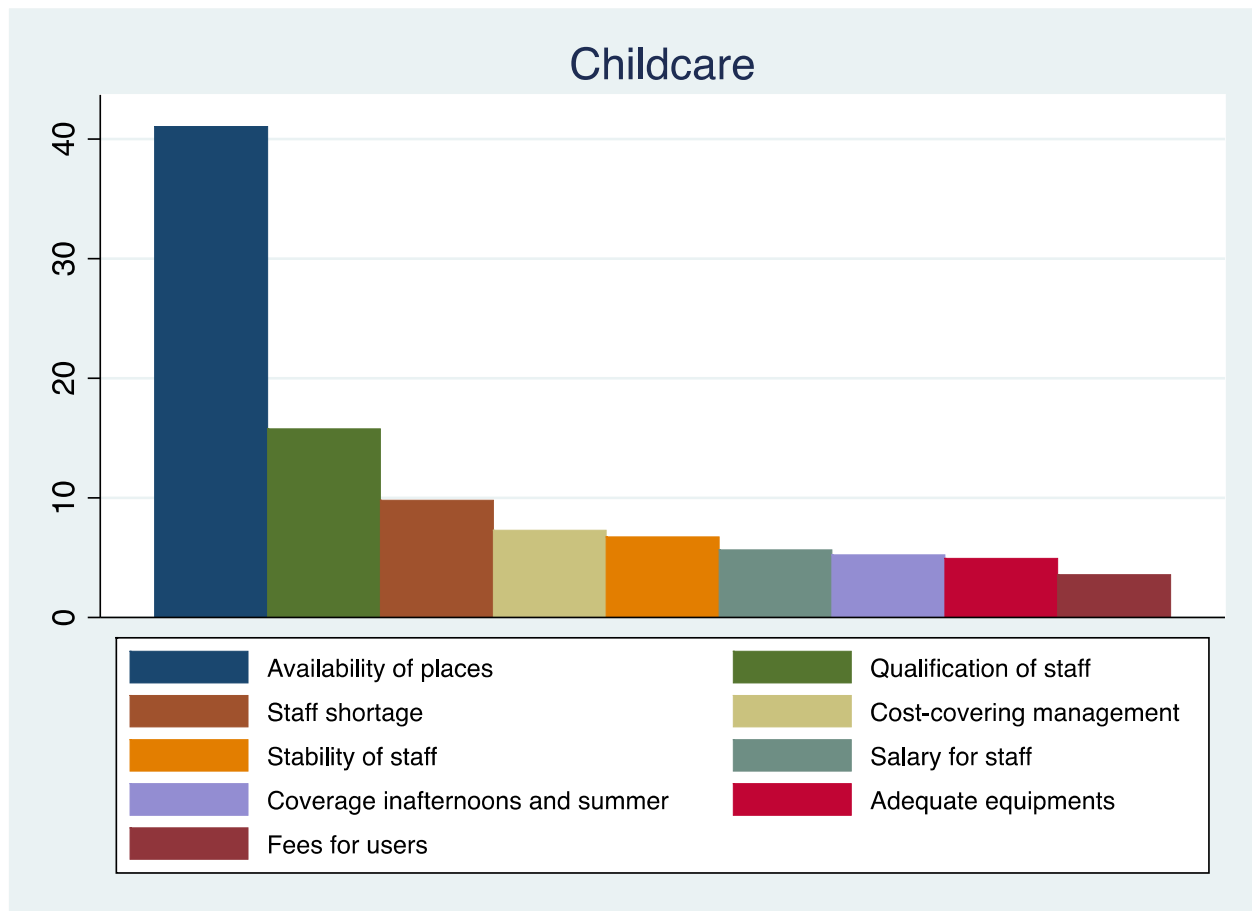
In childcare civil servants mainly marked the lack of places as the main issue, followed by a (lack of) qualification of staff and staff shortage. This confirms one of the main issues emerged in the analysis of the capacity of the local service provisions: the weak coverage rates that are not able to satisfy the increasing demand in most countries. The poor availability of places is particularly mentioned in Eastern countries. It also seems to affect peripheral areas more and is indeed particularly mentioned in predominantly rural and suburban contexts², while qualification of staff is an issue mentioned especially by childcare civil

servants operating in urban contexts. The dichotomy between investment in quantity (coverage rates) and quality (investment in human capital) emerges here: on the one hand, in contexts with low supply, the main need seems to be guaranteeing the ability to respond to the demand for places by families and attention to the quality of the services is overshadowed; on the other hand, where instead the offer is more developed (such as in urban context), the “quality” aspects also come into play showing how the managers are aware of its importance. The spirit of Social Investment which sees both dimensions as fundamental is not rejected, but has to face limited resources which put services management in front of choices.

² Following Eurostat approach, NUTS3 regions are classified as predominantly urban, intermediate or rural based on the percentage of population living in local rural grids. A NUTS3 region is classified as predominantly urban if the share of population living in rural

grids is below 20 %; intermediate or suburban, if the share of population living in rural grids is between 20 % and 50 %; predominantly rural if the share of population living in rural grids is higher than 50 %.

Figure 8 – Aspects to be fixed immediately in ECEC (%)



Source: COHSMO survey. Number of respondents: 88

Note: In all figures, weights are applied in order to equalize the size of every country considered. UK was dropped from the analysis because the response rate was below the desired threshold, making data unreliable.

Among civil servants operating in public employment services, there is less convergence on the main problems to be urgently addressed. Most cited are **the ability to customize and monitor the intervention plans for jobseekers, the lack of coordination between active and passive policy measures and the need for better salaries for employment services staff** (less so in rural areas). The qualification of staff is also moderately mentioned in suburban contexts, while territorial distribution of training facilities is an issue in rural areas. The latter is expected as delivery points are more difficult to be reached in morphologically chal-

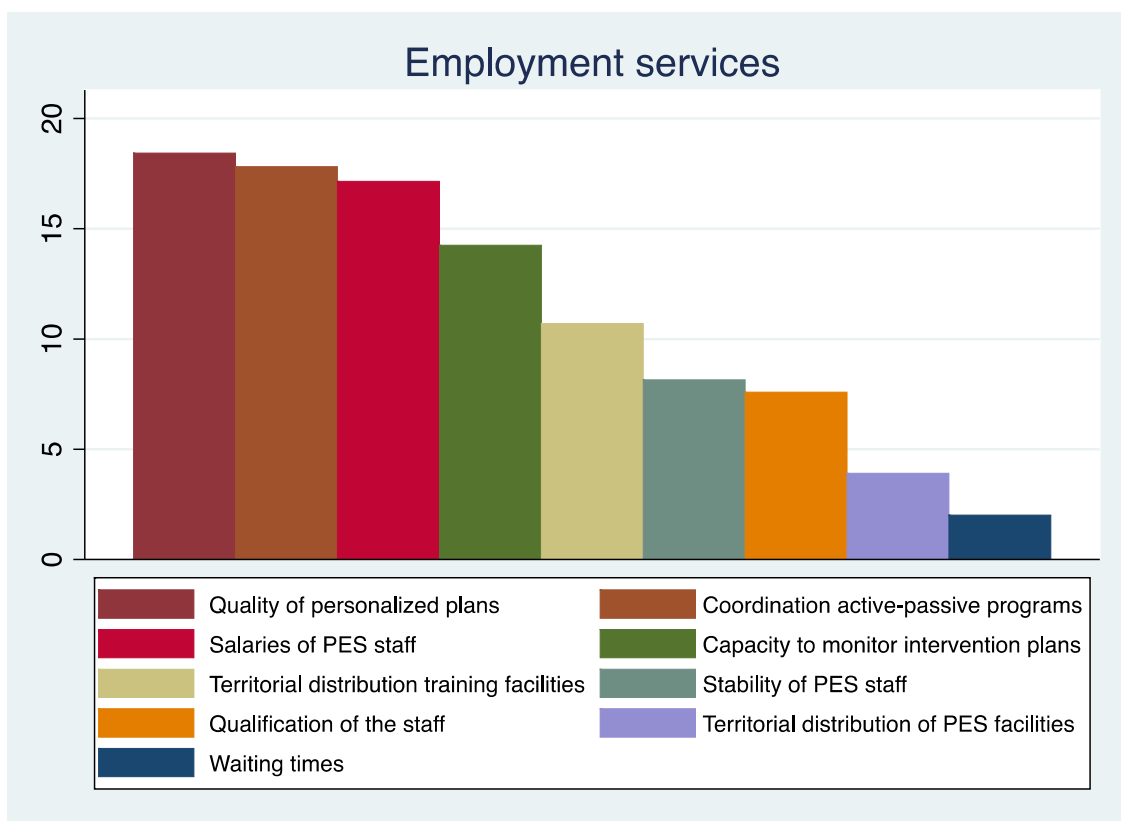
lenged areas such as some of the more rural regions. This can affect negatively the inclination of people to use training opportunities.

The range of issues selected is interesting. On one hand, the individual intervention plans are seen as an important issue to address, either in terms of their quality (which can include the fact that in some cases “individual” action plans are not really customized because local offices have low autonomy and have to select among pre-determined tools with constraints on how to use the budgets such as in the Polish case) or in the ability to give a proper follow-up to understand if and how they are working.

The poor coordination between active and passive employment measures noticeable for many countries in the analysis of the institutional setting is also recognized as one of the challenges to be fixed. Interestingly this issue emerges not only in countries where such poor coordination is evident (for example Italy) but also in Denmark where it is historically developed and has been strengthened in recent years. Precisely this traditional attention to the

issue could put it under magnifying glasses and thus make it a very important dimension in the eyes of officials. Parallel to these substantial problems in terms of services offered, there is also a certain disaffection in relation to the working conditions of the employment services staff, in particular regarding the salary component which is the main issues mentioned by Polish interviewees.

Figure 9 – Aspects to be fixed immediately in ALMP (employment services, %)



Source: COHSMO survey. Number of respondents: 130

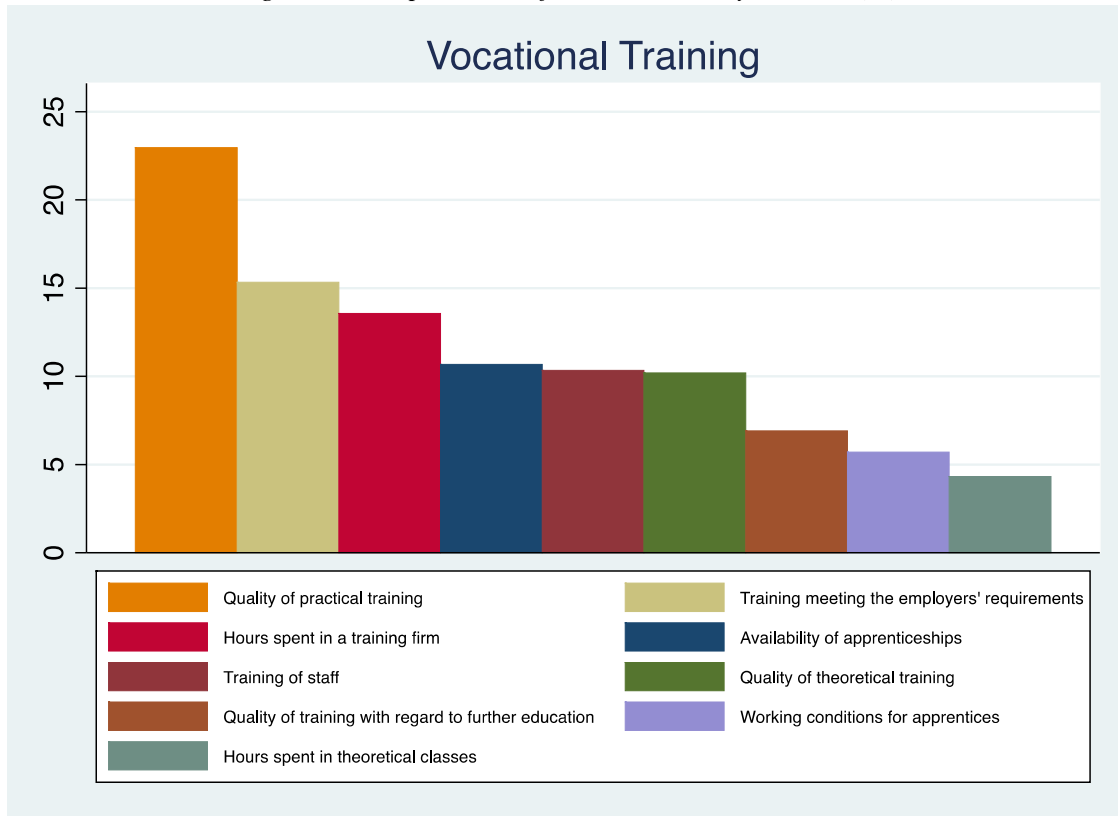
Civil servants tend to consider VET as a tool able to ease the transition to employment for young people, improving the matching with local labour market requests. Accordingly, **the main issue in vocational training relate to the provision of practical training**. However, similarly to labour market, no issue emerges as clearly prominent. This is also due to the fact that VET systems are very country specific.

Indeed, cross-country differences in VET systems have an impact on the way the interviewees answered. The issue of practical training is perceived as particularly urgent in countries with mostly school-based VET (Poland, Lithuania, Italy and Greece). In countries with organised work-based VET (Austria and Denmark), the provision of practical training goes together with issues related to the quality of the delivery and with more specific requirements

related to the organization of training, namely the capacity to meet employers’ and the amount of hours dedicated to practical learning. The number of apprenticeship places

available and quality of training with regard to further specializing education are an issue mostly in urban areas.

Figure 10 – Aspects to be fixed immediately in VET (%)



Source: COHSMO survey. Number of respondents: 68

4.2. Perceived trends in public expenditure for services (last 2-3 years)

The challenges and current priorities mentioned so far face contexts that have recently seen different spending dynamics. We asked interviewees if in the last 2-3 years³ the budget invested in their local area for their policy field significantly diminished, slightly diminished, remained constant, slightly increased or significantly increased. Based on their answers, we created an index going from -5 (unanimous

significant decrease reported) to +5 (unanimous significant increase reported)⁴. The answers are of course related to the perceptions and contexts where the interviewees operate: a perceived increase has a different meaning in a country with generally high levels of public expenditure, than it has in a country investing limited resources in education and employment services.

³ The answers given here pre-date the COVID-19 responses.

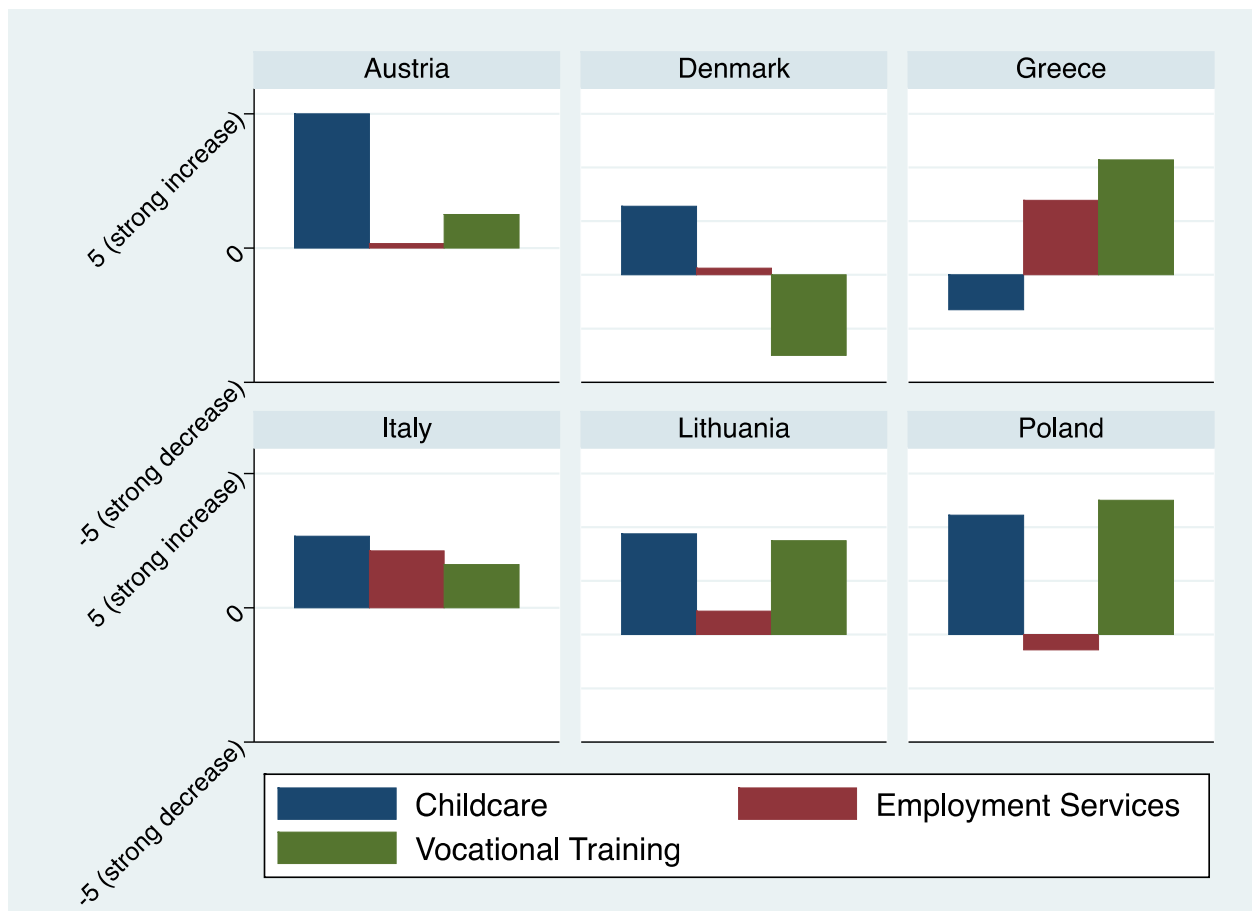
⁴ The index was calculated as follows: 1) for each interviewee the responses were classified as follows significantly increased= +5, slightly increase d= +2, constant=

0, slightly diminished=-2, significantly diminished=-5; 2) values were then averaged within each policy field.

According to the civil servants interviewed, **spending for childcare generally increased in COHSMO countries**. In particular, significant increases are reported in Austria and Poland. In Lithuania the reported raise is strong as well. Both Eastern countries already had above average expenditures (in terms of % of the GDP), while in Austria the expenditures for pre-primary education were on par with EU level (Eurostat 2016). In Denmark the raise is more modest but the expenditures levels were

already considerably high (twice the EU average level in the 2013-15 period). In Italy the situation is more mixed, leading to a slight increase on average (from a starting position slightly below the EU average). Greece is the only country where the majority of civil servants interviewed reported a decreasing budget. This decrease is added to expenditures levels in pre-primary education (as % of the GDP, 2016) already as one of the lowest in Europe (Eurostat 2016).

Figure 11 – Recent trend in perception of expenditures in ECEC, ALMP (employment services), VET



Source: COHSMO survey. Number of respondents: 88 ECEC, 130 ALMP (employment services), 68 VET

The situation is considerably more mixed in active labour market policies. **Significant increases in expenditure levels for employment services have not been reported**, apart from some Italian and Greek areas where a raise in expenditures is noted by more than half of the respondents. This increase can only partly compensate for past delays. Greece and

Italy generally showed low levels of expenditures (in terms of % of GDP) for labour market policies in 2017 (EU 2019). On top of that, these expenditures were skewed towards passive measures. This resulted in them being the two COHSMO countries with the lowest levels of expenditures (less than 100 euros per unemployed) for labour market services and in the

Greek case also for active labour market policies according to 2016-17 data (EU 2019). In the other countries, the situation is stable, especially in Denmark and Austria. However, it is a stability at higher levels as expenditures per persons wanting to work were already significant in 2017 (especially for Denmark) for both labour market services and active labour market measures. In Poland and Lithuania, responses were mixed reporting different scenarios. On average, a small raise is reported by operators in Lithuania and a slight diminishment in Poland. Both countries showed medium to low starting levels of expenditures for labour market services overall, even if they take a similar share of the total expenditures as in Denmark. Both Eastern countries have labour market expenditures similar to Greece and lower than Italy but they are more directed towards active measures than in Southern Europe.

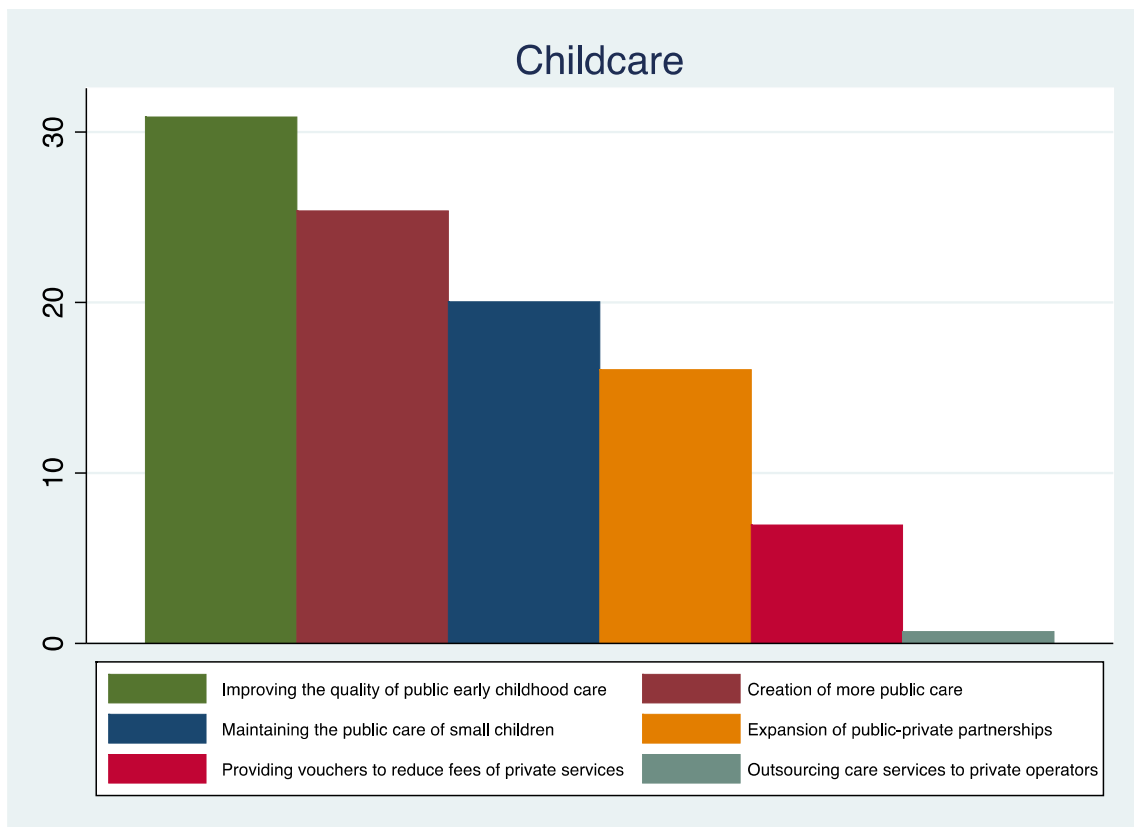
The direction of perception in expenditure trends is more definite in vocational training field, albeit with differences among countries. Increases are reported in Lithuania, Greece and even more in Poland. Italy shows a positive trend as well, even if more limited. In these countries, the perceived increases are coherent with recent re-organisation of VET systems, as for instance in Poland and Lithuania, or with the introduction of new work-based schemes, as for instance in Italy. Therefore, the perception of the interviewees seems to reflect country-wide efforts in the promotion of vocational training. In Austria, a country with a well-established VET and high levels of expenditure in training, a stable situation is generally reported with some signs of further increases. On the other hand, civil servants in Denmark, another country where training policies have been strongly financed and pursued in recent years, see a general decrease in investments in vocational education.

4.3. What directions for future developments?

Civil servants were also asked about the most important direction future development in the respective policy field should pursue. **In childcare improving the quality of public offer is the most mentioned** (30% of the respondents) element to focus on. This matches with SI perspective of an offer that does not only focus on available places but also on quality education. The quality of ECEC services is followed by the need to increase the public offer of care (25%) and by maintaining the public care services (particularly mentioned in suburban areas). It is interesting to compare the answer to this question with that related to the main problem to be fixed (section 3.1). The lack of available places and, therefore, the quantitative supply, emerged as the main challenge. If, on the other hand, civil servants involved in the management and planning of services are asked what are the elements to focus on in the immediate future, it is the quality of the services offered that is most mentioned. The latter also

suffers because the slots available are few and therefore, for example, the children to education staff ratio (one element of quality and the most mentioned when respondents were asked which aspects of childcare services are the most important) is increased to satisfy more families. Indeed, the classes are often increased up to the limit allowed by the regulations. On the other hand, the institutional analysis previously presented showed how the attention to the more quality related aspects is still low. However, the desired directions show that attention to quality is not neglected by the civil servants, but quantity and quality of the services are intrinsically linked and both constrained by the resources available. Outsourcing services is not a welcomed solution by civil servants who rather prefer the option of public-private partnerships to increase the availability of places.

Figure 12 – Directions to be developed in ECEC (%)

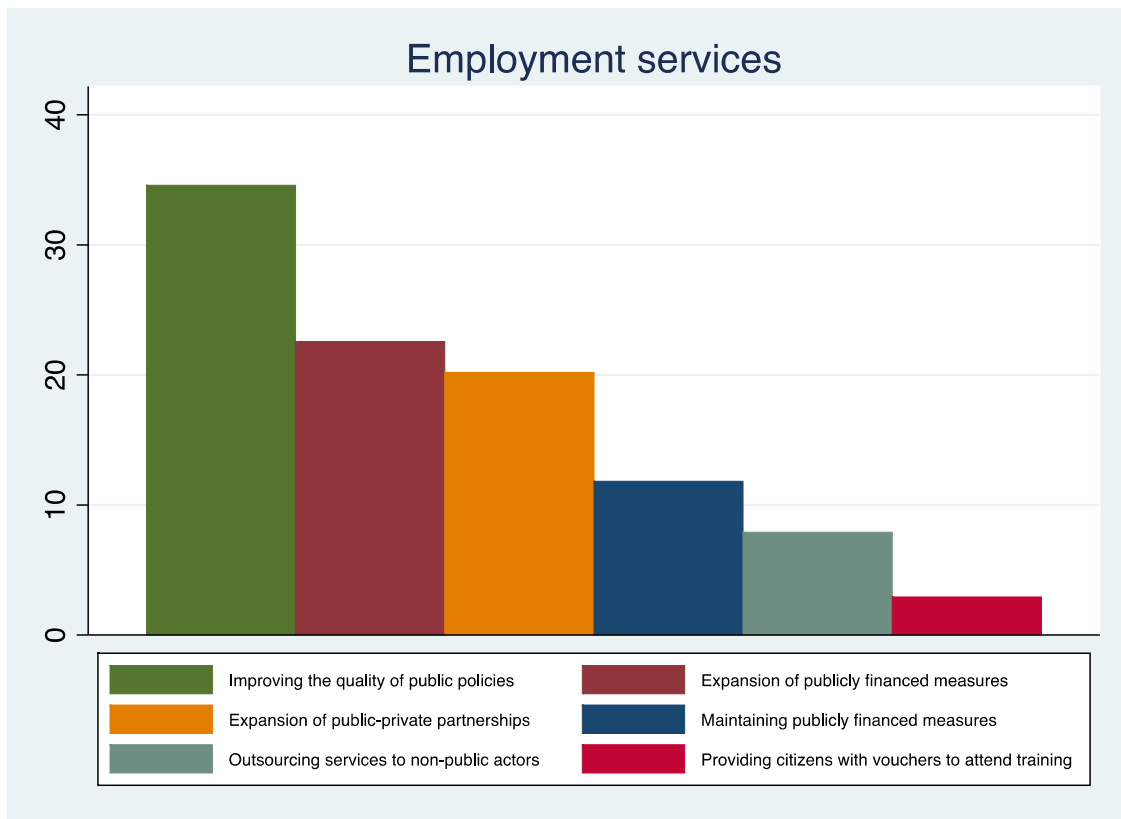


Source: COHSMO survey. Number of respondents: 88

In labour market, more than one third of the interviewees highlighted the importance of **improving the quality of the policies provided**. This is followed by an expansion of public actions (an issue mentioned especially in urban areas) even if a minority but significant quota hopes for a greater involvement of private actors in form of partnerships. However, completely outsourcing services to private actors is not a solution considered (less than 10%). Both expanding public-private partnerships and outsourcing are solutions particularly considered in Italy, where labour market policies are localised but transfers from central government is weak. They currently rely considerably on EU funding but they may consider more collaboration with private sector as another potential solution to increase and improve the services offered. Italian employment services traditionally

struggled with the demand-offer matching. In these cases, private agencies are usually seen as better equipped and therefore more partnerships may also be seen as helping Italian PES to improve on the matching side. On the other hand, countries such as Greece and Lithuania characterized by low local autonomy in managing and financing labour market policies are those mostly focusing on the quality of the public policies provided. Moreover, the solution to provide citizens with vouchers to be used to pay for training and education programs is not welcomed in general, even though used in some contexts. This option is mentioned only in Austria and Denmark. However, even in the contexts where it is already available (like Austria), a further increase is not seen as the top priority by employment services officers.

Figure 13 – Directions to be developed in employment services (%)



Source: COHSMO survey. Number of respondents: 130

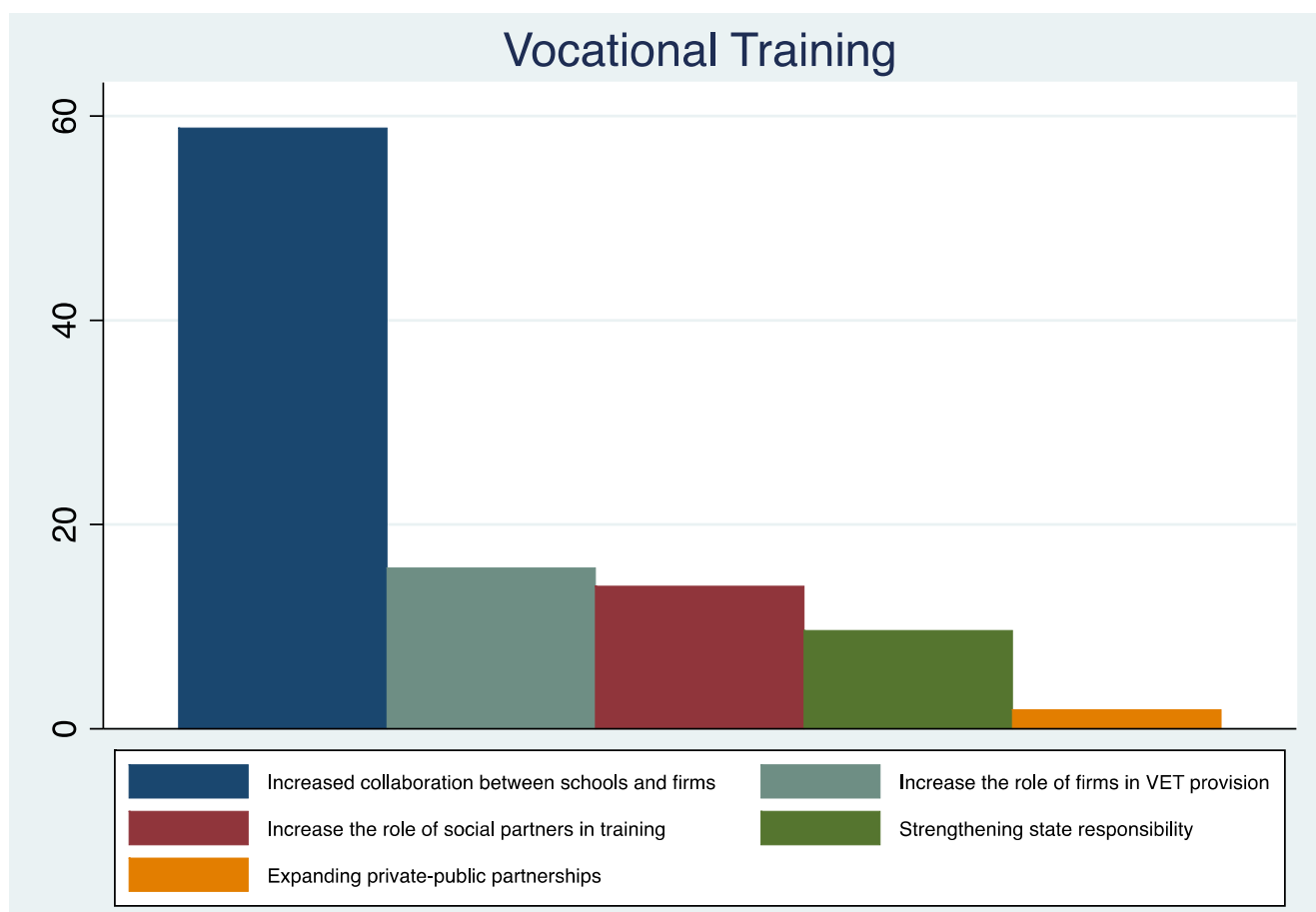
Mirroring the problems mentioned (section 4.1), in vocational training, the direction hoped by more than half of the respondents is one where **collaboration between theoretical education and practical on-firm training** is increased. This is transversal to every country and degree of urbanization, notwithstanding the strong differences in VET settings.

According to civil servants, VET should therefore develop in the direction of a better integration of the school- and work-based component, in order to provide valuable knowledge that also fits with companies' requests. This goal is shared both by countries like Austria and Denmark, where the established coordination between schools and

employers is seen as a field of possible further improvement; and by countries like Poland, Lithuania, Italy and Greece, where this coordination has not been fully established yet, but it is nonetheless seen as a desirable future evolution.

The role of social partners should be increased according to one quarter of respondents in Austria and Denmark, while it is almost not mentioned in some other countries. In both countries, social partners have a role in the definition and/or implementation of either VET or ALMP, and their involvement is seen as beneficial. However, in countries where the role of social partners is only marginal, they tend to be not considered as a desired direction of development.

Figure 14- Directions to be developed in VET (%)



Source: COHSMO survey. Number of respondents: 68

5. Conclusions and Recommendations

Evidence and data discussed in this document show that measures, awareness and orientations coherent with SI can be observed, to some extent, in most of the COHSMO countries. However, these tend to be fragmented across policy fields rather than being part of a comprehensive SI approach. This means that some countries pursue SI strategies only in one specific field, or that they are struggling to fulfil the double goal that this perspective implies: investment in human capital and improving labour market participation.

Differences do not only exist across countries but also within countries themselves, when local contexts are considered. This is shown by interregional differences in occupational outcomes and institutional frameworks, which

may give regional or local level discretion in designing policies. Indeed, **Social Investment policies are strongly context-sensitive**, since specific local characteristics may hinder or foster their effectiveness. At the same time, high quality SI services can build on local structures of the population and of the labour market, fostering human capital formation, improving the matching and the participation of youth and women.

In all the three policy fields considered, some positive combinations emerged, even if limited to some countries. This allows to highlight which are the elements needed for a more successful implementation of SI strategies. The combination between high female activity rates and higher-than-average fertility rates was found in countries and regions where the

coverage and the quality of ECEC services is high, showing no trade-off between female employment and fertility. What is crucial is not only the amount of service provision but also how it is organized (opening hours, etc.) and the characteristics of labour market (in particular some favourable conditions like the presence of part-time opportunities and flexibility in working arrangements).

In most COHSMO regions, an increasingly educated supply of work matches with a growing demand for skills. Well-functioning labour markets are able to provide job opportunities for youth, irrespective of the level of qualification. However, higher employment premium for educational levels can also be enhanced via the provision of high quality vocational and tertiary education. In particular, our results confirm that vocational training system integrating school- and work-based components (for instance in Austria and Denmark) seem to be able to further ease the transition towards employment, by improving the matching between skills and local employers' requests. Both Austria and Denmark are able to provide different opportunities to young pupils, ranging from dual apprenticeships to technical schools allowing the passage to tertiary education. This leads to considerably high employment levels for youth with upper secondary vocational education (over 85%).

SI policies are all shaped by different multi-level configurations. The scales at which policies are implemented and the degree of autonomy given to local authorities assumes therefore a pivotal role. Local autonomy in regulation and implementation is particularly high in ECEC, generally allowing for capacity to potentially adapt to local needs. Conversely, VET and partially ALMP usually display a stronger top-down regulation. On the one hand, this may allow criteria and procedures aimed at guaranteeing recognised standards, thus reducing territorial disparities. Otherwise, the lack of standards can bring to the fragmentation of responsibilities and provision of services, as it is for instance the case of vocational

training in UK, and of ALMP in Italy. On the other hand, the lower local autonomy in strongly centralised systems could result in a gap between the labour supply and the local market demand. This risk is especially high when the coordination and cooperation between public and private actors at the local level is ineffective. Conversely, the involvement of social partners and local firms, even in centralised systems, provides room for cooperation and adaptation to the specific characteristics of the local context. Local services seem to be successfully answering the demands of the territory, when **rules and goals set at national (or regional) scale leave room for adaptation and flexibility, via higher degrees of local autonomy or coordination with local actors involved in the provision.**

Local autonomy can also be constrained by limited resources. This is firstly a challenge at country level, as some countries show comparatively low levels of public expenditures in social policies (for example Greece and Italy in ALMP or Greece and UK in ECEC). However, there is also an issue related to within-countries disparities: low investments carry the risk of leaving behind those areas that are already marginalized, favouring cities or emerging sub-urban areas. Territories more in need may also be the ones with less resources and less local innovation capacity leading to “territorialized Matthew effects” with inequalities among citizens increasing depending on where they live.

Considering these governance and funding premises, each policy field shows specific issues to be prioritized, when looking from a territorialised SI perspective.

Early Childhood Education and Care Services proved to be successful in COHSMO countries or localities where high degree of autonomy is coupled with a centralized setting of rules, as well as a significant financial support from the state.

- (1) COHSMO countries should strengthen their investment in human capital, together with widening the service coverage that in some cases is considerably below the 33%. This limited investment results in local services struggling to address both quantity and quality of their provision at the same time. This can result, mostly in the marginalized areas of these countries, in a scarce provision coupled with a not-adequate quality in the pedagogical offer. Low financial investment leads to an underpaid or not adequately qualified staff as well as to low service coverage, failing both the goals of a quality service and an adequate coverage.
- (2) The effort of ECEC should be stronger in marginalized territories, counteracting the effect of poverty, enhancing social mobility and integration of children and families. The vicious cycle of low ECEC provision and low female labour market participation must be broken. In struggling labour markets, without an adequate public offer, fertility rates (especially probabilities of having a second or third child) are depressed by limited childcare solutions. Long-term effects are likely to be much more visible here than in better-off areas. On the contrary, our evidence shows that investment in ECEC is stronger in better-off territories, while few resources are mobilized in the more disadvantaged ones. This holds true looking both at countries and lower territorial scales.
- (3) The increase of places availability should be urgently addressed by policymakers in the field, as most of them have recognized, while the improvement of the staff-children ratio represents a crucial issue for future development, in order to provide a quality service.

In **Vocational Training** the main weaknesses are the scarce capacity of providing a smooth

transition towards the labour market, as well as the fragmentation of VET provision and its lower consideration with respect to general and academic education.

- (1) COHSMO countries should increase their investments in vocational education and training, in order to combine high quality training with better employment opportunities. The examples of Denmark and Austria prove that a quality investment in human capital through VET is possible and beneficial for youth labour market integration. Resources should be of course coupled with evidence-based policy design: in comparative perspective, a variety of VET programmes, ranging from dual apprenticeships to technical schools allowing for further education, seems to be a key asset to increase youth opportunities and human capital enhancement.
- (2) To improve the employment perspectives of youth, the design of VET programs should strengthen the match with the local labour market needs, through high quality practical training. This goal can be reached by increasing the flexibility of public VET providers in adjusting to local requests; and by the involvement of private actors in the provision, within a central framework of standards and rules. In order to make VET an effective tool to ease transitions to employment, the collaboration between schools and private actors in the provision of practical training appears to be crucial theme to focus on, as shown by the cases of Austria and Denmark. Policy-makers should improve the amount and quality of practical training, developing a much stronger collaboration between school and local firms through work-based schemes in the form of dual apprenticeship or regulated traineeships.

- (3) The presence of standards and controls, as well as the involvement of other intermediate actors like the social partners, can substantially increase the quality and reliability of the qualifications attained, limiting territorial fragmentation in the provision of training. An effective monitoring system is essential to guarantee that the practical on-firm training and experiences are carried out according to plans. Otherwise, as it emerged in some of the countries where vocational training is not based on a dual system, alternating school-work experiences and internships in companies risks to remain a poorly structured experience with limited benefits for the pupils.

Active labour market policies should foster the re-integration on the labour market, by empowering jobseekers in order to find “good jobs” opportunities with fulfilling career and personal prospects.

- (1) ALMP programs should couple autonomy of local public services and a stronger financial support from the state. This improves the connection with local labour demand and enables them to provide quality and customized services. Public Employment Services (PES) should be granted enough resources to provide effective actions for jobseekers, not limited to screening and orientation activities. The matching (between labour demands and offer) services should become more effective, increasing contacts and collaboration with local firms as suggested by the survey submitted to civil servants. Otherwise the risk is to develop quality programs but not being able to support the jobseekers in the last step, i.e. finding an adequate job position.
- (2) Policy-makers should aim at developing the provision of ALMP firstly by improving the quality of services and

measures. In this direction, the main critical aspects to be addressed concern the ability to draft customized interventions for jobseekers based on their individual profile and needs and the inadequate salaries of PES employees (which affect the overall quality and qualification of the staff). Using common policies and tools designed at national or regional level is not necessarily negative. However, to avoid excessive uniformity in the actions proposed, local PES should be able to operate a selection in the “basket” of available tools, in order to choose the better option, given the profile of the jobseekers and the characteristics of the local labour market. Moreover, active and passive measures shouldn't be treated as different tools: an integrated system should be developed. This is still limited in some of the countries, especially in countries where passive measures are managed by different public bodies. To achieve this coordination, policy makers should consider to design proper inter-organizational flows.

- (3) Better connection with the vocational training system should be developed, not only for youth transitioning from school to labour market but also for adults in need of requalification. Vocational and training is a key instrument to requalify older jobseekers. These, on the basis of a careful analysis of their current skills and shortcomings, must be directed towards professional training consistent with the demands of the labour market and not towards generic training paths. This last point is also part of the need for better coordination between active and passive measures and in particular for mature workers who have lost their jobs. Otherwise, the risk is that the link between income support and participation in active policy programs results in the enrolment in

generic courses, with scarce effects on future employment perspectives.

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