New Frontiers for Social Policy: Investing in the Future

OECD Ministerial meeting

14 February 2025

Issues Notes

Table of contents

1 New Frontiers for Social Policy: Investing in the Future

Social policy is in transition and is reaching new frontiers. Social protection needs to respond to global mega-trends, some of which are well-known and predictable, while others present newer and more recent challenges. Social programmes have been put to the test in responding to recent events, such as the economic and social impacts of the COVID-19 pandemic and the cost-of-living crisis. Overall, social protection systems in OECD countries rose to these challenges and performed remarkably well in protecting people from the worst fall-out of these crises. Now it is time to look ahead, learn from the successes and failures of the crisis management, and future-proof social protection systems to ensure that they can respond to trends and future challenges.

Fertility, longevity and population ageing are persistent challenges

Population ageing is one of the key trends countries have been addressing in recent decades. But with baby-boomers retiring and rising needs for health and long-term care of older people, policy makers are feeling the impacts more strongly. Social protection systems will need to meet greater demands on retirement and care systems with fewer resources, due to shrinking working-age populations. While overall still much younger than OECD member countries, many non-member countries will also face ageing societies, often with a much faster pace of ageing due to rapid advances in life expectancy and sharp declines in fertility.

A common challenge in almost all OECD countries is the dramatic decline in fertility rates. Policy makers have several options at their disposal to enable better reconciliation of work and family life, offer affordable and good-quality childcare options, design parental leave systems that encourage better sharing between parents, and restructure social protection and tax systems to ensure economic security for people with children. But there are also new trends influencing decisions around childrearing. Housing costs, in particular, have increased so much that more young adults than in the past continue to live with their parents, making it difficult for them to start their own families. Other factors at play are greater economic and geopolitical insecurity, climate change, and a more pessimistic outlook, as well as changes in societal norms resulting in an increasing acceptance of not having children.

Promoting child well-being and preventing inequalities from early ages

Income inequality in OECD countries has been on a long-term upward trend, though since the mid-2010s this has shown divergence, with inequality decreasing in many but not all OECD countries. High levels of income and wealth inequality can translate into inequalities of opportunity, hinder social mobility, and affect economic prosperity and social cohesion. People's opportunities and lifetime outcomes depend all too often on factors beyond their control, such as having a disability, mental health difficulties, being a victim of maltreatment, coming from an immigrant family, and being in out-of-home care. In addition, due to their family background, children from disadvantaged households tend to face higher hurdles that prevent them from realising their full potential in life. In many countries, the place where one is born, grows up and lives has a disproportionate impact on socio-economic outcomes and well-being. Ensuring everyone has access to good-quality, essential services and high-speed internet everywhere, including in rural areas and low-income communities, is essential.

Sustainably financing social protection and designing social investment

Financial pressures are building up on the social spending side, with increasing numbers of pensioners and recipients of long-term care. On the financing side, shrinking working-age populations in many OECD countries are resulting in lower revenues from social contributions and taxes. In addition, in some countries, informality and non-standard forms of employment challenge the effectiveness of social protection, both in terms of coverage and financing. Shifts in the composition of labour markets are also affecting financing strategies based on social contributions paid by workers in dependent employment.

Well-designed social investment policies can play an enabling role for people over their life course, for human capital development and productivity, and thus for both future economic growth, well-being and fiscal sustainability. Social investment encompasses policies to support human capital formation and promote social inclusion, including investments in child development and well-being; life-long training, learning and skills; health; active labour market policies; tax/benefit reforms to “make work pay”; and family-friendly policy measures to support work-life balance. If designed in a preventative and strategic way, these policies can lead to better social and economic outcomes, with benefits outweighing costs and generating significant fiscal returns.

Improving social benefit and service delivery with technological innovation and data

Social protection systems need to become more accessible and reliable for individuals and groups. This requires improving the coverage of social protection, in particular in countries with large informal sectors, and making eligibility criteria reflective of (and responsive to) needs. There is still a substantial degree of non-take up of key social programmes which needs to be addressed. Governments must continue to conduct – and improve upon – population-based measurements to estimate (unmet) need for social programmes.

Many of the barriers to the full take-up of social programmes – including complex information, hassle costs and stigma – can be addressed through better use of linked administrative data and new digital technologies, including artificial intelligence (AI) systems. But to seize these opportunities, the associated risks must be addressed, including by ensuring fairness, explainability, accountability and privacy protections, and by guaranteeing and facilitating access for all users. The ongoing OECD Risks that Matter Survey, an outcome of the 2018 OECD Social Policy Ministerial, offers insights into people’s expectations for social programmes and illuminates barriers in access to social protection.

Making social policy fit for the future

To provide adequate and sustainable support in the context of these rapid and profound transformations, the shape, size and funding of social protection systems will need to be reviewed. The demand for social protection will not only be greater but also more diversified. The preventive role of social protection needs to be strengthened and the individual and systemic resilience to shocks and transformations enhanced. Addressing these cross-cutting challenges will require better co-ordination across different areas of social protection, but also with other key areas of public policies, including healthcare, education, labour market and migration policies.

Questions for discussion

1. Which reforms of social protection systems is your country undertaking to respond to mega-trends and challenges and how are you setting priorities?
2. How is your country approaching the issue of sustainable financing of social protection and fostering social investment?
3. In which ways are social policies reformed to promote mobility and equal opportunities across groups?

2 Fertility, longevity and the demographic transition: The role of social policy

Population ageing is a major challenge for social protection systems. It raises expenditures on pension benefits and long-term care services while reducing revenues, as there are fewer people of working age making social contributions and paying taxes. On average across the OECD, the share of the population aged 65 and over stood at 18% in 2022 and is projected to rise to 27% by 2050.

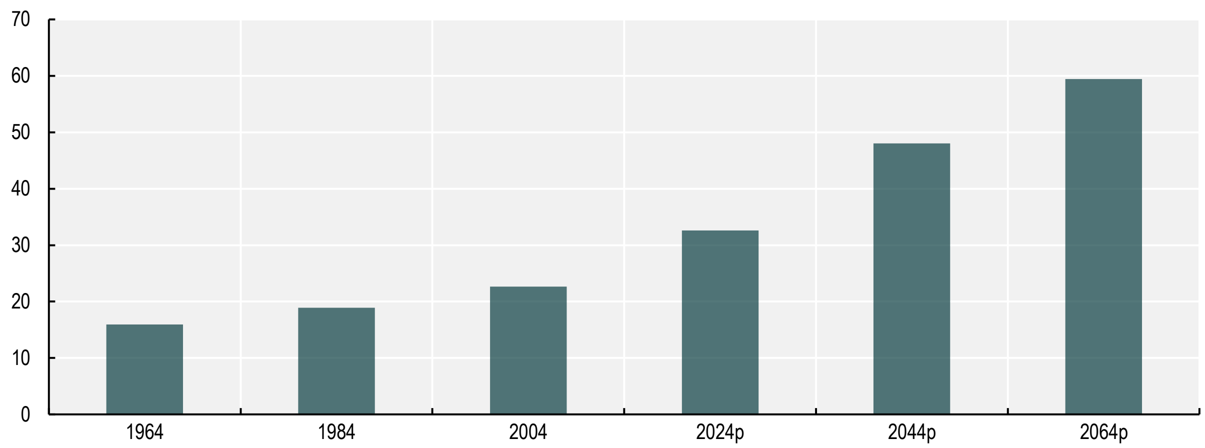
Declining fertility, rising longevity and shrinking working-age populations

The average total fertility rate (TFR), across the OECD, dropped from 3.3 children per woman in 1960 to 1.5 in 2022, far below the replacement level of 2.1 needed to keep population levels stable (abstracting from migration) (OECD, 2024[1]). This levelling off of fertility is projected to continue in the coming decades. Parents are not only having fewer children today, but childlessness is becoming more common across the OECD. In parallel, the age at which mothers have their first child increased from 26.5 years in 2000, on average across the OECD, to 29.5 in 2022. Life expectancy, by contrast, has increased substantially. In 2022, men aged 65 could, on average across the OECD, expect to live until age 83, and women to 86. By 2065, life expectancy at age 65 is projected to increase further by 4.4 years for women and 4.9 years for men (OECD, 2023[2]).

Ageing means there are fewer active people to support older persons. The average OECD old-age to working-age ratio stood at 33 people aged 65 and over per 100 people of working age (20 to 64 years old) in 2024. It is projected to almost double to 59 by 2064 (Figure 2.1).

Figure 2.1. The number of older people, relative to working-aged people, is expected to grow dramatically on average

Old-age to working-age ratio (%), OECD average, 1964 to 2064 (projected from 2024)



Note: The old-age to working-age ratio refers to the number of individuals aged 65 and over per 100 people aged between 20 and 64. Projections are from 2024 onwards, indicated with a “p” in the x-axis.
Source: United Nations, Department of Economic and Social Affairs (2024), World Population Prospects 2024, Online Edition.

Higher poverty risks for older people

Older people are at higher risk of poverty than other age groups in two-thirds of OECD countries, although poverty risks for younger people are higher than for older people in some countries, e.g. some of the Nordics (OECD, 2024[1]). In the OECD between 2014 and 2020, the "at-risk-of-poverty rate" for people aged over 65 increased from 12.5% to 14.2% (OECD, 2023[3]). **Older women are more likely to be poor (17%) than men (11%).** Women have lower earnings-related pension income of their own, and because they live longer, are more likely to be widowed and live alone, possibly reliant solely on a survivor pension.

Need for long-term care will rise considerably

Care needs are also increasing as the population ages. **OECD estimates suggest that employment in long-term care (as a percentage of total employment) would need to rise by 32% over the next ten years to meet the expected increase in demand for caregiving** (OECD, 2023[4]). Without large investments in formal long-term care, unpaid care will be provided by family, friends and neighbours, and predominantly by women, with negative impacts on their ability to participate in the labour market. Declining family sizes and increasing geographical mobility mean that there will likely be fewer people to provide this care (OECD, 2024[5]).

Falling fertility rates: Which factors are at play?

Being able to combine work and family life has historically led to better economic outcomes and higher fertility rates. But even in countries like Denmark, Norway, Hungary and Sweden – which offer a continuum of support to parents – the TFR rests around 1.5 children per woman. This suggests that **while work-life balance remains a critical issue for parents, other factors are also at play.** Increasingly, the costs of housing and private education are barriers to having (more) children. Other factors might be the effects of the recent rapid succession of global crises (e.g. COVID-19, climate change and the Russian war of aggression against Ukraine), resulting in feelings of uncertainty and unpredictability, as well as increased volatility in labour markets, all of which may dissuade people from becoming parents (OECD, 2024[1]).

Retirement ages and working longer

The main tool countries have used to address the pressure population ageing puts on pension budgets is **increasing statutory retirement ages**. People entering the labour market today, who expect to retire in the 2060s, will face a statutory retirement age of 66 across the OECD, on average, if current legislation is implemented, compared to around 64 for those retiring today.

Promoting the employment of older workers is key, as most OECD countries are already facing labour shortages across many sectors and occupations. With large numbers of baby boomers retiring, under-represented groups and older workers, in particular, need to be better integrated in the labour market. Progress in this area has been impressive. The employment rate of 55- to 64-year-olds in the OECD reached a record 64% in mid-2023, almost 8 percentage points higher than a decade ago.

Yet many older workers still struggle to keep their skills up to date, report leaving work due to ill health, have limited access to good-quality jobs, and risk having an inadequate pension in old age because of short and unstable working careers. Participation in formal and informal training among older workers is less than half of that of prime-aged workers, on average. Perceptions of age discrimination in hiring also remain common despite the fact that it is legally banned in virtually all OECD countries.

Better preventative health, improved working conditions, and retraining and reskilling will increase healthy years in life further and help older workers strengthen their labour market attachment. But it must be acknowledged that **there are large differences between groups of workers and across countries in the expected number of years in retirement, especially in good health.** Policy makers must also address such persistent socio-economic inequalities, which may fuel resistance against pension reforms.

Questions for discussion

1. What are the main barriers your country faces in moving towards long-term financial sustainability in light of population ageing, and how can the OECD assist in facilitating reform?
2. How is your country encouraging the labour force attachment of older workers?
3. What can be done to help people better balance work and family responsibilities, including childcare and care of older persons, and enable their ability to have children, if they so choose?

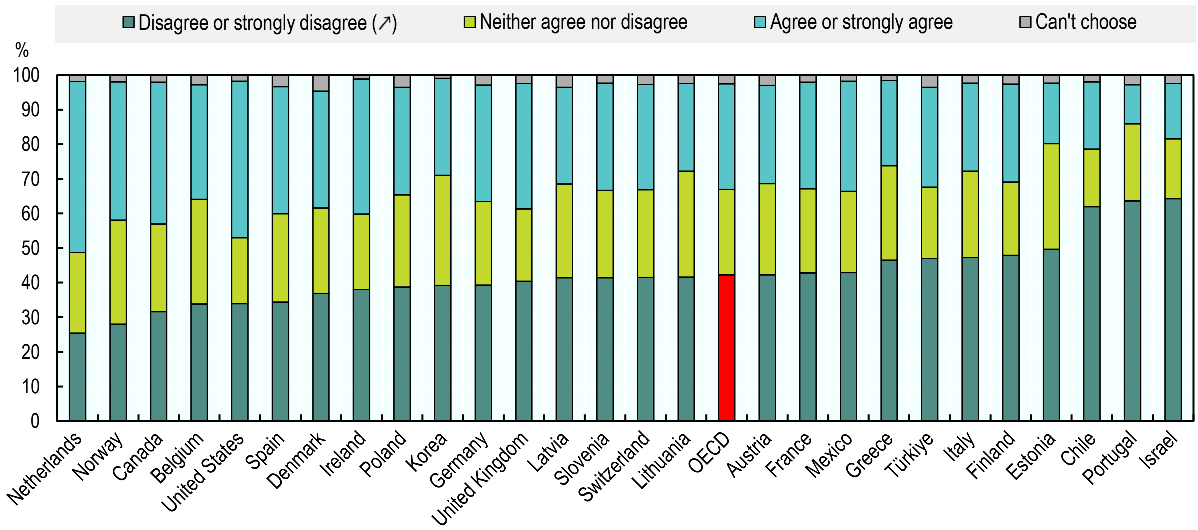
3 Digitalisation of social protection

Digital technologies can improve the take-up of social programmes

Gaps in social protection persist across OECD countries. Digital technologies, powered by the right data, can make social protection programmes more effective, for example by better identifying those in need, simplifying access and enrolment, and making service delivery more efficient via electronic benefit delivery. Through various channels, the modernisation of social protection can help address the widespread perception – across OECD countries – that social benefits are difficult to access (Figure 3.1) (OECD, 2024[6]).

Figure 3.1. Few respondents feel that benefits are easily accessible

Distribution of responses to the statement "I feel I could easily receive public benefits if I needed them," 18- to 64-year-olds, 2024



Source: Main findings from the 2024 OECD Risks that Matter Survey (https://oe.cd/rtm).

Digital technologies such as websites, portals, and mobile applications have been used for decades to improve access to information and simplify social programme applications and renewals (OECD, 2024[6]; European Commission, 2023[7]). Online services lower the barrier to entry for some users, e.g. those who are discouraged from applying due to information complexity or administrative "hassle," but digital access also risks excluding people who lack the appropriate skills or tools (OECD, 2024[6]).

The use of *automated systems* is on the rise across OECD countries. Several countries have automated most of the benefit process, from (re-)enrolment to payment. Automatic assessment of benefit eligibility – and adjusting benefits to changes in circumstances – can reduce the frequency of over- and under-payments and adjust income support to align with labour supply and changing macroeconomic conditions. The pandemic showed that social protection programmes can be insufficiently responsive to people's needs, and responsive programmes are sometimes difficult to access (OECD, 2024[6]).

Automatically enrolling users into public programmes for which they are entitled, without them needing to apply, is less common. To date, it has largely been limited to benefits with very simple entitlement criteria, such as the birth of a child. Automatic enrolment can help increase the take-up of social programmes as recipients no longer need to apply. It can also make income support benefits more responsive to evolving needs, e.g. during crises (OECD, 2024[6]). The automated features of the United Kingdom's Universal Credit, for example, were credited by some for helping the system manage an unprecedented volume of claims during COVID-19, though there was, of course, still room for improvement. Other countries, such as France, are experimenting with pre-filling benefit applications for (potential) clients (Caisse d'Allocations Familiales France, 2024[8]).

The use of artificial intelligence (AI) in social protection is so far limited in OECD countries. It is principally used in online customer services to provide automated support (e.g. chatbots and digital assistance); to automate back-office processes (e.g. processing large amounts of data); and to detect fraud (OECD, 2024[6]).

Data sits at the heart of digital technology to improve social protection coverage

Improving the uptake of social protection fundamentally depends on being able to measure coverage and understand where the gaps are. At least 29 OECD countries have data-driven, national strategies to identify people living in vulnerable situations. Currently, most of these rely on traditional, probabilistic survey-based estimates of need for different groups (e.g. young people) or regions which may not be well-represented in government administrative data (OECD, 2024[6]).

In a few countries, **government agencies are linking their administrative databases to join up information about service users from different sources for operational purposes**. For example, high frequency data on income linked with data held by agencies administering benefits can enable close-to-real-time benefit adjustments according to claimants' fluctuating income. Several countries, such as Belgium, Estonia and France, are linking data from different sources to support identification, outreach and determination of potential eligibility for social programmes. In some countries with social registries, such as in Chile, individuals can register themselves and be considered for social programmes (OECD, 2024[6]).

Adopting a balanced risk management approach

Governments are early in their adoption of digital technologies in social protection relative to other parts of the public sector, such as the health sector. This is understandable – leveraging technology and data advances comes with considerable risks (OECD, 2024[6]).

Personal data can be highly sensitive and governments are increasingly experiencing data breaches which harm not only the individual(s) involved but also damage public trust. **Digitalisation can reinforce or create new sources of exclusion and disadvantage**. Use of predictive models and automated decision-support tools can result in discrimination with evidence suggesting disadvantaged groups are more likely to be exposed to discriminatory outcomes than others. OECD governments have put considerable effort into measures such as legal, regulatory and accountability frameworks to mitigate these risks and protect (sensitive) data and privacy.

Access to digital infrastructure and tools is uneven, particularly when viewed through the lens of age, gender, poverty and location (OECD, 2022[9]). As a result, many countries are now implementing services through multiple channels and using in-person services to help people complete administrative processes; involving users in the design of online tools to help improve user-friendliness; facilitating access to the internet; and ensuring sufficient digital education, both for civil servants and service users.

Governments face a tension in striking the right balance between timely digital transformation to improve social protection and risk management. Beyond legal measures other elements can support the successful deployment and uptake of digital solutions, such as effective data governance, an innovation-oriented leadership, an appropriately skilled workforce, and investments in modern technology infrastructure. Not all countries possess the capabilities required to embark on digital transformation journeys, but there is significant potential for international co-operation to accelerate progress.

Questions for discussion

1. How is your country implementing and scaling up the use of digital technologies and data to improve the coverage of social programmes?
2. What barriers have you encountered, and how is your country addressing risks associated with the use of digital technology, including the challenges of addressing the digital divide?
3. What more can be done to support your country in implementing solutions to the challenges of digitalising social programmes? Drawing on the OECD's convening power, what would you like to see the OECD do to help countries?
4. What is your government doing to ensure that the procurement of AI and other technologies is well-informed, and that these technologies are not replicating gender and other biases in practice?

4 Financing social protection

Many OECD countries are facing fiscal strain due to high levels of debt accumulated during COVID-19 and the subsequent cost-of-living crisis, made worse by higher interest rates. Future challenges are expected to add to this spending pressure. Population ageing will require increased spending on pensions, health and long-term care systems, while the green transition will require programmes to support job transitions, the re-skilling of workers, help households struggling with carbon prices, and invest in housing (OECD, 2024[5]). The degree to which new social programmes will be needed to offset the effects of new technologies on jobs and wages is largely unknown. At the same time, labour income – currently the main resource base for social protection financing – is being squeezed by shrinking working-age populations and a trend toward non-standard (particularly part-time) work (OECD, 2024[5]).

Given this gap between growing demands and dwindling resources, and without obvious sizable and politically feasible candidates for social spending cuts, many countries are taking stock of their current funding mixes and considering broadening the base of social protection financing beyond labour.

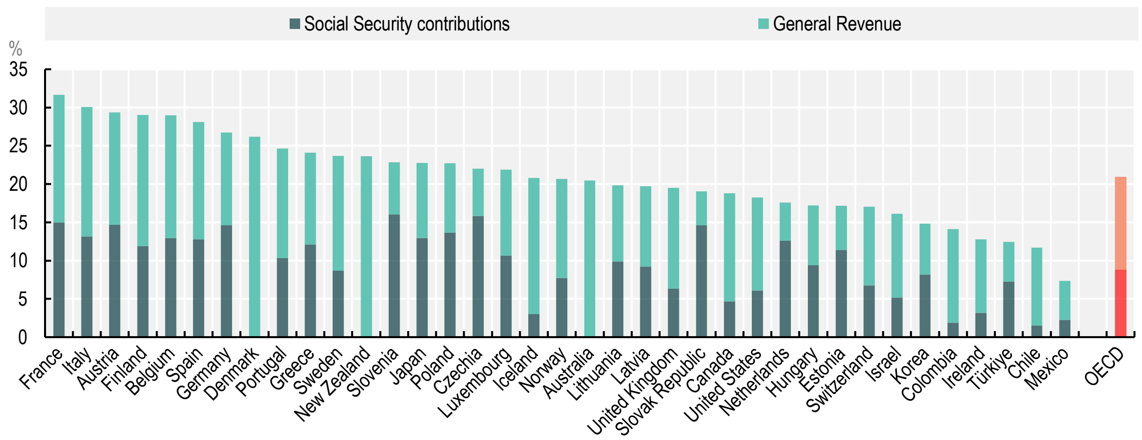
Current funding mixes vary across countries

Social protection financing strategies differ significantly across OECD countries. **Some countries mainly rely on general revenue** to grant basic health services to all residents and means-tested benefits for working-age support, complemented by a high share of private expenditure for old-age pensions (e.g. Australia, Canada, the United Kingdom (Figure 4.1). **In other countries, social protection systems are more reliant on individual contributions**: workers acquire entitlements to earnings-replacement benefits (such as unemployment insurance and parental leave benefits) and old-age pensions through contributions, with a limited role for general revenue-financed, means-tested transfers for those without the adequate contribution history.

Funding mixes can differ at similar levels of spending, reflecting different policy institutions (such as privately or publicly-funded pension systems), but also different strategies for balancing the various objectives of social protection – such as risk sharing, income smoothing over time, inequality reduction and poverty alleviation.

Figure 4.1. Funding mixes vary widely across countries

Public social spending by social security contributions and general revenue funding, in percentage of GDP, 2022 or earliest year available



Note: See Figure Note.[1]

Source: Immervoll (2024[10]) based on OECD SOCX database (social expenditure) and OECD Tax database (social insurance contributions).

Several OECD countries expanded social spending over the last four decades, with particularly strong increases in Japan, Italy, Spain, Portugal and Greece. In most countries with available information, the share of social security contributions in the total funding of social spending has decreased since the 1980s.

The role of social contributions versus tax financing

Social contributions and general revenue (or tax) financing play different roles in social protection systems. Contribution-based benefits replace a fixed share of previous incomes, helping people to afford expenses that are difficult to adjust to in the short term, such as housing. This makes them effective in maintaining spending levels during economic downturns. Contribution-based benefits also provide a direct link between contributions and entitlements, which can incentivise work. In addition, take-up of insurance-based benefits is usually higher than for means-tested ones (OECD, 2024[6]).

However, contribution-based schemes often exclude some groups of workers, such as the self-employed, and they tend to redistribute less than tax-financed schemes. Depending on a country's tax mix, tax-financed schemes can also draw on tax bases other than labour, including capital or property, which may further increase progressivity.

[1] Figure Note: Social expenditure includes (public) old age and survivor pensions, income support to the working-age population, (public) health spending, as well as other social services. The share of general government contributions is calculated as the residual by subtracting social contribution revenues from public social spending totals. It therefore includes all sources of social protection financing other than social contributions, including debt financing and withdrawals or property income from public pension reserve funds or sovereign wealth funds. In-kind healthcare and some old-age pensions are private in the Netherlands (in 2019, private social expenditure accounted for 13% of GDP). Data refer to 2019 instead of 2022 for Australia, Canada, Chile, Colombia, Japan, Mexico, New Zealand, Türkiye, the United Kingdom, and the United States.

Combining contributions and general revenue funding is therefore common, with funding sources aligned with a programme's purpose – contribution-based schemes to insure against income losses (such as unemployment, disability and maternity/paternity), combined with general-revenue funded means-tested benefits for those without the necessary earnings history (e.g. social assistance and minimum pensions). Countries that combine unemployment insurance schemes with a second layer of tax-financed "safety net" benefits reach the highest levels of overall benefit coverage (Hyee et al., 2024[11]).

Novel funding examples to support social protection

Several countries that previously mainly featured tax-financed schemes are introducing or considering more insurance-based benefits, often informed by the experience of the COVID-19 crisis. Ireland is strengthening the link between previous earnings and unemployment benefits with a new pay-related jobseeker's benefit. Starting in March 2025, it will replace 60% of previous earnings, up to a threshold, for those with five years of contributions, for the first three months of unemployment (Ireland Department of Social Protection, 2024[12]). Since 2017, Portugal uses revenues from a special property tax as well as part of the corporate income tax, to fund a minimum social pension (Immervoll, 2024[10]).

Some countries are also **using revenues from new carbon taxes to fund payments to households**. Austria is recycling all revenue from a new carbon tax back to residents, with people living in areas with less public transport receiving higher payments. Switzerland is using two-thirds of carbon tax revenues to reduce health insurance contributions (OECD, 2024[13]).

Questions for discussion

1. What factors play a role in the current funding mix (contributions vs. taxes) in the financing of social protection in your country?
2. What novel funding sources are being explored in your country to finance social protection?
3. What are the biggest challenges to tapping into new revenue streams – and how can these challenges be tackled?

5 Investing in children in times of profound change

What children learn, do and experience plays a critical role in shaping their identities and futures. New realities in children's lives, from their increasing engagement in the digital world, to climate and demographic change, alongside pervasive loneliness and poor mental health require reconsidering child well-being and childhood disadvantage in a more comprehensive and child-centred way. Children need to have a voice and agency over the decisions and policies that concern them.

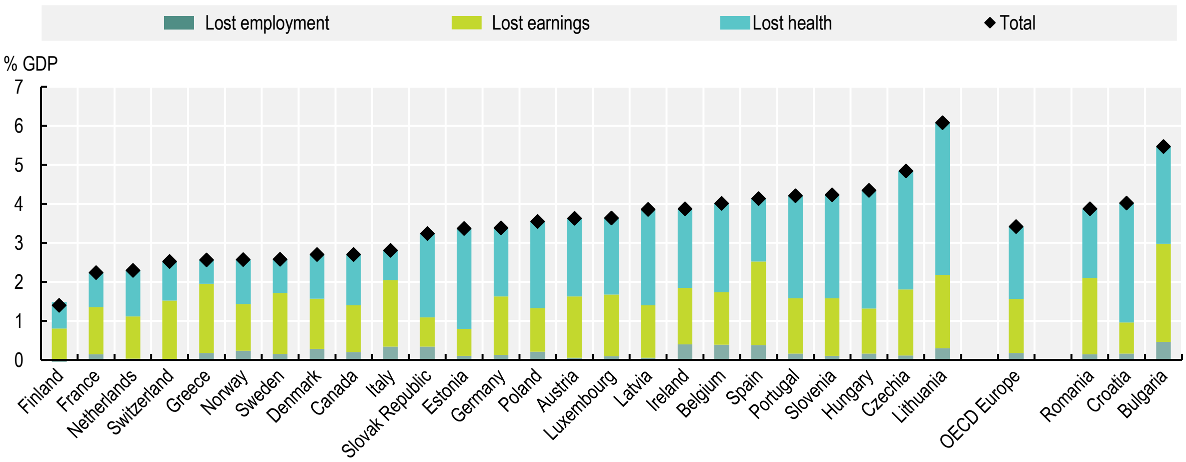
Disadvantage affects children's well-being, life chances and societal prosperity

Children from socio-economically disadvantaged backgrounds face unequal opportunities, leading to lower educational achievement, poorer health, weaker social connections, and diminished subjective well-being (Clarke and Thévenon, 2022[14]). Evidence from European OECD countries (Clarke et al., 2022[15]) and Canada (OECD, 2024[16]) indicates adults who experienced socio-economic hardship during childhood are less likely to be employed, earn less (approximately 20% less on average), and report poorer health compared to their more advantaged peers. The annual economic cost of childhood disadvantage averages 3.4% of GDP (Figure 5.1). In many countries, the long-term effects of childhood socio-economic disadvantage tend to impact women more significantly than men (Clarke et al., 2022[15]). Moreover, when considering the intergenerational transmission of disadvantage, parental employment – especially maternal employment – plays a crucial role in reducing the risk of poverty for both couple and single-parent families (OECD, 2024[16]).

Sources of childhood disadvantage span the material, social and environmental dimensions of life addressed by the OECD's work on child well-being (OECD, 2021[17]). One in eight children in OECD countries live in relative income poverty, a higher rate than among adults. Neighborhoods lacking natural amenities, and with limited access to essential health, education, care services, and recreational facilities also play a role. Educational disparities and unequal spending across socio-economic groups further contribute. Disability, poor mental health, maltreatment and placement in out-of-home care also create vulnerabilities (OECD, 2019[18]).

Figure 5.1. The economic costs of childhood socio-economic disadvantage

Estimated total monetary value of "lost" employment, earnings, and health for 25- to 59-year-olds who grew up in relative socio-economic disadvantage, percentage of GDP, by country, 2018-19



Source: OECD analysis of the European Union Statistics on Income and Living Conditions (EU-SILC) survey 2019 and Longitudinal and International Study of Adults (LISA) for Canada (Thévenon, Clarke and Simard-Duplain, 2024[19]; Clarke et al., 2022[15])

Ensuring child well-being in a changing world

Global megatrends are exacerbating existing inequalities and introducing new challenges. Demographic shifts including smaller family sizes, more diverse living arrangements, and evolving parenting conditions change household income and expenditure patterns and pressures. About 18% of children in OECD countries do not reside with both parents. Single-parent households face higher poverty risks.

Children, especially those living in deprived areas, can be at particular risk from the climate crisis Globally, approximately 3 in 10 children reside in regions that combine higher-than-average child poverty rates and exposure to extreme climate events (Global Coalition to End Child Poverty, 2023[20]). Environmental degradation and climate shocks can both hinder efforts to escape poverty and deepen existing multi-dimensional poverty,[2] as well as creating fundamental threats to child health and well-being.

The digital transition poses further challenges. Excessive or addictive use of digital tools can harm children's physical and mental health, drawing increased interest in how supportive family and school environments can mitigate this. The increasing prevalence of loneliness and of mental health problems among children and young people, especially those in less affluent families, is also a policy concern.

[2] As acknowledged, for example, in the General Comment No. 26 of the UN Child Rights Committee on children's rights and the environment with a special focus on climate change (www.ohchr.org/en/documents/general-comments-and-recommendations/crccgc26-general-comment-no-26-2023-childrens-rights), which clarifies the obligations of States to address environmental harm and climate change, and explain how children's rights under the Convention on the Rights of the Child apply to environmental protection.

Addressing evolving challenges in child well-being

Investing early is crucial to break cycles of disadvantage and improve outcomes for children today and the adults of the future. Key directions for policy action include:

- **Improve financial support and access to basic, good-quality services, and cater for new family configurations**. Combatting child and family poverty requires a combination of cash and in-kind support to assist parental employment, prevent poverty, and ensure families' ability to meet children's needs (Thévenon et al., 2018[21]).
- **Enhance support for disadvantaged children through integrated policy plans and service delivery**. This can improve service use outcomes, particularly for children with special needs and families with multiple needs. The EU Child Guarantee has been a strong impetus for action in the EU countries. Successful initiatives commonly incorporate case management and a community-based single-entry point to provide wrap-around services.
- **Detect and monitor pressing and emerging issues for child well-being.** Child well-being indicators are essential tools for setting clear goals and policy priorities, promoting strategic alignment and co-operation across government. Challenges include data coverage for young children and marginalised populations and recognising emerging risks such as climate change and the digital transition. New digital data sources and geospatial data can help address gaps.
- **Incorporate children's views and aspirations in policy making processes.** While most OECD countries consult children, involvement levels vary from active participation to indirect consideration through existing data. Participatory processes, however, often favour advantaged children. Removing time and geographic constraints, using virtual consultation, and accommodating non-native speakers can promote more inclusive participation (OECD, 2023[22]).

Looking ahead, a dedicated OECD Recommendation on Child Well-Being would create an international standard around a common framework for policy action, thereby supporting countries in the development of policies, tools and integrated service delivery mechanisms that enable all children to thrive.

Questions for discussion

1. What key insights can be drawn from recent policies aimed at addressing child and family poverty, particularly regarding effective strategies, challenges encountered, and existing policy gaps?
2. How are family configurations changing and how does this affect policy needs?
3. What concrete obstacles are you facing in the delivery of integrated services for families and children, and particularly in reaching disadvantaged children? How are you integrating the views of children?
4. What progress has been made in your country regarding monitoring child well-being? What are the main challenges ahead?

6 The role of social investment for sustainable social policy

Social investment emerged as a promising social policy perspective in the mid-1990s in the context of new social and economic challenges faced by traditional welfare states, including the shift toward knowledge economies. Simply put, the objective of social investment is to strengthen our human capital by improving people's abilities to navigate (the increasingly unpredictable) risks and shocks that occur during their lives.

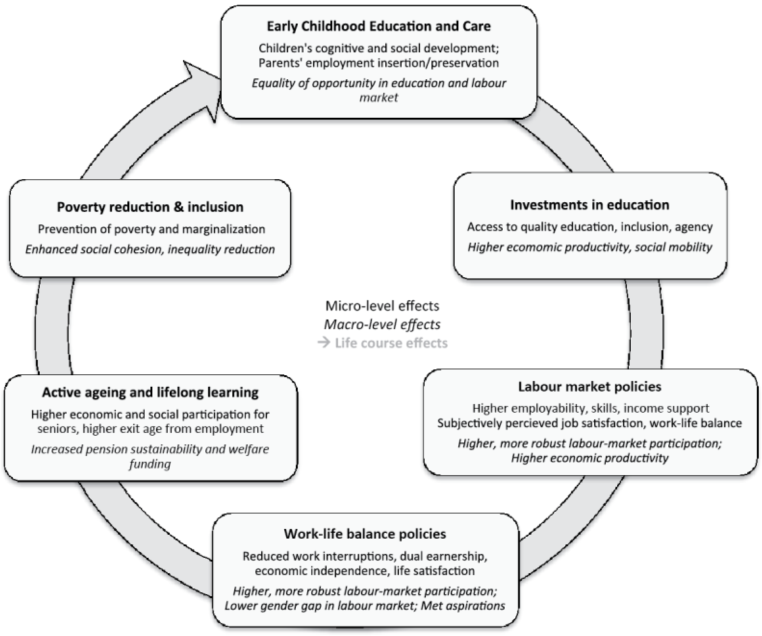
Social investment represents a proactive approach to welfare provision; it shifts the balance from the delivery of reactive social supports to the prevention of social problems. Social protection measures are necessary to insure people against risks such as unemployment, ill-health, or income fluctuations and poverty. Social investment proponents argue that such support must go hand in hand with a preventative approach that includes investing in policies such as early childhood education and care, education and vocational training, and active labour market policies.

At the heart of social investment is the concept of a life-course multiplier effect (Hemerijck, 2018[23]; Hemerijck, Ronchi and Plavgo, 2023[24]) whereby social interventions provided over the life course reinforce each other and generate a continuous cycle of well-being at both an individual and a societal level (Figure 2.1), helping to reduce the risk of poor outcomes in later years. High-quality social investment also has the potential to increase productivity and economic growth, as well as reduce the need for (and thus the cost of) social protection (Figure 2.1). The OECD has helped foster understanding of a social investment approach across a range of policy domains; see, for example, OECD (2023[25]; 2019[26]; 2018[27]; 2017[28]) and Llena-Nozal, Martin and Murtin (2019[29])).

Social investment approaches vary across countries

Social investment objectives have been pursued via highly varied policy mixes and funding methods, resulting in considerable variation across countries and regions. A 2022 global review of social investment reform differentiated social investments along two dimensions: functions (skill creation, skill mobilisation or skill preservation) and distributive profiles (inclusive, stratified or targeted), resulting in different types of social investments with different outcomes (Garritzmann, Hausermann and Palier, 2022[30]).

Figure 6.1. Social investment programmes and potential macro-level effects



Source: Hemerijck, Ronchi and Plavgo (2023[24]).

The European Union (EU) has actively promoted social investment since the early-2000s. A key driver of the current push towards social investment is the need to address the EU's competitiveness challenge, including stagnating productivity growth and historically high labour and skills shortages, which requires mobilising more and more productive workers amid shrinking working-age populations. Some social investment policies and reforms in Europe today are therefore viewed as public spending related to investments and reforms that, as well as pursuing social objectives, are expected to produce returns in terms of economic growth through their impact on human capital and productivity (Council of the European Union, 2024[31]). The EU recently created a methodological toolbox to promote high-quality social investment by helping countries assess the impact of their social investment measures on both social and economic outcomes – both ex-ante and ex-post (Council of the European Union, 2024[32]).

New Zealand is also rebooting its social investment approach, which has been more targeted than the approach taken in the EU. It focuses on the most vulnerable who need more support to successfully participate in modern societies and labour markets. The government's aim is to improve investment(s) in, and the outcomes from, social and labour market services. Social investment welfare states are, by their nature, service intensive. Inclusive activation policies require not only labour market services and benefit payments (e.g. childcare benefits and job search assistance) but also social services (e.g. parenting programmes, housing provision and financial counselling) for the most disadvantaged groups.

Other OECD countries have also implemented social investment policies. Studies (e.g. Garritzmann, Hausermann and Palier (2022[30])) looking at welfare state reforms in different parts of the world with specific attention on social investment component(s) have found that a range of countries are implementing social investment policies (i.e. policies that aim to create, mobilise and/or preserve human skills and capabilities). These social investment strategies vary in their inclusivity and relative importance vis-à-vis other welfare strategies. Funding, too, can vary, with some governments viewing social investment programmes as a repayable finance rather than a public investment with more diffuse, long-term outcomes.

Operationalising social investment

While the concept of social investment is not easy to operationalise, significant progress has been made in recent years. With its emphasis on prevention, social investment often requires a long-term perspective which can make it politically challenging to implement. Upfront funding is required while potential benefits unfold over time. In times of budget pressures, it can be difficult for governments to appropriate funding for more future-oriented policies unless there is an observed, causal effect of policy intervention. This has been addressed in some programmes and countries by embedding experimental evaluation within policy design to estimate causal, downstream effects. One example is the lifetime effects of early childhood education and care on later education, health, employment and earnings (Heckman, Pinto and Savelyev, 2013[33]; Campbell et al., 2008[34]).

Strong political and civil service leadership is critical to the development and success of social investment, and cross-governmental collaboration is necessary at the policy and operational levels. A range of agencies (social, education, employment and health) often must work together. This includes setting common, clear and measurable goals, sharing accountability for results, adopting a life course approach to policy development, and systematically measuring progress and co-ordinating service provision. Because many services are delivered locally, sub-national organisations (including non-governmental providers) must be prepared to deliver programmes tailored to the needs of their communities. They must be supported to collaborate, innovate and feedback information on implementation and place-specific outcomes to inform ongoing policy improvements.

Social investment also often requires long-term financing like other types of investment, rather than short-term budgeting. This may require non-traditional financial rules, regulations and instruments. Resource allocations should promote a prevention-first approach. This could generate short- to long-term savings on public spending and greater fiscal revenues. Depending on how social assistance and social insurance programmes are designed and money spent by beneficiaries, these services can also fulfil the role of productive expenditures.

Questions for discussion

1. Has your country adopted a social investment approach (or programmes) and if so, how is it being implemented?
2. How can policy makers secure sustainable funding for social investment policies? What is needed to overcome obstacles?
3. How does your country assess and/or evaluate the impact of social investment policies (ex-ante and/or ex-post) to maximise their effectiveness and efficiency?
4. How can the OECD support countries in taking a social investment approach?

References

Caisse d'Allocations Familiales France (2024), *Solidarité à la source : l'expérimentation des déclarations pré-remplies*, https://www.caf.fr/professionnels/actualites/solidarite-la-source-l-experimentation-des-declarations-pre-remplies. [8]

Campbell, F. et al. (2008), "Young adult outcomes of the Abecedarian and CARE early childhood educational interventions", *Early Childhood Research Quarterly*, Vol. 23/4, pp. 452-466, https://doi.org/10.1016/j.ecresq.2008.03.003. [34]

Clarke, C. et al. (2022), "The economic costs of childhood socio-economic disadvantage in European OECD countries", *OECD Papers on Well-Being and Inequalities*, No. 09, OECD Publishing, Paris, https://doi.org/10.1787/8c0c66b9-en. [15]

Clarke, C. and O. Thévenon (2022), "Starting unequal: How's life for disadvantaged children?", *OECD Papers on Well-being and Inequalities*, No. 6, OECD Publishing, Paris, https://doi.org/10.1787/a0ec330c-en. [14]

Council of the European Union (2024), *Council Conclusions on the role of labour market, skills and social policies for resilient economies*, https://www.consilium.europa.eu/en/meetings/epsco/2024/06/20/. [31]

Council of the European Union (2024), *Voluntary guiding principles for EU Member States for evaluating economic effects of reforms and investments in the labour market, skills and social policy domains*, https://data.consilium.europa.eu/doc/document/ST-10779-2024-INIT/en/pdf. [32]

European Commission (2023), *Making access to social protection for workers and the self-employed more transparent through information and simplification*, https://employment-social-affairs.ec.europa.eu/making-access-social-protection-workers-and-self-employedmore-transparent-through-information-and_en. [7]

Garritzmann, J., S. Hausermann and B. Palier (2022), *Social investments in the knowledge economy: The politics of inclusive, stratified, and targeted reforms across the globe*, https://doi.org/10.1111/spol.12874. [30]

Global Coalition to End Child Poverty (2023), *A Disproportionate Burden: Children in Poverty Bearing the Burnt of the Climate Crisis*, https://knowledge.unicef.org/SPSP/resource/disproportionate-burden-children-poverty-bearing-brunt-climate-crisis. [20]

Heckman, J., R. Pinto and P. Savelyev (2013), "Understanding the mechanisms through which an influential early childhood program boosted adult outcomes", *American Economic Review*, Vol. 103/6, pp. 2052-86, https://doi.org/10.1257/aer.103.6.2052. [33]

Hemerijck, A. (2018), "Social investment as a policy paradigm", *Journal of European Public Policy*, Vol. 25/6, pp. 810-827, https://doi.org/10.1080/13501763.2017.1401111. [23]

Hemerijck, A., S. Ronchi and I. Plavgo (2023), "Social investment as a conceptual framework for analysing well-being returns and reforms in 21st century welfare states", *Socio-* [24]

economic Review, Vol. 21/1, pp. 479-500, https://doi.org/10.1093/ser/mwac035.

Hyee, R. et al. (2024), "How reliable are social safety nets in situations of acute economic need?: Extended estimates for 14 OECD countries", *OECD Social, Employment and Migration Working Papers*, No. 317, OECD Publishing, Paris, https://doi.org/10.1787/568bb35b-en. [11]

Immervoll, H. (2024), "Financing social protection in OECD countries: Role and uses of revenue earmarking", *OECD Social, Employment and Migration Working Papers*, No. 312, OECD Publishing, Paris, https://doi.org/10.1787/0d53155c-en. [10]

Ireland Department of Social Protection (2024), *Cabinet gives approval to draft law for new Pay-Related Jobseeker's Benefit*, https://www.gov.ie/en/press-release/2777c-minister-humphreys-signs-commencement-order-for-pay-related-benefit-to-start-on-31st-march-2025/. [12]

Llena-Nozal, A., N. Martin and F. Murtin (2019), "The economy of well-being: Creating opportunities for people's well-being and economic growth", *OECD Statistics Working Papers*, No. 2019/02, OECD Publishing, Paris, https://doi.org/10.1787/498e9bc7-en. [29]

OECD (2024), *Megatrends and the Future of Social Protection*, OECD Publishing, Paris, https://doi.org/10.1787/6c9202e8-en. [5]

OECD (2024), *Modernising Access to Social Protection: Strategies, Technologies and Data Advances in OECD Countries*, OECD Publishing, Paris, https://doi.org/10.1787/af31746d-en. [6]

OECD (2024), *Society at a Glance 2024: OECD Social Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/918d8db3-en. [1]

OECD (2024), "The economic cost of childhood socio-economic disadvantage in Canada", *OECD Papers on Well-being and Inequalities*, No. 25, OECD Publishing, Paris, https://doi.org/10.1787/7abf1837-en. [16]

OECD (2024), "Who pays for higher carbon prices? Mitigating climate change and adverse distributional effects", in *OECD Employment Outlook 2024: The Net-Zero Transition and the Labour Market*, OECD Publishing, Paris, https://doi.org/10.1787/9138d7e3-en. [13]

OECD (2023), *Beyond Applause? Improving Working Conditions in Long-Term Care*, OECD Publishing, Paris, https://doi.org/10.1787/27d33ab3-en. [4]

OECD (2023), *Integrated policy making for child well-being: Common approaches and challenges ahead*, OECD Publishing, Paris, https://doi.org/10.1787/1a5202af-en. [22]

OECD (2023), *Joining forces for gender equality: What is holding us back?*, https://doi.org/10.1787/67d48024-en. [25]

OECD (2023), *Labour force statistics in OECD countries: Sources, coverage and definitions*, OECD, Paris, https://www.oecd.org/content/dam/oecd/en/publications/support-materials/2023/07/oecd-employment-outlook-2023_904bcef3/lfsnotes_sources.pdf. [3]

OECD (2023), *Pensions at a Glance 2023: OECD and G20 Indicators*, OECD Publishing, [2] Paris, https://doi.org/10.1787/678055dd-en.

OECD (2022), *Impact evaluation of the digital tool for employment counsellors in Spain: SEND@*, OECD, Paris, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/12/impact-evaluation-of-the-digital-tool-for-employment-counsellors-in-spain-send_2f5d6157/fe1ec3c3-en.pdf. [9]

OECD (2021), *Measuring What Matters for Child Well-being and Policies*, OECD Publishing, Paris, https://doi.org/10.1787/e82fded1-en. [17]

OECD (2019), *Changing the Odds for Vulnerable Children: Building Opportunities and Resilience*, OECD Publishing, Paris, https://doi.org/10.1787/a2e8796c-en. [18]

OECD (2019), *Good Practice for Good Jobs in Early Childhood Education and Care*, OECD Publishing, Paris, https://doi.org/10.1787/64562be6-en. [26]

OECD (2018), *Opportunities for All: A Framework for Policy Action on Inclusive Growth*, OECD Publishing, Paris, https://doi.org/10.1787/9789264301665-en. [27]

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://doi.org/10.1787/9789264279087-en. [28]

Thévenon, O., C. Clarke and G. Simard-Duplain (2024), “The economic cost of childhood socio-economic disadvantage in Canada”*, OECD Papers on Well-being and Inequalities*, No. 25, OECD Publishing, Paris, https://doi.org/10.1787/7abf1837-en. [19]

Thévenon, O. et al. (2018), *Child poverty in the OECD: Trends, determinants and policies to tackle it*, OECD Publishing, Paris, https://doi.org/10.1787/c69de229-en. [21]