2. The investment-intervention approach for welfare states

Jani Erola, Pasi Moisio and Johanna Peltoniemi

1. INTRODUCTION

This chapter introduces a new normative model for organising welfare state services, institutions, and policies: the welfare state model of interventions and investments. This emerging paradigm is already being implemented in multiple policy areas in the Nordic countries, jointly leading to a more effective, equitable, and economically sustainable welfare system. By integrating investment and intervention approaches with traditionally compensatory welfare policies, welfare states can address social risks proactively and support individuals, families, and communities in achieving better outcomes.

Over two decades ago, welfare state researchers noted that in some societies, particularly in the Nordic countries, the focus of welfare policies was shifting from a social insurance model to a social investment paradigm (Esping-Andersen et al. 2002). In practice, policies increasingly focused on preventing social risks by enabling and supporting people to seek better life opportunities. With a growing emphasis on investment, the temporal scope of policies shifted, as these investments encompassed services and income transfers aimed at addressing potential social risks before they arose. The scholars argued that this provided a new model for European welfare states. For instance, instead of merely compensating families for income losses due to unemployment, it was posited that societies should be encouraged to invest in the skills of the workforce through lifelong learning and by implementing activation policies to increase the chances of re-employment (Hemerijck 2002).

It can be argued that the investment paradigm became dominant in Europe over the following decades (Hemerijck 2019; Kersbergen & Hemerijck 2012; Morel, Palier, & Palme 2011). At the same time, the paradigm's limits have become better understood. From the outset, some scholars have questioned whether social investment strategies yield more equitable or effective

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

outcomes than traditional passive policies. One significant concern relates to the Matthew effect: social investment policies often benefit those already in strong positions to capitalise on them, thus reinforcing rather than mitigating inequality (Hemerijck & Fernandes 2026, Chapter 3, this volume). Others have highlighted how the model increasingly promotes an individualised view of risk and responsibility, potentially weakening the solidarity ethos of universal welfare (Moisio & Peltoniemi 2026, Chapter 5, this volume).

Moreover, the social investment model has faced criticism for its *abstract nature*. While it offers a compelling framework for transforming the welfare state, it frequently lacks concrete tools and operational clarity. Many social investment goals, such as positive life-course transitions, remain at a general level, offering limited guidance on how to translate them into actionable interventions or measurable outcomes.

However, two limitations of the social investment model are particularly important. By definition, many *social risks are unpredictable*, making it challenging, if not entirely impossible, to prepare for them adequately in advance. For instance, the COVID-19 pandemic serves as a prime example. While public health specialists and other prominent authorities had already issued alerts about the insufficient preparedness of healthcare systems for such a crisis (e.g., Gates 2018; Kavanagh et al. 2019), no one could anticipate when the actual pandemic would begin. Societies were even less prepared for the social risks that arose as a consequence of the pandemic.

Additionally, some negative outcomes are rooted in *causes that are not universally deemed undesirable*, complicating efforts to mitigate risks through investments alone. For instance, the association between parental separation and child poverty is well-established (Brady, Finnigan, & Hübgen 2017; Hogendoorn, Leopold, & Bol 2020; Zagel, Hübgen, & Nieuwenhuis 2022). However, very few would be willing to restrict the right to divorce to effectively reduce the risk of child poverty. Instead, suggestions for addressing the issue focus on ways to influence the consequences of parental separation. Simultaneously, the political and normative boundaries of public responsibility have expanded. Many risks once considered personal or family matters, such as school bullying or social isolation, are now viewed as issues warranting public intervention. This broadening of the welfare state's scope underscores the necessity for a more agile and diversified policy toolkit. Thus, in this chapter, we introduce a new tool to tackle these issues.

Interventions, on the other hand, are particularly appropriate in situations where investments alone are insufficient to achieve desired policy outcomes. Interventions have the potential to directly address existing disadvantages and undesirable processes, thereby mitigating or cancelling their effects (Rychetnik et al. 2002; Hawe & Potvin 2009; Melnyk & Morrison-Beedy 2023; Aggarwal & Ranganathan 2019).

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

A great example of such an intervention is an anti-bullying programme described by Herkama et al. (2026, Chapter 12, this volume). The effectiveness of the intervention is determined by its ability to reduce bullying, rather than by its capacity to eliminate the initial conditions that led to bullying. Thus, the goal of interventions is to directly address the consequences. Another illustrative case is the Housing First programme (Karhula et al. 2026, Chapter 11, this volume), which provides stable housing without preconditions as a first step in tackling chronic homelessness. Rather than requiring treatment or rehabilitation beforehand, this intervention demonstrates how satisfying immediate needs can lay the foundation for longer-term inclusion and recovery.

Such interventions are actively designed, studied, and implemented in various welfare state policies, including healthcare, education, and social work. While these interventions are, by design, targeted and limited in scope, the intervention approach can also be applied to larger-scale policies, such as those related to public health or social policy (Hawe & Potvin 2009; Bovaird 2014).

In a sense, intervention-aiming policies have a long tradition; for instance, sick pay, work accident compensation, and disability benefits were initially introduced to compensate for income loss, allowing families to maintain financial stability during non-employment spells and reduce the risk of extreme poverty. Thus, the primary objective was to effectively eliminate absolute income poverty during times of earnings loss. The scope of these policies was nearly always limited to specific target groups and specific causes. However, as social insurance schemes expanded and began to address a broader range of social risks, such as unemployment, the original model of cause-based entitlement was increasingly complemented by a growing emphasis on eligibility. The mere occurrence of a recognised social risk was no longer sufficient to receive benefits; instead, the reasons behind an individual's situation became more pertinent. For example, regarding unemployment benefits, eligibility often required that job loss occurred due to circumstances beyond the individual's control, and that the person actively complied with other conditions, such as job search obligations or participation in activation measures (cf. Esping-Andersen 1990; Barr 2001). Voluntarily leaving employment to pursue studies, for instance, has generally not been regarded as a legitimate basis for entitlement to unemployment benefits.

However, eligibility based on the causes leading to the need is not typically a concern for interventions. Instead, priority is given to *evidence-based effectiveness*, both in terms of reducing disadvantageous outcomes and the cost-effectiveness of the intervention when implemented. These aspects are expected to be demonstrated in the research, often in its initial stages, using randomised controlled trials (RCTs) and quasi or natural experiments (Melnyk & Morrison-Beedy 2023).

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

Interventions have well-known limitations: their scope is, by design, short-term, which makes predicting their long-term or unintended consequences difficult. Their effectiveness is often context-specific (Chelimsky & Shadish 1997; Pritchett & Sandefur 2015). However, the investment paradigm excels in both areas. Investments are future-oriented, aiming for long-term benefits and risk prevention, while interventions address current issues, seeking immediate results.

Due to the orthogonal strengths and limitations of investment and intervention approaches, the most effective welfare policy paradigm would integrate both. This dual strategy ensures that while immediate issues are addressed through interventions, investments create a foundation for long-term stability and growth. By doing so, we can achieve a welfare state that is both reactive and proactive, capable of preventing future risks and fostering sustainable development.

And this is what the combined investment-intervention approach achieves: it provides a comprehensive framework for welfare policies, addressing both immediate and long-term challenges. This model aims to create a dynamic, inclusive, and resilient welfare state by prioritising effectiveness, affordability, and evidence-based practices. This novel, integrated approach has already begun to transform the Nordic model for welfare states, with evidence presented throughout this book. Examples range from anti-bullying programmes to digital health services and basic income experiments, showcasing the potential for these strategies to be scaled and adapted across various contexts.

2. THE INVESTMENT-INTERVENTION APPROACH EXPLAINED

The investment-intervention approach to welfare state policies aims to mitigate existing social disadvantages and prevent harmful processes from emerging in the future. This dual strategy combines *proactive prevention* of negative outcomes through long-term investments with the *immediate rectification* of current problems via targeted interventions. It enhances the welfare policy framework's flexibility and responsiveness by enabling theory- and knowledge-driven planning alongside empirically validated, context-sensitive measures.

This approach builds upon the architecture of the social investment model. Scholars such as Hemerijck and Ronchi (2021) have described the model as comprising three interrelated functions:

1. *Stocks*: Long-term investments in human capital, such as early childhood education and lifelong learning.

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

2. *Flows*: Support for life transitions, such as measures to ease entry or re-entry into the labour market.
3. *Buffers*: Income security mechanisms that protect against temporary shocks and setbacks.

These elements define a future-oriented strategy to enhance both individual and collective resilience. However, although this framework is conceptually robust, it has frequently lacked systematic operationalisation. The investment-intervention model expands it by introducing intervention tools that can operationalise policy action, measure outcomes rigorously, and provide immediate relief or course correction when investment outcomes fall short or fail to reach all individuals.

The three main characteristics of the investment-intervention approach can be outlined as follows:

1. *Prioritises effectiveness and affordability*: Welfare policy should be both efficient and effective. By emphasising evidence-based and cost-effective policies, the investment-intervention approach ensures that public resources are channelled towards actions with the greatest social return. While this may sound self-evident, it introduces significant tensions: policymakers often face trade-offs between short-term, visible results achieved through interventions and long-term, uncertain payoffs realised through investments. Unlike traditional models that may prioritise formal eligibility or universalism as a core principle, this approach focuses on measurable outcomes: Does the programme work? At what cost? For whom? This results-oriented perspective enables more pragmatic decisions, particularly in budget-constrained contexts.
2. *Focuses on changing outcomes rather than causes*: Social policies have traditionally focused on the structural causes of inequality and disadvantage. While this continues to be important, the investment-intervention approach places greater emphasis on altering the outcomes of these causes, particularly when structural change is slow or politically unfeasible. In this regard, interventions can potentially provide quick solutions for complex issues that might otherwise remain unresolved for extended periods until the core cause has been addressed. This does not imply abandoning causality. On the contrary, intervention is itself a causal concept: it is designed to interrupt or redirect a causal process to produce a different outcome (Hitchcock 2024). Consequently, the approach remains theoretically coherent while facilitating incremental, targeted improvements even when systemic issues persist.

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

3. *Embeds positive goals in services and transfers*: A core tenet of the social investment framework is that welfare should not only compensate but also enable. Services and income transfers must be framed as opportunities to foster capability and facilitate positive life-course transitions. This assumption is grounded in *prospect theory*, which argues that people evaluate gains and losses not in absolute terms but relative to expected outcomes, often under conditions of uncertainty (Kahneman and Tversky 1979). Therefore, every policy, whether redistributive or developmental, should aim to generate net-positive long-term effects.

The distinction between investments and interventions should not be overstated. Some interventions, such as early health screening or targeted school programmes, yield long-term benefits that qualify them as investments. Conversely, many social investments also produce immediate benefits: a housing subsidy can stabilise a family's finances overnight while promoting long-term well-being. For instance, both health promotion and preventive public health interventions (like smoking cessation or mental health outreach) are cost-saving over time and reduce pressure on other parts of the welfare system (Hawe & Potvin 2009). Thus, what distinguishes the two is less their domain than their temporal scope and logic of action: investments assume long-term gains while interventions aim for direct problem resolution. It is also important to note that while many social security schemes superficially appear as interventions, they cannot necessarily be classified as such. For instance, basic income should not be regarded as an intervention, as by definition basic income is universal, unconditional on the outcome, and deliberately neutral by purpose. Indeed, it explicitly avoids any targeting, which fundamentally distinguishes it from interventions. An intervention inherently involves selective action aimed specifically at correcting, alleviating, or compensating for the disparities or vulnerabilities identified in outcomes. In contrast, schemes embodying universalist principles, such as basic income, intentionally refrain from such explicit targeting.

More generally, it can be argued that purely universal interventions do not exist. Instead, potential interventions may include targeted measures such as means-tested social assistance, conditional cash transfers, or tailored social services specifically designed to alleviate identified vulnerabilities or disparities. These types of intervention policies can be seen as examples of the Nordic operationalisation of *targeted universalism*. According to this policy logic, universal goals, such as educational equity or economic participation, are pursued through differentiated, context-sensitive strategies, adapted to the varying needs of population groups and individuals (cf. Carey & Crammond 2017). In some other welfare state contexts, similar policy emphases have led to a

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

greater application of individual-level behavioural interventions (e.g., emphasis on 'nudging' in the UK, e.g., Halpern & Sanders 2016). Such policies have also played a role in the Nordic context, for instance, as part of active labour market policies (Jørgensen & Klindt, 2024), but have always been just one component of the policy toolbox that is being applied.

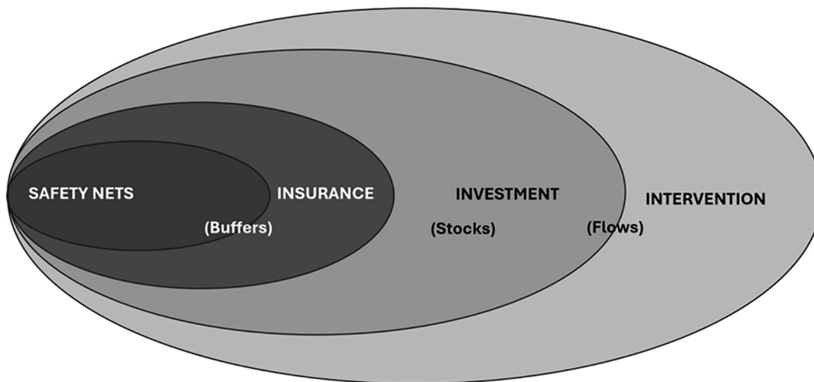
To conclude, integrating investments and interventions offers a strategic response to the complexity of contemporary welfare challenges. It acknowledges that long-term structural change and immediate need are not competing objectives but rather parallel imperatives. A welfare state that combines the two becomes more:

Resilient in the face of shocks;

Inclusive in reaching vulnerable populations often left out of long-horizon strategies;

Adaptive in using empirical evidence to fine-tune or even replace ineffective policies.

For example, income protection for the unemployed (a buffer) can be paired with training programmes (a stock-building investment) and motivational coaching (a targeted behavioural intervention). Each component addresses different aspects of the welfare challenge, and together, they form a more robust policy design. Perhaps the best way to understand the intervention-investment approach is to view it, as illustrated in Figure 2.1, as a new 'layer' added on top



Source: Authors' own.

Figure 2.1 *Evolving welfare state policy approaches*

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

of the traditional elements of buffering, stocks, and flows. This layer complements and expands the social investment framework within welfare policy, much like the social investment framework itself once extended the older model of passive, income-transfer-based welfare state policies.

3. THE INTERVENTION-INVESTMENT APPROACH BRIDGES DIFFERENT DISCIPLINES

The investment-intervention model is not merely a new policy mix; it is also an interdisciplinary framework that connects previously separate strands of welfare state research and practice. While traditional analyses often remained isolated by discipline, this approach brings together multiple fields, such as sociology, health sciences, and educational research, into a cohesive model for understanding and designing welfare policies.

In *social sciences*, the social investment approach has emerged as the dominant framework for explaining how modern welfare states seek to achieve both equity and efficiency (Hemerijck & Ronchi 2021). It highlights the importance of strengthening human capital, institutional capacity, and social infrastructure to promote long-term well-being. Key to this model are the already mentioned concepts of stocks, flows, and buffers. These concepts serve as the foundation for a proactive welfare state that not only protects against risks but also prepares individuals and societies to meet future challenges. However, the sociological literature has focused far more on the investment side of the equation and less on the role of targeted, empirical interventions.

In contrast, *health sciences* have established a long-standing and rigorous tradition of policy intervention research. Public health frameworks assess the effectiveness of specific programmes, such as vaccination campaigns, smoking cessation efforts, mental health outreach, and prenatal care. These studies are typically based on randomised controlled trials (RCTs) or natural experiments and provide strong causal evidence regarding what works, for whom, and under what conditions. Furthermore, health sciences adopt a population-level orientation to interventions. Even relatively modest changes in average health outcomes can yield significant benefits when scaled. However, as the scope of policy expands, the challenge of demonstrating effectiveness increases; a problem sometimes referred to as the 'scaling paradox'. Despite this, the principle of evidence-based policymaking remains a central pillar of health sector reforms and offers valuable methodological tools to broader welfare state planning (Hawe & Potvin 2009).

Educational sciences provide another vital perspective, concentrating on how formal education and training systems enhance opportunities, reduce inequality, and support economic and civic participation. Researchers examine the impacts of early childhood education, comprehensive schooling, vocational

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

training, and adult education – each representing a different life-stage intervention. Similar to health, the field of educational sciences also depends on empirical evaluation. Programme success is often measured in terms of learning outcomes, employment rates, or long-term income effects. Educational research has also pioneered the conceptualisation of lifelong learning as an adaptive strategy in ageing societies and flexible labour markets – a cornerstone of the investment logic. However, unlike health sciences, education research has typically focused on domain-specific interventions. Its insights have not always been scaled up or applied systematically to general welfare policy planning.

The strength of the investment-intervention model lies in its ability to integrate these disciplinary perspectives into a cohesive strategy for welfare policy and reform, drawing on sociology's institutional and normative thinking, health sciences' outcome-based empirical evidence, and educational research's life-course adaptability. This synthesis facilitates a welfare policy paradigm that is both theoretically sound and practically applicable. It offers not merely an explanation of how welfare states function but also a guide on improving them. For example, an anti-bullying programme in schools may be justified by sociological theories of social inclusion and equal opportunity; it can be assessed using RCT methodology from public health and incorporated into a broader educational strategy that promotes resilience and life skills. Similarly, a mental health intervention in schools or workplaces may simultaneously contribute to productivity, social cohesion, and personal well-being, aligning the interests of multiple sectors and policy logics.

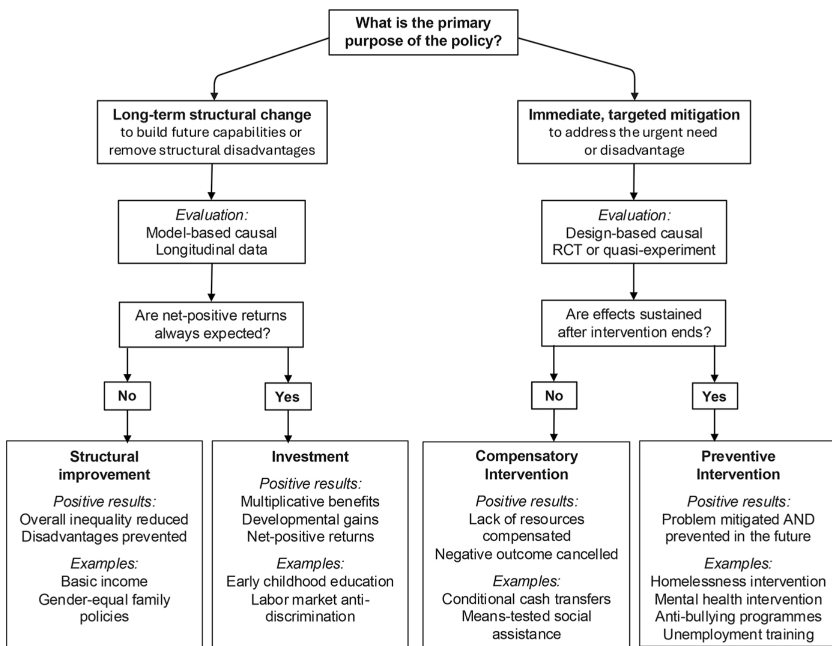
By integrating insights from multiple disciplines, the investment-intervention model transcends isolated sectoral solutions. This approach facilitates a more comprehensive response to social risks, which are often interconnected and tend to accumulate over an individual's life course. Improved health enhances learning outcomes. Increased education boosts health. Stable housing reinforces employment. Recognising these positive feedback loops, as well as the undesirable spillovers across life domains, is crucial for designing resilient and effective welfare policies. It also enables policymakers to justify spending more effectively, viewing it not merely as a cost, but as an investment with demonstrable returns across multiple domains. The focus is shifting from questioning which policy sector is responsible for a particular outcome to constructing coordinated interventions and investments that traverse administrative boundaries and support individuals throughout their life course.

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

4. ASSESSING POLICY EFFECTIVENESS THROUGH THE INVESTMENT-INTERVENTION APPROACH

While distinguishing between investment- and intervention-based policies can be beneficial for academic purposes, why should policymakers care? The most significant practical advantage is that the policy outcomes vary according to these two dimensions. Therefore, the effectiveness of the policies should also be assessed differently, depending on which dimension is emphasised more.

This differentiation can be exemplified by the decision tree shown in Figure 2.2. The first aspect to consider is whether the policy aims for long-term structural changes or if its purpose is to address an urgent need or disadvantage immediately. If long-term change is the primary goal, the second aspect to examine is whether net-positive results can realistically be expected. While the investment approach would prefer such returns by default, assuming an impact from a structural change can sometimes be unrealistic. For instance, we would



Source: Authors' own.

Figure 2.2 A decision tree for assessing the effectiveness of investment- and intervention-based policies

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

consider gender-equal family policies successful if they make parental leave usage more gender-equal, even if we did not see that effectively changing anything else. On the other hand, sometimes the analysis of a policy's effects may indicate that such net-positive effects have simply not materialised. For example, in the studies conducted on the impact of the Finnish Basic Income Experiment, the researchers found only a few indications of such net-positive effects, despite many basic income scholars having expected them (see Kangas et al. 2021).

In the case of policies aimed at immediate, targeted mitigation of a problem, the second aspect to consider when assessing the evidence on the effectiveness of such interventive policies is whether the effects are expected to be persistent. Traditional social security interventions, such as means-tested social assistance and conditional cash transfers, have not anticipated such impacts. However, nearly all 'modern' intervention programmes, including those described in this book, seek such persistent influences.

In the case of policies aimed at structural changes, these can only be evaluated after sufficient time has elapsed for their effects to be demonstrated using longitudinal data, regardless of whether they should be considered investments. Ideally, these policies ought to be assessed using the *model-based causal framework* (cf. Morgan & Winship 2014). These approaches include structural causal models assisted by directed acyclic graphs or DAGs (Pearl, 2009), Rubin's potential outcomes approach (Imbens, 2020), and behavioural structural models (Heckman et al. 2018).

In the case of policies aimed at the immediate, targeted mitigation of a problem, a policy should primarily be assessed using a *design-based causal framework*, which includes RCTs and quasi-experimental approaches (Morgan & Winship 2014; Angrist & Pischke 2009; Deaton & Cartwright, 2018). While RCTs are often regarded as the gold standard for such analyses, they are typically conducted on limited populations under specific conditions. However, evidence of the policy's reach and cost-effectiveness should also be provided when implemented in practice, particularly when persistent effects are targeted. When this is the case, the evidence for effectiveness will require long-term longitudinal data, akin to that of structural improvements or investment policies.

While it is beyond the scope of this chapter to discuss the differences between model- and design-based approaches in detail, it is essential to note that even their subtypes have somewhat distinct goals and data requirements. Effective planning and execution of a proper assessment of policies require a thorough understanding of these differences. At present, there are few authoritative texts that extensively cover and discuss the differences between all outlined approaches (however, see Michie et al. 2014; Morgan & Winship 2014; Imbens, 2020).

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

5. CONCLUSION

Over recent decades, the *social investment approach* has become a dominant framework for explaining and guiding welfare state development and policies, emphasising proactive capability-building, early intervention, and human capital formation. Social investment has reshaped thinking in both academic and policy communities; however, the model's limitations have also become increasingly apparent.

The social investment paradigm often struggles to respond effectively to *acute or emergent risks*. It tends to focus on long-term returns and assumes individuals are equally capable of converting opportunities into improved outcomes. Yet in reality, life-course disruptions, unequal starting points, and unpredictable shocks, such as the COVID-19 pandemic, expose gaps in the preventive logic of investment-based systems. Furthermore, the abstract nature of the investment discourse means that concrete, implementable tools are frequently absent from its policy repertoire.

By extending the investment model to include *interventions*, we address many of these limitations. Interventions provide practical mechanisms for responding to immediate needs, mitigating disadvantages, and generating evidence about what works. They can be tested, refined, and scaled. They enable welfare systems that are not only future-oriented but also *resilient and responsive* in the present. The resulting *investment-intervention approach* transforms welfare policy into a dual strategy that combines the long-term goals of inclusion, equity, and sustainability already emphasised in the social investment model with a sufficient focus on *pragmatic action* grounded in empirical evidence as well as the realities and concrete limitations of policy implementation.

The investment-intervention approach is more than the sum of its parts. It translates broad social investment objectives into *actionable tools*. It recognises the importance of structural support while responding flexibly to emerging needs. It develops policy designs that are both *theoretically coherent* and *practically adaptable*. In this way, the model also reflects the shifting nature of welfare state challenges. Ageing populations, fragmented labour markets, climate instability, and mental health crises all demand *more responsive, data-informed governance*. The investment-intervention approach provides the intellectual and practical resources to meet these challenges.

Throughout this book, we have observed how Nordic countries are already pioneering this combined approach. From *Housing First programmes* and *digital healthcare platforms* to *school-based anti-bullying interventions* and *basic income experiments*, welfare innovations increasingly integrate long-term investments with short-term interventions. They aim not only to protect but also to empower, not only to prepare but also to repair. By synthesising

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

insights from various fields, such as *sociology*, *health sciences*, and *educational research*, the investment-intervention framework supports a more *interdisciplinary and operational model* of welfare state governance. It ensures that policies are not only ambitious in design but also effective in practice – maximising outcomes, minimising unintended harms, and maintaining political legitimacy through evidence and accountability.

There are clearly several open issues hindering the broader adoption of the investment-intervention framework. For instance, many examples of this approach have emerged from a bottom-up process intended to address urgent social problems that traditional policy methods were unable to manage effectively. However, it remains unclear how the dual approach should be institutionally structured within a governance system that also necessitates a top-down approach. Nevertheless, as our decision tree example illustrates (see Figure 2.2), such a structure should enable decision-makers to choose whether to pursue more investment- or intervention-based policies, and to design their evaluation approaches accordingly.

Prioritising effectiveness and affordability also leads to its own issues. One of these is that it can result in politically unpopular choices that are unfeasible to implement or maintain, especially if major voter groups feel the policy change threatens their already acquired benefits. Several examples of education and pension policies illustrate such issues. Another concern is that the principles of effectiveness and affordability can be easily misunderstood as legitimising unfair policy solutions, such as denying relatively low-cost healthcare to the elderly. As a political argument, the two principles have a solid track record of being weaponised to mask ideological choices. Some of these problems can be mitigated by greater transparency in the evaluation of effectiveness and affordability, but they can hardly be completely avoided.

Despite these challenges, the application of the investment-intervention framework appears to be expanding. Even with its limitations, it presents a beneficial approach for organising welfare state services, institutions, and policies. The investment-intervention approach offers a roadmap for evolving welfare states: one that is forward-looking, inclusive, grounded in science, and capable of addressing enduring inequalities and emerging risks. It is a model well suited to the complexity of the twenty-first century.

REFERENCES

Aggarwal, R., & Ranganathan, P. (2019). Study designs: Part 4 – Interventional studies. *Perspectives in Clinical Research*, *10*(3), 137–139. https://doi.org/10.4103/picr.PICR_91_19

Angrist, J. D., & Pischke, J.-S. (2009). *Mostly harmless econometrics: An empiricist's companion*. Princeton University Press.

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

Barr, N. (2001). *The welfare state as piggy bank: Information, risk, uncertainty, and the role of the state*. Oxford University Press.
Bovaird, T. (2014). Attributing outcomes to social policy interventions – 'Gold standard' or 'fool's gold' in public policy and management? *Social Policy & Administration*, *48*(1), 1–23. https://doi.org/10.1111/j.1467-9515.2012.00869.x
Brady, D., Finnigan, R. M., & Hübgen, S. (2017). Rethinking the risks of poverty: A framework for analyzing prevalences and penalties. *American Journal of Sociology*, *123*(3), 740–786. https://doi.org/10.1086/693678
Carey, G., & Crammond, B. (2017). A glossary of policy frameworks: The many forms of 'universalism' and policy 'targeting'. *Journal of Epidemiology & Community Health*, *71*(3), 303–307. https://doi.org/10.1136/jech-2014-204311
Chelimsky, E., & Shadish, W. R. (Eds.) (1997). *Evaluation for the 21st century: A handbook*. SAGE.
Deaton, A., & Cartwright, N. (2018). Understanding and misunderstanding randomized controlled trials. *Social Science & Medicine*, *Special Issue: Randomized Controlled Trials and Evidence-based Policy: A Multidisciplinary Dialogue*, *210*, 2–21. https://doi.org/10.1016/j.socscimed.2017.12.005
Esping-Andersen, G. (1990). *The three worlds of welfare capitalism*. Princeton University Press.
Esping-Andersen, G., Gallie, D., Hemerijck, A., & Myles, J. (Eds.) (2002). *Why we need a new welfare state*. Oxford University Press.
Gates, B. (2018). Innovation for pandemics. *New England Journal of Medicine*, *378*(22), 2057–2060. https://doi.org/10.1056/NEJMp1806283
Halpern, D., & Sanders, M. (2016) Nudging by government: Progress, impact, & lessons learned. *Behavioral Science & Policy*, *2*(2), 53–65. https://doi.org/10.1177/237946151600200206
Hawe, P., & Potvin, L. (2009). What is population health intervention research? *Canadian Journal of Public Health*, *100*(1), I8–I14. https://doi.org/10.1007/BF03405503
Heckman, J. J., Humphries, J. E., & Veramendi, G. (2018). Returns to education: The causal effects of education on earnings, health, and smoking. *Journal of Political Economy*, 126(S1), S197–S246. https://doi.org/10.1086/698760
Hemerijck, A. (2002). The self-transformation of the European social model(s). In G. Esping-Andersen (Ed.), *Why we need a new welfare state* (pp. 173–213). Oxford University Press.
Hemerijck, A. (2019). Social investment as a policy paradigm. In B. Cantillon, T. Vandenbroucke, & W. Van Lancker (Eds.), *The future of the social investment state* (pp. 52–81). Routledge.
Hemerijck, A., & Fernandes, D. (2026). The economic dividend of social investment. In J. Erola, P. Moisio, & J. Peltoniemi (Eds.), *Beyond the Nordic welfare state: Extending social investments with interventions*. Edward Elgar Publishing.
Hemerijck, A., & Ronchi, S. (2021). The social investment perspective: Policy and theory. In A. Hemerijck et al. (Eds.), *The uses of social investment* (pp. 19–54). Oxford University Press.
Herkama, S., Larose, M.-P., Turunen, T., & Salmivalli, C. (2026). Not just kids' play: Bullying prevention is an investment that pays off. In J. Erola, P. Moisio, & J. Peltoniemi (Eds.), *Beyond the Nordic welfare state: Extending social investments with interventions*. Edward Elgar Publishing.

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/

Hitchcock, C. (2024). Causal models. In E. N. Zalta & U. Nodelman (Eds.), *The Stanford encyclopedia of philosophy* (Spring 2024 Edition). https://plato.stanford.edu/entries/causal-models/

Hogendoorn, B., Leopold, T., & Bol, T. (2020). Divorce and diverging poverty rates: A risk-and-vulnerability approach. *Journal of Marriage and Family*, *82*(3), 1089–1109. https://doi.org/10.1111/jomf.12629

Imbens, G. W. (2020). Potential outcome and directed acyclic graph approaches to causality: Relevance for empirical practice in economics. *Journal of Economic Literature*, *58*(4): 1129–1179. https://doi.org/10.1257/jel.20191597

Jørgensen, H., & Klindt, M. P. (2024) The Danish case: Activation in flux and fraught with tensions. In H. Jørgensen & M. Schulze (Eds.), *Unemployment and activation policies in Europe and the US* (pp. 76–99). Edward Elgar Publishing.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, *47*(2), 263–291. https://doi.org/10.2307/1914185

Kangas, O., Jauhiainen, S., Simanainen, M., & Ylikanno, M. (2021). *Experimenting with unconditional basic income*. Vol. 10. Edward Elgar Publishing.

Karhula, A., Ollonqvist, J., Leni, E., Niemi, V., & Moisio, P. (2026). Housing First and the reduction of homelessness in Finland among people with substance abuse problems. In J. Erola, P. Moisio, & J. Peltoniemi (Eds.), *Beyond the Nordic welfare state: Extending social investments with interventions*. Edward Elgar Publishing.

Kavanagh, M. M., Thirumurthy, H., Katz, R., Ebi, K. L., Beyrer, C., Headley, J., Holmes, C. B., Collins, C., & Gostin, L. O. (2019). Ending pandemics: U.S. foreign policy to mitigate today's major killers, tomorrow's outbreaks, and the health impacts of climate change. *Journal of International Affairs*, *73*(1), 49–68.

Kersbergen, K. V., & Hemerijck, A. (2012). Two decades of change in Europe: The emergence of the social investment state. *Journal of Social Policy*, *41*(3), 475–492. https://doi.org/10.1017/S0047279412000050

Melnyk, B. M., & Morrison-Beedy, D. (2023). *Generating evidence through intervention research versus using evidence in evidence-based practice/quality improvement*. Springer Publishing Company.

Michie, S., Atkins, L., & West, R. (2014). The behaviour change wheel. A guide to designing interventions. London: Silverback Publishing.

Moisio, P. & Peltoniemi, J. (2026). Loss of solidarity and civic virtue? Shift from the three worlds of welfare to technocratic social investment hybrid welfare states. In J. Erola, P. Moisio, & J. Peltoniemi (Eds.), *Beyond the Nordic welfare state: Extending social investments with interventions*. Edward Elgar Publishing.

Morel, N., Palier, B., & Palme, J. (Eds.). (2011). *Towards a social investment welfare state? Ideas, policies and challenges*. Policy Press.

Morgan, S. L., & Winship, C. (2014). *Counterfactuals and causal inference: Methods and principles for social research*. Cambridge University Press.

Pearl, J. (2009). *Causality*. Cambridge University Press.

Pritchett, L., & Sandefur, J. (2015). Learning from experiments when context matters. *American Economic Review*, *105*(5), 471–475. https://doi.org/10.1257/aer.p20151016

Rychetnik, L., Frommer, M., Hawe, P., & Shiell, A. (2002). Criteria for evaluating evidence on public health interventions. *Journal of Epidemiology & Community Health*, *56*(2), 119–127. https://doi.org/10.1136/jech.56.2.119

Zagel, H., Hübgen, S., & Nieuwenhuis, R. (2022). Diverging trends in single-mother poverty across Germany, Sweden, and the United Kingdom: Toward a comprehensive explanatory framework. *Social Forces*, *101*(2), 606–638. https://doi.org/10.1093/sf/soab142

Jani Erola, Pasi Moisio, and Johanna Peltoniemi - 9781035375448
Downloaded from https://www.elgaronline.com/ at 05/25/2026 06:33:08AM
via Open Access. This is an open access work distributed under the Creative
Commons Attribution-NonCommercial-NoDerivatives 4.0 International
(https://creativecommons.org/licenses/by-nc-nd/4.0/) license.
https://creativecommons.org/licenses/by-nc-nd/4.0/