Beyond neo-liberalism: the social investment state?

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Introduction

In the United Kingdom and the European Union, social policy is losing its economic rationalist spots at an increasingly rapid pace. Today a number of writers have been searching for a way to name just what it is that is taking its place. This paper introduces the concept of the 'social investment state', which many are finding apt to describe this transformation of social policy. First we examine some of the major writings which have developed the notion and then we look at policy developments in the United Kingdom and the European Union which can be seen to exemplify the model. We conclude with some reflections on the take-up—or relative lack of take-up—of the model by federal and (Victorian) State governments in Australia.

The concept of social investment

For Giddens (1998), the social investment state was to be associated with the 'Third Way' between neo-liberalism and the post-war welfare state. For him it is quintessentially a future-oriented approach that makes an entrepreneur of the state. Expenditure is in the form of human capital investment and is understood as positive welfare. He envisioned this resulting in a citizenry of 'responsible risk takers'. Giddens outlined lifelong education and an increased government role in the social economy as leading social investment strategies. However he invoked other aspects that have not been taken up so strongly in the subsequent literature. These included entrepreneurship, portability of achievements and entitlements, and public partnerships with private enterprise (pp.124–7).

Other early contributors to the concept's development include James Midgley who proposed that the seed of social investment germinates from the productivist element underlying the New Deal and Keynes-Beveridge period. He claimed this element was supplanted by the rise of a post-war redistributive social welfare platform associated with Titmuss which redefined the—now disparaged—post-war welfare state form (Midgley 1999, pp.5–6).

Midgley and his United States compatriot Michael Sherraden suggest that social investment is simply another name for the social development approach (or productivist approach), which emerged in the late 1960s. They suggest that while previously viewed chiefly as an approach for developing nations, its appeal as an alternative strategy for a new economy continues to grow in the developed world. Midgley and Sherraden outline the emphases on investments in human capital, social capital, cost effective programs, employment, individual and community assets, removal of barriers to economic participation that are indeed consistent with a social investment approach (see Midgley & Sherraden 2000). Esping-Andersen (1992) is one author who in the 1990s has contributed to an analysis of the productivist approach to social policy. He attributes the uniqueness of the welfare state of Sweden to its 'productivistic' and 'preventative' social policy that invests in areas of adult training and education, employment, job mobility and family services to maximise economic participation. Expenditure in these areas reduces social need and thus saves money in other areas (pp.36–7).

In an important intervention, the British writer Ruth Lister has pointed out that the Commission on Social Justice, in its 1994 report *Social justice: strategies for national renewal*, first gave impetus to the concept in the UK. Here the investment model was proposed as the alternative to that of 'deregulation' and 'levelling'. The report states that 'the emphasis was on economic opportunity in the name of social justice as well as of economic prosperity and the achievement of security through investment in and the redistribution of opportunities rather than just income' (Lister 2003, p. 429). Lister also usefully links the basic sentiments of the social investment paradigm to Jessop's influential modelling of the post-Fordist 'Schumpetarian workfare state' in which 'redistributive welfare rights take second place to a productivist reordering of social policy' (cited in Lister 2003, p.430).

There is an awareness in all of the social investment literature that the model is the product of the need to respond to a radically changed economic and social order. This is understood typically in terms of the challenges posed by attempting to compete in the globalised knowledge economy where success is predicated on the existence of a highly adaptable, skilled and educated workforce with welfare policies that encourage active participation (primarily in the labour market) and equip people to face new risks. Also acknowledged is the need to contend with structural changes in society, such as: an ageing population, changes in family structure and work patterns and an increasingly culturally diverse society.

While the social investment model still positions the free market as the primary and most appropriate organising principle in society, it is no longer the so-called untamed market which is seen as the most efficient (or equitable) method for organising society. Instead there is a recognition of the need for government intervention and direction of market forces in order to improve both economic and social outcomes. As Giddens (1998, p.100) describes, the aim of government now is 'utilizing the dynamics of markets but with the public interest in mind … (This) involves a balance between regulation and deregulation … and a balance between the economic and non-economic in the life of society'. In addition to this change in the relationship between markets, government, social and economic sectors of society, there is also a questioning of the underlying architecture of welfare and a push for its 'modernisation' to improve economic competitiveness and enhance social well-being.

Overall, despite the growing interest in the social investment framework there is still no precise definition. A number of common themes in both theoretical critique and the social investment policy practice give shape to this new approach; however these are given varying weight by different analysts.

a) Integrating the social and economic

The social investment model's chief concern is with recognising and integrating the economic and social dimensions of policy. Social investment aims to offer an effective answer to neo-liberal critiques of social spending as wasteful and a source of dependency. For example, Midgley explicitly views the social investment state as a model to 'legitimate' social welfare and stem state retrenchment. Because it attempts to integrate social and economic needs, social investment seeks social programs that advance economic development. This makes redundant arguments that suggest (redistributive) social spending poses an inhibiting influence on economic development (Midgley 1999, pp.3–4).

Investment implies returns. It is integral to the social investment concept that programs produce outcomes beneficial to the economy. Government spending is therefore targeted only where it is ‘needed’ and where it will generate the best returns (Jenson & Saint-Martin 2003b, p.81). This aspect is phrased in more specific terms of ‘increasing cost-effectiveness in social welfare’ (Midgley 1999, p.9) and ‘modernising social protection to make it sustainable’ (Jenson & Saint-Martin 2003b, p.78). The returns are also conceived as having a multiplier effect. Through increased economic participation and the flow-on contributions to the economy, economic and social benefits accrue for both the individual and the collective.

Many authors cite evidence of social and economic returns on efficient social spending in a range of different areas. Lister suggests that underpinning social investment is an understanding that targeted spending to address poverty is the best anti-drug, anti-crime, anti-deprivation policy (Lister 2003, p.431). The compelling case for social spending and in particular the costs associated with *non*-social spending is developed more comprehensively by both Gough (2000) and Fouarge (2003).

While social investment does not prioritise economic goals, there is general agreement that attaining them provides a much needed rationale for social spending and an active government.

b) Investment for equality of opportunity

Social investment aims to move beyond redistributive, consumption-based social welfare centred around benefits and rights, to one that, through investment in human capital, enhances people’s capacity to participate. Sherraden (2003) sees this move as consistent with Amartya Sen’s influential analysis of welfare in terms of capabilities rather than merely consumption. This aim of social investment can be contrasted with a neo-liberal form of equality of opportunity, about which Giddens (1998) expresses concerns. The latter type of equality of opportunity results in a meritocracy, with minimal state investment and without a goal of social inclusion, and threatens to create social division (pp.101–2).

The change underlying this shift is from an equality of outcomes to an equality of opportunity (also referred to as equality of life chances) involving distribution and redistribution of opportunities and capabilities. As Jenson and Saint-Martin express it:

> Thus, in the social investment approach, high rates of inequality, low wages, poor jobs or temporary deprivation are not a serious problem in and of themselves: they are so only if individuals become trapped in those circumstances or if they foster anti-social, exclusionary behaviours, such as criminality, dropping out, and so on. (Jenson & Saint-Martin 2003b, p.92)

Investment imposes responsibility on individuals and society to transform and enhance their economic competitiveness (Lister 2003, p.437). Lack of access to knowledge and loss or absence of skills are the new social risks of the knowledge-based economy. Rather than being provided with direct security through mechanisms of redistribution, citizens are equipped through this process of investment to negotiate their own integration into the market. (Jenson & Saint-Martin 2003a, pp.5–6). The new form of security provided by the social investment state is the capacity to face these risks in the market.

Jenson and Saint-Martin suggest that social investment state governments will rely on markets to ‘produce welfare’, but their role will probably require modifying market outcomes, to ensure a base-level security. To ensure all citizens have a capacity to adapt to change, those at most risk of social exclusion are sought out for integration (Jenson & Saint-Martin 2003b, pp.86–8).

In this drive to provide human capital investment through, for example, education and training, there is a marked orientation to the future with enhanced opportunities for children.

Jenson and Saint-Martin argue for the centrality of the concept of ‘future time’ in social investment and contrast their perspective with post-war policy makers, for whom ‘the historical time that weighed most heavily was the past, with the present being the moment when the dangers of history could be avoided by appropriate macro-economic policies’ (Jenson & Saint-Martin 2003b, p. 90). The social investment focus is on the present to build the future.

It is logical that with a future orientation comes a focus on the child. The sentiment that children are one hundred per cent ‘of the future’ prevails and Lister (2003) outlines its expression in the UK social investment state. In cross-national policy comparison, Jenson and Saint-Martin note a zealousness for investment in children, especially young children (Jenson & Saint-Martin 2003b, pp. 91–3).

c) Economic participation focus

Another central component of the social investment state is participation for most citizens in the labour force in order secure social cohesion and economic competitiveness. In general the goal of full employment is superseded by that of employability This is chiefly to be achieved by means of activation in the labour market and lifelong learning. The third way outlook of ‘no rights without responsibilities’ is exemplified here. As Midgley expresses it:

> Rather than using scarce resources to maintain needy people on income transfers, the [social investment] approach favors programs that help them to find employment or become self-employed. In this way, they not only earn money but become self-respecting citizens who work, pay taxes, and contribute to economic development. (Midgley 1999, p.13)

‘Making work pay’ strategies are evident in some social investment regimes as a means to encourage activation. Some focus on families with children such as in Canada, while others do not discriminate such as in the UK and France. Activation of all is the goal, so that equality of future opportunities can be achieved, even if inequalities exist in the present (Jenson & Saint-Martin 2003a, pp.12–14). However, Jessop (2003) is highly critical of the activation approach to employment policy developed by the Blair government in the UK. He suggests that it has replicated the harsh elements of the US 'workfare' regime, and has a deliberate aim of 'forcing unemployed ... into the labour market at entry-level, low-wage jobs in order to expand the labour pool and reduce wage-inflationary pressures' (p. 13).

Others suggest that social investment should aim at improved job quality even for vulnerable workers, through investing in training and lifelong learning rather than a US-style 'work first' approach and by encouraging employers to generate quality work and to invest in their employees (Jenson 2003). Midgley calls for the model to promote, and amply fund, job opportunity creation for those unable to negotiate an open labour market (1999, p. 14).

A strategy of lifelong learning is one commonly cited means to increase people's adaptability and flexibility to ensure their continued economic participation and thus their social inclusion. And there is consensus that the primary aim of social investment is developing an active society in which social inclusion is enhanced. Assisting the most vulnerable and disadvantaged, and ensuring they do not fall behind, is a recurring theme in the social investment literature. Midgley (1999) and (Sherraden (2003) both view social investment as necessary to counter the social exclusion arising from an unmediated market.

Jenson and Saint-Martin (2003b) suggest a shift in the goal of social policy, under social investment, from achieving social equality to achieving social inclusion. Much of this stems from an understanding of poverty as a self-perpetuating process (pp.92–4). They propose an underlying cause for this drive for social inclusion:

> The reasons for targeting spending at the margins of society are found in notions of social justice, to be sure, but also in the fear that these marginal populations are a threat to social cohesion, that is to the enterprise as a whole. It's not just individuals' welfare, but social cohesion at risk. (Jenson & Saint-Martin 2003b, p.87)

Differences of emphasis

There are differences between the major writers concerning the potential applications of social investment. Jenson and Saint-Martin note, through comparative policy analysis of advanced industrial nations, evidence of an emergence of a new theoretical model for active society—the LEGO™ model (Jenson & Saint-Martin 2003a, p.1). The three founding principles of the LEGO model are:

- identification and action on new social risks posed by the economy and labour market
- equality of opportunity
- participation (Jenson & Saint-Martin 2002, p. 52).

When further explained, these principles mirror the key social investment principles, without the emphasis on economic and social policy integration. However the authors claim for themselves the credit for the name and the recognition that there is 'a shape to what is happening' and that it is shifting the welfare responsibility mix. (Jenson & Saint-Martin 2002).

Jenson and Martin attribute the LEGO model name to the philosophy of the LEGO™ company that prescribes play as educational and invaluable in nurturing an adult capacity for continuous learning, flexibility and adaptability. The philosophy is focused on the future and suggests how participation in the present is ultimately productive for individuals and the community in the future (Jenson & Saint-Martin 2003a, p.4). These authors observe a *convergence* around the broad ideals which constitute this model, but cross-national *divergence* in policy targets, policy design and implementation (Jenson & Saint-Martin 2003a, p.1). Divergence is attributed to local factors such as welfare regime type, origin and socio-political environment (Jenson & Saint-Martin 2002, p.54). Lister, however, is less certain and warns against viewing all policy developments as attributable to the 'social investment template' even if in harmony with it, and urges an awareness of complexity and potential contradiction within manifestations of social investment states (Lister 2003, p.438).

A further variation in the social investment concept is evident in the work of Midgley and Sherraden who identify the mobilisation of social capital in poor communities, and develop individual and community assets as chief components of the social investment concept (Midgley & Sherraden 2000, p. 438). They articulate that the approach engenders government, individual and community effort. Lister indicates that one of the main areas of human investment is in community development, that social capital, crucial to economic growth, is to be bolstered by investment in social institutions and civic renewal (Lister 2003, pp.429–30). However Jenson and Saint-Martin appear to suggest that benefits will flow through the community, without any direct investment, as a consequence of a social investment approach activating individuals and thus building social capital (Jenson & Saint-Martin 2003a, p.15).

Theoretical caveats

In their outline of the LEGO™ model, Jenson and Saint-Martin suggest that an effective social investment model must break with the neo-liberal attachment to minimal government. They suggest that any restructure of the citizenship regime that reduces too severely the state role in the responsibility mix will be unable to deliver the social investment state vision (Jenson and Saint-Martin 2003b, p.96).

Lister (2003) suggests that in this framework it becomes the child as a *worker*-citizen of the future, rather than the child as a *democratic*-citizen, who is the concern of policy. This instrumental conceptualisation of children displaces both children's right to a childhood and an emphasis on their present welfare, and also renders investment defensible only with demonstrable outcomes. Lister agrees with the observation of Dobrowolsky (2002) that it is politically convenient to avoid inherent social divisions and brandish the child as a undifferentiated symbol, though she also suggests that UK social investment policy provides some room for children to be valued as 'beings' not 'becomings' (Lister 2003, pp.433–6).

Jenson and Saint-Martin note that the focus on groups offering high returns, mainly children, leads to identification of others offering lower returns. Age can be the determining factor of investment potential. They suggest there is evidence that policy makers question the cost-effectiveness of ‘second chance’ interventions for adults, and that there are likely disadvantages for the elderly in the social investment approach (Jenson & Saint-Martin 2003b, pp.92–3).

By contrast, Sherraden, though largely concerned with asset-based social policy, suggests there is a natural case for a focus on children in social investment strategies. He argues that asset building is a long-term process, that starting early means ‘greater accumulations’ (Sherraden 2003, p.3).

Lister sees the ‘universal breadwinner’ approach of the social investment model actually involving a ‘narrow gendered interpretation of the obligations of citizenship’. It is a divergent path from her proposed ‘citizen earner–carer’ model in which men and women are supported in combining work and family responsibilities. She refers to Levitas who highlights a tension between viewing paid work as the ultimate guarantee of social inclusion and understanding the value of unpaid work (Lister 2002, p.142).

Other potential concerns with the social investment state are:

- a lack of emphasis on job creation
- an inherited commitment to a neo-liberal macroeconomic framework
- a continued reliance on the market as the central organising principle
- a commitment not to increase overall social expenditure, instead relying on improving efficiency of expenditure
- ambiguity regarding the role of the state in delivery of services
- a lack of consideration of environmental sustainability.

Such major concerns need to be considered in the further development of the social investment approach.

From theoretical models to policy practice

The following sections examine policy developments across the United Kingdom, European Union and Australia and the extent to which these suggest the emergence of a new Social Investment paradigm.

United Kingdom

In many ways New Labour in the UK has undertaken the most coherent policy application of the Social Investment paradigm. Originating, as we have seen, with the Commission on Social Justice report in 1994, and continuing with the accession of Blair to the leadership, Labour increasingly moved toward a new agenda aimed at ‘modernising’ the party. By the run-up to the 1997 election the party was proclaiming New Labour’s intention to create ‘a dynamic knowledge-based economy founded on individual empowerment and opportunity, where governments enable, not command, and the power of the market is harnessed to serve the public interest' (Dobrowolsky 2003, p.4). This position affirmed the party's commitment to the market as the most appropriate organising principle, but identified a key role for government in mediating its relationship with the social sphere and ensuring that sections of the community were not left behind in the drive for economic competitiveness.

This approach was centred around the concepts of lifelong opportunity and social inclusion and involved what Dobrowolsky (2003) describes as a new supply-side agenda for the left, emphasising lifelong access to education and training as well as an active labour market and welfare policy. To support this agenda, new departments, units and policies were created. The need for better integration between social and economic policies was championed, partly in recognition of the huge social costs of the previous neo-liberal regime, but also due to a growing belief that a permanent underclass was detrimental to both the flexibility and efficiency of the economy (Jessop, 2003). This was seen in policy goals to halve child poverty in 20 years which both had an ethical basis and recognised the impact and economic cost of poverty on a range of other social problems (Jenson & Saint-Martin 2003). As the Chancellor of the Exchequer commented in launching the Child Trust Fund, 'For reasons not just of social justice but also economic efficiency, we should invest in the potential of all our children' (cited in Jenson & Saint-Martin 2003, p.11). The Treasury moved towards a more active role in social policy, wedded to economic policy, and the newly created Social Exclusion Unit excelled in linking the two together and calculating the financial costs of social exclusion (Dobrowolsky 2003).

The new role of government is clearly demonstrated in Gordon Brown's comment that the 'role of Government … is—by expanding educational, employment and economic opportunity, and by encouraging stronger communities—to enable and empower people to make globalisation work for their families and their future'(quoted in Lister 2003, p.429). Under this view, the state has a role to play in combating social exclusion by expanding work and educational opportunities, not just economic support. A central plank in New Labour's social investment strategy has been increased investment in people. However, this has been carefully targeted to those groups likely to offer the best returns through enhanced productivity, reduced social costs, or a combination of both. Rather than insulating people from the market, the focus of social policy has been to generate an educated, employed and active citizenry that is better able to compete in and adapt to the demands of the new flexible competitive labour market (Dobrowolsky 2003). Spending in areas such as education, childcare and health is seen as a 'good' in this regard, while spending on passive welfare such as unemployment benefits is seen as 'bad'.

The group that has been particularly prominent in new policy initiatives is children and young people. Since coming to power, New Labour has implemented numerous new policies, created institutions, and committed funds directed at children and youth. These include the New Deals for Young People, Sure Start, Connexions, the Child Tax Credit, Child Benefit, the Childcare Strategy, Child and Young Persons Unit and the Child Trust Funds (Dobrowolsky 2002). As Lister (2003, p.433) suggests, this represents a 'genuine, unprecedented attempt to shift the social priorities of the state to investing in children'. As part of this redirection, over one million new child-care places have been created and there has been a new recognition of the importance of pre-school education (Jenson 2003). The shift is significant in light of the UK's poor prior record in this area and represents the first time that the government has recognised child-care as a public as well as private responsibility. This focus on children and young people is driven by the belief that they are good investments for the future, and that investment in families and children is crucial for building social and human capital.

Social justice has remained a concern, but one that is now addressed through education and work as the key mechanisms for combating poverty and social exclusion and integrating people into the labour market (Dobrowolsky 2002). Redistribution has moved from a focus on income to a focus on opportunities, with citizens no longer able to expect what Gordon Brown has described as 'something for nothing' (quoted in Lister 2003, p.432). Instead people are presented with a citizenship bearing the 'no rights without responsibilities' motto, which is also evident in a range of social polices that aim to regulate behaviour (Lister 2003) and encourage an active citizenry.

Two additional components of New Labour's Social Investment strategy, which have not been given as much attention in the theoretical literature, are the focus on community regeneration and new forms of governance. A national strategy on the renewal of disadvantaged neighbourhoods has been launched (Lister 2003) and numerous initiatives involving collaboration and cooperation with informal networks, citizen participation and partnerships, think tanks, businesses, and the voluntary and third sectors have been commenced (Dobrowolsky 2003).

Critics of New Labour suggest that a number of groups have missed out in what Jessop (2003) describes as a productivist reordering of social welfare. These groups include those who cannot work, those who do not have children, asylum seekers and social movements tarred for New Labour with the brush of past identity politics such as unions and the women's movement (Dobrowolsky 2003). Critics also question the extent to which the policies represent a distinct break from the past or are simply neo-liberalism with support policies to compensate for the unsustainable social consequences. Indeed New Labour has committed itself to further market liberalisation and deregulation, the privatisation or corporatisation of the remaining state sector and the extension of market forces into remaining public and social services (Jessop 2003).

European Union

The application of the social investment paradigm has been more sporadic in the EU than in the UK, owing partly to the differing political structures of the member countries, the limited scope of the European Parliament to enforce its policy guidelines and a trend towards less binding forms of legislation and towards standards that are achievable by the least developed countries (lowest common denominator) (Hantrais 2000). While not explicitly labelled a social investment framework, a new approach to social policy reflecting many of the social investment themes, has been visible since the mid-nineties. The increased focus on social policy as an investment, and a better integration of social and economic goals, was introduced in the Amsterdam Treaty in 1999 and then taken further in the Lisbon Strategy in 2000. This strategy aimed to integrate economic, social and employment policies to achieve improved competitiveness, full employment, and the promotion of social inclusion, with a clear goal that these policies should be mutually reinforcing (European Commission 2004, p.31). The Lisbon Strategy set out the following goal for the European Union:

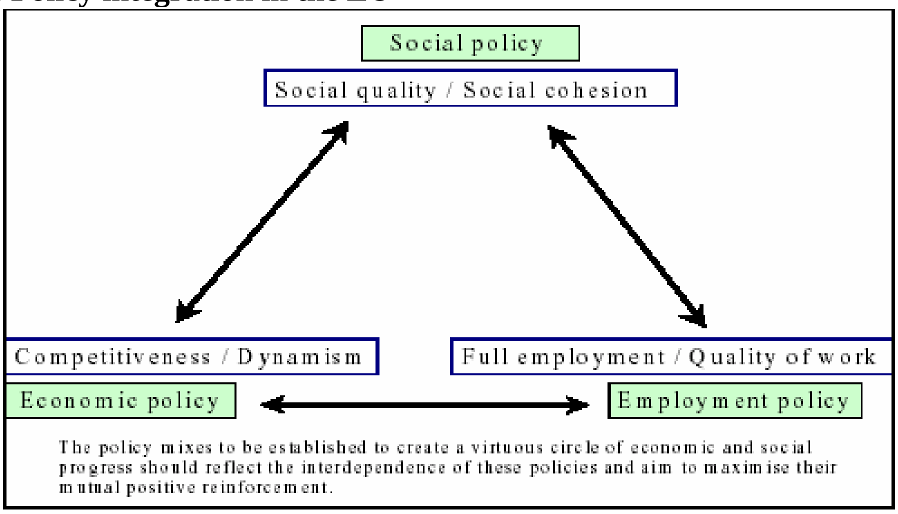
> … to become the most competitive and dynamic knowledge-based economy in the world capable of sustained economic growth with more and better jobs and greater social cohesion. (European Commission 2001b, p.11)

Within this framework, investment in social policy plays a critical role as part of a virtuous circle combining adaptability, flexibility, security and employability (European Commission 2004). This is evident in the EU's Social Policy Agenda, adopted in 2000, which identifies as its guiding principle strengthening the role of social policy as a productive factor. Social policy is thought to assist in the managing of structural change while minimising negative social consequences (European Commission 2000). It also

- provides a crucial input and framework for the economic sector
- contributes generally to rising productivity, living standards and growth
- reduces the incidence and costs of social exclusion
- facilitates responsiveness to change by providing a balance between flexibility and security. (European Commission 2001a)

Unlike the UK policy and most of the theoretical literature on social investment, EU policy stresses the need for integration not only between economic and social policies, but also with employment policy, which is seen as a crucial connection between the two (see Figure 1).

Figure 1.1 Policy integration in the EU



European Commission 2000, p.6

Investment in people is again a key element in the overall strategic direction and as in the UK it is being done as a means of achieving both social and economic objectives and is being targeted to those groups seen to provide the best return.

> Investment in people is both a crucial growth factor ... and a key instrument for enhancing social cohesion, and therefore supportive of the policy set out in Lisbon. (de la Fuente & Ciccone 2003)

This approach is supported by increased emphasis on combating social exclusion, as can be seen in the Joint Report on Social Inclusion (European Commission 2001b) and in a growing recognition of the economic costs of non-social policies (see Fouarge 2003). At the same time there is an aim to modernise and improve social protection to respond to new demands and opportunities of the knowledge economy and changes in social and family structures (European Commission 2000). The call for increased investment in people has focused on education and the development of human capital, the promotion of lifelong learning, early childhood interventions and social policies which encourage active participation in the labour market (Jenson & Saint-Martin 2003). Investment in people from disadvantaged backgrounds is also given strong emphasis (de la Fuente & Ciccone 2003).

As in the UK, the increased level of social investment is not connected to significant increases in public sector spending. Rather it is redirection and improved efficiency that are advocated as the means to provide funding (de la Fuente & Ciccone 2003). This position has drawn significant criticism from some authors who suggest that at a macro level the EU remains committed to a neo-liberal economic policy that allows little room for movement in fiscal or monetary policies and therefore hinders any progress towards a goal of social inclusion (Huffschmid 2003). Etxezarreta et.al. (2002) support this argument and question how much of the talk of the social dimension of the EU is political rhetoric.

Australia

Elements of the social investment paradigm have emerged in Australia—though without explicit recognition of it as a new social policy framework. There have also been significant variations between state and federal jurisdictions. Perhaps, at the federal level, the lack of explicit adoption of the social investment discourse has been an effect of the Howard Liberal government’s commitment to neo-liberal style politics. The states, especially in their policy activism around early childhood services and neighbourhood and regional renewal have clearly been more attuned to the social investment model, as we illustrate below from the Victorian experience.

Federal government

At the federal level there has been little evidence of moves to improve the integration of economic and social policies; to enhance the role of social policy as a productive factor; or to develop a new role for the state in mediating the relationship between markets, social and economic spheres. There is, however, emerging recognition amongst policy makers that the goals of policy need to be broadened beyond simply economic growth. The Federal Treasury released a background paper on the development of a well-being framework in June this year (Department of Treasury 2004), and the Treasurer, Peter Costello, has spoken of the importance of building social capital as a means of achieving improved economic and social outcomes. But the government envisages itself supporting the voluntary sector, rather than assuming a direct role for itself (Costello 2003).

In terms of human investment there has actually been a reduced commitment to groups most at risk of social exclusion across a range of areas. Funding for government schools has stagnated, while there have been significant increases in non-government school funding (Harrington 2004); the university sector has moved further towards a two-tier system with the expansion of the full-fee paying system; and funding of labour market programs has been massively reduced.

In the health area there has been a decline in bulk billing, while the private health system has been promoted through the introduction of the private health insurance rebate. In contrast to a social investment approach, these changes reflect an attempt to reduce government responsibility for the provision of these services. One area where human investment has increased, however, is in early childhood, with the recent introduction of the maternity payment, increase of the Family Tax Benefit (FTB) and easing of FTB withdrawal rates. However the case for classifying this as part of an overall social investment approach, rather than political opportunism, appears weak.

Some other federal government policies do appear congruent with the social investment approach. John Howard has spoken of the importance of providing a hand-up rather than a hand-out, emphasising the provision of opportunities rather than income; significant attention has been given to the need to ‘modernise’ the social protection system; and there is an increased emphasis on the need to encourage economic and social participation. However this change appears to be driven by the increased number of people receiving welfare, unemployment, increasing single parenthood and an ageing population (Centrelink 2003), not by a desire to develop social policy that acts as a productive factor.

Much of the emphasis on participation originated in the McClure report, which recommended that the social support system should ‘optimise the capacity for participation’ (Reference Group on Welfare Reform 2000, p.3) with the aim of minimising social and economic exclusion in terms of reduced joblessness, number of people on income support, and stronger communities. Within this framework ‘mutual obligation’ was considered necessary to actively engage people, and was framed in terms of both the government’s obligation to invest resources to support participation, and the income support recipient’s obligation to take up opportunities. In practice, however, the system has failed to provide sufficient investment to address underlying causes of disadvantage and resulted in a stigmatising and punitive approach to welfare recipients.

While the approach to economic policy taken by the federal government has some consistencies with a social investment framework, it differs in a number of important respects. There is a continuing commitment to the use of markets, with minimal government intervention across a range of policy areas, and only a weak understanding of the need to integrate economic and social goals and how this may contribute to improved economic growth.

Victoria

Policy directions of the Bracks government which came to power in 1999 in Victoria provide an interesting contrast to those seen at the federal level. They also marked a significant departure from the radical market-based policies pursued by the previous Kennett government.

During their first 18 months in office the government increased spending in education, health, police and community services and implemented a range of policy reviews, consultations, summits and roundtables which culminated in the Growing Victoria Together summit in March 2000 (Adams & Wiseman 2003). The resulting document (Department of Premier and Cabinet 2001) represented the first coherent move towards a social investment framework in Victoria. It set out the government's broad vision for the future, presenting a broader measure of progress than economic growth alone and a more balanced approach to economic, social and environmental goals and actions where they are all valued equally. This document and the subsequent Treasury document *Shaping a prosperous future* identified the key goals of government as:

- providing decent and responsible government
- getting the basics right: good schools, quality health care, more jobs and safe streets
- leading the way to a better Victoria, with education and lifelong learning as the key
- more jobs and thriving, innovative industries across Victoria
- protecting the environment for future generations.

(Department of Premier and Cabinet 2001; Department of Treasury and Finance 2003)

The Treasury's *Shaping a prosperous future* document also utilises a triple bottom-line framework. A strong commitment to improved integration of economic and social policies is evident in both these key documents. It can also be seen in the creation of the new Department of Victorian Communities and Department of Sustainability and the Environment after the government's re-election in 2002.

The propensity of government to intervene to achieve improved economic and social outcomes has also significantly increased. For example effective government actions to achieve a fairer Victoria are seen as 'expanding job opportunities and improving access to affordable, high-quality education, health, housing, transport, communications and energy services' (Department of Premier and Cabinet 2001, p.12). While investment in long-term social and physical infrastructure such as schools, hospitals, roads and public transport is listed as a priority, there is little articulation (except with education) of how such investment can support economic objectives and act as productive factor, as is evident in other social investment models.

Investment has focused on health and education, with improved funding and substantial staff increases in schools and hospitals. Education is viewed as an important path by which economic growth and social cohesion can be enhanced and along with lifelong learning is listed as a key means to 'create a better Victoria'. Compared with the UK and EU, there is less emphasis on the targeting of social policies to groups that will pay dividends, and a greater commitment to the improvement of services for social justice reasons. However, a notable exception is the recently introduced Best Start program that aims to improve health, development, learning and well-being of children from birth to age eight, and explicitly recognises the individual, social and economic benefits of investment in the early years. While the overall approach to human investment appears to retain a more traditional redistributive focus, there is also a commitment to reducing inequality through improving opportunities for disadvantaged sections of the community.

In terms of developing policies to boost economic and social participation, the Victorian Government's influence is constrained by their lack of control over social security, labour market and tax policies (Adams & Wiseman 2003). However there has been a strong interest in consultation and community building strategies designed to increase citizen participation, and an increased focus on regeneration of marginalised communities through the Victorian Neighbourhood Renewal scheme, based on the UK experience (Adams & Wiseman 2003).

In a preliminary analysis of the effects of the Growing Victoria Together strategy and subsequent policy changes, Wiseman (2004) suggests that there have been a number of benefits. These include: a genuine movement towards better integration of social and economic dimensions of policies; strong ownership of the GVT vision politically and by senior public servants; support and engagement of Treasury; and key ideas becoming embedded in policy language and practices. However, as in other contexts, the government's economic framework retains a neo-liberal leaning, with a commitment to surpluses of at least $100 million per year and a reluctance to borrow. This is evident in Treasury's *shaping a prosperous future* document which advocates a market-based model of employment and uncritically assumes a direct relationship between economic growth and improved living standards (Department of Treasury and Finance 2003).

Conclusion

Whether or not the term 'social investment state' survives the test of time, we would suggest that the new policy principles and practices associated with the term will be reshaping the social policy landscape for the foreseeable future. Few would surely now want to argue that the extremes of economic rationalism which enjoyed their heyday in the UK in the 1980s and in Australia in the 1990s provide a sustainable policy basis even for economic, let alone social and environmental, life into the longer term. In this regard Australia has clearly begun to lag behind Britain and Europe.

What is recommending the model is the strategic value of its three core principles. First it reunites economic and social policy. Economic rationalism encouraged a view of the economy as operating in a vacuum, estranged from social and environmental concerns. The new model reminds us that an economy—especially the so called 'knowledge economy'—cannot function optimally outside a society well-furnished with education, housing, health, transport and other social facilities. These things are not 'extras' to be added on as an afterthought to the economy; rather they must be a part of the overall economic calculation.

The second strategic strength of the model is its commitment to equality of opportunity. We have had enough of the market-led approach to globalisation now to know that unfettered markets are not level playing fields and that some regions and some population groups will—through no fault of their own—be left behind. Not only has this proved morally offensive in the Australian context, but also we know now the economic costs of non-social policy or failing to provide the infrastructure of opportunity.

The third principle, fostering economic participation, might be seen as both a strength and a weakness. The whole model is of course directed at showing the value of social investment in terms of economic and social productivity. This is surely much needed. But as Lister points out, social policy is about more than just work and readying people for work. There were very sound social and political reasons why many things were 'decommodified' in the post-war welfare state on the basis of the social rights of citizenship. Valuing families, communities, cultural practices, the environment and those population groups ill-suited to the labour market calls for broader social policy goals and a recognition of other forms of contribution as well as the simple one of economic participation.

Despite some weaknesses, overall social investment represents a step outside the neo-liberal paradigm and a promising new direction for policy.

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