

Are targeted social investments feasible policy goals? The case of education in Finland

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Introduction

According to the literature, education is a classic example of social investment. Societies that invest in education are at the same time investing in its human capital and investing in future growth. It is argued that similar thinking can also be easily extended to other societal phenomena. The assumption is that investments in any form of capital in a society, such as economic, social, cultural or human investments, will have similar positive effects on society in general.

However, there are often more assumptions linked to what are considered to be *social investments*. This is especially true in how social investments are currently understood in Europe; while the term "investment" is taken more or less for granted, social investments are considered to be specific, targeted goals aimed at certain groups in a society.

In this paper, I discuss the meaningfulness of this kind of limitation from the point of view of educational investments in Finland. My main argument is that educational investments are most often presented as an example where social investments have been shown to be successful; however, finding specific, targeted goals for investments are more or less non-existent in the field of education.

Investing and investments

Let us begin by defining what is actually meant by investing and investments, which is often forgotten in social investments' literature.

With *investing*, I refer to the *intentional behaviour of an individual or a group that aims at positive outcomes*. Of course, similar to any intentional behaviour, investing can have positive, unintentional consequences as well as negative ones (Boudon 1982). Some of the literature also discusses the possibility of negative investments (e.g. Jæger & Breen 2016). However, we do not address negative investments in this paper, and we instead assume that negative investing is more accurately called as harming.

To be classified as an investment, resources need to be used more than would otherwise be allocated to achieve pos-

itive outcomes. This distinguishes investing from *consumption*. For instance, we spend a certain amount of our income on food just to stay alive. Similarly, we need to consume some of the resources of the society to maintain the already existing educational institutions. In the case of whole societies with a fixed amount of resources available, investing more somewhere often means that consumption is reduced elsewhere. Thus, I define *an investment as a proportion spent in order to reach a positive outcome on top of the proportion consumed*. This kind of definition is in contrast with the previous literature, which simply divides social investments and social consumption according to the type of social cost (e.g. Devine 1985; Nolan 2013).

Furthermore, I purposefully refer to *aiming* at a positive outcome. There is often some uncertainty involved; those conducting investing cannot usually know beforehand exactly how well the investment will pay off. However, there is clearly more certainty than in *betting*. One can bet without any information about the chances of succeeding or the mechanisms involved that could either weaken or strengthen the chances of succeeding. The opposite is always true for investing. Before investing, we try to gather information about the chances of succeeding and the mechanisms involved that may influence those chances; the investing itself refers to our attempt to influence the prevailing conditions and mechanisms involved so that the chances of succeeding would be higher than they would otherwise. Additionally, uncertainty is not a necessary condition of investing; there is no such a thing as a sure bet, but if one has perfect information about the conditions and the mechanisms involved, there can be a perfect investment. Thus, the uncertainty is more related to the possibility of gaining perfect information rather than to investing itself (c.f. Stiglitz 2000).

Social investments and targeting

While many of the definitions outlined above can result from common sense conceptual reasoning, limiting our case to *social investments* has important consequences.

Academically, social investments are often referring to any resources of a society targeted specifically to the development and accumulation of human capital. The literature suggests that in this case the best investments are those targeting the early years of life (Esping-Andersen 2002; Heckman 2000; Morel, Palier, & Palme 2012). Consequently, the emphasis on social spending should target the early years of life.

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Table 1
Age of entering public day care in Finland. Birth cohorts 1989-1990.

	Age of entering public day care				Total (%)
	Around 1	Around 2	Around 3	Later or never	
Primary education or lower	12.75	10.61	16.04	60.61	100
Upper secondary education	16.96	16.65	17.25	49.14	100
Higher education	22.39	23.32	18.97	35.32	100
Total (%)	18.18	18	17.66	46.17	100

Source: Karhula et al. 2016.

However, a social investment is also a political and policy concept that plays a central role in the European Union. Facing the economic crisis and demographic challenges, the European Commission considers social investments as a particularly important dimension in combating both. In fact, the European Commission even introduced a special *Social Investment Package* (SIP) in 2013 (European Commission 2013).

There are numerous documents providing further clarification on what this specifically means. However, some elements are shared by all of them. This is also well covered in the official definition of social investments published on the Commission's web site. According to the European Commission, social investment "...is about investing in people. It means policies designed to strengthen people's skills and capacities and support them to participate fully in employment and social life." (European Commission 2016).

SIP has more detailed goals, focusing on "Ensuring that social protection systems respond to people's needs", "Simplified and better targeted social policies" and "Upgrading active inclusion strategies in the Member State". In short, social investments are targeted to specific groups to increase skills and capabilities, employment and social inclusion. Targeting is important from the point of view of limiting the amount of social spending in societies facing growing economic constraints. This naturally places much emphasis on education. Much previous literature shows that by contributing to education, we should expect to find positive outcomes for all of these goals. However, it can be debated whether targeting is a reasonable goal in the area of education. In the following section, I will discuss the possibility of finding targeted social investment goals in the Finnish educational system.

Targeted investments in education in Finland

Given that the same amount of elementary schooling is already compulsory for all Finns, it is also obvious that there is not much room for targeted social investments in elementary education. Of course, some tweaking could be done to the system, for instance, by identifying less effective schools or areas where students' social background is particularly disadvantageous for educational outcomes. However, the existing evidence suggests that, in terms of returns, elementary school differences are relatively small in Finland (Marks

Table 2
Logistic regression models of the age of entry into the public day care and acquiring general secondary education degree (results are presented as average marginal effects, AME).

	Model 1	Model 2
<i>Age of entry into public day care (ref. Later or never)</i>		
Around the age of 1	0.08***	0.03***
Around the age of 2	0.14***	0.06***
Around the age of 3	0.10***	0.05***
<i>Female (ref. Male)</i>	0.16***	0.16***
<i>Mothers education (ref. Less)</i>		
Upper secondary education		0.12***
Higher education		0.29***
<i>Fathers education (ref. Less)</i>		
Upper secondary education		0.06***
Higher education		0.27***

Source: Karhula et al. 2016.

2006; Reinikainen 2012). Thus, this kind of targeted investment should have small returns and would be a rather bad investment.

This suggests that if there is any room for targeted social investments, they should be more likely found from either pre or post compulsory schooling.

Let us first consider pre-compulsory schooling. In our previous study, (Karhula, Erola, & Kilpi-Jakonen 2016) we analysed the long-term educational outcomes of participating formal day care for children between the ages of 1 and 3. This starting point for finding targets for social investments is promising: there is a substantial social background gradient in the participation in childcare at that age in contrast to remaining in homecare. Table 1 shows that children with low-educated parents are particularly likely to be cared for at home, while the children of higher-educated parents enter day care much earlier. Hence, we can easily conclude that any efforts targeted at increasing early day care participation of lower educated parents should be particularly welcome, assuming that participation in day care would have positive effects on children's education.

However, a closer examination of our results, replicated in Table 2 for entering general secondary education, reveals important caveats. The unadjusted advantage is substantial,

Table 3

Certain educational transitions by highest parental education level in Finland.

	No qualification	Upper secondary qualification	Vocational qualification (if any)	General qualification (if any)
University	5.6	94.4	14.0	86.0
Lowest-level tertiary or general secondary	10.2	89.8	32.7	67.3
Vocational secondary	17.2	82.8	55.4	44.6
Less	30.3	69.7	65.8	34.2
All	13.8	86.2	39.2	60.8

	Polytechnic (if gen. qual.)	University (if gen. qual.)	Entry via polytechnic to univ.	Direct entry to univ.
University	31.7	56.5	11.3	88.7
Lowest-level tertiary or general secondary	45.4	35.3	14.8	85.2
Vocational secondary	50.5	24.8	14.8	85.2
Less	45.2	21.5	20.0	80.0
All	42.0	39.3	13.2	86.8

Source: Kilpi-Jakonen et al. 2016.

there is up to a 14 % increased likelihood in general secondary education if a child enters day care around the age of 2. However, the positive effect can be largely explained by the positive background selection into day care. After controlling for selection according to parental education, the positive effect is about the same for all children. The unreported analyses also suggest that there is no statistically significant interaction effect between day care attendance and parental education. Therefore, entering children into formal day care at the age of three or earlier would be the safest bet for all children, but this does not justify targeted early day care investments towards children with low-educated parents. Indeed, day care appears to be a meaningful social investment in Finland, but it is not a targeted one. Rather, day care is clearly a *universal* social investment since it is advantageous to all social groups.

What about post-elementary education? Our earlier research provides some hints on that as well (Kilpi-Jakonen, Erola, & Karhula 2016). Again, the initial setup, reported in Table 3, suggests that there is a substantial background effect in participation in any post-elementary level of education. The children with university-educated parents are particularly likely to enter general upper secondary education, whereas children of vocationally or less educated parents tend to continue to vocational secondary education. Similar patterns are shown in the entry into tertiary education, and university education is particularly selective according to parental background.

This suggests that if skills are relatively equally distributed across the social strata, we should invest more in university education of students coming from a non-university background. However, how can this be achieved? One often noted option in both contemporary discussions as well as in the international literature (Coleman 1968) is to subsidize the costs of participating in higher education. However, there

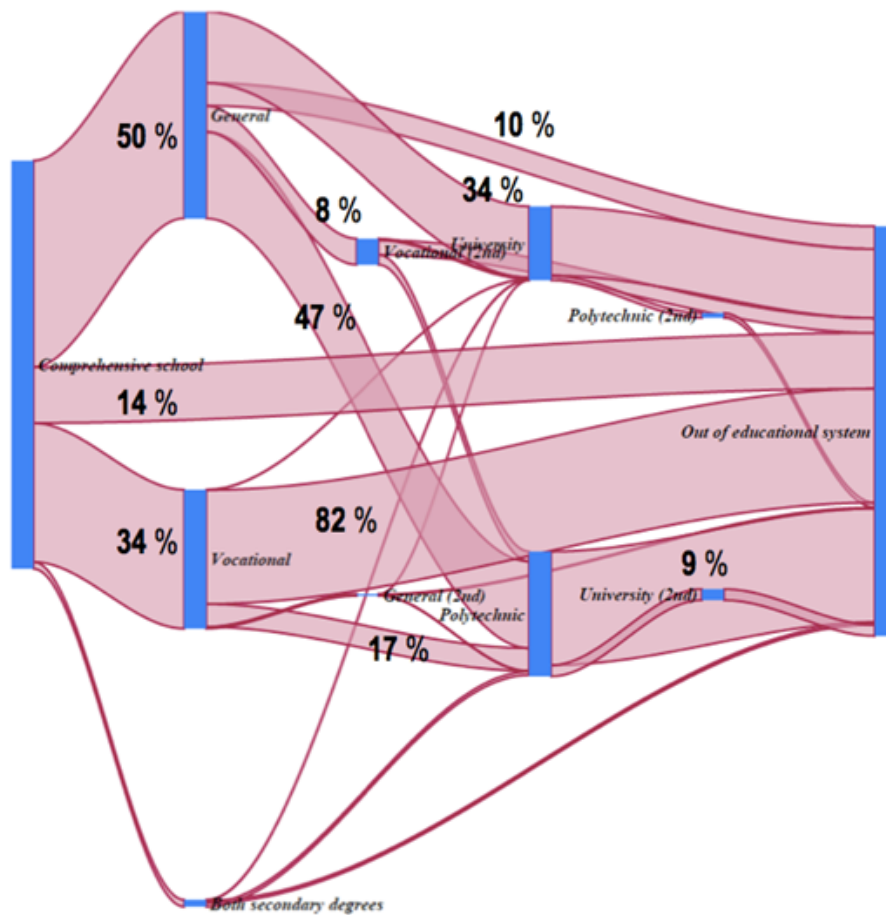
is very little room for this in the Finnish educational system since all education is free of charge and the cost of living is subsidised by student subsidies and student loans. Indeed, evidence suggests that the lack of family income alone is likely not the key issue explaining intergenerational social inequalities in Finland (Erola, Jalonen, & Lehti 2016; Kallio, Kauppinen, & Erola 2016).

A second option would be to identify and increase the number of loopholes in the educational system that provide particularly equal access to higher levels of education. Indeed our analysis reported in the original paper shows that entry from the polytechnics to universities is more equal by social background than entry for general secondary education. The evidence shows, however, that there is already a wealth of loopholes in the Finnish educational system. Figure 1 shows the data analysed in Kilpi-Jakonen et al. (2016) and provides some insight. Actually, the Finnish educational system has thus far been one of the rare examples of an educational system with no formal dead-ends. The volume of the population exhausting the system has nonetheless remained limited.

Finally, an important factor for increasing equality as indicated in earlier literature is that expanding higher tertiary education may equalise access to higher education. The existing studies suggests that this has been the case in Finland in the past (Erola 2009). However, this kind of social investment would certainly not be targeted, but instead would be a *universal* social investment.

Conclusions

Above I have discussed the key role of education for social investments. Indeed, investing in education is a feasible goal of any society to increase human capital and economic growth. There is a wide academic agreement that investing



Credits: Aleksi Karhula.

Figure 1. The relative importance of educational transitions in the Finnish educational system.

in early education is fundamental. However, increasing evidence suggests that investing in education at any phase of life course is important, including adult education (e.g. Blossfeld & Maurice 2011).

It is not surprising that the European Commission has prioritised social investments as a way of combating the economic crisis and demographic challenges the continent is currently facing. It has nonetheless limited the type of social investments societies should concentrate on by arguing that investments should be targeted to the groups that should especially benefit from them.

Finding feasible, targeted goals for social investments can nonetheless be hard and often impossible in practice, which I have described in the case of the Finnish educational system. Although it is easy to show how social investments at any level of education could contribute to the human capital of a society, it is much harder to pinpoint what kind of targeted investments would be feasible. For instance, access to early formal day care has positive effects on the future education of all children, independent of their social background.

Furthermore, the most feasible way of improving access to higher education of the children from the low educational backgrounds would be to expand this level of education in general. This, however, would benefit children from all social backgrounds.

We should thereby question the meaningfulness of targeted social investments as the means of reaching the positive goals of societies. Allocating resources to universal systems is likely to result in a more efficient means of reaching those outcomes.

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