

Is Social Investment Inimical to the Poor?

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Abstract

In the last two decades, the social investment strategy has been the main approach to welfare state reform. Concretely, two spending programs have dominated the agenda: the expansion of active labour market programs and the development of childcare services. Many authors have suspected, however, that these social investments were realized at the expense of income protection for the poor. This article assesses this potential trade-off with time-series cross-sectional models of the determinants of active labour market policies expenditures, childcare spending, and the adequacy of minimum income protection, for eighteen OECD countries between 1990 and 2009. It turns out that social investments are rather akin to traditional welfare state programs, and are explained by similar institutional, political, and economic factors. More importantly, they do not develop at the expense of income protection. Social investment initiatives are consistent with the usual politics of the welfare state and, overall, they are not inimical to the poor.

Keywords: Social Policy, Welfare State, Poverty, Public Expenditures, Redistribution, Comparative Politics.

JEL Classification: I38 Government Policy — Provision and Effects of Welfare Programs, H53 Government Expenditures and Welfare Programs.

Is Social Investment Inimical to the Poor?

In the last two decades, the social investment strategy has been the main approach to welfare state reform, in OECD countries and beyond. While it not easy to define this approach in a few words, it stems from the idea that social policy constitutes a productive factor that can be harnessed to raise the 'stock' of human capital and capabilities, ease the 'flow' of life-course and labour market transitions, and provide 'buffers' against old and new social risks (Hemerijck, 2017). Social policy should focus less on 'repairing' damages and more on 'preparing' individuals, families and communities for productive economic life. The idea, as Jane Jenson puts it, is to emphasize the future and invest in persons, notably through the promotion of constant learning (2012, p. 29).

Concretely, three policy areas have dominated the social investment agenda: education and training, family support and services, and employment relations (Morel et al., 2012b, p. 355-56). Typical undertakings include the expansion of active labour market programs, the development of childcare services, and measures to better protect persons in non-standard employments. Reforms along those lines have been carried in most OECD countries, with varying ambition, and they have generally been well received, on both the left and the right. The social investment perspective, however, has also been criticized.

Many argue that, for all its good intentions, the social investment agenda is insufficient to sustain economic growth and prevent major social risks, inappropriate in a context of austerity, and superficial with respect to gender equality (Hemerijck, 2017). Most importantly, some critics contend that the favoured reforms are not only insufficient, but in fact inimical to the poor, in at least two ways. First, the new programs introduced to activate labour market policies, support families and facilitate job transitions would mostly profit persons already active or not too far from employment. This is the Matthew effect argument, best articulated by Bea Cantillon and her collaborators (Cantillon, 2011 and 2014; Bonoli et al., 2017). Without employment, the truly poor would benefit little from new investments in active labour market policies (ALMP) and in family services, or from more flexible and accommodating employment

regulations. Worst, social investments may even hurt them, if they discourage improvements in traditional, passive income protection. There is indeed a potential trade-off between the political priorities of the educated middle-class, who favour social investments for the future, and those of the traditional working-class and of the poor, who privilege social consumption here and now or, in other words, conventional income support (Beramendi et al., 2015, p. 57; Gingrich and Häusermann, 2015, p. 55). In this perspective, social investments may well be undertaken at the expense of traditional income support. Whereas the Matthew effect argument suggests that the poor gain little from social investments, the trade-off thesis goes one step further, and contends that something must give: social investments are likely to be made at the expense of income protection. Investments in active programs would undermine commitments toward passive ones. “The very logic of social investment,” writes Silja Häusermann, “deviates clearly from traditional welfare policies, i.e., it seeks to enhance labour market participation, rather than decommodifying welfare recipients” (2018: 863).

This article evaluates specifically this trade-off argument and addresses, through this question, the broader politics of social investment. To do so, it considers public expenditures in the two most prominent social investment missions, active labour market policies and childcare services, for eighteen ‘classical’ welfare states between 1990 and 2009.¹ A first series of tests assesses the connection between these relatively new or expanding missions and the conventional politics of the welfare state, to see whether they reflect the usual politics of the welfare state or represent a turn away from established patterns. Then, the trade-off hypothesis is tested directly, with an analysis of the relationship between expenditures on these new programs and a country’s ongoing commitment to provide adequate minimum income protection for the poor. These different tests are conducted across space and time, using time-series cross-sectional estimations.

We find little evidence in favour of the trade-off argument. Active labour market policy expenditures remain associated to the generous and encompassing character of the welfare state, and they do not discourage passive income protection, except perhaps for lone parents. New spending on childcare services have a more distant relationship to established welfare state institutions, but they are not realized at the

expense of social assistance incomes either. Social investments may be plagued by Matthew effects, as are many traditional social policies, but they do not undermine income protection for the poor. With active labour market policy, the new programs actually consolidate the conventional class alliances behind the welfare state. Childcare services do not fit this traditional pattern as clearly, probably because conservative governments also expand them (Ferragina and Seeleib-Kaiser, 2015), but they do not expand on the back of the poor.

The first two parts of the article review the literature on social investment and outline the theoretical argument. The third part presents the methodological approach and the data. The fourth part discusses trends in the data and basic measures of association. The last part introduces more elaborate time-series cross-sectional analyses, and discusses the results and their implications.

Literature review: Social investment and the poor

There is no lack of promoters for social investment, because the approach offers a coherent defense and promotion of public programs and social spending in the face of a neo-liberal, pro-market agenda (Nolan, 2013, p. 460; Morel et al., 2012a, p. 8-9). The new orientation turns social expenditures into rational, productive investments for the future. At the same time, doubts remain, even among those who support a strong public role in social protection.

For one thing, the very distinction between investment and compensatory expenditures appears difficult to make, most social expenditures being in part contributions to enhance future production and in part benefits for current consumption (Nolan, 2013). Public expenditures on childcare, for instance, constitute at once an investment in early childhood development and a form of financial support for families. This is why this article does not seek to build a comprehensive list of social investment and compensatory expenditures, but focuses instead on the two spending programs that are unanimously seen as critical for social investment: active labour market policies — defined as the set of policy instruments used to address joblessness (M. Nelson, 2013) — and childcare services. Commitments to expand these two programs are then

compared not to spending on passive income support measures, which may encompass various programs and reflect exogenous trends, but rather to the adequacy of the minimum income protection offered to households without market incomes or assets. The potential trade-off is thus not between two allegedly different types of expenditures (as in Vandenbroucke and Vleminckx, 2011; De Deken, 2014; Kuitto, 2016) but rather between two types of well-circumscribed commitments, investing in human capital for the future, or alleviating poverty here and now (a somewhat similar approach is adopted, for active labour market policies only, by Iacono, 2017).

Many observers remain sceptical about the actual implementation of social investment reforms. In an early critique based on the Canadian experience, Keith Banting spoke of a failure of execution, to describe the lagging and uneven commitment of the Canadian government, which proved more prone to cut and restructure social transfers than to invest in training and education (2006). These doubts about execution do not concern only Canada. Few OECD countries, conclude Nathalie Morel, Bruno Palier and Joakim Palme, have fully implemented social investment reforms (2012b, p. 356; for an even more negative assessment, see Bengtsson et al., 2017). Many reforms have intensified market pressures more than they have brought in new public instruments and, overall, spending on new programs has hardly progressed (Morel et al., 2012b, p. 356-57). The Nordic countries remain the leaders in a race that has not been very competitive, and even in Scandinavia, results appear mixed at best (Nikolai, 2012, p. 112; Hemerijck, 2013, p. 284; Van Kersbergen and Kraft, 2017). Banting's early warning remains relevant more than a decade later. This widespread failure of execution does not preclude a trade-off between social investment and income support because reforms were nevertheless implemented, but these limitations must be kept in mind in the interpretation of what happened.

Doubts have also been raised about the coherence and productive potential of the social investment approach (Nolan, 2013). The impact of the proposed reforms on economic growth, for instance, remains difficult to establish. One has to admit, however, that social scientists do not know all that much about the determinants of economic growth in rich countries (Kenworthy, 2017). With respect to unemployment, the effects of social investment appear more positive, but this is also a matter of debate (contrast

Nelson and Stephens, 2012, and Rueda, 2015). As with the question of execution, one should be careful not to overestimate the economic and social impacts of these policy reforms.

More important, from our standpoint, are critiques of the social investment approach that question its progressive character. Doubts stem particularly from two preoccupations, one about gender and the other about poverty. The feminist critique of social investment contends that, for all its concern with labour-market participation and work-family conciliation, the approach has not kept with the initial feminist preoccupation with equality. As Jenson puts it, social investment promoters seem very concerned by women's circumstances, but they tend to forget the equality claims that women themselves have put forward (2009, p. 471-72). The difficulties of less educated, low-skilled women, in particular, are often overlooked (Saraceno, 2017). This gender perspective leads naturally to a second set of criticisms, which emphasize the blind spots of the social investment approach with respect to poverty.

According to Anton Hemerijck, probably the foremost academic promoter of social investment, the idea that the approach proves inimical to the poor constitutes the most critical challenges it faces (2017). The argument was first developed by Bea Cantillon, who observed that the social investment turn in Europe did not lead to a decrease in poverty, even when employment levels improved (2011). Cantillon identifies two main explanations for such "disappointing poverty outcomes." First, social investment policies tend to benefit households higher in the income scale, because they are linked to employment, tied to income, or delivered as services. Working-income supplement, for instance, benefit those who work and do little for workless households. Likewise, persons with higher incomes tend to better avail themselves of public services on offer. Formal childcare services, for instance, are everywhere more attended by the children of double-income households, and less so by those with a low-educated, low-income mother (2011, p. 440-41). This is what Cantillon, following the work of Herman Deleek, calls the Matthew effect where, as in the Bible, benefits flow more easily to the rich than to the poor. The second mechanism identified by Cantillon stems from the social investment bias in favour of activation, which encourages government to spend more on measures that support employment, and less on passive benefits. A trade-off at the

expense of income support thus takes place both by design, as governments keep an eye on work incentives, and by neglect, as transfers to the poor fall lower on the agenda (443). Proponents of the social investment approach, notes Cantillon, have been so preoccupied by economic activity that they have forgotten the enduring character of inter-generational inequalities, and left to their fate those who simply cannot escape poverty through activation, because of disability, disease, or old age (2014, p. 305-7).

In an elaborate response to Cantillon, Frank Vandembroucke and Koen Vleminckx contest the connection she makes between social investment and disappointing poverty outcomes, arguing that poverty rates have numerous structural and institutional determinants and cannot be simply associated to reforms that were not intended to reduce poverty in the short term (2011, p. 453). They also challenge the necessity of the Matthew effect, noting that in countries with a high provision of formal childcare services, such as Denmark and Sweden, access to childcare has become nearly universal (2011: 455; for a recent evaluation that is consistent with this observation, see Van Lancker, 2018). Finally, they raise doubts about the trade-off hypothesis, arguing that, if some ventures have put pressure on income support programs, they are less likely to be the still modest social investment expenditures than the massive and rapidly growing healthcare costs (460; a similar point is made by Van Vliet and Wang, 2015, p. 633).

In the end, Cantillon and Vandembroucke do not stand that far apart. Like her, Vandembroucke and Vleminckx recognize that more certainly needs to be done to address poverty and, in a book chapter Cantillon and Vandembroucke co-signed, they agree that “tensions and trade-offs” remain “between social investment and social protection” (2014, p. 322). Cantillon, on her part, admits that for lack of a clear counterfactual situation, we do not really know whether social investment policies are really “to blame for disappointing poverty outcomes” (2014, p. 304). A recent comparative assessment concurs with Cantillon’s view that social investment policies failed to alleviate poverty (Taylor-Gooby et al., 2015, p. 100), but again the demonstration is based on the co-occurrence of social investments and disappointing poverty outcomes that can have a number of exogenous determinants. Such broad-brush portraits do not address Cantillon’s core argument.

Documenting Matthew effects requires a careful analysis of the implementation of specific programs, to assess the exact distribution of transfers and the differential access of persons to public services (Van Lancker, 2014; 2018). Such effects, however, are neither new nor specific to social investment programs. They reflect inherent tensions associated to the implementation of social programs in unequal, class societies (Bonoli et al., 2017; Busemeyer and Neimanns, 2017). As Wim Van Lancker observes, Matthew effects may even be a functional characteristic of the universal welfare state, which becomes politically sustainable precisely because, as Walter Korpi and Joakim Palme have argued, it serves the middle class rather well (Van Lancker, 2014, p. 16-17; Korpi and Palme, 1998).

The trade-off between passive income support and social investment expenditures, if it does take place, may also serve a purpose, insofar as it increases work incentives and 'makes work pay.' In this case, however, the effect is much less documented. True enough, in the last two decades, the adequacy of income support for the poor has deteriorated in most countries (K. Nelson, 2013). This is not necessarily an outcome of social investment policies, however. To speak of a trade-off between social investment and income support, we need to demonstrate that there is a significant relationship between specific social investment expenditures and the adequacy of minimum income protection. Only two studies do so, and solely for active labour market policy. One, by Kenneth Nelson, concludes that there is a trade-off between activation efforts and income protection (2013, p. 394); the other, by Roberto Iacono, finds no such trade-off (2017). Both studies, however, use time-series cross-sectional models with mostly economic or labour market control variables. Political or welfare state variables are not considered, probably because the authors use estimations with country fixed effects, a procedure that largely eliminates the influence of slow-moving variables. The trade-off hypothesis, however, is first and foremost political, and it calls for estimations that include political factors and welfare state institutions. To this task, we now turn.

Theory

If there is a trade-off between social investments and income support for the poor, there should be three observable consequences. First, expenditures on new programs should not respond perfectly to conventional political and institutional welfare spending determinants. Second, the progression of these expenditures should have a negative relationship to the evolution of minimum income protection adequacy, other things being equal. Third, in time-series cross-sectional models, this negative relationship should not be associated so much with differences across cases, but more with variations within countries across time. A trade-off supposes that, within a given country, the growth of social investment expenditures undermines minimum income protection. These different consequences can be first estimated with correlations, but they should withstand various controls in multivariate models.

Consider, first, the political and institutional determinants of new welfare state programs. While it is not a perfect test for the trade-off argument, a lack of fit between social investment expenditures and established welfare state determinants would suggest that new programs are at odds with institutional and political patterns that have proven to be good predictors of the level of minimum income protection (Noël, 2018). In their work on social investment policies, for instance, John D. Stephens and his collaborators find positive relationships between left governments, welfare state institutions, traditional income support programs, on one hand, and active labour market programs and new family services on the other (Huo et al., 2008; Nelson and Stephens, 2012; M. Nelson, 2013; Huber and Stephens, 2015, p. 270-72). Social democratic governments, they conclude, conciliate labour market activation with decommodification (Huo et al., 2008, p. 17). Giuliano Bonoli raises some doubts about the fit between welfare institutions and the new social investment programs, but he does not include institutional variables in the models he estimates (2013, p. 3, 8 and 152). It seems plausible, nevertheless, to expect a positive relationship between welfare state decommodification — the extent to which social programs make personal incomes independent from labour market participation (Esping-Andersen, 1990, p. 37) — and social investment expenditures. The same is true for the size of the redistributive budget,

the social expenditures envelope, which should facilitate the development of social investment programs (Korpi and Palme, 1998). Two hypotheses capture these welfare state effects:

H_{1a}: Welfare state decommodification has a positive impact on social investment expenditures.

H_{1b}: The size of the redistribution budget has a positive impact on social investment expenditures.

Beyond institutional determinants, the politics of the welfare state should also influence the evolution of social investments. Findings differ in this respect, but we can expect, following Stephens and his co-authors, that the cumulative power of the left and the strength of the trade union movement facilitate the expansion of social investment. Like David Brady (2009) and Bonoli (2013), we can also consider that the political strength of the women's movement, measured indirectly by the presence of women in parliaments, favors social investments:

H_{2a}: The long-term presence in power of leftist parties has a positive impact on social investment expenditures.

H_{2b}: Union density has a positive impact on social investment expenditures.

H_{2c}: The presence of women in parliament has a positive impact on social investment expenditures.

Economic circumstances should also matter. In his seminal work on social spending in historical and comparative perspective, Peter Lindert concludes that "the richer the country, the more it tends to transfer to the poor, the sick, the elderly, and the unemployed" (2004, p. 18). We should thus expect a positive relationship between a country's GDP per capita and its social investment expenditures. Public debt as a proportion of GDP, however, could dampen social investments (Van Mechelen, 2009), and the unemployment rate should, almost automatically, increase ALMP expenditures (Bonoli, 2013, p. 29):

H_{3a}: GDP per capita has a positive impact on social investment expenditures.

H_{3b}: Public debt as a percentage of GDP has a negative impact on social investment expenditures.

H_{3c}: The unemployment rate has a positive impact on ALMP expenditures.

These three sets of hypotheses concern the institutional, political, and economic determinants of social investment expenditures. Their purpose is not to develop a full model of the determinants of social investment, but rather to estimate the political and institutional underpinnings of ALMP and childcare programs, to see whether they conform to the conventional account of the welfare state.

The second test concerns directly the trade-off between the development of new social investment programs and a commitment to maintain adequate minimum income protection. For this purpose, we could pit expenditures against expenditures, and see how the different envelopes evolve. This is what Vandenbroucke and Vleminckx do when they evoke healthcare spending (2011), and what Bonoli does as well when he asks whether old age pensions crowd out social investments (2013). Kuitto has produced the most extensive comparison of this type, and found no evidence of a trade-off between social investment and compensating expenditures (2016). Passive social expenditures, however, are influenced by a number of exogenous factors. Social assistance spending, for instance, goes up and down with the evolution of the number of recipients, and this evolution has more to do with the unemployment rate than with the government's dispositions toward the poor. For this reason, we prefer founding our trade-off test on the level of income support received by the unemployed and uninsured working-age poor, a direct measure of a government's commitment to protect the income of the poorest. To do so, we use and update a measure of adequacy for minimum income protection that was developed by K. Nelson (2013).

Basically, minimum income protection (MIP) refers to the income a working-age person is entitled to receive when she has no market or insurance income, little assets, and no family support. This last recourse income, usually social assistance benefits plus associated transfers, best represents a government's effort to provide adequate conditions to the poor. Admittedly, income levels cannot capture hard-to-measure differences in accessibility, conditionality and take-up across countries or over time (Bahle, Hubl, and Pfeifer, 2011, p. 6; Van Mechelen and Marchal, 2013, p. 33). Relative income levels nevertheless remain indicative of a political commitment toward the poor, because, in all countries, they define what truly constitutes the "last safety net" (Bahle, Hubl, and Pfeifer, 2011). MIP adequacy is obtained by dividing a country's estimated

minimum income benefits for a given household by the country's equivalised median income and then multiplying by 100 (Nelson, 2013, p. 391). MIP adequacy can then be pitted against social investment efforts in bivariate or multivariate models, to estimate the trade-off hypothesis.

Cantillon presumes there is a trade-off between social investments and minimum income protection, with probably a stronger effect for ALMP expenditures, because of the governments' additional preoccupation with work incentives. An even stronger view in this respect is advocated by Tania Raffass, who merely sees ALMP as coercive instruments to enforce labour market participation at low wages (2017). On the opposite side are proponents of the power resources approach such as Stephens and his co-authors, who consider ALMP policies as extensions of traditional welfare state politics, and as consistent with income support (Huo et al., 2008; Huber and Stephens, 2015; see also Kuitto, 2016). Finally, some authors find a weak or absent partisan effect on both active and passive labour market policies, suggesting indirectly that the programs remain below the political radar screen and create little possibilities for political trade-offs (Bonoli, 2013, p. 172; Rueda, 2007, p. 101-2). Despite these mixed evaluations, we propose the hypothesis that there is no trade-off between active labour market policy and minimum income protection because, in the end, social investments very much constitute an extension of the logic of welfare state development.

With childcare, the situation may be different, because the politics of childcare is closer to the idea of a politics of middle-class priorities, conducted at the expense of workers and the poor (Gingrich and Häusermann, 2015). Indeed, in recent years, the development of childcare services has become a project of the right as well (Ferragina and Seeleib-Kaiser, 2015). In the end, however, we also expect the logic of welfare state development to prevail. Hence the following hypotheses for the trade-off with minimum income protection:

H_{4a}: There is no trade-off between ALMP expenditures and minimum income protection adequacy.

H_{4b}: There is no trade-off between childcare expenditures and minimum income protection adequacy.

Methodological Approach and Data

Active labour market policies and childcare expenditures as a percentage of GDP are OECD data collected in the *Comparative Welfare States Data Set* (Brady et al., 2014). For some purposes, it could be warranted to weight these expenditures by needs pressures. Kuitto, for instance, uses the unemployment rate and the population between 0 and 6 to weigh ALMP and childcare spending (2016, p. 448). For ALMP, we do not need to do so because the unemployment rate is already included on the right side of our regression equation, a preferable strategy according to Bonoli (2013, p. 154). For childcare, we also follow Bonoli and consider that needs pressures have little to do with the number of children in the population.

For welfare state institutions, we use the generosity index developed by Lyle Scruggs and his colleagues to update and improve upon Esping-Andersen's decommodification index. Available through the *Comparative Welfare Entitlements Dataset* (Scruggs et al., 2014), this index (*totgen*) integrates a number of information on social insurance programs, concerning eligibility rules, coverage, and replacement rates, and it provides a widely recognized measure of a country's commitment to social insurance (Van Kersbergen and Vis, 2014, p. 85). Public social spending as a percentage of GDP (*socex*), trade union density (*uniond*), GDP per capita (*gdp*), public debt as a percentage of GDP (*debtgdp*), and the unemployment rate (*unempl*) are taken from OECD databases. The cumulative presence of leftist parties in power is measured, as is usual, from the proportion of left cabinet portfolios in the government in a given year. The source for these cabinet scores is Duane Swank's *Comparative Political Parties Dataset* (Swank, 2013). Every year a country gets a left power score between 0 and 100, and these scores are divided by 100 and added, to create a cumulative power of the left index. Traditionally, these cumulative scores started from 1946 (see, for instance, Brady et al., 2014). For a study of the 1990-2009 period, however, we considered that going back twenty years (to 1970) seemed more reasonable (*leftcum70*). Tests for a starting point at 1980 suggested it would make little difference. The presence of women in parliament (*womenpar*) is taken from the *Comparative Political Data Set* compiled at the University of Berne by Klaus Armingeon and his colleagues (Armingeon et al., 2016).

For minimum income protection, we use the model family approach, which considers the formal rules and transfers that apply, in specific countries, to typical households. We refer to three family types: a single, able-to-work person; a lone-parent with two children, and a couple with two children. For the years between 1990 and the beginning of the 2000s, we rely on adequacy estimates computed by K. Nelson and compiled in a file entitled SaMip 2.5 Beta Data (full) (obtained from Nelson). For subsequent years, we used the SaMip benefits data provided in the *Social Policy Indicators* (SPIN) database (<http://www.sofi.su.se/spin/>), and followed Nelson's procedure to establish adequacy, using OECD data for the equivalised median disposable income (OECD, 2016; see online appendix for details). Minimum income protection data based on the model family approach are not perfect. As mentioned above, they are blind to conditionality and take-up rates. They also simplify the situation in federal or decentralized countries, where the rates for the largest city must be used. They nevertheless constitute the best estimation of what is, in a given country at a given time, the "last safety net."

Each variable was assessed to verify the normal distribution assumption, and two were transformed: gdp was converted to the square root of gdp (*sqrtgdp*), and the unemployment rate was logged (*lnempl*). There was no problem of collinearity between the independent variables.

To carry our multivariate time-series cross-sectional models, we employ a new estimation strategy. The standard approach, used by Stephens and his co-authors and by Bonoli, relies on the Panel Corrected Standard Errors (PCSE) procedure introduced by Nathaniel Beck and Jonathan Katz (1995). This procedure, long dominant in political science, pools all cases together, ignoring the heterogeneity among clusters, countries in our case. This approach has the advantage of being simple, but it ignores unobserved heterogeneity and may thus induce an omitted variable bias. The usual alternative is to use a fixed effect model, which controls out this heterogeneity and considers only changes within cases (Bell and Jones, 2015, p. 139). This solution, however, creates its own problems, because it makes it impossible to assess the impact of time-invariant or slowly changing variables, often important in political science (Beck and Katz, 2001; Plümper et al., 2005; Bell and Jones, 2015, p. 139; Kittel and Winner, 2005).

In recent contributions, Brandon Bartels (2015) and Andrew Bell and Kelvyn Jones (2015) propose to address this dilemma by modeling explicitly the between-cases and within-cases effects, to avoid confounding them (as in the complete or partial pooling approaches) or ignoring half of them (with fixed effects models). The idea is simply to generate cluster-specific variables to allow the modeling of distinct effects. We may expect, for instance, that the effects of political and institutional variables will be significant between cases, whereas budgetary constraints and social expenditures will be influential within cases.

Trends and Measures of Association

To keep a sense of proportions, it is good to start with a representation of the relative importance of ALMP and childcare expenditures in the total social policy budget. Figure 1 makes it clear that these two envelopes remain minor budget items compared to traditional social programs.

Figure 1 here

As Vandenbroucke and Vleminckx note, ALMP and childcare do not seem to exert strong pressures on other spending commitments (2011). Then again, the total social expenditures budget is so important in OECD countries, that it makes almost any specific programs look insignificant in comparison. A closer look at ALMP and childcare expenditures shows, in fact, that there was significant movement in the 1990s and 2000s. Figure 2 presents these trends up close.

Figure 2 here

Contrary to what an undifferentiated story of social investment could suggest, trends were very different for the two sets of programs, ALMP going down while childcare expenditures expanded. Two factors may have influenced these contrasting trajectories. First, ALMP expenditures move with the unemployment rate, expenses increasing more or less automatically when unemployment is high (Bonoli, 2013, p. 29).

Among our cases, the average unemployment rate was at its highest in 1993 (10.3%); the average ALMP expenditures as a percentage of GDP peaked a year later, in 1994. Mean unemployment then went down, until 2009 when it increased again, in the wake of the global recession; in 2009, ALMP expenditures also bounced up. As for childcare services, they constitute a relatively new governmental priority that picked up speed in the 2000s (Ferragina and Seeleib-Kaiser, 2015). Behind global averages, there are obviously important national differences. Figure 3 presents country means for ALMP and childcare expenditures as a percentage of GDP, and confirms that the development of social investment is also a story of leaders and laggards.

Figure 3 here

How do these new social investment programs relate to the established, ongoing welfare state? Consider, first, bivariate relations with the main variables identified above. Table 1 presents the results.

Table 1 here

Most of these relationships are significant, in the expected direction. Both types of social investment expenditures are promoted by encompassing welfare state institutions and by a generous redistribution budget; and they are more likely to be high when the left has been in power over time, when unions are strong and when women have a strong presence in parliament. By comparison, economic factors appear less important. Surprisingly, the unemployment rate, which appeared significant on average, does not account for differences in ALMP expenditures among countries, GDP has mixed effects, and public debt is not significant.

What about the adequacy of minimum income protection? As can be seen in Figure 4, the overall trend has been one of decline, with average adequacy going from a few percentage points below the 50% of median income poverty threshold in 1990 to a few points above 40% by 2009. Not surprisingly, families with children fared somewhat better than single persons, but the evolution of the different households proved relatively

similar. There were, of course, important differences between countries (Figure 5), but globally the last twenty years did not seem good for the poor.

Figure 4 here

Figure 5 here

Time-series cross-sectional analysis

Trends and bivariate relationships, of course, offer only a limited perspective on the causal forces at play. Table 2 presents the results of a time-series cross-sectional model that follows the approach defended by Bartels (2015), that is a robust regression that disentangles variations between and within countries, and includes a lagged independent variable to account for dynamics. To generate a country mean for every covariate (between effects), we used the STATA `clustergen` function developed by Bartels. The within-country effects represent deviations in units of measurement from the cluster means.

Table 2 here

The most striking result of this first time-series cross-sectional analysis is that the index of generosity, our measure of the institutional character of the welfare state, accounts for cross-country differences in ALMP expenditures, but not for differences in childcare expenditures. This suggests, in line with the discussion above, that welfare regimes predict ALMP efforts better than family policy (H_{1a} partly confirmed). The size of the redistributive budget is significant in both cases, which is consistent with the institutional argument about redistribution (H_{1b}). The effects of political factors appear less robust. The cumulative power of the left even works against both types of social investment (contra H_{2a}). Surprisingly, union density is associated with childcare as well as ALMP efforts (H_{2b}), whereas the presence of women in parliament does not support childcare expenditures (contra H_{2c}). Economic growth only has a within-country negative effect on ALMP expenditures (contra H_{3a}) and the unemployment rate is not significant

(contra H_{3b}). Public debt, however, significantly reduces social investment expenditures (H_{3c}). One has to understand that when we control for welfare state institutions and social expenditures, as we do in these models, much of the effect of partisan and political factors is already absorbed, because it is mediated through these variables (Brady, 2009, p. 115-19). Still, it seems clear that ALMP and childcare efforts follow different institutional paths, ALMP expenditures being more strongly associated with the welfare state index of generosity. This divergence can be observed more intuitively when we place the two efforts in relation to one another in a scatterplot, as in Figure 6.

Figure 6 here

There is, of course, a world of differences between the United States at one end and Denmark and Sweden at the other. One can in fact locate the three types of welfare regimes first identified by Esping-Andersen, with the liberal, English-speaking countries in the bottom left corner, the social-democratic Nordic cases in the upper right, and the conservative welfare states of continental Europe in between. In the last twenty years, the first group of countries, the liberal welfare states, have made limited efforts on both ALMP and childcare expenditures (along with Italy, Switzerland, and Spain); the second group, the social-democratic welfare states, has spent more than others on both objectives, with a priority given to childcare (Denmark, Sweden, Finland, and Norway all stand above the fit line, along with France and, at a much lower level, the United Kingdom); the third group, the conservative welfare states, has stood in between, in many instances with a strong revealed preference for ALMP expenditures (Germany, Belgium, and the Netherlands are well below the fit line, along with Ireland).

Were these unequal efforts made at the expense of the poor? Was social investment inimical to the poor? To answer this question, we need to run again our multivariate models, this time with ALMP and childcare as independent variables, and minimum income protection adequacy for three types of households as dependent variables. Consider, first, the correlations between these different programs.

Table 3 here

Correlations provide, of course, a rough estimation, devoid of controls for exogenous factors. We can nevertheless note that the relationships between social investment expenditures and minimum income protection adequacy are significant and positive, not negative. Everything else being equal, countries that invest in ALMP and in childcare are also countries that provide relatively generous income support to the poor, and vice-versa. This is especially true for ALMP expenditures, which again appear closer to the conventional politics of the welfare state.

Consider, now, time-series cross-sectional models of MIP adequacy that alternatively include ALMP and childcare expenditures as determinants. Table 4 presents the results for these two models, for three household types.

Table 4 here

These models are good predictors of minimum income protection adequacy, with R-squares between 0.72 and 0.81, which is not surprising since they include a lagged dependent variable. Between-country differences in union density, in the unemployment rate and in GDP appear to be the most consistent predictors of MIP adequacy. More importantly for our purpose, there is little evidence of a trade-off between adequacy and ALMP and childcare expenditures, confirming our initial hypotheses (H_{4a} and H_{4b}). For ALMP expenditures, there is even a positive relationship across cases, but for two parents households only. The only evidence of a trade-off is for lone-parent families, where there is a negative relationship within cases, which may point to some tension between active labour market policies and income support, at least for lone-parent families. For childcare, there are only positive, not negative, relationships within cases, for single adults and two parents families. The impression provided by correlations in Table 3 appears largely validated: social investment expenditures do not seem to discourage income support for the poor, or if they do the effect appears marginal. As a matter of fact, an increase in childcare expenditures in a given country may even go along more adequate social assistance incomes. Before placing too much stress on this last observation, however, it is prudent to consider the relative weight of each factor,

which can best be done by estimating the same childcare model of MIP adequacy with standardized coefficients. Figure 7 presents the mean impact of the different significant variables in such a model, for a single adult household.

Figure 7 here

As we suspected, the effect on MIP adequacy of a rise in childcare expenditures within a country appears very modest. The main drivers of MIP adequacy for single adult households are between-country differences in welfare state generosity and in union density, on the positive side, and between-country differences in unemployment, public debt and GDP, on the negative side. In any case, our purpose is not so much to account for MIP adequacy, but rather to test the presence or not of a trade-off with social investment expenditures. Our findings are consistent with those obtained on a different basis by Kuitto (2016) and Iacono (2017). Vandebroucke wins over Cantillon: increases in social investment expenditures do not make governments more likely to cut on the level of passive income support for the poor. Even childcare spending, which is not as closely associated to the conventional politics of the welfare state as are ALMP expenditures, do not undermine minimum income protection.

More broadly, these findings support the interpretation of social investment as an extension of conventional welfare state politics put forward by Stephens and his co-authors (Huo et al., 2008; Nelson and Stephens, 2012; M. Nelson, 2013; Huber and Stephens, 2015). Welfare state institutions and general social expenditures favour social investment, as do strong trade unions, and efforts made to expand ALMP and childcare expenditures do not detract from passive income support for the poor. The legacy of the welfare state and the mobilization of what Brady calls the “latent coalition for egalitarianism” work in favour of both new and old social protection programs (Brady, 2009). There is no denying that a commodifying motive lies behind active labour market policies and even behind the expansion of childcare services but, in the end, social investments look less like a politics for the middle class implemented at the expense of the working class and the poor — as is suggested by Beramendi et al. (2015, p. 57) and Gingrich and Häusermann (2015, p. 55) — than like a new, rather progressive turn in the

evolution of the welfare state (Bonoli, 2013, p. 176). Huo, Nelson and Stephens win over Gingrich and Häusermann. Sometimes, good things do come together.

Conclusion

Is social investment left wing or right wing, ask Morel, Palier, and Palme in an influential synthesis (2012b, p. 369)? Comparative case studies of social investment policies provide mixed accounts in this respect. As a reform discourse and as a policy paradigm effective across the OECD, the social investment perspective certainly cuts across party lines. There are in fact so many different ways to implement social investment policies that both the left and the right can find a version to their liking. Active labour market programs, for instance, range from investment in vocational training to the introduction of sanction mechanisms for non-compliance with social assistance activation rules (Bonoli, 2013, p. 22). Childcare services can be universal and public, or they can be targeted and commercial. Overall, however, social-democratic parties have maintained the lead in both ALMP and childcare investments (Morel et al., 2012b, p. 370). They started earlier, spent more, and favoured more progressive options. And, as far as the comparative evidence can tell, they did not do so at the expense of the poor.

This article tackles what is perhaps the most difficult challenge for the social investment approach: is it inimical to the poor? Or more precisely, do social investments discourage passive income support at the expense of the workless poor? The foremost proponent of this argument is Bea Cantillon, who evokes the risk that the new social programs be plagued both by Matthew effects — being of more use to those who are employed or near employment — and by displacement effects, a trade-off between passive protections and active expenditures. Matthew effects are frequent in social programs, old and new, and they may even help sustain the support of the middle class for generous social programs. These effects, however, are not necessarily more pronounced for new social investment policies. After all, most social investment policies target not the traditional middle class, but the young, the unemployed, migrants or women (Morel et al., 2012b, p. 370). Matthew effects nevertheless remain plausible, and

in a number of domains, in childcare services notably, they are well documented (Van Lancker, 2014 and 2018; Bonoli et al., 2017).

The evidence may not be so clear for the trade-off hypothesis. To test this validity of this argument, this article takes two avenues. First, we evaluate whether ALMP and childcare expenditures can be explained by the conventional politics of the welfare state. Second, we integrate these expenditures into a full model of the determinants of minimum income protection adequacy, to see whether or not crowding out actually takes place. The first test suggests that social investment programs are in fact rather akin to traditional welfare state programs, insofar as they are explained by similar institutional, political and economic dynamics. ALMP expenditures, in particular, are largely determined by welfare state institutions and by the size of the redistribution budget. Childcare expenditures, it is true, appear more distinctive, and they relate mostly to the size of the redistributive budget. This difference may be explained, as we see when we place the two programs against each other in a scatterplot, by the lesser or delayed enthusiasm of conservative welfare states for formal childcare. Or, it may be that the politics of childcare follows its own path, with its own 'pioneers,' 'path shifters,' and 'slow movers' (Morgan, 2012), and with the recent conversion of many conservative governments (Naumann, 2012, p. 176; Bonoli, 2013, p. 148; Ferragina and Seeleib-Kaiser, 2015). This exploration of the determinants of social investment does not suggest a trade-off since the determinants of social investment and minimum income protection are largely the same. The true test, however, comes when we consider ALMP and childcare expenditures as potential determinants of minimum income protection adequacy. The results, in this case, are clear: there is no evidence of a trade-off. In simple correlations, ALMP and childcare expenditures are positively and significantly related to MIP adequacy, and in multivariate time-series cross-sectional models, they do not work against MIP adequacy. Obviously, this is only a statistical test of association and it may be influenced by the strong commitment of the Nordic countries to both social investment and minimum income protection. This test nevertheless provides the best evidence so far on the possibility of a trade-off between the two objectives. The evidence we have does not suggest that social investment expenditures discourage minimum income protection. By extension, these results also raise doubts about the idea

that the social investment perspective is an approach that pits the interests and the preferences of the middle class against those of the traditional working class or of the poor. Of course, the welfare state is more than minimum income protection but, insofar as MIP is concerned social investment policies remain largely consistent with the conventional politics of social protection: they constitute progressive innovations that expand — modestly in light of huge pre-existing commitments — the welfare state repertoire, and respond, imperfectly, to needs and demands that are deemed important in the twenty-first century.

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Endnotes

ⁱ Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Figure 1 : Social, active labour market, and childcare expenditures as a percentage of GDP, mean for 18 OECD countries, 1990-2009

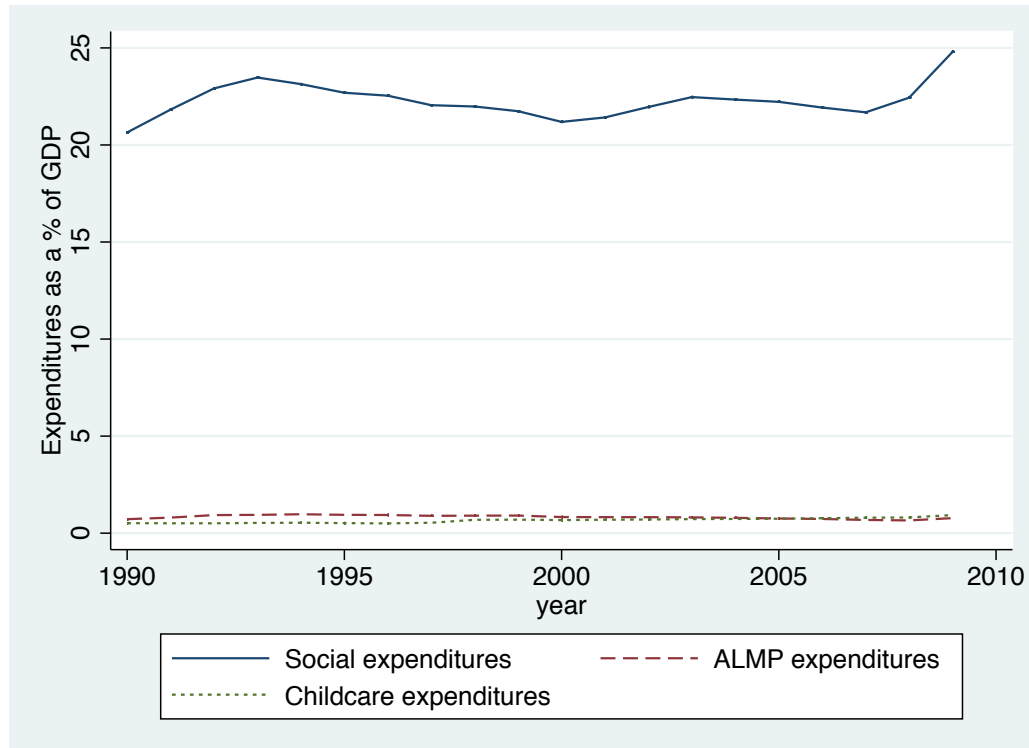


Figure 2 : Active labour market and childcare expenditures as a percentage of GDP, mean for 18 OECD countries, 1990-2009

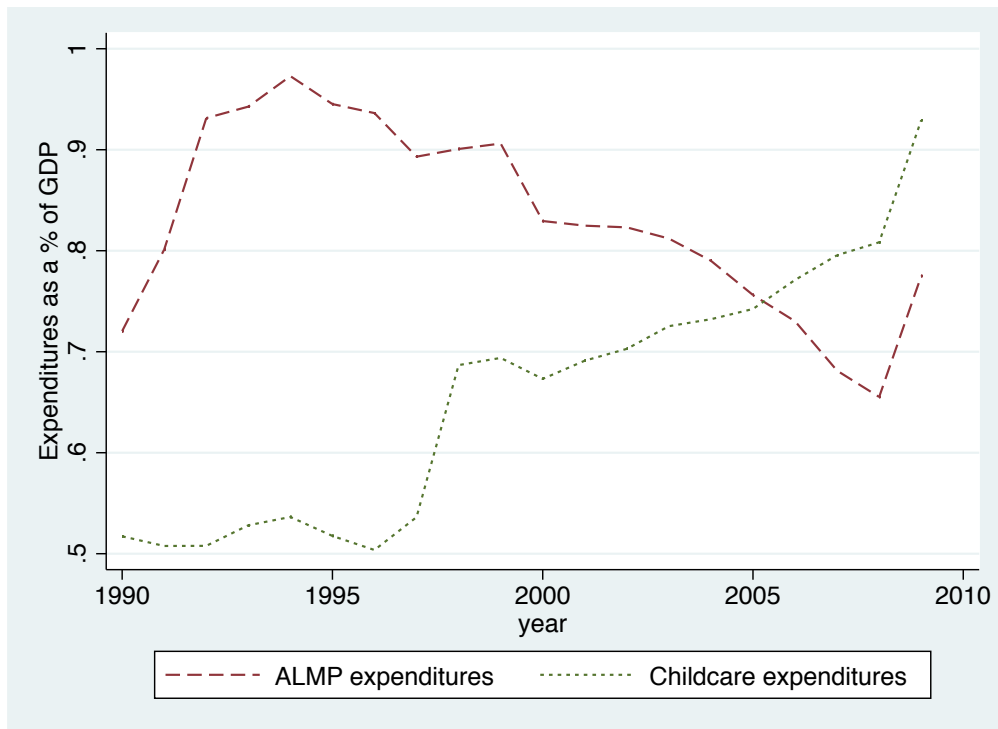
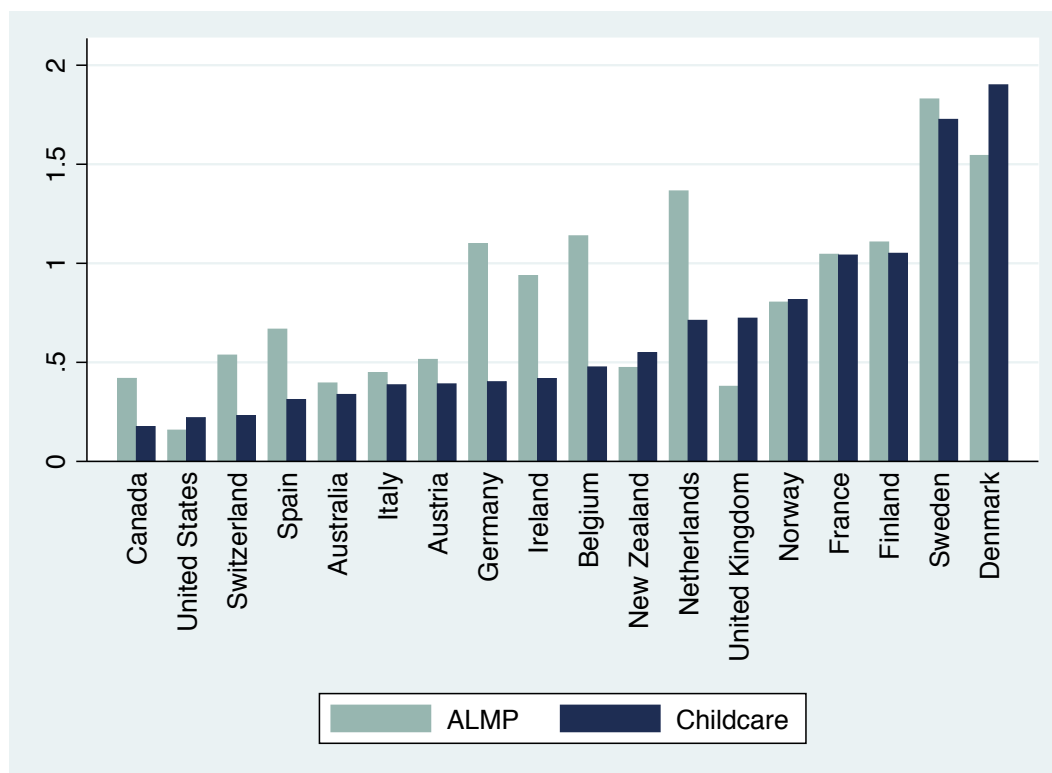


Figure 3: Active labour market policy and childcare expenditures as a percentage of GDP, country means, 1990-2009



Note : Countries are ranked in ascending order, by childcare expenditures.

Table 1: Bivariate relationships between active labour market policy expenditures as a percentage of GDP, childcare expenditures as a percentage of GDP, and different institutional, political, and economic variables, 18 OECD countries, 1990-2009

	ALMP expenditures	Childcare expenditures
Welfare state generosity	0.6802***	0.4895***
Social expenditures	0.6973***	0.6313***
Cumulative left power	0.2894***	0.4973***
Union density	0.5745***	0.6036***
Women in parliament	0.4723***	0.6012***
Unemployment rate (log)	0.0779	-0.2183***
GDP (square root)	-0.1722***	0.1678***
Public debt as % of GDP	0.0195	-0.1614

Note: *** significant at 0.01.

Figure 4: Minimum income protection adequacy for three household types, mean for 18 OECD countries, 1990-2009

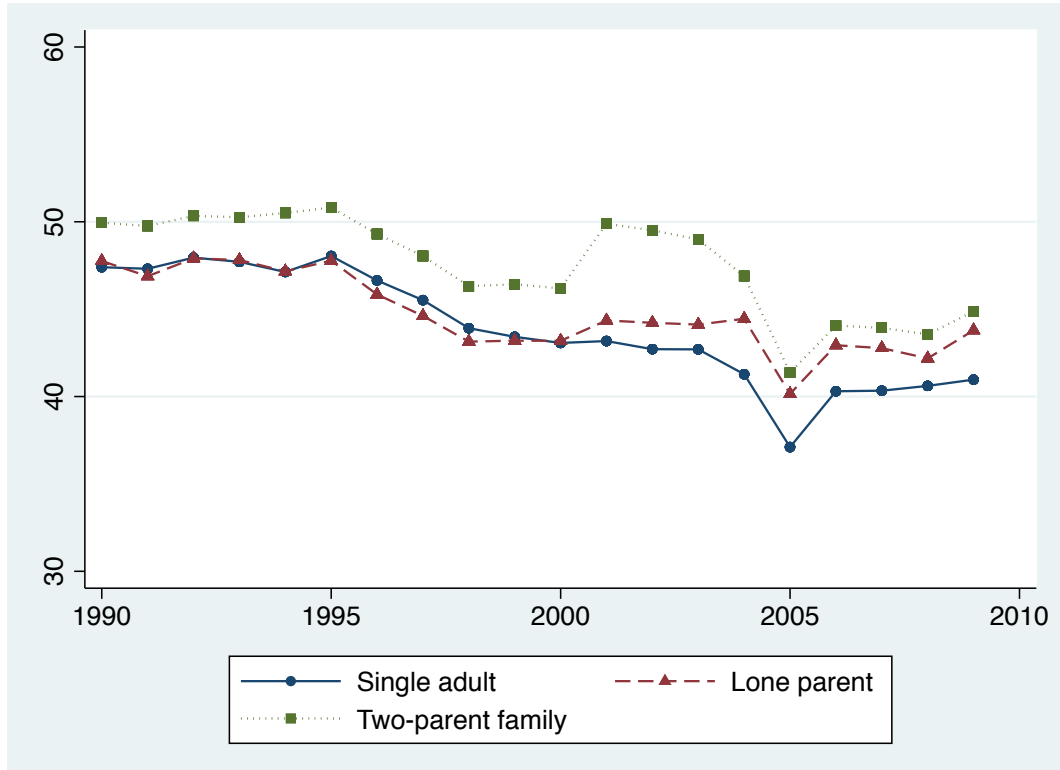
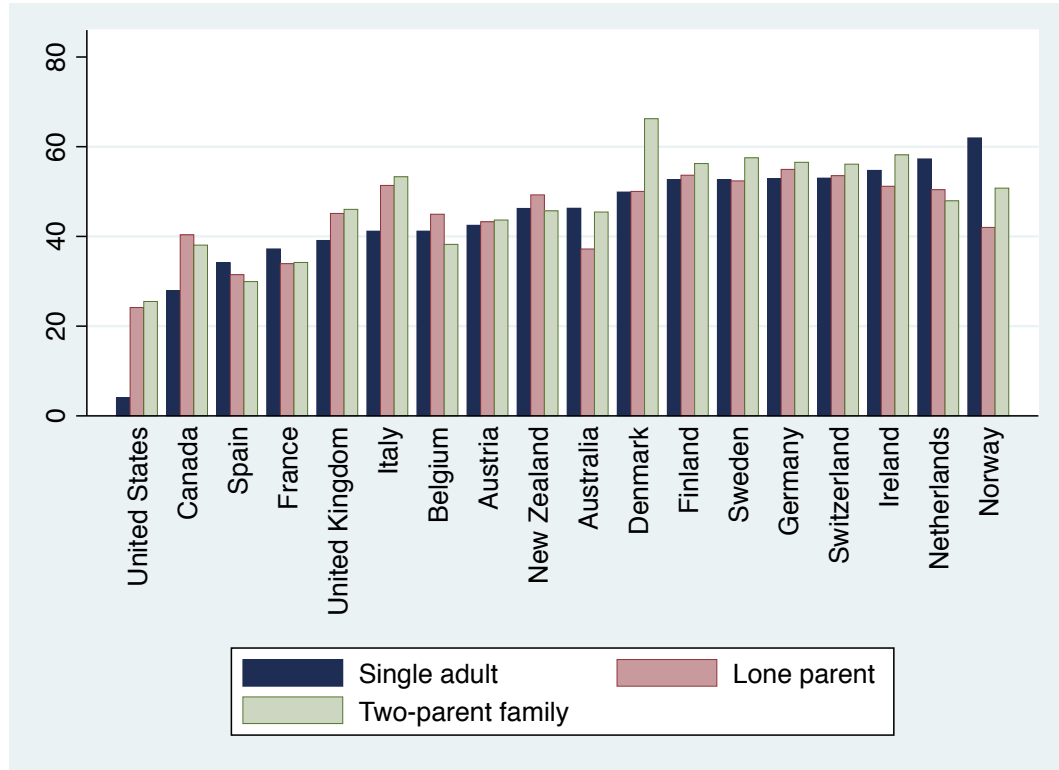


Figure 5: Minimum income protection adequacy for three household types, country means for three household types, 1990-2009



Note: Countries are ranked in ascending order, by single adult adequacy.

Table 2 : Random effect model separating between-country (bw) and within-country (wi) effects for the determinants of active labour market policy and childcare expenditures, 16 OECD countries, 1990-2009

Variables	ALMP	Childcare
Lag ALMP (wi)	0.655*** (0.159)	
Welfare state generosity (bw)	0.0318** (0.0149)	0.00649 (0.0128)
Welfare state generosity (wi)	0.00722 (0.0285)	-0.0744*** (0.0288)
Social expenditures (bw)	0.0600*** (0.0224)	0.0912*** (0.0250)
Social expenditures (wi)	0.0335 (0.0230)	0.0521* (0.0289)
Cumulative left power (bw)	-0.0461*** (0.0170)	-0.0407** (0.0171)
Cumulative left power (wi)	-0.00754 (0.00770)	0.00165 (0.0138)
Union density (bw)	0.00383 (0.00299)	0.0120*** (0.00430)
Union density (wi)	-0.0104 (0.00683)	0.0290 (0.0181)
Women in parliament (bw)	0.0117* (0.00646)	-0.0107 (0.00879)
Women in parliament (wi)	0.0134*** (0.00478)	0.00435 (0.00690)
Unemployment rate (log; bw)	0.0668 (0.301)	-0.0625 (0.424)
Unemployment rate (log; wi)	-0.189 (0.180)	-0.442* (0.265)
GDP (square root; bw)	-0.00218 (0.00903)	0.00253 (0.0115)
GDP (square root; wi)	-0.00408** (0.00163)	0.00195 (0.00275)
Public debt as % of GDP (bw)	-0.00740*** (0.00274)	-0.0126*** (0.00340)
Public debt as % of GDP (wi)	0.00406** (0.00196)	0.00391 (0.00292)
Lag Daycare (wi)		0.737*** (0.118)
Constant	-0.729 (2.285)	-0.744 (2.960)
Observations	242	234
R-squared	0.84	0.77
Number of countries	16	16

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Figure 6 : Country means of active labour market policy and childcare expenditures as a percentage of GDP, 18 OECD countries, 1990-2009

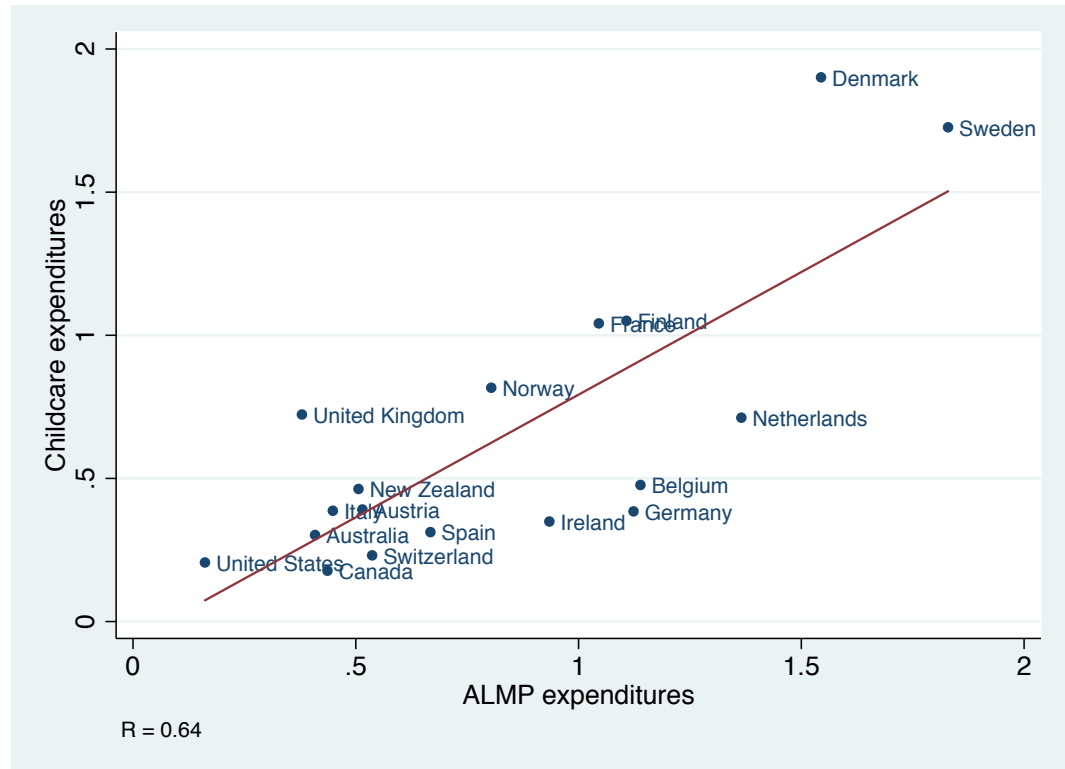


Table 3: Correlations between active labour market policy expenditures, childcare expenditures, and minimum income protection adequacy, three household types, 18 OECD countries, 1990-2009

	ALMP	Childcare
MIP adequacy, single adult	0.5381*** (0.0000) (302)	0.2978*** (0.0000) (286)
MIP adequacy, lone parent	0.4937*** (0.0000) (304)	0.2955*** (0.0000) (288)
MIP adequacy, two parents	0.5474*** (0.0000) (304)	0.4758*** (0.0000) (288)

Note: *** significant at 0.01; p-values and number of cases between parentheses.