

Towards a Child Centred Social investment Strategy

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There are several hidden messages embedded in the “welfare state” concept, at least in its English usage. Its origins go back to the worst years of World War 2, when the Archbishop of York used it as a counter-position to what he called “the Nazi warfare state”. The Archbishop had two ideas in mind. Firstly, that governments in a democracy must prioritize welfare guarantees for their citizens. And, secondly, that if citizens’ welfare is not adequately assured there is the risk that society will slide towards authoritarianism. In other words, the welfare state is a *sine qua non* for a free and democratic society. A half Century has passed and we witness throughout Europe a resurgence of the authoritarian impulse. We see it in the wave of xenophobic, proto-fascist political movements that attract the losers of the new economy, those with few or obsolete skills, inadequate education, and with a strong probability of sliding into social exclusion. The lack of belief in betterment within a large and apparently growing segment of the European population is therefore worrisome.

What is the relevance of the welfare state in this scenario? It is my view that the existing welfare state edifice, largely constructed in the post-war years, is increasingly failing to accomplish what it was meant to, namely to cement social security and a vision of social betterment from generation to generation, especially among the weakest segments of society. It fails to deliver a sense of security in a context of tempestuous change. This is a threat to social democrats and liberals alike because the legitimacy of both traditions can only be upheld effectively if they can promise *and* deliver upon a meaningful notion of equality of opportunities. For the liberal ideal, the lack of equal opportunities implies basically that individual freedoms are inadequately developed. Hence the liberal creed encounters a major dilemma if there is systematic social inheritance of life chances and opportunities. Pervasive social inheritance is similarly a dilemma for the social-democratic tradition, but here primarily because it testifies to a failure in accomplishing the promise of an egalitarian society.

When we examine welfare state evolution over the past half Century, it is evident that its main achievements centred on job security, social protection, and on education reform. We now have a vast amount of evidence that consistently tells us that this package has been fairly effective in redistributing incomes and reducing poverty, but that it has done very little if anything at all to increase equal opportunities, if by that we mean that everyone starts on the

same starting line irrespective of what social origins they come from. Whether we study career chances, educational attainment, or lifetime incomes, research shows that children's destinies are as strongly correlated with parental origins today as they were in our fathers' or grandfathers' time. From the point of view of enhancing equal opportunities, the post-war welfare states have by and large failed.

Perhaps this mattered less in the past because the Golden Age of postwar capitalism worked very well in terms of guaranteeing even relatively low-skilled people a fairly good life. The economy was buoyant, real wages grew constantly, and a job for life was the main experience of most workers that came of age in those decades. The most dramatic challenge to us now is that the whole context of life chances is being altered. We must, first of all, accept far greater individualism in terms of how people conceive their life chances. This means that citizens will not respond very enthusiastically to the traditional politics of collective enhancement. Promising to "uplift the conditions of the working class" is not the message that will win the vote in today's politics. Individualism may have strengthened, but clearly citizens also know that relying solely on their own resources they are unlikely to get ahead or obtain security. The evolving knowledge economy requires ever stronger skills, education and perhaps above all, strong cognitive abilities.

What may explain the stubborn persistence of strong social inheritance patterns in the advanced societies?

1. First of all, we know that the mechanisms lie primarily in the earliest years of childhood. Since life chances are so powerfully over-determined by early youth experiences, it is also clear why remedial social policies later in life, such as adult education, retraining, and active labor market policies, tend to be ineffective. It is typically too late to remedy problems that have their origins early on. It is well-established that childhood poverty produces very adverse long-term effects. American research, for example, shows that a child growing up in poverty will have, on average, two years less of schooling than non-poor children. In adulthood, the same person will earn about 30% less than the non-poor child and, worst of all, the likelihood of subsequently also becoming a poor parent is very high. The syndrome is therefore reproduced from generation to generation. Childhood poverty is a major source of unequal life chances.

2. We also know that our income is very closely correlated with the income of our parents. Inter-generational income inheritance is very high in France, almost twice as much as in the Scandinavian countries. If your father was in the top quintile of the income distribution, you will have 2.7 times more probability of also landing in that top quintile, compared to those whose father was in a lower quintile. Now we know that innate talent, or IQ, is distributed

normally in a population. But it is clear that life chances are not. In other words, it is not intelligence or innate abilities, but rather parental resources that are the main causes of unequal life chances. Family income is clearly decisive but arguably of even greater importance is the learning culture in the family. Indeed, my analyses of the international PISA study show that families' 'cultural capital' has twice as powerful effect on children's literacy as does their income. This has direct implications for the emerging knowledge economy in which it is cognitive skills that will very much decide your life chances. Put starkly, those children that are so unlucky as to have been born in a family with inadequate income and a weak learning environment are far more likely to face a life of low incomes or precariousness in the decades to come and will, at the end, be more likely to enter into retirement as poor.

Accordingly, the major challenge that lies ahead has to do with how we can redesign the welfare state so that it does guarantee more equality of opportunities and life chances in the Century we have entered. This is an issue of as much urgency for the liberals as for the social democrats.

Permit me to conclude with what I believe must be the corner stones of a new welfare state architecture. In the first place we must rethink our notion of social protection and move from the conventional principles of passive income support – possibly coupled to activation measures -- towards an emphasis on social investment, in particular focused on children. To give you an idea, were we simply to abolish childhood poverty today in France, it would cost approximately an additional 0.4 percent of GDP. That's very, very cheap indeed, but there's an even cheaper way to do it, namely via maternal employment. When mothers work, childhood poverty almost automatically disappears. So there is promise ahead and maybe we do not need a very expensive welfare state to at least attack the child poverty problem. But we have other mechanisms of social inheritance that weigh importantly, not least the transmission of cultural capital and cognitive stimulation. Here it would seem that social policy would be irrelevant. Clearly, the welfare state cannot legislate that parents must read for their children every night and minimize TV viewing. But we do actually have indirect – and very effective – means to equalize the cognitive development of children. One is high quality universal day care and pre-school attendance which, incidentally, also helps mothers reconcile careers and motherhood.

But won't children suffer if both parents are working? Yes and no. There is ample evidence that mothers' employment during the child's first year is harmful. In the interest of good child outcomes we should therefore ensure that maternity-plus-parental leaves stretch over the

first year. But beyond the first year, all the evidence tells us that mothers' employment is not harmful *if* child-care is of good quality. And there is another – little recognized – dividend. Mothers tend to give greater priority to their children's well-being than do fathers. This means that fathers' time dedication to, and families spending on, their children increases in tandem with the mother's bargaining power within the couple. Her bargaining power derives, unsurprisingly, from her economic autonomy. There is surely a very strong argument in favour of directing all family transfers to the mother's bank account.

This is not the place to go into policy details. The key point is that a shift towards a social investment model produces, at once, individual *and* collective betterment. It does so for three reasons.

1. If we want to be a competitive knowledge economy we must maximize our knowledge capital. In France, 20% of today's youth exit school prematurely and about 7% fall below the PISA minimum. There is, in other words, a sizable group that will fare poorly in tomorrow's society. Collectively, this translates into sub-optimal productivity and, hence, growth.
2. In the coming decades we will have huge elderly populations who, collectively, must depend on very small working age cohorts to secure good pensions. We must – to repeat -- ensure that today's children will be maximally productive as adults.
3. Most importantly, and returning to the issue of democracy, if the emerging authoritarian impulse originates in those segments of society that see no secure future ahead, clearly an investment in children's life chances will imply also an investment in the democratic functioning of our society. Perhaps we should reorient the political debate from an obsession with pensions to an obsession with investing in small children. After all, a secure retirement begins with a secure childhood.