17. Can the investment-intervention approach deliver?

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BEYOND SOCIAL INVESTMENT

This volume has traced the evolution from traditional compensatory welfare models towards a more proactive, service-oriented approach that integrates social investment with targeted interventions. The shift from passive income protection to enabling policies, designed to foster human capital, facilitate life-course transitions, and mitigate emerging social risks, marks a significant recalibration of social policy in Europe and beyond. The social investment paradigm has not been without criticism, particularly regarding its tendency to reinforce inequalities through the so-called Matthew effect. To address this limitation, we propose adding a complementary layer to the model: reactive interventions. By combining proactive investments with timely, targeted interventions, a more balanced and comprehensive approach can be achieved, one that responds both to long-term needs and to acute challenges.

The central contribution of this book is the articulation of the social investment-intervention (SI+I) framework, which integrates interventions into the logic of social investment. Interventions provide a mechanism to address problems where investments alone are insufficient. Through a series of real-world case studies, this volume has demonstrated that a combined approach can render social policies more effective and impactful. The Housing First model shows how direct interventions, providing housing as an immediate right, can establish the preconditions for longer-term investments in rehabilitation and employment. The randomised controlled trials of the KiVa anti-bullying programme illustrate how targeted interventions in schools can transform broader educational and welfare structures. Similarly, the Voimaperheet project and digital parenting support services highlight how technology can expand the accessibility and scalability of interventions. The Finnish Basic Income Experiment demonstrates how large-scale social experiments can

yield critical insights for policymaking, even when the results, such as the absence of employment effects, are null. Taken together, these cases illustrate that interventions are not separate from social investment policies but, rather, one of their most concrete modes of implementation.

WHAT SHOULD BE DELIVERED?

It is safe to say that the welfare state is never a finished project. By its very nature, it is continuously shaped by the dynamic interaction between the state, the markets, the broader socio-political environment, and its citizens. Rather than a fixed entity, the welfare state is better understood as a social and political construction that takes different forms across time, with the expectations placed upon it evolving accordingly. This observation is not new. Already in the early 1980s, Claus Offe (1981) analysed the contradictions and shortcomings of welfare state policymaking and administration. He conceptualised the welfare state as a multi-functional and heterogeneous set of political and administrative institutions whose role is not only to provide or distribute social services and benefits, but also to manage processes of socialisation and to regulate the functioning of the capitalist economy. In this interpretation, the welfare state does not simply alleviate risks or redistribute resources; it also actively shapes the broader conditions of social integration and capital accumulation.

In contemporary welfare states, the socio-political system often generates challenges that the administrative-political system cannot resolve. The welfare state struggles to fulfil its promises and to meet ever-rising qualitative and quantitative expectations. Moreover, it has only limited capacity to influence the global economy or international power relations, factors affecting the political system's capacity to solve problems. In advanced welfare states, sustained productivity requires continuous investment. To attract mutually beneficial collaboration between the state and the market, the public sector must invest in both hard and soft infrastructures. Such investments, however, demand additional funding, collected through taxation on top of the resources already required to maintain the welfare state. At the same time, multinational corporations tend to have little interest in supporting national investments unless these clearly improve their broader market environment.

Today, one clear illustration is the demand for a workforce capable of adapting to the rapidly changing requirements of the knowledge economy. Skilled labour has become a key factor of attraction for corporations. In this context, social policy is often interpreted as a precondition for economic growth, implemented primarily to support the functioning of markets (Morel et al., 2012). Another central issue is power: how to reconcile the interests of employees and employers. Historically, the Nordic countries have excelled in building

consensus between different parties, thereby sustaining both economic competitiveness and social cohesion. The question all Nordic countries are currently facing is whether they will still be able to reach a similar consensus despite the increasingly globalising markets and changing social risks and demographic structures.

Despite longstanding criticism, the welfare state has retained its legitimacy. In the Nordic countries, it remains broadly popular among citizens and, at least in Finland, among political parties as well. Although the welfare state may signify different things to different actors, its symbolic and practical value persists. Even when Nordic governments introduce budget cuts, these are often justified rhetorically as necessary to 'save' the welfare society. Beyond the Nordic context, the welfare state continues to carry positive connotations across Europe. This is reflected in the European Pillar of Social Rights (European Commission, 2025), which outlines principles such as 'equal opportunities and access to the labour market', 'fair working conditions', and 'social protection and inclusion.' These themes echo the central issues that have shaped welfare states worldwide since the Second World War.

Despite the common framework offered by the EPSR, each European welfare state retains distinctive characteristics. The EPSR functions primarily as an ideational frame, one that must be translated into practice at national and local levels. The evolution of welfare states has unfolded at different paces, producing diverse institutional arrangements and nationally specific trajectories. Consequently, citizens' experiences and perceptions of the welfare state also vary across countries (e.g., Toikko & Rantanen, 2017). While citizens are expected to participate in shaping the future of the welfare state through democratic elections, the state itself simultaneously influences citizens' expectations. Yet political interests are not equally represented in decision-making. Individuals with higher levels of education and income tend to report greater confidence in their political capacities, which translates into more active participation. The imbalance does not stem only from the overrepresentation of the highly educated and affluent, but also from the weaker political efficacy of less-educated and lower-income groups. This asymmetry undermines democratic engagement (Shore, 2020). Without effective social investments and interventions, welfare states may succeed in delivering services and benefits, but struggle to foster inclusive political participation.

Research has highlighted the role of social policy in shaping patterns of political engagement. Social policy doesn't just distribute the material resources necessary for participation; it can also, for example, enhance individuals' capacity to engage in politics, but it also has interpretative or cognitive effects by signalling whether citizens' concerns are acknowledged or disregarded by the public sector. Studies have further shown that universal social programmes tend to strengthen political efficacy, whereas means-tested programmes often

have the opposite effect (Shore, 2020). It is fair to note, however, that conditionality in benefits or services does not necessarily undermine political engagement in itself; rather, it is when such systems are experienced as stigmatising that they create barriers to participation (Watson, 2015). In this light, the SI+I approach raises an important question: what, ultimately, should be delivered? If interventions are considered an essential complement to social investment, more research is needed on how their implementation affects political participation and, in turn, the functioning of democratic society.

THE WELFARE STATE IN UNCERTAIN TIMES

We are witnessing a period of profound change in the world order established after the Second World War. The old rules no longer appear valid (Beck, 2000). The rule of law is being questioned and tested even in countries long regarded as stable democracies. The Russian invasion of Ukraine has brought war back to Europe, with energy price shocks as a side effect that further fuel instability and uncertainty across European societies. In the coming years, rising defence expenditures will place additional pressure on public finances throughout Europe. At the same time, biodiversity loss and climate change generate deep concern, particularly among younger generations. The outlook for the future is therefore far from optimistic, casting a shadow over ageing welfare states (Vaalavuo et al., 2025). The golden era of welfare states unfolded in the aftermath of the Second World War, when social security systems expanded into comprehensive forms that have largely persisted until today. Yet the circumstances and living standards of that era were radically different from those of the present. The world around us has changed dramatically, while social security systems still rest to a considerable degree on the ethos of the industrial working society of the last century. This is, in part, a question of power relations. The ethos of the work society has its defenders, who often seek to interpret new phenomena through the lens of established structures – whether in debates on platform work (are platform workers employees or entrepreneurs?) or in the portrayal of economic growth as an unquestionable goal. What is needed, therefore, is a broader public debate about the kind of society we want to live in, and the role that the state and public policies should play in shaping it.

In democratic societies, the future of the welfare state ultimately depends on the kind of decision-makers citizens choose to elect. It remains uncertain how Europe will manage the twin challenges of increasing defence spending and coordinating it at the supranational level. Defence arrangements may strengthen unity and cooperation, but individual countries may also turn inward and focus primarily on their own security. In addition, debates about the erosion of international justice norms in the name of defence may affect

domestic cohesion. Welfare chauvinism, already visible in many countries, further threatens political consensus (Bell et al., 2023).

Even without rising defence expenditures, ageing welfare states face persistent fiscal pressures. Artificial intelligence and digitalisation demand new skills, costly health technologies continue to evolve, and personalised medicine is entering the market, each adding to expenditure. In such a context, it is not clear where the boundaries of public responsibility lie, or what kind of responsibility can reasonably be expected from individual citizens. No single formula exists for determining the best division of responsibilities in constantly shifting circumstances. This is why civic debate and transparency in decision-making are indispensable. Some decisions taken today will inevitably prove misguided as knowledge advances. What matters, therefore, is maintaining an open democratic process through which citizens and policymakers can sustain a shared understanding of the welfare state's core tasks and of the limits of what it can deliver: both now and in the future.

These turbulent times underscore the need to rethink the welfare state. The social investment-intervention (SI+I) framework should not be seen as the final stage in its development, but as the most recent layer in a long historical process (see Chapter 2). Poor relief was once established to replace charity; social insurance emerged to replace poor relief; and since then, the welfare state has been gradually complemented with new responsibilities and functions. Interventions now represent the latest and necessary addition, an added layer that enables welfare states to remain responsive, resilient, and democratic in the face of profound uncertainty.

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