

# CRESSI Working papers

The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.



CRESSI Working Papers  
No. 17/2015

## **Executive Summary of an EU Social Innovation Policy Survey**

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Part of deliverable 6.1 of the CRESSI research programme

ISBN: 978-0-9932078-6-0



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Creating Economic Space for Social Innovation

# Executive Summary of an EU Social Innovation Policy Survey<sup>1</sup>

In recent years, social innovation has become an increasingly prominent concept employed by political leaders and administrations across Europe. It has been posited as a solution to both old and new social risks at a time of heightened uncertainty and pressure on public administrations and finances (Bonoli, 2005; OECD, 2011; Sinclair and Baglioni, 2014). There is broad recognition that, growing interest in social innovation is intimately linked to the Great Recession, structural unemployment and the social challenges arising as a result (European Commission., 2014). In political and policy rhetoric, the European Union repeatedly cites social innovation as a solution to the persistence of socio-economic, environmental and demographic challenges. These challenges are placing increasing pressure on Europe's systems of welfare, health, education and care provision. Budgetary constraints and increased demand on public services has fuelled the desire to capitalise on social innovation so that public and private institutions are able to do and achieve more with less (TEPSIE, 2014). Not only is social innovation understood as a means to achieve an end in this regard, it is also recognised as an end in itself.

Social innovation has been cited by the European Commission as 'another way to produce value, with less focus on financial profit and more on real demands or needs... for reconsidering production and redistribution systems' (European Commission., 2014: 8).

The European Commission defines social innovation as:

the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human wellbeing. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals' capacity to act. (European Commission., 2013a: 6)

Work Package 6 of the CrESSI research programme examines how this definition (or perhaps ideal) is translated and realised in the EU and domestic policymaking process. Whilst this research pays some attention to definitional issues of social innovation and the implications of conceptualising social innovation in a particular way, the principle objective of the EU social innovation policy survey is to identify and review 'social innovation in the context of European policymaking' (Borzaga and Bodini, 2014: 412). As such, the range of ways in which social innovation has been conceptualised and translated into European public policy have been considered at the Pan-European and domestic level.

## EU Social Innovation Policy

Without doubt, it is clear social innovation is a key strategic and policy interest for the European Union. Across the dominant EU policy frameworks, social innovation is repeatedly cited as a means and end to meeting social needs within the context of resource scarcity. From this it is clear, the European Union and its attendant administrative bodies have championed the potential of actors

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<sup>1</sup> Suggested citation: Edmiston, D. (2015). Executive Summary of an EU Social Innovation Policy Survey. *CRESSI Working Paper Series No. 17/2015*. Oxford: University of Oxford.

and organisations engaged in social innovation to strengthen the social dimensions of the economic and monetary union (European Commission., 2013b). However, in a number of important respects, there is a fissure between the ideals and high-level strategies articulated by the European Union and the policy instruments and mechanisms by which public authorities have attempted to foster social innovation.

The European Commission has made significant efforts to improve the regulatory and legal framework that social innovators operate within. It has sought to reduce the administrative and bureaucratic burden for organisations engaged in social innovation and enhance their competitive advantage in bidding for public sector contracts. Many of these regulations enable contracting authorities to *consider* rather than *attend to* social value and quality when it comes to commissioning a public service or good. It remains to be seen then whether social innovation organisations have a *genuine* or *theoretical* competitive advantage. Despite low uptake, labels and certifications systems have been introduced to support social innovators working across EU member states. These are designed to support social innovations across EU member states. Given the small-scale and localised level of most social innovations (Murray et al., 2010), only social innovations that are more fully developed are likely to benefit from such regulation.

Through funding instruments such as the European Structural and Investment Funds, the European Commission has sought to ring-fence financial support for social innovation and tackling social exclusion. Despite social innovation being identified as an investment priority, there has been an overall reduction in funding available compared to the previous programming period and Multi-Annual Financial Framework (2007-2013). There has also been a slight reduction in appropriations relative to EU Gross National Income. In certain instances, member states are encouraged to support social innovation through the use of the European Regional Development Fund but are not required to demonstrate how exactly they have achieved this. However, new regulations oblige member states to report on this in future. The European Social Fund has also placed a particular emphasis on social experimentation and public sector innovation to tackle ‘pressing social need’. Crucially, this emphasis tends to operate within the confines of work integration, employment and activation policies. Similarly to many of the initiatives funded under the Programme for Employment and Social Innovation, the concept and potential of social innovation is only accommodated and supported in a way that is strategically and financially valued by EU public bodies and activities. In spite of the expansive definition endorsed by the European Commission, operating within the confines of established institutions and cognitive frames limits the impact of public support for social innovation

This makes the role of social investment, microcredit and microfinance particularly important if actors and organisations are to protect the integrity and character of social innovation. At present, social investment and social impact finance markets are under-developed at the EU level. Through the Social Impact Accelerator and the Microfinance and Social Entrepreneurship Facility, the European Union is trying to open up access to financial capital. In addition, the European Commission has also explored and championed the potential of innovative funding models such as crowdfunding and employee financial participation. However, the level of investment is relatively small compared to established funding instruments.

These efforts are not only intended to support private actors and organisations engaged in social innovation, but also to encourage public sector innovation so that public authorities are better able

to meet the evolving needs and expectations of public service users. The definition of social innovation endorsed by the European Commission promotes the active participation and empowerment of European citizens as a source of and outcome of well-being. The European Union has attempted to encourage participatory methods as an approach to domestic policymaking and embed it in networks and organisations engaged in social innovation. However, consultations on existing strategies tend to be more commonplace than initiatives that enable citizens to actually set the social and economic agenda themselves. As such, activities and measures designed to support social innovation tend to be imposed rather than co-constructed by stakeholders at different socio-structural levels. Whilst it is clear that EU public authorities encourage the means of social innovation, there is less cognitive space and institutional support for the ends of social innovation.

Despite significant investments and progress made to embed public sector innovation and foster social innovation more generally, there is, on occasion, a mismatch between the strategic objectives of the European Union and the measures taken to realise these ambitions. This mismatch arises from the tensions and limitations inherent in any social innovation that is supported by existing institutions that are the product of, or have a significant bearing on, socio-structural dynamics, power relations and cognitive frames. Within this context, social innovation is often only supported within the parameters deemed strategically and financially valuable by the European Union. Where the ideals and ends of social innovation jolt too strongly with the competing priorities of the European Union, it appears its underlying ideals are either lost in translation or sacrificed to countervailing concerns. The blurring of the boundary between the social and economic against the backdrop of fiscal austerity is particularly troubling in this regard.

EU policy documentation and rhetoric uses the term social innovation interchangeably to refer to a very broad range of activities, processes and outcomes. Very often, the term social innovation is used in a way that does not accurately represent the phenomenon or definition endorsed by the European Commission. Post-hoc identification and justification of initiatives makes it particularly difficult to track social innovation, and in particular, the impact of EU public policy purportedly designed to support it.

### **EU Member State Social Innovation Policy**

One of the primary objectives of the CrESSI research programme is to explore how public policy agendas might better cultivate social innovation to enhance the lives of the most marginalised and disempowered citizens in Europe. With this in mind, a non-exhaustive policy survey has been undertaken to establish the current status of social innovation public policy agendas. The key discourses, trends and operational strategies surrounding social innovation are examined to explore how social innovation policy agendas differ across individual member states. A scoping of individual member states' policy agendas has been undertaken to both contextualise EU level policy and provide an initial mapping of the EU social innovation policy eco-system. Due to limitations on time and resource, it has not been possible to undertake a full policy survey of EU member states. Two countries have been selected for detailed examination (Finland and the United Kingdom (UK)) and three further countries have been selected for briefer consideration (Germany, Hungary and Italy).

The rationale for selecting these countries is based on the requirements of the research project. These EU member states represent 'unique non-ideal types' that differ significantly in their social, economic and political relations. These relations give rise to distinctive institutional, social and

market responses that come some way to explain common and divergent public policies. An analytical framework that underpins the overall research programme informs this approach.

**Italy:** The Italian social innovation policy agenda is fragmented but very much under development. Recent interest in the concept of social innovation and its potential has been prompted by significant cuts to public expenditure. Historically, social cooperatives have tended to receive support at the national level whereas social enterprises have tended to receive the majority of their support through regional and local authorities. Type B social cooperatives and other organisations involved in the social and work integration of ‘disadvantaged workers’ have benefited from favourable regulations and procurement policies. By and large, social cooperatives receive the most public and institutional support and social enterprises are encouraged to adopt aspects of the cooperative organisation and system of governance. Public and institutional support is often contingent on this participatory approach. Organisations such as this are, in many respects, uniquely placed to tackle marginalisation and enhance human capabilities. Rather than imposing solutions and ideals, these democratic governance systems demonstrate a unique capacity to accommodate and attend to the needs of the most vulnerable and marginalised groups in society through public and institutional support. The means and ends of Italian social innovation have the potential to centre on human empowerment in this respect.

**Finland:** There is a strong tradition of government-sponsored innovation, particularly technological innovation in Finland. The more recent concept of social innovation has stimulated a considerable amount of public debate and policy interest in its potential. However, there is little shared understanding of what social innovation amounts to or entails in Finland. Whilst social innovation has been posited as a means to improve public administration and welfare services, the Finnish Government has not yet taken any significant measures towards promoting the active use of social innovation as a strategic tool in implementing social reforms or in steering social change in Finnish society. In recent years, a previous distinction between technological and social innovation has collapsed. In addition, the objective of economic development has changed from general ‘societal and economic development’ to ‘growth of the economy, productivity and employment’. This places the purpose of social innovation in the field of economic development rather than social development. The legal definition of a social enterprise advanced in Finland tends to focus on the social and work integration of disadvantaged groups. There are still relatively few legally recognized social enterprises in Finland.

**Germany:** There has been growing political and policy interest in social innovation in Germany. However, despite a high level of political and policy interest, substantive measures designed to foster and realise the potential of social innovation have been more measured. Contrary to its expressed political commitments, federal and municipal measures to support social innovation have remained relatively fragmented and largely contingent on the operation and initiatives of existing welfare federations. Due to the institutional landscape and culture of a corporatist welfare regime such as Germany, the capacity for new actors and organisations to intervene on need provision is limited compared to the opportunities available to actors and organisations already institutionally embedded. As a result, relative to many other EU member states, the concept of social innovation tends to focus much more closely on the notion and potential of public sector innovation or ‘social intrapreneurship’ rather than institutionally autonomous activities contributing towards or characterised as social innovation. That so many organisations operating within and contributing

towards the social economy are institutionally embedded restricts the resources and support available to organisations in contravention of or peripheral to the existing social settlement in Germany. In this sense, the corporatist ethos and approach that has underpinned the development of the third sector may be one of the primary factors constraining its potential in Germany.

**United Kingdom:** There is a strong social innovation public policy agenda in the UK. Since 2010, political and policy rhetoric has, towards different ends, advanced the case for social innovation. In policy terms, horizontal policy interventions have attempted to scale social innovation as a holistic concept. Vertical policy interventions have attempted to embed specific aspects of social innovation in service design and delivery to address common (but rarely specified) economic and societal challenges in a pre-emptive manner. Central to the coalition government's approach was the development of support mechanisms (financial or otherwise) for actors and organisations engaged in social innovation. Importantly, this measure was largely driven by an ambition for incorporation: to enable social innovators to deliver public services in a way that corresponded with the coalition government's overall policy programme. Having said that, the Cabinet Office more generally has taken on a rather active role in enhancing the financial sustainability and autonomy of social innovation organisations. Between 2010 and 2015, the coalition government developed the world's largest social investment bank, the world's first tax relief on social investment and now has more social impact bonds than the rest of the world put together. This is a considerable development, creating both supply and demand for social innovation finance that is likely to profoundly affect the economic space within which social innovation occurs.

**Hungary:** Whilst the profile of social enterprise and social innovation might be growing relatively fast in the third sector, this does not appear to be the case in academia and public policy to the same extent in Hungary. Although more recent policy programmes do focus more on the potential of the social economy and social innovation, much of this appears to be the result of EU operational programmes and it remains to be seen whether these concepts will be picked up more broadly and independently in Hungarian social policy. A slow but growing interest in social innovation and, to some extent, social enterprise has not developed organically out of the needs and activities of Hungarian policymakers or actors engaged in social innovation. Rather, interest in the potential of social innovation has developed exogenously. Contrary to the approaches and developments that have taken place in many EU member states, the Hungarian government has imported the EU's social innovation policy framework and agenda. Subscription to the definition of social enterprise and social innovation advanced by the European Commission means the subsequent development of social innovation in Hungary is likely to reflect the interests and priorities of the European Commission.

## **Conclusions**

The EU social innovation policy survey takes stock of past, current and forthcoming public policies agendas associated with social innovation in Europe. Across all five EU member states considered, social innovation is quite poorly and inconsistently defined. It is often treated as a concept that is either associated, or interchangeable, with social entrepreneurship, the third sector, volunteering, the sharing economy, the social economy, civil society and public service reform. As a result, the parameters of what could be considered a relevant policy framework change from one institutional context to the next. Across the countries, domestic policy agendas for social innovation are currently either under-developed or emerging. Social innovation is rarely a central policy priority

and is more of an addendum to the overall policy programme of political administrations.

Across all five member states, social innovation policy can be characterised as a generalised disaffection with the existing socio-economic order and a mechanism by which to affect economic, social or institutional change. The specified changes (or objectives of social innovation) differ according to the political priorities and socio-economic challenges faced by the country in question. The nature, goal and effectiveness of public policy agendas supporting social innovation varies significantly according to the social macrostructures in operation within that country. Bearing in mind the role of institutions, cognitive structures and social relations, it is possible to explore some of the processes by which individual member states develop distinctive policy agendas for social innovation. Policy agendas are largely contingent on existing rules and laws manifested in institutions, cultural norms and social relations. This not only appears to shape the policy treatment of social innovation, but also how its value and role is conceptualised and promoted.

With this in mind, despite its transformative potential and ideals, social innovation only tends to be recognised and supported by public institutions when it does not jolt too strongly with the existing socio-economic and political settlement. This perhaps comes some way to explain the domestic policy agendas that have emerged to conceive of and support social innovation in distinctive ways. If social innovation only tends to be publicly supported within the parameters of a country's existing institutional and political landscape, this poses a number of problems for its capacity and transformative potential. Whilst it becomes possible to mobilise resources around social innovation in a way that is potentially conducive to the needs and challenges faced by a country, it may equally block disruptive social and economic action.

Across the five EU member states considered for this policy survey, there is a tendency to only support social innovation in a way that is strategically and politically valued by the dominant public institutions and actors in that country. Invariably, this institutional dominance shapes the character and impact of social innovation quite considerably. There appears to be an uneasy relationship between public policy and social innovation in this respect. Public policy agendas may provide the much-needed support (financial or otherwise) to foster social innovation. However, they may equally moderate the impact of and embed an incrementalism in publicly sponsored social innovation. This means, for very different reasons, publicly supported social innovation may be predisposed to institutional and logic capture. In trying to scale the capacity of social innovation, public bodies are faced with a perennial challenge: how to support and incorporate activity that is essentially transformative or peripheral without compromising the methods and objectives from which it derives its value.

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“Creating Economic Space for Social Innovation” (CRESSI) has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613261. CRESSI is a collaboration between eight European institutions led by the University of Oxford and will run from 2014-2018.

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