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Abstract:

The goal of this final report of COHSMO is to investigate the relationship between Territorial Cohesion and Social Investment strategies and propose perspectives to build stronger connections between the two domains. It also aims at analyzing the contribution these concepts can bring to the strengthening of the European Social Model. In the first part of the report (sections 2 and 3), we provide the basic conceptual definitions and research questions at the core of WP7, particularly looking at the relationships between Territorial Cohesion, Social Investment and the ESM. In section 4 we discuss the main research findings related to Social Investment by focusing on the level of territorial differentiation and sensitivity of SI development, the impact of SI policies on territorial inequalities, the main variations, tensions, trade-offs emerging in their design and implementation in the different COHSMO countries. In section 5 we examine the local interpretations, partial achievements and recurring obstacles faced by cohesion policies in addressing the growing socio-spatial inequality across Europe. In the final section of the report, we draw a preliminary agenda with a range of key actions for exploring the policy contribution that TC and SI can bring to the strengthening of the ESM, particularly looking at the transformations of the model caused by the economic crisis of 2008-09 and the current pandemic crisis.

Keyword list: Territorial Cohesion, Social Investment, European Social Model, territorial inequalities.



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Abbreviations

ALMP: Active Labour Market Policies

ECEC: Early Childhood Education and Care

ESDP: European Spatial Development Perspective

ESM: European Social Model

GDP: Gross domestic product

ILO: International Labour Organisation

ITI: Integrated Territorial Investment

NGO: Non-governmental organisation

SI: Social Investment

SIS: Social Investment Strategy

TC: Territorial Cohesion

WP: Work Packages

VET: Vocational Education and Training.

1 Executive Summary

The objective of this final report of COHSMO is to investigate the relationship between territorial cohesion and social investment strategies and propose perspectives to build stronger connections between the two domains. It also highlights the contribution these concepts can bring to the strengthening of the European Social Model and to its transformations brought by the economic crisis of 2008-09 and the current pandemic crisis. The main hypothesis underlying this work is that a possible reform path of the ESM can come from a reconceptualization of the relationship between territorial cohesion and social investment strategies and of the ways in which this relationship –shaped in multiple ways across different countries and types of urbanisation – underpins spatial justice, economic growth and democratic capacity.

In previous WPs of COHSMO, we have described two main issues related to ESM that have emerged as critical from the research. The first issue is the resurgence of territorial inequalities and the lower capacity of cohesion policies to reduce them. The second one is the growing difficulty of policies, both at central and local level, to manage the impacts of the social, economic and demographic changes affecting vulnerable territories and keep pace with the ongoing dynamics of transformation. Many are the institutional reasons for the low capacity of policies to address territorial marginalisation: difficulty in the multilevel institutional coordination, crisis of policy mechanisms aimed at balancing territorial disparities, lack of space-based policies valorising the peculiarity of local territories within a more general strategy, etc. These reasons relate to the difficulty of European and national cohesion policies to address the growing spatial inequality and the emerging deeper disparity between attractive, globalised areas and “left behind” territories. This problem requires a recalibration of public policies addressing territorial inequality. The main challenge is to overcome the dualism between space-based strategies and space-neutral policies and develop a place-sensitive¹ approach. According to this recalibration strategy, spatial inequality and territorial fragility are supposed to be better addressed by developing two main policy approaches: i) fostering policies of territorial cohesion; ii) promoting place-sensitive social investment policies. In this document we develop this analysis and focus on the main analytical aspects to be taken in account in proposing this recalibration strategy.

The methodology of this report is based on a combination of desk research by the task force team analysing the results written in previously produced reports and particularly in the D7.0 country reports, and a collective seminar with representatives from all partners. The collective seminar took place in virtual mode on February 16th 2021 and its objective was to present the D7.0 Country reports and identify the main emerging elements towards a rethinking of the ESM in the light of the results.

This report is articulated in five main sections. Section 2 provides the basic conceptual definitions and research questions that are at the core of WP7. It identifies two main foci by providing a definition and discussion of the concepts of territorial cohesion and social investment, at the basis of the proposals and policy indications for the EU. Section 3 presents an overview of the ESM and analyses its relationships with territorial cohesion and social investment, with a specific focus on the implications of this relationship on spatial justice and economic growth. Section 4 reports the main findings from the COHSMO project related to Social Investment policies. In particular, the level of territorial differentiation and sensitivity of SI development, the impact of SI policies on territorial inequalities, the main variations, tensions, trade-offs emerging in the design and implementation of SI policies are investigated. Section 5 critically analyses the local interpretations, partial

¹ A *place-sensitive policy* refers to a policy that address territorial inequality by tailoring instruments and specific strategies to the contextual, structural characteristics of the different regions.

achievements and recurring obstacles faced by cohesion policies in dealing with the need to tackle the growing economic, social and spatial inequalities across the European space and to promote integrated interventions in the most vulnerable territories. It reflects on such evidence by taking into account the level of territorial sensitivity, the institutional capacity of local actors, their ability to reconcile conflicting objectives, and the levers and obstacles they typically encounter that can facilitate or hinder the transformative capacity of territorial cohesion policies in EU localities. Finally, in section 6 we draw a preliminary agenda with a range of key actions for exploring the policy contribution that TC and SI can bring to the strengthening of the ESM, especially looking at the transformations of the model caused by the economic crisis of 2008-09 and the current pandemic crisis.

2 Introduction

WP7 is the last research activity of COHSMO and it is aimed to synthesize the main empirical findings and propose policy indications for the European Union. According to the COHSMO project, among the stated objectives:

“The project aims at fostering policies at the local level that can feed territorial aspect effectively into The European Social Model. It does so through a focus on the relation between territorial cohesion and spatial development policies and economic strategies at supra-national, national and regional levels and on how territorial cohesion impact on the consequences of these policies for spatial justice and democratic capacities”

and the main research question is the following:

“How can we understand the relation between socio-economic structures of inequality, urbanization and territorial cohesion and how does territorial cohesion at different European scales affect economic growth, spatial justice and democratic capacities?”

This research question is therefore composed by two main issues.

The first one is about territorial cohesion and its relation with socio-economic inequalities and urbanization. In other terms, **we aim at understanding whether and to what extent territorial cohesion is shaped by socio-economic inequalities and different scales/forms of urbanization, and can, in turn, contribute to shaping them.** Both these aspects have already been studied in our COHSMO project. In the D7.0 we have synthesized our findings based on the empirical results of WP 2-6. The objective of our analysis was to understand the different local configurations of territorial cohesion in relation to the different local forms of inequalities, processes of urbanization and levels of collective efficacy. Such dimensions have been taken under consideration in our geographical typologies. Within each country, a region was selected and within this region, three municipalities (of metropolitan, suburban and rural typology) were chosen as case studies. The urban cases cover core cities of the country and centres of a mono-centric agglomeration. The suburban cases exemplify towns or cities having recently experienced population growth related to suburbanisation and/or urban sprawl, significant commuting to the core city of the agglomeration, a local economy relying on non-agriculture functions and internal diversification. The rural cases refer to (groups of) municipalities of 5-15.000 inhabitants characterised by low population density, a tendency for out-migration and agriculture playing a central role in employment and economy.

Type of area	Pattern of urbanisation	Pattern of demographic change
A - Metropolitan areas	High population density	Population turbulence
B - Rural areas	Low population density	Tendency of outmigration
C – Suburban areas	Low to medium population density	Tendency to population influx

Table 1. Initial matrix for case selection.

The second question relates to the implications of such different configurations of territorial cohesion for economic growth, spatial justice and democratic capacities, and also which type of conflicts may arise between different policy orientations in specific localities. In different Work-packages of the

COHSMO project, we studied specific social investment policies (childcare, active labour market, and vocational training policies) particularly addressing the relation between these aspects. Our hypothesis was that social investment policy may constitute a relatively new approach aimed at creating synergies between social, spatial justice and economic growth. **Our second question is therefore about the relationship between territorial cohesion and social investment policies.** This relationship can be observed in each territorial area, and we imagine it is differently shaped across different countries and types of urbanisation. It is this relationship that could be fruitfully integrated onto a newly elaborated concept of European Social Model, which will be the object of this report, impinging on the D7.0 Country Reports. This may be one of the most important contributions of the COHSMO project to a more spatially grounded formulation of such concept.

Both these questions were already developed by the D7.0 country reports where the following dimensions have been thoroughly discussed.

- The relevance of locality in shaping the development, adequacy and impacts of social investment policies aimed to jointly address socio-economic inequality and economic growth, an aspect often neglected in the policy discourse about social investment policy;
- The possible conflicts between different policy objectives concerning social, economic and territorial cohesion, at different scales and in particular at the local scale;
- The relationship between social investment policies, understood as a way to combine social cohesion and economic growth goals together, and territorial cohesion;
- The role of emerging territorial configurations and their connection with the issues mentioned above.

Graph 1 shows the conceptual relationship between all these concepts.

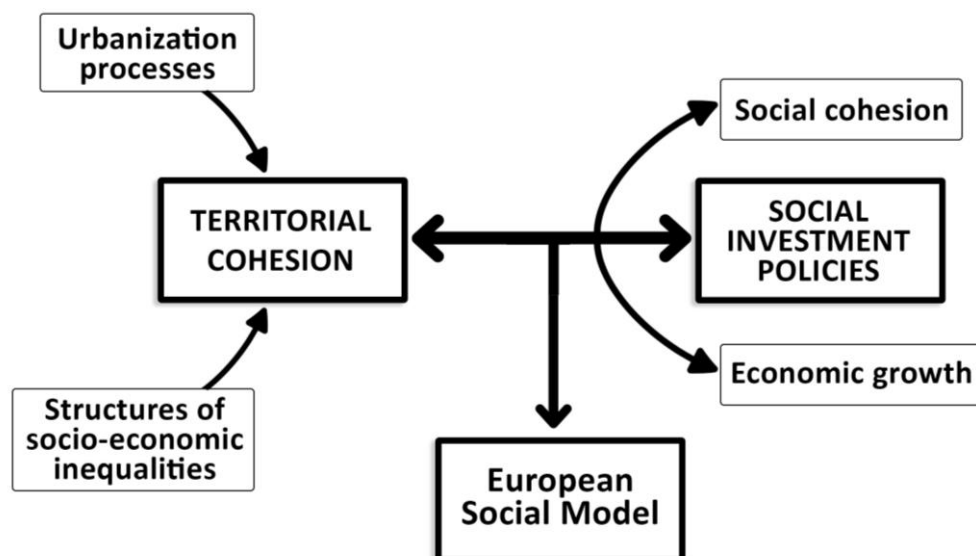


Figure 1. Conceptual map of WP7.

In the following sections, we provide the basic conceptual definitions and research questions that are at the core of WP7. We identify two main foci by providing a definition and discussion of the concepts

of territorial cohesion and social investment, preliminary to proposals and policy indications for the EU.

2.1 Territorial Cohesion

As it has been frequently underlined in literature, Territorial Cohesion is a fuzzy concept and therefore an ambiguous policy objective, which has been emerging in EU policy discourses in the last twenty years (Mirwaldt et al, 2009; Servillo 2010; Faludi 2016; Medeiros, 2016), in particular after it has been officially endorsed in the Treaty of Lisbon (2007).

The Green Paper on Territorial Cohesion proposes to define it in these terms: “...the EU harbours an incredibly rich territorial diversity. **Territorial cohesion is about ensuring the harmonious development of all these places and about making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU**”. Thus, the concept refers broadly to the need to put into value the diversity of European territories to transform it into a strong point in the face of global competitiveness. In general, two relevant tenets in the design of such processes are the place-based approach² (Barca, 2009) and endogenous development. The actual lines of implementation of such very general and ambiguous objectives may of course open up significant trade-offs, which are of particular relevance in the COHSMO perspective.

In the face of growing social and spatial inequalities, European policy guidelines have long proposed to work in the direction of greater cohesion, primarily social and economic, but starting from the Lisbon *Europe Strategy 2020*, also territorial. The concept of territorial cohesion, frequently used in the EU policy documents, is an ambiguous, blurred concept, with multiple meanings, which allude to different dimensions (e.g. social and spatial inequalities, economic development, urbanization, changes demographic, individual life chances, equity in access to services, space justice and democratic participation).

As the dimensions are so different, there is a concrete risk that the term, in itself very open, can become an expression of conflicting logics, such as that of economic competitiveness and that of socio-spatial equity: “The inclusion of economic, social and territorial cohesion in the consolidated Treaty of European Union (Commission of the European Communities 2012), has led to a wider consideration of **the need for ‘balanced and sustainable development’ which seeks to support forms of urban development that attempt to reconcile competitiveness and cohesion, although arguably the primary emphasis remains on competitiveness**” (Atkinson and Zimmerman, 2016, p. 413). Moreover, it is further complicated by the ‘space-blind’ approach of many other DGs that arguably have important implications for territorial cohesion (see Colomb & Santinha, 2014).

To try and include the concept in its research path, the COHSMO project explores it using three perspectives: (1) multilevel governance; (2) urbanisation processes and patterns of demographic change; (3) the tension between trajectories of economic development and formation / consolidation of spatial inequalities, frequently appraised as a negative correlation between economic growth and spatial/social inequalities (Artelaris et al. 2017).

² A place-based approach refers to a policy-paradigm aimed at “tackling persistent under-utilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes” (Barca, 2009: VII).

- 1) As far as multilevel governance is concerned, even if territorial cohesion is, in theory, one shared competence between the European Union and the Member States, in fact it is a **theoretical and strategic construct very much linked to the intervention of the European Commission**, and which finds little conceptualization and application outside the policy documents promoted by the Commission itself; at the same time, empirical analysis (also the one implemented within the Cohsmo framework) shows how policies and practices at different levels, and specifically at local level, do de facto implement territorial cohesion objectives, even if these are not made explicit, or named this way (as it clearly emerged in the national reports in WP2).
- 2) As far as urbanisation is concerned, Servillo recalls, in fact, how it is essentially a European construct / discursive exercise, which takes on meaning only if read with reference to other chains of meaning, produced by the same actor and within the same decision-making networks (Servillo, 2010). This aspect is of particular importance when trying to understand the effective influence of this policy paradigm with respect to choices implemented at national or regional level. “The general idea of connecting urbanization with territorial cohesion is that urbanization processes have specific spatial outcomes that both reflect and influence economic and social dynamics” (Artelaris et al., 2017, p. 5).
- 3) In this case the attention is twofold: on the one hand intense urbanisation processes bring with them forms of agglomeration, or concentration of populations, activities and opportunities in some areas, not necessarily or not exclusively metropolitan regions or urban cores (Fothergill, Houston, 2016), at the expense of others. On the other hand, a perspective of spatial justice enters in a collision course with a widespread economic policy assumption, according to which the strong concentrations of opportunities become a powerful factor of attraction and opportunity also for distant populations, who can see life chances in moving and migrating.

In general, looking not only at the third approach linked to economic development policies, the European approach is to some extent torn between the perspectives of spatial equality on one side and spatially-blind development on the other. In fact, COHSMO WP2 recalls, in this regard, how “As the life-chances and human capabilities of individuals (EU citizens and residents) become defined by the places where they happen to live, equality between people has to be supplemented by equality between places” (Artelaris et al., 2017, p. 6).

One recurring critique is that, in choosing between the possible orientations, European Cohesion policy has historically limited itself to take on a compensatory role with respect to economic policy choices very centred on territorial competitiveness and very in line with the indications of the main development agencies at the global level.

The main recurring elements that contribute to the definition of territorial cohesion are linked to how spatial configurations, such as polycentricity, infrastructure networks, urban-rural divide, etc., interact with development policies; in COHSMO, these elements are all connected under the umbrella of the patterns, pace, forms and unbalances of urbanisation processes.

Finally, COHSMO has proposed a workable definition of territorial cohesion in WP2, based on

- An emphasis on balanced development and accessibility to services of general interest (and even connectivity);
- Polycentric development and the (further) advancement of urban economic growth;

- A place-based approach;
- Empowering local and regional governments within a European multi-level governance system (but not only);
- The integration and co-ordination between policies

The main research objectives of WP 7 in relation to territorial cohesion are connected to a crucial issue, which has been overlooked both in literature and at policy level. A possible reform path of the European Social Model could come from conceptualising the relationship between territorial cohesion and social investment and how this relationship underpins spatial justice, economic growth and democratic capacity. In this report we therefore reflect on what is the possible contribution of the territorial cohesion paradigm to the reform of the ESM and on how the service provision structure and the territorial organisation of the localities are connected, taking into account both possible gaps and accumulation effects.

In the WP7 research, our aim is to understand the role played by territorial cohesion in the cases, which have been analysed in the 7 EU countries in the empirical WPs, and the possible contribution this concept can bring to the strengthening of the ESM, looking at the transformations of the model also implied by the economic crisis of 2008-09 and the current pandemic crisis.

2.2 Social investment

Social investment can be seen as an attempt to update elements of the ESM to the new context of crisis. According to Hemerijck, three complementary policy functions underpin the social investment strategy: (1) raising and maintaining the ‘stock’ of human capital and capabilities; (2) easing the ‘flow’ of contemporary labour market and life-course transitions; (3) using ‘buffers’ such as income protection and economic stabilization as inclusive safety nets (Hemerijck, 2015).

It is clear from this definition that the human capital ‘stock’ function, referring to a broad set of capabilities, including knowledge, skills, intelligence, aptitude and health, features most prominently in the social investment perspective. It differentiates the social investment perspective from the post-war Keynesian-Beveridgean welfare state policy which prioritised social protection ‘buffers’, and from the liberal critique of the interventionist-welfare state of the 1980s, which gave primacy to ‘flow’, understood as efficient labour market allocation (through different forms of labour market flexibility).

While critics of the social investment perspective argued against the ‘productivism’ that seems to be inherent in this strategy, an integrated approach to social investment including the three dimensions considered above (stock, flows and buffers) is claimed to be able to avoid this risk of functionalism. In this perspective, social investment stresses the role of social policy as a productive factor, capable of boosting economic competitiveness through bolstering employment, thus ensuring a broader tax base to sustain generous yet expensive social protection programmes. Proponents of social investment have stressed two main ideas. First, that social policy can be seen not only as a compensation policy but also as a policy driving higher competitiveness in the long term. In this sense, social expenditures in these policies can be seen not as costs but as investments. Second, that this focus on human capital stock should not undermine the attention given to promoting equal chances, as well as more equality in outcomes (or conditions).

The social investment strategy pursues the ambitious aim of making EU welfare states both economically sustainable and socially inclusive. Supply-side social policies, typically services geared at fostering people’s human capital and labour market opportunities, are key to this aim. Education and training enhance citizens’ social and human capital, and promote job creation. Childcare policies serve to reconcile work and family life, allowing people—most importantly working women—to stay in (or enter) employment, particularly when they have children or frail relatives at home. Active labour market policies (ALMP) help the unemployed to get back into work, either through training programmes and job-matching services, or through employment incentives of various kinds.

One concern is that Social investment policies could produce Matthew effects, by which the access to such services is more difficult for the population groups who are most in need for them (for example, children in poor families).

Furthermore, the SI perspective has not paid attention so far to the crucial role played by territorial differentiation and different configurations of territorial cohesion and local development. **Our hypothesis is here that territorialising social investment looking at contextual conditions and coordination among scalar levels and actors, is a relevant way to contribute to make social investment strategies more effective and to promote a new idea of the ESM, even if it should be clear here that there is no a “fits for all” solution.**

In our analysis in WP7, we aim at understanding whether and to what extent, in the different contexts and in different ways, social investment policies are interrelated with territorial cohesion and are coherent with a more territorialized formulation of the ESM. The main aspects that we developed in the D7.0 relate to the capacity of social investment policies to integrate social cohesion and economic growth goals in the different policy fields and the extent to which such policies have been differently developed taking into account specific, differentiated contextual and territorial conditions. With a focus on democratic capacity, we considered the active involvement of local institutional actors and of social partners/civil society actors, their position in multilevel governance arrangements, and the degree of openness to new ideas and bottom-up initiatives of the policy arenas.

Moving from the theoretical background introduced in the previous sections, the analysis will be focused on a contribution to a re-conceptualisation of the European Social Model, which takes into account the relationship between territorial cohesion, social investment and spatial inequality. These are the aspects to be taken into account in this elaboration according to the original formulation of the COHSMO project:

- Do regional and local “social investment strategies” and the best practices within these suggest a new balance between economic growth, spatial justice and local democratic capacity? How can attention toward local conditions and how these impact on the engagement of local stakeholders in such social investment strategies lead to new conceptualization of democratic capacity and spatial justice?
- How can increased knowledge of the dynamics between urbanization, demographic change and spatial inequality develop a conceptualization of territorial cohesion that will advance the central idea of spatial justice in the European Social Model?

2.3 Objectives and methodology

This report develops a consideration of the relationships between territorial cohesion and social investment and propose perspectives and strategies to build stronger connections between the two domains. The objective is to improve the understanding on the contribution that these concepts can bring to the strengthening of the ESM, and to the transformations of the model also implied by the economic crisis of 2008-09 and the current pandemic crisis.

The methodology of this report is based on a combination of desk research by the task force team analysing the results written in previous produced reports and particularly in the D7.0 country reports, and a collective seminar with representatives from all partners. The collective seminar took place in virtual mode on February 16th 2021 and it aimed at presenting the D7.0 Country reports and identifying the main emerging elements towards a rethinking of the ESM in the light of the results.

During the seminar, two group discussions were organised. The first one concentrated on Territorial Cohesion and the focus was on:

- the relationship between different socio-spatial configurations and territorial cohesion policies (in terms, for instance, of identification of emerging local issues, framing in the public discourse, change dynamics);
- the levels of territorial sensitiveness of social cohesion and local development policies and the opportunities or problems that derive from this dimension;
- The level and composition of collective efficacy and how this impacts the differentiation between the rural, sub-urban and urban locations across the COHSMO countries.

The second group focused on Social Investment Strategy, and the discussion dealt with:

- relevant territorial differences in the policy development of the social investment strategy (urban/rural, advantaged/disadvantaged areas, etc..) and the territorial sensitivity of such strategies;
- overall effects of these policies on territorial inequalities and on the problems characterising the most vulnerable areas;
- the policy tools and (inter-)institutional mechanisms that facilitate or hinder locally-sensitive SI strategies: vertical coordination (multilevel, tendency towards centralization vs. decentralization), horizontal coordination (local partnerships, public / private, etc..), integration of SI policies into territorial / local development policies, etc.

3 The European Social Model: the perspective of COSHMO

The objective of this section is to present an overview of the European Social Model concept and of its evolution over time, as a first step to improve the understanding on the relationship between territorial cohesion, social investment and the ESM, and on how this relationship has implications on spatial justice and economic growth. Section 3.1 briefly presents the European Social Model by focusing on the main concepts, ideas, definitions, and present challenges, and it ends by introducing two main issues, which emerged as critical from the COHSMO project. After that, the analysis focuses on the understanding of the possible contribution that the Territorial Cohesion concept (Section 3.2) and the Social Investment perspective (Section 3.3) can make to a renewed understanding of the European Social Model and to its adaptation to present social and economic challenges.

3.1 Is the European Social Model still alive?

The invention of the term European Social Model (ESM) is attributed to Jacques Delors, who introduced this idea in the early 1980s to distinguish Europe from the United States. As such, the ESM was initially *a political invention* aimed at strengthening the then weak European identity in strong opposition to the ultra-liberal capitalistic ideas dominant in the US and UK at that time.

Against this background, the concept of ESM raises a number of difficulties. As Alber (2006) showed, differences in per capita GDP, inequality index or unemployment rate are larger within the EU than within the United States. Institutionally, Europe includes different varieties of capitalism as well as different welfare state models or regimes (Esping Andersen 1999).

According to many authors, however, continental Western European countries share specific common features. According to Hyman (2005) for example, there are substantial limits to the ways in which the labour force can be bought and sold in Europe. This strongly limits the autonomy of employers. Such limits are basically set through comprehensive employment protection legislation, as well as encompassing and centralized collective bargaining structures. Moreover, based on the classic works of Esping-Andersen (1990), many authors claimed that the ESM is characterized by a high level of de-commodification of social relationships, that is distribution of resources and benefits that is controlled by market mechanism. De-commodification is primarily achieved through *extensive employment regulation*, legal constraints to labour market transactions, and *high development of welfare state programs* allowing people to access non-market income. This high level of de-commodification is finally mirrored in relatively low poverty rates and relatively high levels of equality.

In more general terms, the ESM is used to describe the relative capacity of European policy to simultaneously promote economic growth and social cohesion. This concept is rooted in two deeper ideas: first, the idea that Europe is different from the US experience; and second, that social and economic dynamics are somehow interlinked to the point that economic competitiveness is strongly grounded on social cohesion. Especially this second idea has recently been strongly criticised due to the evidence of high globalization, introduction of ICT in the economic process, the shift to the ‘new economy’ and related changes in labour-market institutions.

A useful deconstruction exercise of the concept of ESM has been proposed by Jepsen and Serrano Pascual (Journal of European Social Policy, 2015) who identified three main definitions.

A first definition incorporates *the features (such as institutions or values) that are common to most of the European Union member states*. These features are basically general, normative assumptions concerning the achievement of full employment, adequate social protection, or equality. In this perspective for example, Scharpf (2002), sees the ‘identity marks’ of the ESM as *generous welfare-state transfers and services together with a social regulation of the economy*: “countries and interest groups that had come to rely on social regulation of the economy and generous welfare state transfers and services are now expecting the European Union to protect the ‘European Social Model’” (Scharpf, 2002: 649).

A second definition sees the ESM *as an ideal model*. Inside Europe there are different ways through which countries try to achieve the same goal: combining economic efficiency with social justice. The bases of such models are: the distribution of social protection benefits to all the citizens, the high level of interest coordination and collective bargaining, as well as more equal wages than in the rest of the world. The diversity of welfare models is seen as the confirmation of the relevance of such an ideal model (Esping Andersen 1990; Ferrera et al. 2001).

A third definition is based on the idea that *all countries share a common goal that is related to the importance of the European Union*. The ESM becomes therefore the idea of a European identity, which has to be strengthened to guarantee that a social dimension of the EU can become relevant. Relevant EU sources have been recently produced that will constitute the base for this elaboration: the Green Paper on European Social Policy³ and the White Paper on European Social Policy⁴ by the Commission.

The financial crisis and following austerity policies have been important factors of the crisis of the ESM. According to an ILO report (Vaughan-Whitehead 2015), all the major elements of the ESM have been strongly affected in the last years as a consequence of austerity policies:

- *Workers’ rights and working conditions* (reforms aiming to enhance competitiveness and economic recovery have directly affected wages and working conditions, with a few exceptions – such as the EU Youth Guarantee measure);
- *labour market policies* (work contracts have been flexibilized in a number of countries, and many countries have simplified procedures for collective and individual dismissal);
- *social protection* (access to unemployment assistance, duration and amount of unemployment benefits were reduced; family benefits and support programmes were also targeted);
- *social dialogue* (collective bargaining was significantly altered in coverage and scope);
- *social cohesion* (large-scale decentralization from state to regional authorities has accelerated, often been accompanied by cuts to funds for regions and municipalities, only partially mitigated by more recent re-centralisation trends at the State scale in some countries and policy fields).

In 2012, the president of the European Central Bank, Mario Draghi, stated in an interview that “the European Social Model has ‘gone’”. One of the indicators of such changes has been the increase in poverty and inequality levels within Europe.

³ <https://op.europa.eu/en/publication-detail/-/publication/434c867b-615c-45bc-950b-2512022c2e8b/language-en>

⁴ <https://op.europa.eu/en/publication-detail/-/publication/16dfe2c0-7fc9-4079-9481-e5de54a3805a/language-en>

In the more limited perspective of the COHSMO project, two main issues related to ESM emerge as critical:

- The resurgence of territorial inequalities and the lower capacity of social cohesion policies to reduce them. There is now much evidence that in the new millennium inequality across European regions has continued to grow (Rodríguez-Pose, 2002; Puga, 2002; Charron, 2016) as consequence of a combination of globalisation and technological change (Moretti, 2012; Storper, 2013). One of the main impacts is the ‘inversion’ concerning many rural regions and middle-to-small metropolitan areas (including declining industrialized regions), which are characterized by job loss, declining labour-force participation, de-population, income stagnation and/or increased poverty risks. In contrast, many large metropolitan areas are now among the most dynamic in terms of income and employment creation. In this complex scenario, it is evident that within-country economic divergence has become a threat to economic progress and social cohesion in Europe (Iammarino et al., 2019). The impact is indeed the growth of increasingly virulent societal tensions. Uneven territorial development has been a fundamental driver in the rise of populism in Europe (Ballas et al., 2017) as well as in the British vote in favour of Brexit (Jessop, 2017; Toly, 2017).
- The growing difficulty of policies, both at central and local level, to manage the impact of the huge social, economic and demographic changes affecting vulnerable territories, and to keep pace with the ongoing dynamics of transformation. The difficulties of stagnating territories have been mainly addressed either through development policies supporting agglomeration or place-based policies. The former has assumed that high labour mobility and knowledge spill-overs will be able to counterbalance the negative impact of globalisation and agglomeration leading to the diffusion of territorial innovation. These assumptions do not consider, however, the persistence of economic and social factors of territorial marginalisation, and have tolerated a further increase in territorial inequality. The latter has been based on place-based strategies aimed to provide marginal territories with endowments and infrastructures. These are supposed to foster economic local growth, though are hardly able to contrast the dominant economic trends and often limited to the provision of social assistance. As Iammarino et al. (2017: 288) put,

too much focus on efficiency through agglomeration may therefore enhance territorial inequity (which, in turn, undermines efficiency), while too much focus on equity through place-based support (without development) undermines overall economic efficiency. Hence, there is a need to pursue efficiency and equity simultaneously and neither spatially blind nor place-based policies, on their own, are capable of doing so.

There are many further institutional reasons for the lack of policies effectively addressing such issues: difficulty in the multilevel institutional coordination, crisis of policy mechanisms aimed at balancing territorial disparities, lack of space-based policies valorising the peculiarity of local territories within a more general strategy, a general inertia of social cohesion policies addressing vulnerable territories, and so on. All these policy failures are mainly due to the difficulty of European and national social cohesion policies to address growing spatial inequality and the emerging deeper disparity between attractive, globalised areas and “left behind” territories. This problem requires a recalibration of public policies addressing territorial inequality.

In the past, both the Lisbon Agenda and the Europe 2020 Strategy have mainly focused on supporting economic innovation through regional specialization. Many national and European programs have been developed to promote intra-territorial connectivity on the one hand, and social welfare rights on

the other. A recalibration of such overall strategy is needed, however, to address the problem of territorial inequality. The main challenge is to overcome the dualism between space-based strategies and space-neutral policies and develop a place-sensitive approach (Iammarino et al., 2017). *Place-sensitive policies* are policies that address territorial inequality by tailoring instruments and specific strategies to the contextual, structural characteristics of the different regions. There are many more fits-for-all strategies, but policy actions must be integrated and organized on the basis of context-dependent aspects, that are to be carefully and individually detected. This strategy requires a broad range of actions: investments in productive and social infrastructures; active labour market policies and actions to foster labour-force participation; production of high-quality basic education and long-life learning; support to local productive networks, and so on.

In the COHSMO approach, this recalibration strategy is based on refocusing on territorial cohesion and social investment strategies, and on their reciprocal interaction. These two strategies are suggested as a useful revision of EMS aimed to better address these present limitations. Spatial inequality and territorial fragility, therefore, can be better addressed by developing two main policy approaches: i) fostering policies of territorial cohesion; ii) promoting place-sensitive social investment policies. In this document, we develop this analysis and focus on the main analytical aspects to be taken in account in proposing this recalibration strategy.

3.2 The contribution of territorial cohesion policy to recalibrate the ESM

As mentioned earlier in this report, territorial cohesion, albeit a quite fuzzy concept, has become one of the cornerstones of the EU project, in particular after it has been integrated into the Lisbon Treaty (2007), in that it brings together the spatial and territorial dimension and the economic and social cohesion ones, that are at the basis of the European model of society, as embedded in the relevant founding policy documents of the Union (Faludi, 2007).

The concept entails a reference to the spatial dimension of cohesion, both in terms of how economic and social aspects impact on the spatial assets at the EU and Member State level, and in terms of how space and spatial configurations can become preconditions for (and limitations to) economic and social cohesion policies and strategies: “The growing recognition by both the DG Regio and national governments of the dependence of economic development on spatial processes and structures has required precise clarification of the EU’s spatial objectives, especially in the face of a territory that became spatially more unbalanced” (Servillo 2010, p. 397). Since the understanding of the spatial and territorial dimension of cohesion is multifaceted its contribution to the European Social Model can be identified as formed by different issues and questions, such as: “shared concerns are equity, competitiveness, sustainability, and good governance. Territorial cohesion balances them with a view toward how they become manifest on various spatial scales where stakeholders face each other for the simple reason that their interests overlap” (Faludi, 2007, p. 25).

In connection to the European Social Model, ultimately territorial cohesion is about the addition of spatial protection to the social protection with is at the basis of the European model of society (Davoudi, 2007). The issue at stake concerns the possibility for all European citizens to enjoy full life opportunities, overcoming not only the limitations related to individual conditions (social and economic status, education, professional status, national origin, ...), but also those related to the areas in which they live: “people should not be disadvantaged by wherever they happen to live or work in the Union” (CEC, 2004, p. 27). In this way, the idea of territorial cohesion “brings a new dimension to these debates by extending the application of the principles of ‘social models’ beyond individuals

and social groups to places and territories [...] Within the context of the European social model, territorial cohesion not only brings its embedded political tensions to the fore, it also gives them a spatial dimension" (Davoudi, 2007, p. 84).

In this sense, different social models, in Europe and beyond, contribute also to constructing "the ways in which they structure territorial interdependence. Thus, territorial development trajectories are as much dependent on the type of social models as the life chances of individuals" (*ibidem*, p. 85). There is a strong connection between the range of social, political and economic arrangements that result in different social models, and the actual spatial and territorial conditions in which they may take place. Since the concept of territorial cohesion comes with opportunities and constraints, territorial cohesion policy should be able to make the most of the former, by unleashing latent potential, and easing out the main locally embedded limitations.

In principle, policies should be able to balance the valorisation and mobilisation of existing and latent territorial resources with social cohesion interventions to support and strengthen the most vulnerable areas (and target groups living in them). This approach should be extremely place-sensitive, entailing the involvement of local actors and the build-up of local horizontal governance arrangements, not disjointed from vertical ones: however, this clashes in some cases with the rigidity of the multilevel governance structure. Indeed, the evolution of peculiar socio-spatial configurations in different territories is not always fully acknowledged policy-wise, and it is difficult for multilevel policies to keep pace with local transformations. There is always a complex interaction between the enabling and involvement of local coalitions and the defence of rent-seeking local interests, able in some cases to capture decision-makers (Pichierri, 2002; Rodríguez-Pose, 2018).

Therefore, the actual implementation of the territorial cohesion objectives is embedded in how spatial planning and economic development policies work on the ground, at different scales, but, particularly, at local level (Atkinson and Zimmermann, 2018). In this sense, it is useful to consider different spatial configurations as an entry point for the understanding of their role and effects, and thus for an identification of their possible interplay with evolving socio-economic configurations, to better highlight the possible contribution to a contemporary recalibration of the European Social Model.

Since the definition of the ESDP (1999), spatial configurations have been related to the understanding of the underlying spatial correspondents of local development models, which are at the same time shaped by such models, and contributing to defining the range of possibilities of these same models. This means that complex socio-spatial configurations, evolving over time, include the forms and pace of urbanisation (with the related characters of mono- or polycentricity, concentration, density gradients, levels of connectedness, ...), as well as the social and economic features characterising local societies, in their evolutions over time.

Such complex socio-spatial configurations are embedded on the other hand, in institutional settings and peculiar governance arrangements, at different scales. On this last point, looking more closely from a governance point of view, as stressed by Faludi, the concept itself of policies aimed at places opens up further tensions, for instance in terms of democratic capacity.

Such tensions concern the forms of representation, when there is a separation between territorial contexts and potential electorate, identified instead on the basis of a more open conception of 'places' (Faludi, 2014). On the same point, Faludi argues: "From this work I now conclude that the achievement of territorial cohesion in Europe is deeply problematic due to the territoriality of EU member states. This is so because, done properly, the pursuit of territorial cohesion requires identifying often ad hoc, tailor-made, and thus varied, overlapping territories. Therefore, it necessarily

transcends state territoriality, which is concerned with the bounded territory for which the state is responsible. In principle, state territoriality is always and necessarily at odds with what territorial cohesion policy defines as its objects” (Faludi, 2016, p. 303). Going further in this direction, we may consider the fact that it is jurisdictions themselves that create problems, since by defining borders (for redistribution, for allocation of resources and responsibilities, etc.) social phenomena are constrained from a territorial point of view. Overlapping and conflicting jurisdictions play a relevant role in facilitating or hindering territorial cohesion.

If this is the problematic (and somewhat contested) context in which territorial cohesion policies take place on the ground, it appears necessary to analyse the main current challenges that concern them, two of which stand out:

- the need to tackle growing economic, social and spatial inequalities across the European space on the one hand,
- and the pressing need to deal with integrated intervention in the most vulnerable territories, on the other.

The possible contribution of territorial cohesion policy to a renewed understanding of the European Social Model can be seen in the way in which **social and economic dimensions are understood at local level, the way local and supra-local actors interpret the related trade-offs and contribute to shaping more or less convincing narratives** on the development paths. This is particularly visible in three problematic areas that concern strategies aimed at intervention on distinct **socio-spatial configurations**, namely:

- **the rebalancing strategies between stronger and weaker areas;**
- a better understanding of the **urban-rural nexus**, also in relation with the complexity of contemporary urban regions;
- and finally forms of **targeted intervention on the most vulnerable areas**, irrespective of their specific geographical location (inner peripheries in metropolitan regions, border areas, marginal areas, mountain regions, etc.).

The first issue concerns strategies aimed at rebalancing the concentration of investments in stronger areas. This aspect is strongly characterising territorial cohesion policies, even when they are not labelled as such. The main rationale is to support a more equal and balanced form of development, in which through the exploitation and tapping on latent resources, it will be possible, in perspective, to avoid the movement of people out of need, moving development instead. As is well known in all debates about cohesion policies, the main obstacles here are contributed by the starting conditions of each area, not so much in terms of endowment of natural or cultural resources, but chiefly in terms of human capital, infrastructure and basic services, appropriate governance arrangements and institutional capacity (Barca, 2009). The question of pre-requisites is a strong counter force to the implementation of territorial balancing policies.

The second aspect concerns the ability for territorial cohesion policies to actually re-conceptualise the urban-rural nexus, which in contemporary metropolitan regions needs a renewed interpretation (Soja, 2000; Balducci, Fedeli, Curci, 2017). Contemporary processes of multi-scalar regional urbanisation are taking place across Europe (as well as in other parts of the world) at unprecedented pace. Territorial cohesion policies traditionally anchored in an interpretation of the need to work

rebalancing the urban-rural divide need to fully acknowledge the range of interdependencies, but also the possible conflicts and clashes that derive from them. Such new post-metropolitan formations interact in complex ways with new social and economic reorganisations, linked to the movement of jobs and populations (a particularly critical issue after the Covid-19 pandemic and related restrictions). This, in turn, may have specific implications in terms of how different models of society are embedded in such territories, for instance in relation to the relocation of social groups from core metropolitan regions to less dense areas.

Thirdly, a stronger attention to the most vulnerable areas appears to be a Europe-wide issue, and a common experience is that it is a difficult issue to tackle. Such territories, as mentioned, are present in very different geographical locations. Moreover, they appear to be simultaneously vulnerable from many different points of view: in terms of individual features of the residing populations (low education, unemployment, ageing, ethnic origin, ...), but also in terms of the standards and quality of local services, of physical and digital infrastructure, of environmental conditions, etc., thus creating area effects that combine with social effects. This multi-dimensionality clearly appears to be one of the most difficult challenges cohesion policies face, in that they need to go beyond a place-based approach, to integrate a range of interventions, in place-sensitive way, which means paying attention to the economic trajectories and characters of local development, thus taking into account both space and time (Rodriguez-Pose, 2018).

In section 5. of this report we will critically discuss the main evidence emerging from field work conducted along the COHSMO project, which shows the local interpretations, partial achievements and recurring obstacles faced by territorial cohesion policies dealing with such issues. We will reflect on such evidence by taking into account the **level of territorial sensitivity**, the **institutional capacity of local actors**, their **ability to reconcile conflicting objectives**, the **levers and obstacles** they typically encounter, that can facilitate or hinder the transformative capacity of territorial cohesion policies in EU localities.

3.3 The contribution of Social investment to recalibrate the ESM

The Social Investment paradigm was developed starting from the 90s to counterbalance the neo-liberal rhetoric that pushes towards a social spending retrenchment through austerity policies. The Social Investment approach was born and developed from the belief that the European welfare system conceived on the basis of the male breadwinner model is no longer able to respond to new challenges and new social risks, leading to sub-optimal living conditions. This is the main thesis in *Why We Need a New Welfare State* (2002) put forward by Esping-Andersen (2012). While the dysfunctionality of the traditional social model developed in Europe is underlined, the neoliberal myth - referring to the dilemma coined by Artur Okun (1975) on the "great compromise" between equality and efficiency, according to which a generous welfare offer inevitably implies an economic efficiency loss - is also rejected. Both the downsizing of the welfare state as favoured by the neoliberal stream and the traditional social insurance based on employment are seen as unsuitable for addressing the post-industrial challenges of the knowledge economy and dual-income families.

With the Great Recession, the Euro crisis and the consequent implementation of austerity measures in many countries, the political debate around the European Social Model intensified and the ESM has been further questioned leading Mario Draghi to affirm that "*the European Social Model is long gone*". With respect to these pessimistic visions, some authors have instead emphasized the importance of advancing the social investment agenda. Indeed, this perspective moves from the

assumption that in the post-crisis political and economic context, European governments must invest in people and their skills in order to equip them with the tools that allow them to face the challenges of a 21st century based on an aging society and on an expanding knowledge economy. This does not mean not recognizing that governments also need to consolidate their fiscal stability in the long term (Hemerijck et al., 2019).

This vision can be conceived as an alternative strategy to the neo-liberal rhetoric that sees social spending as an obstacle to European competitiveness. In fact, due to an implicit and shared perception of a trade-off between equity and efficiency, the obsession with "competitiveness" has been accompanied by a strong inclination to believe that the European social model is a negative factor for the competitiveness of the EU (a "*waste of public resources*" as said by Macron).

However, Hemerijck et al. (2019) argue that we should not be afraid of the European Social Model. In their report "*Social Investment Now*" they show that there is no reason to fear the European Social Model. Instead, they argue that by placing "capacitation" at the centre of European integration, as a second order effect, the competitiveness of the EU would also be increased. To promote citizens' capacity, however, it is necessary to optimize the synergy effects of stock-flows-buffers in a life-course perspective. This would allow the development of actions able to improve competitiveness without proclaiming the European social model as "*long gone*".

Furthermore, with capacitation as the driving force of the strategy, the EU contribution could aim at removing the constraints that prevent the development of both individual and community resilience within societies that are changing from a social, demographic, economic and structural point of view. This would allow to develop a truly alternative political program to the mere objective of removing the constraints on competitiveness, for the sake of competitiveness itself.

However, at the same time, equally crucial is the question of the economic sustainability of welfare systems. In Hemerijck's vision (2019), the promotion of a social investment logic would represent a more sustainable alternative from an economic, social and political point of view to the liberal retrenchment.

The economic sustainability of advanced welfare states depends on the number of future employees and taxpayers and their productivity (Esping-Andersen et al., 2002). Therefore, welfare reforms should help to mobilize the productive potential of citizens in order to mitigate the new risks of atypical employment, long-term unemployment, working poor, family instability and exclusion from the labour market, deriving from obsolete skills and care obligations. At the same time, they should be consistent with the widely shared normative aspirations of decent jobs for all, gender equality and the ability to provide services as foundations of solidarity in a competitive knowledge economy (Esping-Andersen et al., 2002).

Social Investment would be an answer to the needs of welfare reforms from different points of views. Firstly, from a macroeconomic perspective, a SI approach can contribute to improve the sustainability capacity of national welfare systems. Indeed, the current environment characterized by low interest rates not only allows governments to benefit from lower debt conditions to invest in citizens, but it also allows countries to invest in their economic, social and political resilience at a time when the monetary policy room for manoeuvre to support this target is shrinking. By investing in human skills from early childhood to old age and improving the balance between care and working life for working families, social investment policies help to increase participation in the labour market and the productivity of work itself. This also contributes to make national welfare systems more fiscally sustainable. Likewise, as these policies improve individual and collective resilience, i.e. people's

opportunities and abilities to respond to the changing nature of social risks, social investment policies represent a better solution for sustainable growth and convergence between EU states at a high level, compared to austerity strategies, based on the "false need" to find a compromise between effectiveness and equity when dealing with objectives related to employment, protection and budgetary balance (Hemerijck et al., 2019).

Secondly, the social investment approach, based on the complementarity of multilevel policies, would guarantee a high level of well-being returns throughout the "life" of public investments through a multiplier effect (Hemerijck et al., 2019). These returns can be measured "quantitatively" in terms of an increase in the employment levels and productivity rate and a reduction in the gender gap (including the aspect related to wages and earnings) and poverty rates for people who have benefited from policies geared towards social investments. Qualitatively, the returns on social investments can be measured in terms of subjective well-being (satisfaction with work-life balance) and skills acquisition (skills, working hours, work-life balance).

Thirdly, the social investment approach can also lead to an increase in the political legitimacy of European institutions. Following the recession and the policy interventions carried out in that period, in many countries, the European Union is seen as a defence of austerity (Hemerijck et al., 2019). The absence of a strong social Europe would further fuel citizens' anger towards the EU and the feeling that EU policies are threatening their well-being and quality of life (Dhéret and Frensen, 2017).

To sum up, the Social Investment perspective builds on the European Social Model and from the awareness that it needs reforms to update itself to new social challenges and risks. At the same time, the fiscal sustainability of the welfare state itself is undermined by socio-economic changes. These premises are not denied from the perspective of Social Investment. Indeed, this paradigm arises precisely as a possible response to the need to develop the European welfare state. As pointed out by Dhéret and Frensen (2017), investing and promoting strategies oriented towards social investment can be a necessary solution to develop a modern and therefore stronger European Social Model. Indeed, the social investment perspective contains some values that characterize the European social model such as equality of opportunity, capacitation, freedom of choice, social mobility (Ferrera, 2013). The European Social Model is based on the assumption that social justice contributes to economic effectiveness. Social policies help to reduce uncertainty, to prepare individuals to face changes, to favour the improvement and updating of skills and the achievement of social cohesion (*Why we need a new welfare state*). These objectives are also pursued from the perspective of social investment.

Employment has always played a fundamental role in the European Social Model. This is also due to the fact that the EU has stronger competences in labour market rather than in other areas of social policies. The main tool of the established European Social Model is the European Employment Strategy (Niklasson, 2014). If the directives on the labour market are the main European legislation on the subject, the European legislation on social protection is more scarce and focuses on coordination and equity of treatment (Dhéret and Frensen, 2017). Concerning this aspect, some weaknesses of the European Social Model as carried out by the European Union institutions arise. First, European interventions tend not to focus on all citizens but on a single group, namely that of workers, excluding those who are not part of the labour market and the active labour force. Furthermore, they have often neglected the emergence of new forms of employment and tend to focus on individual characteristics (gender, disability, etc.) instead of taking a more integrated approach towards the different transitions and risks that individuals may encounter in their life course. This structure, which mirrors those widespread at national level, is no longer adequate to face the challenges of the 21st century (Dhéret and Frensen, 2017). Other limits include the lack of

coordination between recommendations of different EU bodies (in particular, the Social Protection Committee, the Employment Committee and the Economic Policy Committee) along with how deficit constraints are calculated. All these issues resulted into a superficial implementation of social investment approach at EU level and a general misalignment between policy objectives and their implementation (Dhéret and Frensen, 2017).

In the post-industrial context of new social risks and flexible careers, the goal of full employment requires much more differentiated employment patterns over the course of life. Rather than tackling formal unemployment, the main objective of the policy should be to maximize employment. In this perspective, the advantage of the social investment approach is to adopt a life-course perspective and promote synergies between policies and fields of action. One of the most important conceptual contributions of *Why We Need to a New Welfare State* is precisely the proposition of a "life course perspective" in rethinking the welfare offer of the twenty-first century. In-work poverty, obsolete skills and poverty in old age are not difficult situations that accidentally fall on citizens and families. They are the end results of problems in the early stages of people's lives. The activation of citizens is a fundamental step of the European Social Model. Social exclusion is fought through occupation. However, this priority must be complemented by providing learning opportunities to improve the employment of individuals with low qualifications (Esping-Andersen et al 2002). And it is at this juncture that social investment starts from the European social model and develops it.

However, it must be emphasized that the rhetoric of "*social policies as an investment*" is not a new idea and is not an exclusive idea of Social Investment. It has already been used by the neoliberal approach. In the 1990s, the idea of social policy as an investment, "*was not presented as an alternative to the neoliberal perspective, but as an enriching and coherent expansion: social policy was to be valorized (while modernized) because it was an important "productive factor"*" (Ferrera, 2013). Thus, the risk is that the SI is used as a tool to destroy social protection systems by breaking down their holistic coherence into 'targeted' programs, which should be individually assessed on the basis of their "social impact" (Barbier, 2017). As pointed out by Hemerijck (2014), the traditional economic literature places strong emphasis on the unsustainability and inadequacy of a welfare provision manipulated by political interests. Starting from these analyses, a second approach of SI is promoted, an approach characterized by constraints on social spending, privatizations, and the promotion of social enterprise initiatives proposed as alternative to highly complex social protection systems. For some authors (Barbier, 2017) this stream is also present in the package proposed by the European Commission in 2013. The risk is that of a reconfiguration of social protection systems, including pensions and health care, into simple, conditional and targeted programs limited in duration and subject to evaluation of their social return on investment. This vision of the SI, rather than reforming the European Social Model, would contribute to destroying it. In the same vein, for some (Morel et al., 2012), the "Third Way" approach, which also focus on activation, doesn't present a clear enough break from the neoliberal visions. Rather than simply removing supply-side constraints (through labour market deregulation), the focus should lay more on education, training and skill formation and updating in order to build to equip individuals to face current knowledge-based economy.

Despite these risks, Social Investment strategy can pursue the ambitious aim of updating EU social model under a life course perspective making it both economically and politically sustainable. In this quest to adapt social policies to new challenges, innovation can play a role (Jenson, 2015). Indeed, the 2013 Social Investment Package already called for the use of social innovation to develop the needed reforms. The link with "social innovation" actors at local level is seen as a potential asset to advance social investment strategy (Hemerijck, 2019). In a territorial prospective, as argued by Baines et al (2019), an Innovative Social Investment can strengthen communities. However, it is

noted (Hemerijck, 2019) that policy innovation should not be isolated but always framed within institutional and policy (in)complementarities.

SI inspired reforms should be tailored in order to address territorial needs. So far, the SI perspective has not paid enough attention to the crucial role played by territorial differentiation and different configurations of territorial cohesion and local development. Our hypothesis is that *territorialising social investment* looking at contextual conditions and coordination among scalar levels and actors is a relevant way to contribute to making social investment strategies more effective and to promoting a new idea of the ESM. Overall, the approach of *Social investment* has been implicitly proposed as a “fits for all” strategy able to combine social cohesion and economic growth, through a combination of programs promoting stocks (human capital), flows (support to reconciliation and demand/supply matching in the labour market), and buffers (protection to the most vulnerable).

In the following section, we report the main findings of the COHSMO project which are related to the territorial impact of SI policies. The aspects to be considered are the following:

- while SI policies are mainly designed at national or regional level, we look at the capacity of specific local and territorial contexts to promote such policy; we highlight to what extent territorial differentiation in the SI development depend on size, amount of available resources, contextual conditions;
- to what extent the paradigmatic approach of SI takes territorial differentiation in account, and how such differentiation is eventually treated through adaptive practices at local level;
- considering the two previous aspects, what is the impact of SI policies on territorial inequalities and the capacity of SI policies to address the problems and difficulties of vulnerable territories
- what are the main tensions and trade-offs emerging in the design and implementation of SI policies that are related to the presence of territorial differentiation and spatial inequality.

4 Territorialising Social Investment: territorial differences, sensitivity and impact on spatial inequalities

4.1 Territorial differentiation of SI

In D5.4, it has been demonstrated that relevant differences in SI strategies and service provision do not only exist across countries but also within countries themselves, when local contexts are considered. This is shown by the diversity that characterises both the SI outcomes and the institutional frameworks, which allow different levels of discretion to regional or local institutions in designing policies.

Significant inter-regional variations were reported in **Italy** and to a minor extent also in **Austria**. In the Italian case, the disparities in the service distribution are evident especially (but not only) between Northern and Southern regions. These variations depend on several factors: not only the quality and quantity of policies and investments, but also the presence of specific structural social and economic conditions in each context – related to the local labour market situation, the level of female employment, the age structure of the population and the cultural orientations towards care/work reconciliation – which may prevent SI policies from being successful. In the Austrian case, the differentiation among Bundesländer is significant especially in the field of ECEC in terms of provision, outputs, outcomes, financial investments, role of public/private providers and cultural norms. In the field of VET, the territorial differentiation is due to the apprenticeship system which is subjected to significant variations across the country (from Western to Eastern Bundesländer) due to specific contextual socio-economic conditions.

Patterns of **intra-regional differentiation** were highlighted especially in **Denmark, Lithuania, Poland** and **Italy**. Despite the distinctive national path characterizing the welfare system, the Danish context reports relevant local variations of SI policies across the three cases which relate to differences concerning socio-economic aspects, demography and urbanisation, and how these aspects interact with different perceptions of local identity or persistent spatial imaginaries. Variation is also due to the fact that local authorities deal differently with the issue of rising inequality as well as with the tendency to increase selective welfare provision, especially in relation to ethnic minority groups. Lithuania displays high levels of intra-municipal differentiation in ECEC, evident across the urban/rural continuum. For instance, in Kaunas city and district municipalities the supply of ECEC services is insufficient in some central and peripheral areas and in urban and rural units within the same municipality. Reasons of this differentiation lie in the low level of standardisation of ECEC policy across the country due to the equalisation of financial mechanisms which resulted in the reduction of national funding, being too low to secure high-quality services to all territorial units. The Polish case highlights conditions of intra-regional differentiation related to the size and location of settlements. The size is obviously related to: the higher complexity of the local labour market and the diversity of educational offer for VET; the different legal status, the density of local cooperation networks and the attitude and activity of local leaders for ALMP; the presence of different demographic changes and the use of different public/private arrangements in the provision of services for ECEC. Thus, the complexity of the local labour market and the diversity of the educational offer of a large centre influence the locations and profiles of vocational schools. The institutional and administrative framework also plays a relevant role as the cities of county status are the most efficient in providing good vocational schooling, because of the administrative capacity, the diversity of the school network and the accessibility to other important resources (e.g., companies offering apprenticeships, employers' associations). Moreover, the presence of various administrative

functions allows to ensure policy bundles by combining VET with other policy areas, such as ALMP. In Italy, alongside the significant inter-regional differentiation of SI, the research findings also report relevant disparities in the service distribution within the same regional context (Lombardy), especially among the urban and suburban localities and the rural one. This differentiation is due to the complex interplay between the local institutional and policy-legacy conditions on the one hand, and the social and economic factors on the other. The asymmetrical distribution of the competences over the design, funding and implementation of the three SI policies across national, regional and, to a minor extent, subregional levels and the low autonomy of local authorities – especially in ALMP and VET – seem to accentuate the local differentiation in SI. In the ECEC sector, local authorities hold statutory responsibilities, but these are subjected to different knowledge and economic resources at the local level, and to the various inclination of local administrators to take a more active role in this policy field.

To sum up, while the SI approach pretends to be homogeneous at national or regional levels, there is evidence that relevant variations in the development and outcomes of such policies are found not only across regions, but also within regions and even at very small scale. Such variations reflect not only the administrative discretion traditionally allowed (though with different degree across countries) to local authorities, but also a high territorial differentiation in local resources and endowments (including capabilities) that are crucial for SI policies. Some areas – especially located at the core of metropolitan areas or in more peripheral areas characterised by strong concentration of territorial capital – are able to mobilise important resources to activate SI strategy. Moreover, they count on a favourable cultural and economic *milieu* that considers the SI approach as an important lever for both economic growth and social integration. On the contrary, less central areas often lack resources and motivations to develop adequate SI strategies, and rely more on central regulation and funding. In times of austerity, central policies may even lower the financial support given to poorest territories with the aim of preserving some level of territorial equity in the funding distribution.

4.2 Territorial sensitivity vs. adaptation of SI

Territorial differentiation of SI policies is not a problem in itself, if policies are adapted to specific contextual conditions in order to obtain the best results. Unfortunately, research findings report **low levels of territorial sensitivity** of SI policies across the seven COHSMO countries. One reason lies in the low input of local authorities to SI policies and programmes as these are mainly decided and designed at national level. Low levels of shared responsibilities between national/regional governments and municipalities together with the scarce policy coordination mechanisms are the recurring problems in most of the countries. More in general, there are no policy mechanisms aimed at adjusting not only resources but also goals and approaches according to the peculiarity of different territorial contexts. In this sense, SI policies are mainly designed and centrally supported as a territorially neutral intervention. The ‘fits for all’ logic is clearly dominant in policies addressing more individual cases than area-based problems.

In the absence of policy mechanisms intended to explicitly tailor SI strategies to the particular needs of different territories, it is in the practical implementation of such strategies that territorial divergence emerges. More than by sensitivity, these policies are therefore shaped by high degree of local adaptation and discretion.

The COHSMO research has already highlighted that the level of territorial adaptation in SI policies varies not only between (and within) the different countries but also between policy fields in the same

country. One aspect that can explain the different territorial adaptation is the **degree of local autonomy** and the **financial support** granted from the central government to local authorities.

As already highlighted in D5.4, local autonomy is high in all COHSMO countries in the field of **ECEC**: a high degree of local discretion in implementing the policy and organising the service has been reported in almost all national contexts. Therefore, ECEC policy has high levels of adaptation to localities due to the fact that municipalities have stronger capacity to contribute to the policy design and implementation. Problems emerged so far depends on the amount of financial and knowledge resources that they can be mobilized for service provision. Findings from several countries (Poland, Italy, Denmark) highlight that this has a direct relationship with the municipality size but it is also influenced by a range of legal and regulatory constraints and fiscal legislation measures set by higher level institutions. In the case of **VET**, local autonomy is generally low, with the exception of Poland and of some VET programmes in Italy that see a comparatively higher autonomy for local and regional authorities, though the general framework is imposed by central government. In **ALMP**, the degree of autonomy of local authorities is quite diversified; Denmark, Italy and Austria show a higher degree of autonomy than the other countries.

In this scenario, there are a few cases in which territorial sensitivity has been introduced in the policy design. Interesting examples of territorially sensitive policies have been reported in **Austria** and **Denmark**. In the first case, elements of territorial sensitivity are related to the autonomy of the public employment services in implementing the policies (ALMP), to the horizontal interaction among public-private actors in the governance system (VET) and to short-term financial instruments (15a agreements within the Financial Equalisation Act) incentivising the construction of ECEC facilities in local contexts (this however is only granted initially for the costs of building new facilities while running costs remain to the municipalities and the Bundesländer, creating high territorial differences in ECEC provision).

In the case of Denmark, some territorially sensitive policies have been recently introduced by national government – e.g., the “Ghetto legislation” and the “Agreement on parallel society” – and these have led to a new focus on deprived areas which is also accompanied by the creation of bundles among different policy fields (from urban regeneration to ECEC).

In the case of the Danish National Ghetto Legislation, ECEC is emphasised as essential for integration and equal opportunities for children. The innovative aspect of the law is the insertion and integration of ECEC policies within interventions of neighbourhood rehabilitation. The law introduces sanctions against residents of “ghetto” areas that do not send their one-year old child in nurseries and distributes children from deprived areas between different day-care institutions. From January 2020, no more than 30% of the children in a specific institution may come from an area which is listed on the government’s list of “ghetto” areas. However, these elements vary according to the availability of childcare services and in relation to how local municipalities implement the other aspects of the “ghetto strategy” concerning physical interventions in distressed urban neighbourhoods. One problem emerged so far relates to the positive adaptation of the approach to the localities because, alongside the top-down decisions, local institutional actors have very little room to act in the process. This limits the actual territorial sensitivity of the policy understood as the room for its local adaption. Furthermore, it highlights how policy bundling can also entail challenges. While the rules regarding ECEC might be relevant for integration and equal opportunities for children, it can limit the desire of more resourceful parents to move to the ghetto area. As all children are affected by the limit on how many children from an area that can attend a given institution, meaning that parents will have to transport their children further away for ECEC.

In contrast, the territorial sensitivity of SI policies is low in **Italy**, where the asymmetrical distribution of competences of the three SI policies across national, regional and, to a minor extent, sub-regional levels do not allow to successfully adapt the policies to the social and economic conditions of localities. Despite this, some attempts have been made in the urban (Milan) and suburban (Legnano) localities where policy makers and service providers have somehow tried to adapt the three policies to the local context, though generating different outcomes. For instance, in the field of ALMP, this has been done by transferring responsibilities to sub-regional ad-hoc companies (the AFOLs), allowing to manage more effectively the service provision in relation to the users' demands which are increasingly large, diversified and fragmented, and also by creating targeted projects and programs where municipalities and local actors have had wider spaces for *manoeuvre* to intervene in the policy field. This attempt has been made also for VET policies, because the territorial organization of the service should guarantee good coordination across governance levels and the interdependence between service providers and job market, though the structural problems and the cultural barriers seem to be still quite relevant in undermining the service effectiveness.

To sum up, while territorial sensitivity is very low in SI policies, a logic of local adaptation emerges as relevant in the implementation of such policies in many countries. The institutional design of specific policies, such as ECEC, especially allows this adaptation in so far as policy responsibility is often given to local authorities, though inter-municipal coordination is infrequent. In other policy fields, such as VET and ALMP, local adaptation is more the result of local delegation of responsibilities than of the introduction of territorial sensitivity criteria in the policy design and planning.

In such situation, territorial differentiation of SI policies is the outcome of the different territorial capacity to develop such policies and adapt them to the specific peculiarities of the areas, rather than the effect of coordination mechanisms able to integrate territorial sensitivity in the policy design.

4.3 Impact of SI policy on territorial inequalities and vulnerable territories

Research findings demonstrate that the impact of SI policies on territorial inequalities – exacerbated by the ongoing socio-economic and health crisis related to the Covid_19 pandemic – has been limited and not necessarily positive. In some countries (e.g., Italy and Austria), this failure is often due to local contextual features that produce controversial and unexpected effects detached from the SI policies' scope. These effects are likely to translate into the widening of existing social and economic inequalities.

In some countries, the research has reported the attempt of institutions to readdress SI policies to tackle spatial inequalities. In Denmark, local authorities have approached local patterns of inequality and segregation by putting in place selective welfare mechanisms targeting ethnic minorities. This orientation has found legitimization from a normative discourse of integration to be achieved through self-sustainability, labour market participation and use of public services. “It follows the combination of the mediating social policy, that provides social housing and mediate unequal growth, but coupled with increasingly “hard” interventionistic and authoritarian targeted policy instruments whose sanction the ethnic minorities severely” (D7.0: 77).

In Poland, an education reform started in 2017 and to be completed in 2023 is deeply changing the VET system, leading towards a better image of vocational education among youth, broader presence of the dual programs and more intense cooperation between local employers and schools. Despite

this, before the advent of the reform, the VET system definitely had deepened the existing socio-spatial inequalities. Poor quality of education had not provided better chances for the students coming from marginalized groups, often having poor academic record.

In England, the urban case (Bristol) shows patterns of inequality related to the high levels of poverty and unemployment and the lack of services and connectivity. The city council has tried to address the inequality through targeted policies, as adult social care, children and families' academy trust, and deprivation funding. In the past two years, it has developed a local plan ("One City Plan") and a strategy (Inclusive Growth Strategy") for addressing economic development, inequalities and cohesion at the local level. Although the implementation is still in progress and impacts have still not been assessed, the strategy has recognised the "persistent concentrations of deprivation and earnings inequalities, which are reflected in and reflect the city's relative underperformance in education and skills, together with other factors creating pay gaps. Poor access to employment for under-skilled residents, barriers to economic inclusion including access to affordable childcare, significant increases in house prices and a local transport system which needs improving (so it can effectively link residents to jobs and training) are also key issues" (BCC, 2019: 6).

To sum up, the territorial impact of SI policies seems to be paradoxically negative: while SIs are supposed to reduce inequality and support the weakest population, they are more advanced in areas already characterised by high concentration of economic and cultural resources, and less likely to be developed in more marginal areas. It is however in the latter that the need for SI policies is stronger. With a few exceptions, SI policies seem to produce a territorial Matthews effect, by which such policies are better and more often developed by economically and socially integrated territories able not only to mobilise more resources but also to tailor policy programs according to their own needs. The final effect of such dynamics is that SI policies may reflect or even reinforce territorial inequality rather than tackle it. Moreover, and even more problematic is the poor capacity of SI policies to support the growth of the most vulnerable areas.

4.4 Tensions and variations in the field

SI policies are subjected to multiple variations in the field. These variations are the outcome of a complex interlink between contextual institutional and policy-legacy conditions and socio-economic factors. While some of these variations refer to global trends and economy-wide forces common to many COHSMO countries, others are more context-dependent and relate to the ways in which the vertical and multilevel frameworks work in the design and/or implementation of SI policies in each domestic context. Some of these variations tend to become tensions/trade-offs/conflicts due to the presence of conflicting forces and contradictory tendencies which generate relevant differences in the territorial impact of such policies across and within the countries. We have identified four tensions and two variations. The tensions concern: conflicts among institutions working at different scales (specifically between the national/regional and the local) (section 4.4.1); the high national standardization vs. the high territorial fragmentation (section 4.4.2); the need for strong institutional regulatory framework vs. the need for some degree of local autonomy (section 4.4.3); and the high protection of the most vulnerable areas vs. the promotion of attractiveness and competitiveness (section 4.4.4). The variations relate to: the levels of collective engagement (section 4.4.5) and the impacts of austerity and efficiency regimes on SI development (section 4.4.6).

4.4.1 Conflicts among institutions working at different scales

The first tension concerns **the relationships among institutions working at different scales**, especially between the national/regional and the local scale institutions. Policy tensions between government levels were highlighted in **Austria, Lithuania, Poland**. In Austria, conflicts mainly happen between the Bundesland level and the federal government but vary across the three cases. For instance, in the urban case, the conflicts have a strong political connotation as Social Democrats have ruled the city since 1946, while in the rural case the conflicts refer to the over-bureaucratic standards hindering local development and innovation. In Lithuania, tensions arise from the strong impacts of national legislation, fiscal planning, public procurement procedures and centrally planned large-scale investments on the municipal approach to VET and ALMP policies. Also, the consolidated policy tools reflect the unequal distribution of the local resources where local communities and authorities mainly depend on institutional central state support, and this creates problems in the responsiveness of locality to national policies. In Poland, tensions have risen about the ways in which policies are formulated at the national and regional levels, and the lack of responsiveness and innovation at the local level. A striking example relates to ALMP policies: the *modus operandi* of the system of labour market agencies is hierarchical and top-down and, as a consequence, county employment offices implement regional policies rather than look for a customized solution which would respond to territorial and local differences.

4.4.2 National standardisation vs. territorial fragmentation

A second tension concerns the **clash between high national standardization and the high territorial fragmentation**. In **England**, for instance, the highly centralised nature of policy making means that key decisions structuring the policy fields of ALMP, ECEC and VET are taken at central government level without any intra-department coordination. Each policy field exists in its own ‘policy silo’ at central level and there is no evidence of collaboration or cooperation between the relevant governmental departments. Due to the overwhelming emphasis on contracting-out and the creation of pseudo-markets, the situation is further complicated by the fact that the actual policies are delivered at subnational level (e.g., the regional and local level) by a variety of systems related to private sector providers, ‘independent’ local bodies and in a few cases voluntary sector organisations. The local delivery systems are essentially marketized and in each policy field there is little or no cooperation, indeed in cases such as VET there is competition between providers. In **Lithuania**, the variety of ALMP programs are standardized in all three localities, thereby the municipal authorities have only indirect impact on regulating employment services, for example, by hosting different public work programs. The ALMP policy standardization trend is mostly related to national cost efficiency and resources optimization rather than to other dynamics. Therefore, the analysis demonstrates that higher levels of regional diversity and adaptability of ALMP measures and programs to localities are needed. The work carried out in **Austria** show a high degree of standardisation of instruments and centralization of active labour market policies and a low adaptation of the policy to regional economy and socio-economic conditions. For national ALMP, the main room for adaptation comes from the horizontal coordination among the actors involved in implementing measures designed at the federal level. At the opposite side, **Italy** can be understood as a case of **high territorial fragmentation** where the scarcity of SI service provision, especially in the case of ECEC and ALMP, are also due to the distribution of a significant part of the national population (17%) in small municipalities of less than 5000 inhabitants. Small municipalities constitute the 69% of the total number of municipalities in Italy and they are localized in peripheral locations both in spatial and economic terms, where it is difficult to organize the services in an economically sustainable way. In **Austria**, provision of ECEC shows some degree of territorial fragmentation due to the marked regional differences and

disadvantage, especially in rural areas. Alongside the expansion of ECEC provision, the positive impact on maternal employment is mostly limited to part-time working, due to a combination of cultural norms (persisting male breadwinner model), institutional traits (affordable full-day care mostly unavailable for children below three years of age, outside of larger cities), socio-demographic conditions (areas of low numbers of children translating into low demand of childcare).

4.4.3 Strong regulatory framework vs. local autonomy

Research findings also highlight a dualism between the need for strong **institutional regulatory framework and the need to preserve some local autonomy**. For example, in **Poland** the vocational education for youth is predominantly state-owned and subsidized from the public funds. The main goal of VET policies, defined at the national level, is to “prepare the learners for the professional work and active functioning on the changing labour market”. The local VET policies do not depart from this general goal and the room for local innovations is rather limited by the strict legal framework. Even more importantly, the system of state subsidies for subnational governments does not attract local decision-makers to develop VET facilities, increase their quality, experiment with the school network or new curricula. Different is the situation in **England** which is considered a case where the absence of strong legal constraints matches with a highly marketized local delivery systems in SI policies. In ECEC, for instance, central government acts as a market manager and the system is market-based with a very large number of locally based private providers. The market-based dynamics are also evident in VET in which, although the system is funded by central government, the competition between providers, limited employer engagement and an emphasis on a high volume of short-term courses are highlighted. In some other countries, the two opposite trends tend to coexist. For instance, in **Denmark**, there is a tension between the high local autonomy and a relatively open framework of SI policies, and the paternalistic orientation by central government, evident in the ways in which it addresses particular groups through “hard” penal and economic sanctions. As far as ECEC is considered, the “National strategy to fight Parallel Societies” has resulted in the introduction of sanctions for resident parents who keep their young children out of childcare institutions. Emphasis on selective welfare mechanism targeting ethnic minorities is legitimized through a normative discourse of integration to be achieved through self-sustainability, labour market participation and use of public services. Therefore, the country shows tendencies to what Wacquant (2009) terms the Centaur State: liberal at the top and paternalistic at the bottom. Therefore, the current approach combines a mediating social policy, which provides social housing and mediate unequal growth, with increasingly “hard” interventionistic and authoritarian targeted policy instruments sanctioning the ethnic minorities severely.

4.4.4 High protection of the most vulnerable areas vs. promotion of competitiveness

A **trade-off between the high protection of the most vulnerable areas and the promotion of attractiveness and competitiveness** was reported in a number of countries. In **Italy** this trade-off emerges as a clash between two objectives. The first is the strengthening of the overall economic competitiveness of the Lombardy Region through a better utilization of existing territorial assets where these are more concentrated (metropolitan and suburban localities). The second one is the promotion of a polycentric and balanced development that looks at reducing intra-regional disparities and at increasing the social and economic opportunities in disadvantaged rural areas. If this clash is not resolved, the risk is that intense urbanisation processes generate forms of agglomeration and concentration of populations, activities and opportunities in some areas, at the expense of others.

Accordingly, a perspective of spatial justice enters in a collision course with a widespread economic policy assumption, according to which the strong concentrations of economic opportunities ultimately become a powerful factor of attraction for distant populations, who can see stronger life chances in moving away from the low-density areas. The clash is particularly evident in the rural area (Oltrepò Pavese) that has long suffered from a crisis of representation and lack of public and private investments. The reasons lie in the fact that in the past decades the regional government has oriented financial resources mostly towards the Alpine mountain areas rather than to the Apennine ones, but also in the scarce capacity of local administrators to interact and negotiate with decision-makers at the regional level. In **United Kingdom**, at the end of 1990s central government attempted to address the development gaps between competitive and lagging behind areas through the creation of the Regional Development Agencies. However, this attempt ultimately failed to address the deeply embedded territorial inequalities in the Country. More recently, after the advent of the Coalition Government in 2010, the regional dimension was abandoned in favour of the ‘localism’ agenda but this was coupled with the austerity programme which had seen significant reductions in the budgets of local authorities, accentuating the already difficult situation of declining regions. In **Lithuania**, national policy documents tend to promote the regional concentration of human and financial capital in the most productive and economically developed territories of the country and an emphasis on the economic development of the most competitive areas over the protection of the most vulnerable ones emerges.

4.4.5 Levels of collective efficacy

The analysis has highlighted a significant variation across the COHSMO countries in the levels of **collective efficacy** that localities display and in the use that institutions have made of it in policy design, management and implementation. For instance, in **Austria, Denmark and Poland** the levels of collective efficacy characterising the case-studies have played a pivotal role in identifying growth opportunities and taking advantage of them. Thus, the degree of mutual trust and shared expectations among residents of local areas have been significant for guiding the response of localities to the development strategies and to the external stimuli such as upper-tier policies or EU funding. High levels of collective efficacy can sprung up from various sources. In Poland, respondents in the urban locality (Gdańsk) attributed it to the history and tradition of social activism such as Solidarity movement. In rural case (Debrzno), it seems to stem from a founding experience of a deep crisis and necessity to step into the shoes of the “missing hero” by some civic leaders. In the suburban case (Pruszcz Gdański), the civic activism is interwoven with the place-relatedness which is observable among the inhabitants. In **England**, the urban case (Bristol) has shown a new culture of collaboration brought forward by the “One City Plan” where a civic leadership approach has been developed by the local authority. The plan has been based on a co-production process with extensive consultations which have ensured the development of a common sense of ownership in the local community. Despite this positive case, low levels of engagement of social and economic actors have been reported at central and local levels in the field of SI policies. In **Greece**, the case-studies show a tension between the levels and mobilisation of collective efficacy and its deployment in service delivery. This is related to a quite a narrow way of interpreting civic engagement and participation which implies mainly the citizens’ voluntary work to support the provision of the very basic social services that the public administration is unable to guarantee. The urban case (Athens) shows that the local authority has employed the high levels of civil engagement and participation as a response to austerity policies. Moreover, the civil engagement has been used just in policy implementation and not in policy design, monitoring and evaluation.

4.4.6 Impacts of austerity and efficiency regimes

Another significant variation in SI policies across the COHSMO countries concerns the **impact of austerity and efficiency regimes** which resulted in economic slowdown, rising unemployment, and retrenchment of public spending all across Europe. In **Greece**, welfare policies have significantly shrunk after the deep multi-faceted crisis affecting the Country. In the national debate, emphasis has been given to the need to balance the budget deficit, the attraction of foreign capital investments and the regeneration of economy. Research findings report that the social investment approach has been significantly neglected and efforts have been made just in the field of ECEC while the provision of VET and ALMP services remain problematic. In **Austria**, alongside the good levels of ALMP provision, some areas of the country were touched more than others by austerity measures. For instance, Wien seems to be more affected by new austerity and efficiency regimes than our Lower Austrian cases. As a reaction, the city used innovative programs to support, for example, refugees and minorities, while the federal government introduced restrictions on social policies targeted to migrants. In **England** and **Italy**, the austerity measures dominated the national policy discourse during the past ten years and they generated substantial reductions in the public service budget of local authorities. Other countries, such as **Poland**, have suffered less from the impacts of austerity. At the subnational level the source of potential austerity measures has been only recently introduced by new fiscal legislation which has shrunk local governments' income from taxes. In addition, local governments have been burdened with costs of educational reform coupled with insufficient compensation of subsidies.

To sum up, SI policies are characterized by significant variations, tensions and problematic trade-offs in the way they consider and treat territorial differentiation. The lack of territorial sensitivity is one of the most important factors explaining such trends. Conflicts among different scales, or between standardization and autonomy, or between regulatory strictness and need for local discretion, reflect the lack of attention paid to the multilevel and territorial implications of policies mainly designed at national or regional levels, and implemented at local one. Furthermore, SI policies are locally implemented on the basis of a plurality of actors that needs to be governed and harmonized. Vertical and horizontal coordination is therefore a key factor not only for adequate implementation, but also to reduce these apparently unsolvable tensions.

4.5 The challenge of territorial sensitivity

Our analysis has highlighted the main problematic aspects hampering the contribution of SI policies in positively addressing territorial inequalities and the situation of vulnerable territories. We have shown that lack of territorial sensitivity is one of the factors contributing to this failure, bringing local territories to adaptive practices that may exasperate, rather than reduce, spatial inequality.

The development of a territorial sensitive approach to SI requires two main actions:

- *The introduction of the issue of territorial inequality in the SI policy agenda.* So far SI policies have been mainly considered as national/regional policies addressing individual and not territorial needs. However, not only is the implementation of such policies highly differentiated across territories, but it is also shaped by implicit or explicit local practices aimed to adapt such policies to specific contextual conditions. SI implies a service delivery, which is affected by the service production capacity of the areas. And it implies very often a cooperation among local actors (companies, social and labour market services, schools, and

experts) which is locally determined. Our research has found a strong gap between the policy design, which is mainly centralized and territorially neutral, and the policy implementation, which is mainly place-based. It is because of this gap that SI policies are not seen as able to fight territorial inequality. Territorial sensitivity mechanisms could strengthen not only local adaptation capacity, but also provide a general framework in which goals, targets and distribution of central resources are explicitly aimed at reducing territorial inequality, reinforcing and modulating policy intervention according to different local requirements.

- *A specific focus on SI policies addressing vulnerable territories and tailored to the peculiar needs of such areas.* A logic consequence of this approach is the development of specific measures aimed at introducing the SI approach in disadvantaged areas. There is sense in such orientation as SI policies are mainly aimed to increase the population employability, reinforce the production of human capital, and support the service provision: aspects that are among the most important deficits in vulnerable areas. But this new strategy implies a re-orientation of such policies towards less traditional targets, with needs and social habits requiring a radical change in the ECEC, VET and ALMP approach. It is in the development of such capacity that the challenge of territorial sensitivity is mainly based.

We highlight five main challenges concerning the institutional and policy mechanisms that are to be considered as crucial to support a territorial sensitive SI strategy.

The first aspect relates to the need to improve the **levels of institutionalization** of SI policies in COHSMO countries. As also shown in D5.4, policy provision depends not just on the degree of financial support from the central government but also on the institutional settings that characterise each country. Local autonomy and successful forms of subsidiarity are here relevant to ensure that the provision of services effectively targets local needs in terms of human capital development and labour market participation. Moreover, low levels of institutionalisation of SI policies together with low investments have run the risk of widening within-countries disparities and of leaving behind those areas that are already marginalised, strengthening cities and metropolitan areas. “Territories more in need may also be the ones with less resources and less local innovation capacity leading to “territorialized Matthew effects” with inequalities among citizens increasing depending on where they live” (D5.4: 26).

Findings show that levels of institutionalisation of SIS are generally high in **Austria** and **Denmark**, and comparatively low in **Italy, Greece, UK and Lithuania**. In ALMP, The Austrian and Danish cases underline patterns of vertical subsidiarity which are coupled with high local autonomy in setting policy rules and goals and with high financial support granted by central government. On the contrary, Italy, UK, Lithuania, Greece display lower levels of institutionalisation of the policy given by the combination of a highly centralised regulatory power with a weak financial support. In VET, a similar situation is reported with Austria and Denmark showing a strong central interventionism combined with generous financing per student, while Italy and UK present lower expenditures. In Italy, while competences over funding, organizing and implementing the services are distributed across central and regional governments, the expenditure per student is still quite low and the links with labour market are weak. England reports significant fragmentation in the VET system due to the high competition for funding. In ECEC, the levels of institutionalisation of the policy are comparatively higher than the other two policy fields as all countries highlight a combination between local autonomy and a system of funding which identifies the capacities of institutions to adapt the policy to local specificities. Despite the rising investments in the policy over the past years, still problems relate to the weak investments that most COHSMO countries (except Austria and Denmark) orient to

human capital within the ECEC field. This factor significantly impacts on the consistency of the policy with the social investment perspective.

The second aspect concerns the **availability of economic, political, cognitive resources** at the local level and the capacity to mobilize a range of knowledge resources to inform policy development. Findings from case-studies show that the presence of resources in the locality is a relevant aspect for ensuring the effectiveness of SI policies. Large municipalities generally have at their disposal more financial and human resources, greater networks and greater variety of actors than small municipalities. At best, one can argue that the municipality size seems to matter in the positive engagement of local institutional actors in social investment. For instance, in many countries ECEC policy are under the responsibility of local authorities, which have autonomy in setting fees and prioritising welfare services. In Austria, despite the financial resources allocated from national government and the Bundesländer down to municipalities, it has been highlighted that small municipalities in rural areas tend to face more difficulties than the large urban municipalities in financing ECEC. In the rural locality (Waldviertler Kernland), the relative unavailability of public childcare provision was thus compensated by the strong involvement of third sector associations in developing childcare facilities. On the contrary, the urban case (Vienna) shows more effectiveness in organizing the service, managing the facilities as well as coordinating private providers. However, living in a large municipality does not always mean to have a service of higher quality because notwithstanding the size municipalities sometimes have different policy priorities. For instance, in Denmark, a quality/quantity trade-off has been reported as the policy is increasingly sensitive to population numbers and settlement density. Accordingly, while in small rural municipalities the objective is to maintain a broad local supply, a high level of specialisation and quality in the individual service, in large municipalities characterised by demographic growth the main challenge is to keep up with the increasing demand. As also shown in D6.2, the presence of resources at the local level has also influenced the emergence of innovative projects and initiatives that have in some cases contributed or supported SI policies. Most projects described in D6.2 show the proactive role of the public administration in promoting **social innovation** and in creating innovative solutions, mechanisms and forms of organisation to tackle emerging social problems. In most cases, the engagement of local authorities in social innovation can be seen as a result of their attempt to adapt to a range of different social and economic challenges: from the shrinking budgets available for welfare and other policy areas produced by the impacts of austerity policies and the major reductions in government funding, to the new changing nature of social risks manifested by an increasingly differentiated and complex population. Though with significant nuances across the countries, the local authority has operated as an actor of coordination, promotion and stimulation of social innovation, thus playing a *brokerage* role between stakeholders to implement innovative responses to the social risks affecting contemporary society. While local forms of social innovation initiated from below tackle territorial problems or experimental projects that address the needs of marginalised/excluded groups, these activities may represent a win-win process given that local authorities need third sector organizations to respond to increasingly complex social needs, and the third sector actors need the local authority for access to funds or organizational infrastructures important to ensure longevity to projects. However, they may also reflect a wider restructuring of welfare provision and entail the ‘abandonment’ of the most marginalized/excluded sections of the population and this means that social innovation can become a ‘double-edged sword’. Some of the social innovation initiatives described in the report highlight the capacity of municipal authorities to: i) act in an innovative way for resolving the issue of family-work reconciliation through the creation of a family-based kindergarten (Kaunas, Lithuania); ii) develop an inclusive growth approach to civic leadership tailored to the needs and problems of the city (Bristol, UK); iii) improve both access to and the quality of domestic welfare provision in the city by developing new relationships between

welfare providers and citizens, improving the capacity of third sector organisations to meet citizens' social needs (Milan, Italy); iv) create exchange platforms for coordination and mutually beneficial planning across city borders in the areas of mobility, economy and demography (Vienna, Austria). In general, the proactive role of local authorities is strongly linked to the availability of cognitive resources (skills, competences) within the public administration.

Subsidiarity and effective forms of vertical coordination are seen as conditions to achieve a positive balance between the adaptation of policies to the local context and the redistribution of resources for counteracting excessive spatial inequalities. **Denmark, Austria and Italy** show mechanisms of vertical subsidiarity in the field of ALMP that are characterised by high local autonomy in setting policy rules and goals with strong state financial support (see the D5.3). In Italy, the Lombardy regional government has framed its policies within a specific neo-liberal interpretation of the principle of subsidiarity which was aimed both to strengthen competition and ensure freedom of choice, and to establish a new strongly hierarchical neo-centralist regionalism. However, this approach has been criticised for its scarce territorial sensitivity and the low levels of adaptation of regional policies to different sub-regional localities. In Austria, as far as the ALMP is considered, despite the considerable degree of standardisation and strong public intervention, the subsidiarity principle is present as most measures are designed at federal level and delivered by regional and local public employment offices. The federal level is by Constitution responsible for the design and the coordination of labour market policies, such as eligibility, form, duration, and amount of benefits, and financial resources are transferred from the federal level to the Public Employment Service.

Different is the situation in Countries like **UK, Lithuania, Greece and Poland**. The first three countries highlight a sort of “constrained localism” both in ALMP and VET, which results in low levels of local autonomy and highly centralised regulatory power and weak financial support from Central Government (D5.3). For instance, in Lithuania, the national government mostly covers the administrative costs for ALMP and investments are often driven by national sectoral priorities and not necessarily addressing regional and territorial development needs. Moreover, the specific programmes are usually financed through EU funding. Nevertheless, the recently approved National Development Programme (2021-2030) has opened up the political discussion on the principle of subsidiarity and financial compensation for new obligations imposed on local municipalities in terms of ALMP measures implementation. In Greece, although ALMP is designed at central government level and implemented by an agency supervised by the Ministry of Labour and Social Affairs, the main problem is the low levels of policy coordination and the fragmentation of the policy monitoring and evaluation. Finally, Poland displays low levels of subsidiarity in ALMP and VET which is given by the low degree of local autonomy and by the main role played by central state both in regulating and financing the policies.

Horizontal coordination can be a crucial resource, especially for smaller municipalities in suburban or rural areas, in which institutional capacity may be lacking and there is a need to tap into a wider range of resources. Thus, forms of horizontal coordination among different municipalities enable the build-up of policy coalitions to pool such critical resources. They can also improve the effectiveness of the policy design and management, by creating bundles and integrating different instruments and measures. Moreover, forms of horizontal coordination can provide relevant policy mechanisms for dealing with territorial inequalities, as highlighted in **Denmark** and **Italy**. In the first case in the suburban case (Horsens), the Horsens Alliance can be seen as a successful and strong collaboration between education institutions, businesses and local government to try to solve local challenges and adapt national policy to local conditions. It represents an innovation in terms of “how it generates a common narrative for territorial development of Horsens, and because it has become a formalised

framework in which innovative ideas can find support and be turned into action. Moreover, it is innovative in the sense that it becomes a framework for corporate social responsibility utilised in tackling social inequality in Horsens. [...] the Alliance has become a central coordination device in ensuring policy bundles which effectively couples economic growth, territorial cohesion and social inclusion [...]. For example, through the Alliance it is possible to coordinate between the promotion of economic growth, the connection of VET and the needs of the local labour market, and CSR in Horsens to lift inclusion of vulnerable groups” (D7.0, 50). In Italy, the suburban case (Legnano) shows a horizontal governance form, the *Patto dei Sindaci* (Mayors’ Pact), that has the objective of coordinating policies and integrating the municipal resources in strategic policy areas. The advantage of the Pact lies in trying to overcome the institutional fragmentation which is characterising the local level, in sharing the resources and in jointly working towards some strategic objectives. The content and process related dimensions of the Pact emphasize an approach that could indirectly be interpreted as displaying a concern territorial cohesion.

A better coordination between SI and TC policy is another policy challenge which is developed by a range of institutional and policy mechanisms reported in some COHSMO countries. For instance, in **Austria**, ALMP and ECEC have formalised governance mechanisms that seek to mitigate territorial differences. In the case of VET, while it does not show a formalised process of territorial sensitivity, spatial effects emerge from stakeholder’ interactions and vocational training outcomes from a complex interplay between supply and demand. In **Poland**, the case-studies have clearly shown, the level of administrative capacity influences the ability of local governments to build policy bundles between SI and TC. This is evident both in the urban locality (Gdansk) where the well-developed administrative capacity and the territorial role of the city have contributed to positively orchestrate an integration between TC and SI policies, and in the rural locality (Debrzno) where the lack of both institutional capacity and growth engine has pushed local government to work towards innovative governance arrangements. In **Greece** the policy instrument of the Integrated Territorial Investments (ITI), a delivery mode to bundle funding from several priority axes of one or more EU programs, contributes to bring together the aims of territorial cohesion along with social investment policies.

Conceptual and policy relationships between SI and TC are also mentioned by local informants with reference to the issue of spatial distribution of **services** across regions. This aspect has been highlighted as relevant in **Italy, Lithuania and Denmark**, and it has to do both with the levels of proximity between services and households and with the accessibility to services as social rights and the removal of the obstacles that *de facto* prevent the access to services. One perspective raised is that in order to effectively respond to the territorial needs, services must adapt to the social, economic and territorial conditions of localities and rely on local knowledge and identity (Beer et al., 2020). Here, the place-based approach according to which services are tailored to the needs of territories and follow appropriate standards for each context, is mentioned as crucial. Services are therefore seen as an opportunity for lagging regions not only to improve the life chances of inhabitants but also to invest in developing the human and social capital of the local community, generating economic growth in the long-term. In Lithuania, a focus on public infrastructure services and high-quality welfare, educational and health services is present in national policy documents, though emphasis is mainly placed on economic competitiveness. Different is the situation in the rural locality (Pakruojis) where the development of soft competences and public service infrastructure is a focus of cohesion policies. In Denmark, the issue of services is tackled by the complex municipal reimbursement system which ensures good quality welfare services even in more remote areas of the country. This means that the territorial aspects of childcare are reduced to a question of securing services even in sparsely populated areas or in areas with population growth.

Institutional and policy challenges for a territorially sensitive SI	Countries where this challenge is more pressing
1. Improve the levels of institutionalization of SI policies	Greece Italy Lithuania UK
2. Ensure availability of economic, political, knowledge resources at the local level and/or develop the capacity to mobilize them.	Italy Poland UK
3. Develop subsidiarity	UK Lithuania Greece
4. Improve horizontal coordination	Italy
5. Strengthen coordination between SI and TC policy	All COHSMO countries

Table 2. Institutional and policy challenges for a territorially sensitive SI.

5 Strengthening Territorial Cohesion Policies: sensitivity, socio-spatial configurations and governance forms

This section critically discusses the main evidences emerging from the research in relation to local interpretations, partial achievements and recurring obstacles faced by territorial cohesion policies dealing with the need to tackle growing economic, social and spatial inequalities across the European space and to promote integrated interventions in the most vulnerable territories. In particular, we will reflect on cohesion policies by taking into account: the ability to reconcile conflicting objectives (section 5.1), their relationship with different socio-spatial configurations (section 5.2), the level of territorial sensitivity (section 5.3), the institutional and social capacity of local actors (section 5.4), and the levers and obstacles they typically encounter (section 5.5), that can facilitate or hinder the transformative capacity of territorial cohesion policies in EU localities.

5.1 Social cohesion and growth

The first aspect emerging from the analysis is that **territorial cohesion policies** usually do not emerge as an outcome of policy priorities set at national or regional levels, but they are often motivated by policies and funding from EU. This is well evident in Italy and Greece where the term “territorial cohesion” is almost absent from local policy documents and it appears almost exclusively in policy documents that concern national and regional public policies, explicitly linked to European policies. In **Poland** and **Lithuania**, the concept of territorial cohesion arrived in the national policy debate with the EU integration process. It has been developed in a close relationship with regional policy, hence the clear regional perspective and focus on overcoming urban-rural and East-West divide. Its understanding is often superficial and it is rarely operationalized and used in a consistent manner in policy documents. In **Austria**, although territorial cohesion is not an explicitly addressed concern in most policy documents, several elements of Austria’s tradition in spatial planning, regional development and service provision contribute to an Austrian perspective of TC. The EU agenda seems to play a minor role in **Denmark** where the Structural Funds are less important than in the other countries but their presence influences synergy between policy areas, for example between economic growth and social cohesion. The same effect is produced by the EU Social Funds in relation to the policy bundles between ALMP and VET as such connections in many instances are eligibility criteria for these funds.

A second aspect concerns the **relationship between economic growth and social cohesion in public policies**. Most country cases highlight a prevalence of local growth policies over social cohesion policies. For instance, in **Austria** the urban case (Vienna) shows that although documents and policies mention the need for a balance between the dimensions of economic, social and territorial cohesion, there is a tilt towards economic growth - in terms both of clear objectives and implementation. Different is the situation in the rural locality (Kleinregion Waldviertler Kernland) where the current strategy documents implicitly seek a balance between different local development dimensions, but social issues are much more prominent than economic ones. In the **UK**, in all localities the dominant policy narrative/approach is based on economic development, in particular productivity-led growth. Just some policy documents in the urban locality (the “Bristol One City Plan” and the “Inclusive Growth Strategy”) report evidence of a greater appreciation of the ‘territorial dimension’ and of the need to mobilise territorial capital for ensuring that locally embedded social and spatial inequalities are being addressed. In **Denmark**, the focus of territorial cohesion is on ensuring balanced development and smart growth, and on maintaining the potential for economic development of the rural parts of the regions. An example is the rural development programme whose aim is to provide

economic growth and to increase the number of jobs in rural areas. However, these economic goals are explicitly intertwined with the ambition to generate spatial justice through a more balanced development and fair access to services. In **Italy** the analysis of policy documents has underlined that the economic development objective tends to generally prevail over the social cohesion ones, and also that a significant gap between the two exists. More than a conflict, this is rather a mismatch since the two objectives are not in opposition, but they rather coexist, albeit in a condition of *disconnection* in the ways in which policies and actors deal with them (Marsden and Franklin, 2015; see also: Boczy et al., 2020). Indeed, policies are clearly not able to develop an integrated, reciprocal and complementary dimension between the social and economic objectives of cohesion. The economic-focus is also evident in **Lithuania** where local policy discourses underline the priority of strengthening local businesses and creating specific opportunities for economic development.

A third aspect relates to the ways in which **cohesion policies are channelled by local narratives**. This aspect is evident in Denmark, where the strong local narratives work as drivers for mobilising territorial strengths. For instance, in the rural locality, a ‘do-it-ourselves’ local narrative links to a culture of necessity that originates from their peripheral location. In the suburban locality, a narrative of ‘we pull together as a unit’ is used to express that public, private sector and civil society actors should work together in securing the growth of the city. Finally, in the urban case the narrative is ‘growth for all’ as it describes the strong focus on securing economic growth, coupled with an aim for this growth to be inclusive for all citizens and all areas of the municipality. In Lithuania, researchers highlighted the presence in the localities of different ‘storylines’, understood as different interpretations of territorial cohesion. These are often in conflict with the dominant national perspective on regional policy, focusing on economic growth and on the economic competitiveness domain. Some of these storylines, like those emerging from the urban and suburban localities, exemplify an approach which seeks to achieve a balance between economic competitiveness and local quality of life and equity. Another example of strong local narratives comes from Italy where some policy documents in the urban locality (Milan) show a narrative about the ‘efficiency/equity nexus’, according to the idea that a more competitive and strong economy directly contributes to a more equitable and just society. This narrative is also shown in the ‘Innovate to Include’ slogan endorsed by some local government representatives. Although the connection between efficiency and equity is rarely deepened with solid and consistent arguments, frequent is the assumption that the city can become a laboratory of smart, green, and socially inclusive policies and that the development of the so-called “new urban economies” can also enhance social cohesion through the creation of new employment opportunities.

5.2 Relationship between different socio-spatial configurations and TC policies

As far as the relationship between socio-spatial configurations and TC policies is considered, the **mismatch between jurisdictions and functional areas** emerges as a relevant aspect in a number of countries. The overlapping between area of jurisdiction and the catchment area of services is mentioned as important: the first should provide the administrative and political power to articulate objectives and come up with strategies for the design and management of the services to be arranged in a territorial context. For instance, the cases of Greater Bristol (UK) and Gdansk (Poland) have shown some progress in terms of adjusting the scale to policies in terms of administrative competences and the “subordinated” functional area in order to be able to orchestrate territorial cohesion policies. The Danish cases show that the issue of scale is also relevant for the form and agility of territorial governance. The rural and suburban cases underline a more pragmatic approach to governance, which is facilitated by the short distance between policy makers and business and

community actors. Also, in the suburban case the municipality has interpreted its membership to the Business Region Aarhus (BRAA)⁵ as a strategic way to achieve goals of a strategic position in the functional urban area stretching from Aarhus down south of Horsens covering most of East Jutland. Looking at the UK context, the suburban study area (North Staffordshire), despite being considered morphologically and economically a single area, underlines the presence of a fragmentation issue, both in policy making and in governance processes. This is due to the fact that the suburban and rural periphery is increasingly becoming a commuter/dormitory zone for nearby cities and conurbations. The fragmentation is also given by the presence of different administrative units and the division poses important challenges in terms of territorial governance, most notably around cooperation and coordination and the need to reconcile conflicting political and economic interests.

The **relationship between concentration and polycentrism** is another relevant issue in order to explain the role that different spatial configurations play in territorial cohesion policies. Implications of this aspect in policies have been reported in Italy, Denmark and Austria. In Italy, the policy orientation of Lombardy regional government in the field of territorial development has seen a dualism between concentration and polycentrism, that has generated a clash between the objective of strengthening the overall economic competitiveness of the Region through a better utilization of existing territorial assets where these are more concentrated (metropolitan and suburban localities), and the one of promoting a polycentric and balanced development that looks at reducing regional disparities and at increasing social and economic opportunities in rural areas. If this clash is not resolved, the risk is that intense urbanisation processes generate forms of agglomeration and concentration of populations, activities and opportunities in some areas, at the expense of others. Accordingly, a perspective of spatial justice enters in a collision course with a widespread economic policy assumption, according to which the strong concentrations of economic opportunities ultimately become a powerful factor of attraction for distant populations, who can see more promising life chances in moving away from low-density areas. The clash is particularly evident in the rural locality (Oltrepò Pavese) that has long suffered from a crisis of representation and lack of investments. The reasons lie both in the fact that in the past decades the regional government has oriented financial resources mostly towards the Alpine mountain areas rather than to the Apennine ones, but also in the poor ability of the local administrators to interact and negotiate with decision-makers at the regional level. Only in the last few years this situation seems to have changed, and the region has begun to implement initiatives and projects, mainly alongside the already mentioned National Strategy for Inner Areas. At the same time, some private foundations have also begun to invest in the territory, launching programs for promoting the economic and social development of the territory, though some limitations concern the complex mobilization of local resources and the difficulty to anchor the innovative practices in the locality.

In Denmark, the research has underlined a clash between local and national narratives about concentration of territorial assets in the country. While at the national level, the widespread narrative refers to the need to concentrate services and resources in selected towns in order to support the viability of some of the small towns with the logic being that one might have to give up on some towns to secure that other towns thrive, the rural case (Lemvig) shows that this narrative is lacking as local institutional actors tend to reject the condition of peripherality and local policies aim to support a more out-spread settlement pattern and to ensure that rural districts become attractive locations for both people and businesses, even in very sparsely populated villages and rural districts.

⁵ Business Region Aarhus (BRAA) is a partnership between twelve municipalities in the Central Denmark Region. The partnership has existed since 1994 and it predates the Structural Reform of 2007. During the years, it has expanded with two additional municipalities. Both the urban and the suburban case municipalities, Aarhus and Horsens, are members.

Emerging spatial patterns in Austria pointed to urban and suburban concentration. Knowledge workers, students and entrepreneurs live in cities and regional centers, while high and middle-class families tend to move to single-family homes in suburban areas, while working in the city. However, dynamics of change are also evident, as the current health crisis has been transforming these patterns, as rural areas attract new residents with low land prices while expanding the home office's digital infrastructure. In the suburban locality, there is also an issue of territorial dependency from the urban locality, interpreted both as a strength and a weakness for territorial cohesion. Taking advantage of the positive economic outlook of the core city can improve locality wellbeing, but problems of connectivity and cooperation need to be addressed as well.

Research findings from COHSMO countries report several examples of how institutions have developed the potentials of **spatial planning** for tackling territorial inequalities, with implications on the relationship between socio-spatial configurations and territorial cohesion. These potentials can relate to multiple aspects such as:

- the provision of mobility infrastructures for better connecting peripheral neighbourhoods to central areas, reducing patterns of segregation;
- the delivery of a spatially-balanced articulation of public services across cities, allowing more people to access and use them;
- the reduction of the negative impacts of urban concentration processes through the promotion of a polycentric development that looks at increasing the spatial and functional relationships between urban and rural areas.

One aspect emerged so far is that most of the experimentations in terms of spatial planning policies and strategies have been promoted by administrators and policy-makers from “urban” municipalities, while rural municipalities seem to have less capacity to engage in virtuous planning processes. The reasons lie in the availability of cognitive and financial resources that urban municipalities often display and, more importantly, in the institutional capacity to mobilise these resources and develop forms of collaboration at all levels and stages of the planning process.

Among the most relevant cases investigated in the research there is the **Bristol One City Plan** and its related “Inclusive Growth Strategy” adopted by the Bristol City Council in 2019. The Plan shows an explicit emphasis on a place-based approach that seeks to address the problems of socio-spatial deprivation, deeply embedded in specific parts of the city. Poor access to affordable childcare, increase in housing prices and an inefficient transport system linking households to jobs and training are some of these problems. The Plan sets out an indicative strategy to 2050 with annual aims and it is structured in 6 key headings: Connectivity, Economy, Environment Health and Wellbeing, Homes and Communities, Learning and Skills. The intention is that each of these headings represent key policy areas that need to be addressed as part of an overall strategic approach. However, productivity driven growth is the key driver upon which everything else depends. The policy dilemma is how to ensure everyone can participate in and therefore benefit from this.

In the case of **Vienna**, the **Urban Development Plan** adopted in 2014 includes a focus on economic and infrastructural aspects and on services as the main tool to tackle spatial inequalities. While in the previous Plan, adopted in 2005, suburbanisation was identified as one of the main challenges for city development, the 2014 Plan emphasizes other relevant territorial assets such as the territorial collaboration – both with the other institutional levels and with the representatives of interest groups – and its geographical location close to new Eastern EU-member Countries. In **Milan**, municipal

policies and resources have had an uneven spatial distribution across the city – mainly targeting its central parts – with the result of exacerbating existing conditions of socio-spatial polarisation. Only in the last ten years, albeit with a limited investment capacity, the municipality has taken the explicit commitment to promote a more equitable and fair distribution of well-being throughout the city, trying to re-compose and rebalance the centre/periphery gap. Nevertheless, most of the actions implemented have had a remedial nature, being carried on through specific physical and social interventions taking place in spots or portions of vulnerable neighbourhoods (e.g., Lorenteggio, Giambellino, Corvetto), rather than by means of a structured and consistent strategy embracing the whole city. The approach on territorial inequalities taken by the **Municipal Plan (PGT)** adopted by the City Council in 2019 is framed by a set of spatial strategies, which put an emphasis on supporting the regeneration of urban peripheral areas. These strategies contribute to reorganise in a polycentric way the system of public services across the city, aiming at improving the quality of life in distressed urban neighbourhoods. A specific focus is placed on the objectives of rebalancing the relationships between Milan and its suburban hinterland and of re-composing the Northern urban edge, which is spatially fragmented due to the presence of former industrial areas and voids still to be regenerated.

5.3 Territorial sensitivity of social cohesion and local development policies

Elements of territorially-sensitive social cohesion policies, particularly those aimed at vulnerable areas, have been reported in Denmark, Greece and Poland. In Denmark, the recent “**National ghetto legislation**” based on the 2018 “**Agreement on Parallel Societies**” forces municipalities to address the challenges of concentrations of vulnerable residents in specific distressed urban neighbourhoods. The strategy specifies 22 different initiatives to combat parallel societies, covering five themes: 1) Physical demolition and restructuring of vulnerable neighbourhoods; 2) Firmer control of newcomers in vulnerable neighbourhoods; 3) Strengthened police efforts and higher penalties in order to fight crime and increase safety; 4) A good start for children and youth; and 5) The government follows up on the efforts to combat parallel societies. The physical dimension is strong in that the strategy requires a physical restructuring of the so-called ghetto areas, including a reduction of social housing in so-called ‘hard ghettos’ to a maximum of 40% of current numbers. Consequently, local municipalities and social housing associations have to tear down thousands of social housing units or sell them as owner-occupied flats or private rental. This national strategy impacts on the autonomy of local municipal planning as municipalities have to make a development plan for these areas in accordance with the national strategy. Moreover, the social dimensions of the strategy implies that parents in the ‘hard ghettos’ are forced to send their children to pre-school child care, and that municipalities have to have an advanced job centre effort in the areas. This strategy and the following amendments to existing legal regulation are in the implementation process. The strategy represents a national concern with failing cohesion as a territorial problem but it is also a policy answer that is enmeshed in tendencies towards the punitive state focusing on neighbourhood effects while structural problems on an urban-regional scale are neglected.

The “**Agreement on deprived housing areas in Aarhus Municipality**” (2018) is another example of a territorially sensitive policy with a focus on economic growth and social cohesion. The agreement is anchored to the collaboration with all relevant actors, such as private companies, developers, NGO and voluntary organisations, in changing the course of the deprived housing areas. Local schools are the key actors that are engaged through securing a mixed pupil composition and contributing to the development of the area. The local plan to tackle segregation and deprived areas is similar to the national strategy to fight parallel societies, coupled closely both to ALMP, as labour market participation is seen as the measure of inclusion, and to childcare policies (in the form of forced

institutionalisation for nursery children), which is perceived to bring about social cohesion and reduce isolation of ethnic minority groups.

In Greece, a policy instrument in which the dimension of territorial sensitiveness is evident is the Integrated Territorial Investment (ITI). This instrument is a delivery mode to bundle funding from different priority axes of the EU cohesion policy framework 2014-2020. The Municipality of Athens in 2018 submitted a Sustainable Urban Development Plan (ITI), which aims to make the Municipality of Athens an attractive destination for residents, visitors, businesses and investments. The Plan adopts an integrated approach, which, apart from economic and urban regeneration objectives, includes social ones too, which take place through the implementation of social investment actions like active labour market, and educational and training policies. Among them, there are actions that promote the access of vulnerable groups to social goods and services, the promotion of the employability of long-term unemployed people, the widening of access of socially disadvantaged people in the labour market, investments in education and vocational training infrastructures. Alongside the typologies of actions developed so far, which are taking into consideration the territorial dimension, the territorial sensitiveness lies in the development of strong partnerships between local citizens and different government levels, which should acknowledge the various challenges that the city is facing and turn them into actions.

In Poland, the urban locality (Gdansk) underlines a territorially sensitive approach in city policies design and implementation, which has been introduced in 2014. This emphasises the territorial reconciliation of all the policies having a social impact (construction, transportation, culture, education, labour market). The integration is to be achieved at three basic territorial scales: macro-scale (macro-areas), districts scale and neighbourhood scale. While the district has been the traditional reference point for territorial policies in the city having a budget in disposal and being regularly consulted regarding city plans, recently the neighbourhood level has acquired importance and has become the scale where to fulfil the basic needs of citizens, which respect to the different types of services.

5.4 (Institutional & social) capacity to develop cross-cutting policies

Research findings highlight that the capacity to develop integrated and cross-cutting policies varies significantly between different countries and across different localities in the same country. The first evidence concerns the relevance that **appropriate governance structures** (horizontal and multilevel governance forms, public-private partnerships, etc.) play in developing cross-cutting policies. Effective **inter-municipal governance arrangements** were reported in Austria, the UK, and Italy. In Austria, the suburban case (Kleinregion Ebreichsdorf) shows inter-municipal collaboration and the social partnership tradition, which play a key role in local development policies. In the rural locality, the “Kleinregion Waldviertler Kernland” is a voluntary collaboration of 14 municipalities that tries to tackle local issues that affect municipalities, by pulling resources together. Like the suburban case, they also get subsidies from the higher tiers of government. In the UK, in Bristol the recently created “West of England Combined Authority” holds powers over spending, previously held by central government, concerning the region’s transport, housing, adult education and skills development. The Authority has the potential to provide the basis for improved territorial governance, and evidence suggests that the local authorities making up the Combined Authority have improved their working relationships particularly around strategic issues such as housing, transport and skills. Nevertheless, the lack of powers and resources places severe limitations on what these authorities can do. In the Italian suburban case (Legnano), municipalities have created the Mayors’ Pact, an inter-municipal

governance arrangement aimed at coordinating local policies and integrating the municipal resources in strategic policy areas.

The **collaboration between community organisations, private actors and public authorities** is a relevant factor in Denmark as it boosts collective efficacy through the development of corporate social responsibility and cross-sectorial collective action in relation to the improvement of local life chances and the inclusion of vulnerable social groups. This is evident in all three cases as Public-Private Partnerships (PPP) bring together a range of influential actors working for the economic and social development of the locality and ensuring policy bundles. In the suburban case, the Horsens Alliance works as partnership ensuring policy bundles, which effectively couples economic growth, territorial cohesion and social inclusion. An interesting case of PPP is also found in Poland where in the rural locality (Debrzno) the Association for the Development of the Town and Municipality of Debrzno (ADTMD) was established in the 1990s for counteracting the economic crisis and providing people with job opportunities in the absence of big employers in the area. The association is expression of the local community initiative and works ensuring cross-sectorial and multilevel cooperation between different coalitions of actors.

In countries like Greece, the ability to develop integrated policies is very much dependent on the EU level which sets clear guidance for obtaining funding resources. An example comes from the already mentioned Integrated Territorial Investment (ITI) which requires municipalities to develop integrated plans dealing with different social, economic and territorial aspects. This aspect is also evident in Poland where in the suburban locality (Pruszcz Gdański) the dependency of policies on the system of public funding makes them to a large extent imitative of the priorities set at regional level, leaving little room for bottom-up local experimentation.

Overall, research findings show that the difficulty of local institutional actors to develop integrated policies relates to the insufficient administrative capacity (especially evident in the rural cases), and dispersion of responsibility for the main public services between the regional, subregional, and local levels. Nevertheless, the results also indicates that the degree and type of collective efficacy or propensity for collective action evident in certain localities proved relevant in positively influencing the ability of local actors to develop cross-cutting policies and get issues of well-being and social cohesion in local agendas.

5.5 Obstacles and levers of Territorial cohesion

In relation to the obstacles to territorial cohesion policies, **political and policy conflicts between governance levels** are evident in Austria, Poland and Italy. In the Austrian cases, the political conflicts concern the relationship between the *Bundesland* and the federal government and they relate to the different political orientation ruling the two levels. In Poland, and also to a certain extent in Italy, more or less verbalised political conflict between regional and local authorities and the national government influence the ways in which national policies are implemented at local levels.

The **unequal distribution of resources at local level** and the dependence on higher level institutions is an obstacle to TC emerging from Lithuania, Poland and Italy. In Lithuania, local authorities depend a lot on central state support but the cohesion policies lack the responsiveness to socio-demographic changes (natural population change, ageing and migration indicators, labour force dynamics) and side-effects of socio-spatial segregation and differentiation in regions (household income, poverty rates, education attainment) and this makes it difficult to address social and economic structural problems of localities. In Poland, the presence of localities with limited territorial assets, as the rural case (Debrzno), has pushed policy makers to practice creativity and local actors to build one's

strengths, turning an obstacle into a lever of territorial cohesion. Different is the situation in Italy, where the scarce availability of contextualised and shared knowledge and economic resources and the institutional capacity to mobilise these resources in small municipalities prove to be relevant in influencing the capacity of local institutional actors to implement cohesion policies.

Fragmentation is an obstacle reported in a number of countries which relates both to policies, to the governance processes and to the ways in which assets (particularly services) are distributed across localities. In Italy the high levels of territorial fragmentation – an outcome of the long-standing social, political and administrative fragmentation of the country (Ferlaino & Molinari, 2009) – have greatly impacted on the territorial cohesion paradigm and have created different tensions and trajectories between the centre – the national government – and the decentralised decision-making processes, at the regional and local level. Fragmentation of policies is evident also in the UK, where the highly centralised nature of decision-making in many policy fields (for instance in ALMP, VET and ECEC) along with their fragmented delivery mechanisms means there is a lack of capacity to develop an integrated approach to economic growth policies at either national or sub-national level. In Greece, the issue of policy fragmentation is related to the fund-seeking strategies that many municipalities have to adopt for fund local welfare. For instance, the Municipality of Athens for implementing services and welfare policies has to continuously adapt to funders' goals and schedules and this fragments municipal policies as municipal authorities are thus obliged to adapt the content of their policies to the prescriptions of funders, that have their own time schedules and agendas. In Poland, fragmentation of policies is given by the **mismatch between jurisdiction areas** which provide administrative and political power to articulate objectives and come up with strategies, **and catchment areas** of services. This mismatch calls for the significance of the proper scale for policy interventions in order to make them place-sensitive on one hand, and to efficiently manage the available territorial assets and organizational resources on the other. In the urban case (Gdansk), city authorities have attempted to overcome the mismatch and align the scale with the policy objectives by moving up and down the ladder of its territorial units depending on the particular policy objectives.

As far as the levers of TC are considered, welfare model is a lever of territorial cohesion in Austria and Denmark. The first case is characterized by the high levels of cooperation between public and private actors which is able to partly compensate the lack of explicit reconciliation between social, economic and Territorial dimensions of Cohesion policies. In the second case, the corporate social responsibility and the proactive role of business stakeholders in innovating policy-making processes are relevant aspects impacting on the success of cohesion policies.

The analysis has also shown that certain governance arrangements have proven to be levers of territorial cohesion. For instance, **horizontal governance arrangements** have been relevant in Denmark (Horsens Alliance) and in Italy (*Patto dei Sindaci* in Legnano). While in the first cases the object is a strategic collaboration which has established a relation between welfare and economic growth, and ensured policy bundles that effectively coupled economic growth, territorial cohesion and social inclusion, the second is an inter-municipal governance arrangement created for improving the levels of cooperation of municipalities in the fields of infrastructure, transport and welfare policies by the means of common guidelines and inter-institutional communication. Innovative examples of **public-private partnerships** (PPP) have been reported in the UK and Poland, e.g. the case of the Dorset Coastal Forum, an independent organisation which cuts across administrative, professional and management boundaries providing advice and cooperating with various bodies such as local and sub-regional planning authorities. The partnership is in this case organised around a set of specific identifiable territorial interests and it has engaged with national and European coastal and marine policy, elements of its work being shaped by EU Directives and funding. The Polish rural case

(Debrzno) reports an interesting experience of PPP, the Association for the Development of the Town and Municipality of Debrzno (ADTMD). The association is an expression of a local community initiative to counteract the economic crisis and provide people with job opportunities in the absence of big employers in the area. Economic growth and amelioration of life chances with means of employment have remained the core of ADTMD's activity and ethos and thus reconcile with social investment strategies. The strategic symbiosis between EU funding, local authorities and the third sector makes ADTMD an exemplary case of collective efficacy

Spatial narratives are key levers of territorial cohesion in Denmark and Lithuania. In Denmark local narratives form bases for spatial strategies with significant collective convergence. They have also worked as drivers for mobilising territorial strengths and they have been *based on* the sense of belonging to a place, as well as *created* that sense of belonging. In Lithuania, narratives have guided the development of certain dimensions of territorial cohesion in national and municipal policies. Territorial cohesion narrative tries to identify the importance of endogenous characteristics and socio-economic potential of the individual regions and the reduction of economic disparities is prioritized over the other disadvantages. At the local level, in Kaunas the prevailing narrative is constructed as a compilation of keywords on territorial competitiveness, sustainable environment and public infrastructure, which has served to guide processes of policy making.

The **orientation and stability of local political élites** is a relevant lever in Italy and Denmark. In Italy, the case of Milan has shown the long-term commitment of the local council in investing resources on one or few specific projects or programs as these were somehow instrumental to the priorities set by the political élites and have contributed to promote the social cohesion of specific neighbourhoods. Albeit with different political parties in the lead, the Danish case areas are characterised by long-term political stability. The political stability has facilitated a growing network with many different local interests, or the interlocking of multidirectional relations, and has enabled a greater sensitivity towards territorial specificities.

Obstacles of TC	Levers of TC
<ul style="list-style-type: none"> ○ Political and policy conflicts between governance levels [Austria, Poland and Italy]; ○ Unequal distribution of resources at local level and dependence on higher level institutions [Lithuania, Poland and Italy]; ○ Policy and governance fragmentation [Italy and UK]; ○ Mismatch between jurisdictions and functional areas [Poland and Italy]. 	<ul style="list-style-type: none"> ○ Welfare model [Austria and Denmark]; ○ Horizontal governance arrangements and PPP [Denmark, Italy, UK, Poland]; ○ Spatial narratives [Denmark and Lithuania]; ○ Orientation and stability of local political élites [Denmark and Italy].

Table 3. Obstacles and levers of Territorial Cohesion.

6 Conclusions

The aim of this final report of COHSMO was to increase the understanding on the relationship between territorial cohesion and social investment strategies and propose perspectives to build stronger connections between the two domains. It also looked at the contribution these concepts can bring to the strengthening of the European Social Model and to its transformations brought by the economic crisis of 2008-09 and the current pandemic crisis. The main hypothesis underlying this work was that a contribution to a possible reform path of the ESM could come from a reconceptualization of the relationship between territorial cohesion and social investment strategies and of the ways in which this relationship – differently shaped across different countries and types of urbanisation – underpins spatial justice, economic growth and democratic capacity.

In the COHSMO project, we have described two issues related to ESM that have emerged as critical from the research: the resurgence of territorial inequalities and the lower capacity of social cohesion policies to reduce them; and the growing difficulty of policies, both at central and local level, to manage the impacts of the social, economic and demographic changes affecting vulnerable territories and keep pace with the ongoing dynamics of transformation. Many are the institutional reasons for the low capacity of policies to address territorial marginalisation (difficulty in the multilevel institutional coordination, crisis of policy mechanisms aimed at balancing territorial disparities, lack of space-based policies valorising the peculiarity of local territories within more general strategy, etc.). These relate to the difficulty of European and national social cohesion policies to address growing spatial inequality and the emerging deeper disparity between attractive, globalised areas and “left behind” territories. This problem requires a recalibration of public policies addressing territorial inequality. The main challenge is to overcome the dualism between space-based strategies and space-neutral policies and develop a place-sensitive approach. According to this recalibration strategy, spatial inequality and territorial fragility are supposed to be better addressed by developing two main policy approaches: i) fostering policies of territorial cohesion; ii) promoting place-sensitive social investment policies. In this document we have developed this analysis and focused on the main analytical aspects to be taken into account in proposing this recalibration strategy.

In the section 4 of this Report, we have reported the main findings from the COHSMO project related to the territorial impact of SI policies. In particular, we have discussed the level of territorial differentiation and sensitivity of SI development, the impact of SI policies on territorial inequalities and their capacity to address the problems and difficulties of vulnerable territories, the main variations, tensions, trade-offs emerging in the design and implementation of SI policies related to the presence of socio-spatial inequality. Section 5 has critically discussed the local interpretations, partial achievements and recurring obstacles faced by territorial cohesion policies in dealing with such issues. We have reflected on such evidence by taking into account the level of territorial sensitivity, the institutional capacity of local actors, their ability to reconcile conflicting objectives, and the levers and obstacles they typically encounter, that can facilitate or hinder the transformative capacity of territorial cohesion policies in EU localities.

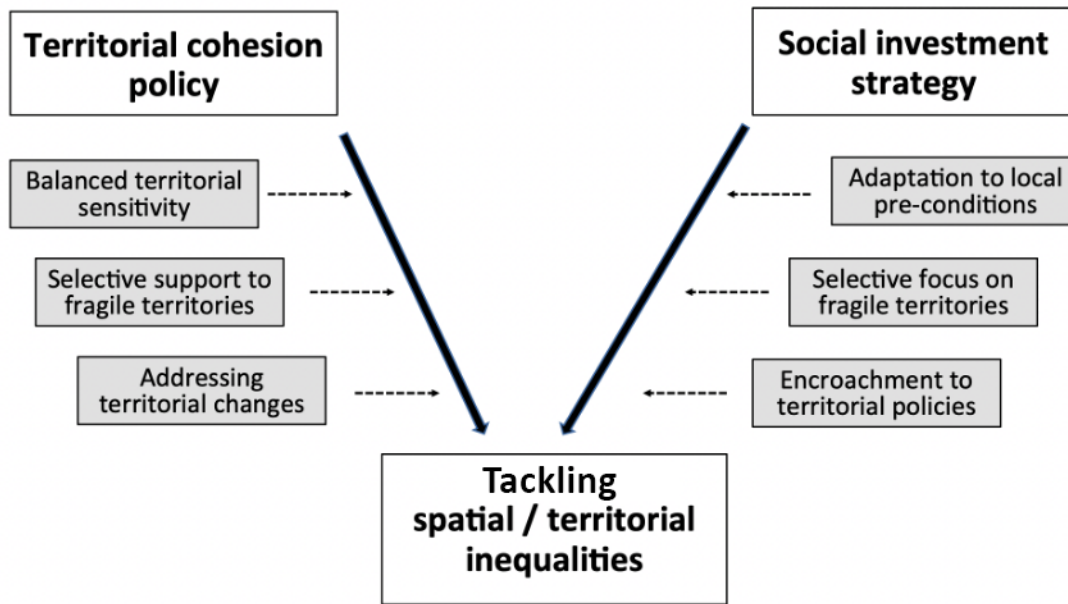


Figure 3. Framework to interpret the emerging relationships in D.7.1.

In figure 6, we sum up all the main indications emerging from our policy analysis. Within a broader strategy based on driving traditional territorial cohesion and social investment towards a more effective and explicit approach to tackle spatial inequality, we identify six key actions that are proposed as parts of a preliminary agenda.

Balanced territorial sensitivity - Territorial cohesion policies are inherently place-based, but not necessarily place-sensitive. As we have seen in the report, the sensitivity should include a deep-seated understanding of the development trajectories of different areas, so that tailoring policy bundles or policy mixes to each area becomes feasible, by taking into account the spatial, social and economic dynamics, jointly with the specific features in terms of territorial organisation and the legacy of previous policy cycles. Thus, strengthening different territories can be seen as a form of spatialized social protection, in line with the fundamental tenets of the ESM.

Selective support to fragile territories - The most fragile and vulnerable areas, or the areas becoming increasingly fragile, need targeted support. This should enable them to avoid the prerequisite trap: when policies require a minimum threshold of endowments, capacities and resources, the most fragile territories tend to be systematically excluded, thus confirming their fragility and triggering a vicious circle. The support should therefore be extremely selective, identifying specific strengths of those areas as a starting point to design policy bundles able to start promising development paths, and mobilising local latent resources.

Addressing territorial changes - One of the main challenges policy makers face in addressing territorial cohesion is the need to understand, map out and take into account at all times the trends and dynamics of territorial change. Out-dated representations of dynamic territories may fail in addressing the most relevant issues and problems, not only because they tend to lead to remedial policies, but also because they address issue that are not relevant anymore. From this point of view, policies able to effectively include different voices and positions of local stakeholders, paying particular attention to new entrants in the decision-making arena, and not only to already consolidated

representatives of existing interests are particularly important. Such involvement may contribute to enhance the effectiveness of policies, which will be more tailored to timely and emerging needs, while at the same time enhancing the democratic capacity and the sharing of responsibilities.

Adaptation to local pre-conditions - Social investment cannot be a “fits for all” strategy but it must be tailored on the structural and institutional conditions of specific contexts. This requires attention paid to the local structural factors paving the way for successful SI strategies: what can work for an area can be of little use for another one. The characteristics of the local production system, of the local labour market, of the educational system, and specific family arrangements must be taken in account in setting the goals for locally-sensitive SI strategies. Furthermore, the institutional capacity and local collective efficacy must be considered to tailor the implementation of such policies to the capacity of a specific territory. A national or regional plan should introduce territorial sensitivity as a criterion to be used in planning activity and distributing resources. Territorial sensitivity does not mean localism but definition of selected goals and ways of implementation according to the capacity and needs of specific territories.

Selective focus on fragile territories - SI policies run the risk of causing territorial Matthews effect. We need a clear priority towards fragile territories to reduce this risk. Territorial fragility must include a consideration of the available resources and capacity. And SI strategies should be able to promote improvement in the local assets for both these aspects. This is also a way to introduce spatial justice as one of most important criteria to target and evaluate SI policies.

Encroaching SI strategies to territorial policies - SI policies have been long considered as a policy addressing more individuals than territories. In this report we have argued for a paradigmatic change: such policies should address both individuals *and* territories. This is necessary for many reasons: because SI policy is based on services that are locally produced in most of the EU countries; because SI policies imply a good connection between education services, actions to improve the employability of the labour force, and policies promoting more employment opportunities, that are generally locally-based; and because it is the lack of one or more of such elements that make some areas more vulnerable than others. Based on this territorial approach, SI strategies can play an important role to reduce the risk of vulnerable and “lagging behind” territories. To address territories and not only individuals, SI strategy must be connected with territorial cohesion policies and become part of a comprehensive territorial policy. It is moreover at the local level that the traditional division among policy fields (social services, education, active labour market policies) can be more easily overcome.

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