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# Social Policy as a Key-Productive-Factor of an Advanced Sustainable Development

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**ABSTRACT**

In this article, I would like to discuss three main problems. Indeed, there are no particular problems but the whole complex of mutually connected ones. The first issue concerns the structural character of the current changes. The second issue concerns the peculiarity of globalisation's process. The third issue concerns the great correction of the current development model. In my analysis, I stress the real turning point, consistent with the need for a significant correction of our understanding, approaches and policies. It took place in September 2015 at the UN General Assembly with the approval of the 2030 Agenda on sustainable development — a structured action plan with 17 Goals and 169 specific Targets. Namely, within this framework, social policy has been recognized as a primary, essential value, after decades in which this policy has been interpreted and relegated to a secondary function, a function to support economic activities, a simple cost that the state and businesses must cover to assist the weakest and most affected people by the production processes. However, for competitiveness and cohesion of a system, the fundamental point concerns an adequate interpretation of this key-word: "social". The matter at this point is likely to become extremely complex.

***Keywords:*** sustainable development; economic growth; productive factors; structural changes; globalisation; social inclusion; poverty; inequality

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# Социальная политика как ключевой продуктивный фактор прогрессивного устойчивого развития

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**АННОТАЦИЯ**

В своей статье автор обсуждает три основные проблемы. Первая проблема касается структурного характера нынешних изменений. Вторая — особенностей процесса глобализации. Третья — коррекции нынешней модели развития. В своем анализе автор отмечает реальный поворотный момент, когда возникла необходимость существенной корректировки существующих подходов к политике. Это произошло в сентябре 2015 г. на Генеральной Ассамблее ООН при утверждении повестки дня в области устойчивого развития на период до 2030 г. — структурированного плана действий с 17 целями и 169 конкретными задачами. В частности, в этих рамках социальная политика была признана в качестве первичной, существенной ценности после десятилетий, в течение которых она интерпретировалась как второстепенная функция поддержки экономической деятельности, простой стоимости, которую государство и предприятия должны покрывать для оказания помощи самым слабым и наименее защищенным слоям населения. Однако для конкурентоспособности и сплоченности системы основополагающим моментом является адекватное толкование ключевого слова «социальная». На данный момент этот вопрос, вероятно, станет чрезвычайно сложным.

***Ключевые слова:*** устойчивое развитие; экономический рост; производственные факторы; структурные изменения; глобализация; социальное включение; бедность; неравенство

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## 1. PREMISE

Let's start with a quote from a great German-Swiss economist, Wilhelm Roepke, (1899–1966), one of the leading exponents of the economic school called Ordoliberalism. "The fate of the market economy" — Roepke stated — "with its admirable mechanism of supply and demand it will be decided beyond supply and demand" [1]. This thought will help us to understand better the thesis we support the value of the social policy as a productive factor of economic development.

We are all living an era of profound changes in our way of living, working, organising our personal life, our social relationships, our future. For a proper assessment of this decidedly new situation, we recall three fixed points on which there is a unanimous consensus in the international community.

First, I would like to discuss the structural character of the current changes. Everyone agrees that these changes have a structural nature, that is, they are destined to change our societies radically. These are not conjunctural changes, with short-term effects that can be well controlled and managed. Concerning structural changes, we can understand and explain the causes that produced them, but it is extremely difficult to imagine what new scenario they will create, how our personal lives and our societies will be at the end of this phase of medium-long term change in which we entered. Only the recovery of a culture of scenarios, the use of a method of interdisciplinary and systemic analysis, a synergic and continuous action among the leading public and private development's players will help us to imagine and build a positive future. And a culture of scenarios, it must be added to be precise, is very different from the work on trends, projections, perspectives that are currently being played by the majority of public and private operators. In fact, it is not a question of projecting the present into a possible future but, on the contrary, of having an idea, a vision of the future to be grafted into the present, as a reference for any valid planning activity [2].

The second issue concerns the peculiarity of globalisation's process. Current globalisation is a process undergoing continuous evolution that is very different from the internationalisation of economic and commercial activities, which we have known in the past. It is so because it is based on economic dynamics of a revolutionary scientific and technological progress (we are at the borders of life and death); on radical changes in the traditional identity and organizational patterns of communities, businesses, and people (habits, languages, ways of thinking); on change of fundamental categories such as space (the world is increasingly a small village) and time (the prevalence of culture of the present, which erases any idea of past and future).

The third issue concerns the great correction of the current development model. In recent times, the major international organisations have increasingly expressed the awareness that ongoing globalisation' processes produce great benefits (such as, for example, the spread of wealth even if not equally distributed; the extension of people's life expectancy). However, at the same time, they also produce substantial costs (such as damage to the environment). Moreover, the awareness has emerged that the increase of the expenses can reduce to the point of cancelling the great opportunities opened up by global development. Hence, the emergence of the idea of a profound correction of the current development model and the transition from a prevailing today approach, based on the deregulation of economic and productive activities, to an approach oriented towards the research and application of new forms of regulation. It undoubtedly marks a tremendous cultural and political change in the way of dealing with the problems of development.

## 2. SUSTAINABILITY OF DEVELOPMENT

For example, this question continually arises in occasion of the international summits of the heads of states and governments, as the G20 summits, BRICS summits, etc., together with the need to give a new order to the world development's process. In this case, the idea of a *great correction* produces continuous attempts to set up new governance of such development processes.

But the real turning point, consistent with the need for a significant correction, took place in September 2015 at the UN General Assembly with the approval of the 2030 Agenda on sustainable development — a structured action plan with 17 Goals and 169 specific Targets [3]. This plan has been approved by all the member states and commits all the states in its realisation, as it is happening even if, obviously, with different modalities and times. The 2030 Agenda is, therefore, the right working platform that all states currently have in common, Italy as Russia, the United States as China, and on

which they can organise the best collaborations and exchanges of good practices.

The essential point for our reflection concerns how the 2030 Agenda has interpreted the concept of sustainability. The Agenda has linked this concept to two main elements: the first concerns the concept of risk of rupture that a system runs when it accumulates negative elements and increasing tensions precisely because it does not pursue sustainable development over time, be it a global, national or local system. The second concerns the necessary balance between the different factors of development and progress. Development is sustainable only if it is balanced in its many factors, economic, social, cultural, and environmental. The great correction of the current development' model is in these two elements: avoiding the risk of rupture of a system and recovering the value of the various factors of progress in an idea of balance and harmony. And within this framework, social policy has been recognized as a primary, essential value, after decades in which this policy has been interpreted and relegated to a secondary function, a function to support economic activities, a simple cost that the state and businesses must cover to assist the weakest and most affected people by the production processes.

With this, we are faced with a change of paradigm that is fundamental for a correct interpretation of social policy as a productive factor of development. Similar radical changes of political, scientific and cultural orientation have emerged in recent times in the major international organisations.

Let's take, for example, the OECD, the organisation of the major industrialised countries which, among other things, plays an important role in supporting the G20 summits. On 7–8 June 2017, the OECD held the periodical "Meeting of the OECD Council at Ministerial Level" in Paris; an important meeting in which they assessed in great detail the positive and negative aspects of the globalisation process. According to the OECD, three decades of progress in the globalisation process have produced and widespread enormous benefits in the world. But globalisation has also produced great economic and social inequalities for "inequality levels have remained very high", creating large and widespread dissatisfactions, protests, and even risky breakdowns of geo-economic and geopolitical balances. In this situation, the OECD states, "a policy response is therefore urgently needed to make globalisation work for all and avoid prompting a damaging retreat from the economic opening". The change indicated by the OECD concerns a key point in the traditional approach of economic and social policy: "we need to replace the "growth first, distribute later" with a more integrated approach in which the low-income groups are better placed to contribute to the growth process, and are also able to benefit from it. We should avoid the silo approach with growth policies determined in one place while social issues are handled in another one" [4].

For a long time, in past decades, authoritative scholars, experts and representatives of civil society have urged public decision-makers to proceed with integrated economic and social policies; a request and a solicitation which, however, have always remained unanswered. That because the prevailing political, economic and cultural orientations, inspired by fundamentalist liberalism — of which the OECD itself was the expression and authoritative promoter — was of an opposite nature. As a matter of fact, they favoured another approach to development. An approach aimed, for example, at reducing the role of the state in the economy, to entrust every adjustment to the free market decisions, to privilege above all the production of wealth: only in a second moment the problem of its distribution had to be faced. Today a completely different approach finally emerges, namely that the two moments of the production and distribution of wealth are two sides of the same coin, and that a strong process of growth needs validated and integrated actions precisely on one and the other front.

A similar, fundamental change of approach is found in the economic policies of the European Union that on 17 November 2017 in Gothenburg, in Sweden, convened an extraordinary summit with the highest European authorities — the presidents of Parliament, the Council and the Commission — and "solemnly" proclaimed, as written in the Final Declaration, "The European Pillar of Social Rights". The goal of this document, which was presented as a new constitutional charter of the Union, is to build a more positive balance, different from what was pursued in the recent past, between support to economic development, job promotion, strengthening of welfare systems and related social protection. "The proclamation of the European Pillar of social rights" — declared the president of the Commission Junker after the signing — "is a historic moment for Europe. Our Union has always been a social project. It is more than just the single market" [5].

The proposal of the new European pillar was presented by the president of the Commission Junker in September 2015 and was linked to the previously stated goal of October 2014. Its aim was creating the conditions for relaunching the competitiveness of the European system by ensuring an international rating marked by a "social triple A", considered as "an economic necessity", to be obtained together with a "financial and economic triple A rating". In the broad consultation on the Pillar initiative, carried out throughout Europe in 2016, social policy was presented — this is the official text — as "a productive factor, able to reduce inequalities, maximise job creation and to make human capital prosper." [6]. So, let us repeat, no longer as a secondary factor of development, a cost to bear of necessity but, in fact, a real productive factor, able to create economic value, in addition to ethical situations of justice.

It is interesting to note that the preparatory documents of the European Commission and the Parliament, highlighted the fact that without a true integration between economic and social policies also the main strategic project of the Union, i.e. the completion of the Monetary Economic Union, scheduled for 2025, would be doomed to failure. "The social dimension of the Economic and Monetary Union (EMU) has too often been neglected, due to the implicit assumption that making the EMU more social would have somehow hampered the achievement of euro area economic performance. Nothing could be further from the truth." And again: "In reality, social imbalances create political and economic threats to the stability of the system, similar in intensity, even if different in their characteristics, to economic and financial risks" [7].

The European Pillar of Social Rights initiative is therefore seen as the main instrument at the same time for raising the level of competitiveness and cohesion of the European system, improving the work conditions and the living conditions of people, effectively counteracting the precariousness and social exclusion. The 20 fundamental rights, organised in three chapters dedicated to work and social protection, are introduced by a general Preamble in which it is clearly stated that "economic and social progress are interconnected" [8]. For example, particular significance has the rights which define in a very precise manner the boundaries between the flexibility and precariousness of work. These the rights ought to reduce the risks of poverty and social exclusion (such as the minimum income rights to ensure a life in dignity, the right to adequate income to face at best the old age needs, the right to access essential quality services).

All these examples, related to the recognition of social policy as a productive factor, open a new chapter in the reflection on how to best organise this policy and how to make it truly participatory and functional in economic development.

## 3. WHAT IS REALLY "SOCIAL"?

The first step concerns, obviously, the degree of efficiency and effectiveness of the services provided to citizens, their cost, functionality, the relationship between costs and benefits produced. In this regard, the international situation presents a very complex panorama of the various social systems as well as of the type of approach followed in social policies: for example, that following an individualist approach (American model) or a solidaristic approach (European model). In all these cases, the main actions concern the governance of these services and therefore the degree of subsidiarity in the relationship between public and private in their provision, and the degree of coverage of the citizens' needs. They also concern the analysis of their economic and social value, the monitoring and assessment of the results actually achieved, the effectiveness of the adjustment provisions in the face of the greater needs and/or shortcomings. In this regard, the many innovative solutions applied in the various states — for example with the *impact investing* practices launched in some Scandinavian and Anglo-Saxon countries — show that good results can be achieved in terms of the balance between the profitability of invested capital, responsible participation by citizens, public protection of fundamental rights. In other words, faced with the heavy burden of social services costs, we can find valid solutions that are alternative to the simple reduction of these costs, privatisation, downsizing, reduction of services; alternatives which in any case always guarantee a high standard of efficiency-effectiveness of such renewed services.

However, for the purposes of competitiveness and cohesion of a system, the fundamental point concerns an adequate interpretation of this key-word: "social". The matter at this point is likely to become extremely complex. Therefore, to provide useful elements of understanding, we refer as an example to the studies and choices made in this regard in a prestigious international network promoted by

a Dutch foundation — the International Association on Social Quality IASQ. It is co-operating with numerous foreign institutions such as the Eurispes Institute (Italy), institutes of the Russian Academy of Sciences (RAS), and of the Chinese Academy of Social Sciences (CASS). Well, in a nutshell, these studies affirm that social policy is not only the organisation of welfare services, it is not only the assistance and coverage of risks to people as regards the basic needs and rights, but it is something wider and deeper one. If we accept the approach that social policy must pursue the general objective of enhancing the human resources of society and creating the conditions for these resources to contribute to community life, then it becomes crucial to understand how social assistance services operate in this direction. That is how they help citizens to improve their work skills and in the same time to create an active relations system in their private and public life, to develop their individual potential as well as to build a system of relationships with other individuals in the community in which they live. The social is this: the ability of an individual to express their values, bring out their potential, produce relationships. The social, in short, is the result of the dialectics between the processes of self-realisation of people as social beings, the production and reproduction of social relationships, the formation of collective identities.

If social policy is oriented and evaluated for the results that follow in this direction, then it becomes really functional to the cohesion of a system and to increase its strength and its competitive capacity. Incidentally, it must be remembered that currently in the industries subject to technological modernisation, something similar it happens that goes in parallel with what should be promoted at the community level. In such industries more and more is required to employees, as a fundamental skill, precisely this relational capacity: that is the ability to work in a team, to relate and collaborate with others, the willingness to open up new social relationships (Steps increasingly common from hardware to software). Finally, it should also be remembered that by examining the development processes only from the economic side, an increasing number of authoritative voices invite us to evaluate economic growth not only in its material dimension but also in its immaterial one, which is a dimension connected to the quality of people's life. The higher the results achieved in this qualitative dimension, the stronger and more cohesive the society will be and able to better face the significant challenges of the contemporary world. The improvement of human resources in the terms we have described above, which is the real strategic goal of social policy, finds its correct place precisely in the context of this dimension related to the quality of the economic development; it is an essential part of it.

A concrete and conclusive example helps to understand this approach better. It concerns the urban development of our cities, on which many investments are concentrated to build the so-called smart cities. The question to ask in this regard is the following: together with the highest levels of functionality, achievable with modern technologies introduced into urban systems, is a cohesive community also built? Or does the city more and more become a place where people live as monads in increasing isolation, with all the risks and losses connected to such a situation? How many relational, cultural and even economic values are lost in conditions of increasing isolation? Our cities are increasingly multi-ethnic and multicultural: what are the risks of forming new psychological and cultural ghettos? Faced with this accumulation of risks of growing tensions and negative situations, which are also connected with the weak participation of people in the community life, it would be more appropriate than ever that the value of investments in new technologies to be applied to the organisation of smart cities. It should also be measured relative to the system of relationships that these technologies help, or do not help, to build in the urban environment. System of relationships, we repeat, which has, among other things, a precise economic value. Therefore, in the context of an assessment of the costs-benefits of such investments in smart cities, the paradigm of the relationship between technological functionality and social cohesion of the urban system should be included.

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