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Creating Economic Space for Social Innovation

CRESSI Working papers

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Creating (economic) space for social innovation

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The 2006 UNDP report made a powerful point about innovation and social impact. The changes in urban water provision, sanitation and wastewater removal across European cities roughly since the mid-19th century "became the vehicle for a leap forward in human progress" (UNDP 2006, 5). For example in Great Britain, "the improved sanitation contributed to a 15-year increase in life expectancy in the four decades after 1880" (ibid.). These changes were brought about by a complex combination of social reform ideas, improved understanding of diseases, engineering developments, and municipal investments in infrastructure (Scheuerle et al. 2016). For the rapidly growing cities of industrialized Europe, they established clean and affordable water "at the twist of a tap". Yet, if we think of innovation today, the focus is likely to be on market products and services, on smart-phones and Über, even if their social impact is much more ambivalent.

The rise of social innovation in policy discourse across Europe, at least since the financial crisis of 2008-2009, signals a growing dissatisfaction with mainstream ways of thinking about innovation and its role for economic development. As the capability approach (CA) has emerged in critical response to the limitations of a reductive interpretations of economic and social development (Sen 1999), its potential for the further analysis of this "dissatisfaction" and of the "new" social innovation (SI) deserve consideration. More specifically, we propose six points flowing from a capabilities perspective on creating space for social innovation.

The considerations result from discussions within the EU-research-project *CrESSI – Creating Economic Space for Social Innovation*, which focuses on social innovation in Europe and specifically on SI for and with marginalized groups. If the following points are mostly focused on Europe this is therefore due to the limitations of the project, and not intended as a point about social innovation as such. As the conceptual malleability of SI makes it susceptible to reinterpretation, CrESSI uses a social innovation definition that serves as a benchmark to critically assess policies and projects: "The development and delivery of new ideas and solutions (products, services, models, markets, processes) at different socio-structural levels that intentionally seek to change power relations and improve human capabilities, as well as the processes via which these solutions are carried out" [1]. To track the impact on human capabilities and accompanying social processes, the project places the CA in an extended social grid model. The "social grid" is due to an insight of sociologist Jens Beckert that economic change cannot be reduced to either social networks, or institutions, or cognitive frames. Rather, it is a result of the interplay of these three forces in "the social grid". The model is "extended" as our focus is not exclusively on market exchange but on social change more generally. For this, the model draws on an updated version of Michal Mann's historically derived account of the social sources of power: the economic, but also political, ideological, military, environmental and artefactual forms of distributive and collective power. We analyze these forms of power via their manifestation in institutions, networks and cognitive frames. Mann's multi-dimensional account of power provides a social framing for human capabilities as a plural set of power "to be" and "to do", and the associated evaluative and prescriptive questions of capability distribution and disadvantage. Based on this extended social grid model, the project tracks the evolution and impact of social innovations with respect to access to credit and markets and such

[1] See, also for the literatures named in this section, Nicholls & R. Ziegler (2015).

basic needs as housing, education, food or freshwater and sanitation.

We now turn to six considerations for creating space for social innovation. We start with two points about the general, cultural framing of innovation, and then move to two points on creating economic and political space for social innovation, respectively.

1. *Creating cultural space for social innovation: an integrated framing of multiple capabilities*: The CA offers an integrated, plural evaluation space for the impact and process of innovation beyond a reductive focus on markets. The CA with its focus on the ends of human development shifts attention from the loudest shouting, disruptive Über-innovator to the capabilities and functionings involved in innovation processes. It is a move from for-profit-innovation to capability innovation (Ziegler 2010), not to exclude business innovation but so as to situate innovation in a wider and integrated discussion of ends. Ongoing CA-research for improved valuation of these ends and associated statistical accounts is very helpful for SI. Much social innovation happens in networks with volunteers and unpaid labor; it is easily rendered invisible, dismissed and devalued in "market-based" democracies, even if the capabilities impact is real. Making it visible is also important for a better understanding of social innovators. Our research on SI with long-term impact shows innovators to make a multi-dimensional case that locates the respective issue across plural ends and means. For example, freshwater and sanitation is not only a matter of healthy nutrition and hygiene options, but also instrumentally important for work and education. The framing in multiple dimensions creates space for actor-coalitions that are crucial for implementing and spreading an approach, including the institutional regulations that enable/constrain the innovation. A point highlighted by our model is that such multi-dimensional cases are expressed via cognitive frames of the respective historical context, and that these frames at any time are themselves internally diverse. The framing of a Victorian social reformer of the "sanitary conditions of the poor" is not identical with the perspective of workers thereby "helped". Conflicts, including of culture, are part of the very process. Simply "good" or "bad" innovations are unlikely in the light of multiple frames as well as multiple capabilities affected. They rather point to problematic captures of the SI. An example is the exclusionary use of social housing under the Nazi-regime. As the plurality of objectives and values is a characteristic of SI, "public discussion and a democratic understanding and acceptance" (Sen 1999, 79), is an essential condition of SI. It follows that careful evaluation of the impact and process of SI is needed. With respect to the most disadvantaged groups, this task is one recognizing basic justice issues (Nussbaum 2000) and manifest injustices (Sen 2009). As an intellectual origin of the CA is the philosophical discussion of equality and justice, the CA offers a rich tradition to deal with this task.

2. *Creating cultural space for social innovation: the critique of innovation for innovation's sake*: Disadvantages and social cost in part result from innovation and its cycles of creative destruction. Sticking to our freshwater example, innovations in fertilizer and pesticide use can yield water quality problems due to increased nutrient load and pollution. This process in turn tends to affect some groups more than others, potentially causing environmental injustice and increasing the water treatment costs for water suppliers. A CA-perspective on innovation therefore needs to include critical innovation questions: how are benefits and burdens distributed how can innovations be modified, sometimes even be stopped or taken out again (exnovation)? In short: it calls for a systematic ethical, not a simplistic pro-innovation perspective. One implication of this point is critical attention to the "replication" and "scaling" of innovations. A solution for one context might be a problem in another one. The transfer of ideas should be mediated by public

discussion so as to facilitate adaption or even refusal of the innovation. Refusal leaves space for other practices; it is not to be identified with a rejection of shared ends. The problem is rather simplistic "implementation-generalization". On an abstract level, there might be agreement on basic needs, central capabilities and say a human right to water; but this point does not imply that the same approach to water provisioning should be implemented everywhere. Paying attention to the variety of cognitive frames, institutions and networks while holding abstract ends in view is one way of remaining open to this point.

3. *Financing economic space for social innovation 1: Social Impact Bonds (SIB)*. To avoid implementation-generalization, financial mechanisms focused on outcomes, and here especially those focused on those disadvantaged in terms of capabilities and functioning, seem desirable. Within the context of (politically determined) resource scarcity, social impact bonds have been proposed as a tool that seeks to leverage private social investment for service experimentation and innovation, with the repayment of investors, partially or wholly, contingent on the social outcomes achieved. Originating from the UK, there has been worldwide interest in the capacity of SIBs to support innovative welfare services that minimize the associated risks for public sector and civil society stakeholders, whilst also improving the social outcomes of targeted beneficiaries. Due not least to their novelty, there is, at present, relatively limited evidence on the operation and impact of SIBs. However, CrESSI research suggests that: a) the potential of SIBs to secure social outcomes is derived more from the small and experimental nature of services rather than, purely or even necessarily, the financial mechanisms that underpins it; b) that complex social problems require at least some degree of service continuity and support infrastructure existing alongside SIBs offering more intensive, if only temporary, assistance to target populations; and c) that the tool can only be expected to work in specific contexts, not at as "one size fits all" instrument (Edmiston et al. 2016).

4. *Financing economic space for social innovation II: Reproduction of marginalization and multi-level options*. The interactions between institutions, networks and cognitive frames can reproduce marginalization. A grave example for this is the longstanding marginalized position of the Roma in Europe, mainly in Central and Eastern Europe. Seeking to change power relations, SI must target all three social forces. However, the existing economic, ideological and political power structures and the related institutions play a crucial role in marginalization. National authorities are not a neutral, long-term finance provider for marginalization problems, but in part responsible actors in the process of reproduction. Schools and municipalities, employment and regional development policies all contribute to its persistence. Under such conditions, even the utilization of European funds for the inclusion of the most deprived social groups can be ineffective and inefficient, if facilitated via the national authorities. Therefore, jumping political levels from the national to the EU level for direct investment into the social inclusion of the most marginalized might provide an alternative option. In this way, funds could directly (and really) reach the NGOs supporting marginalized communities, bypassing the national and local administration. This is an existing, but very rare practice in the case of some Roma pilot projects. Even for such an approach, however, there is the challenge of a longer-term perspective beyond short-term projects and of a "cream-skimming", i.e. investing in the least marginalized of the marginalized where it is easier to have short-term success. There is a trade-off between the degree of marginalization of the targeted social group and the costs of the social innovation. Selecting the cheaper solution

may even increase the marginalization of the rest of the target group, and consequently the long-term social costs, too (Molnar 2016).

5. *Creating political space for social innovation: the capability to associate*. Finding bottom-up solutions that actively involve those disadvantaged or that ensure their say in the transfer and adaption of approaches relies on the capability to associate. However, our research suggests that this capability cannot be taken for granted. The disadvantaged do not necessarily organize themselves, also not in social innovation processes. The social innovator is likely, at least initially, an external actor. If the goal is to promote social innovation processes that at least in the medium-term involve the "beneficiaries" as active co-shapers of the process, there is a need to focus on approaches that actively foster the capacity to associate. For example, network approaches that at the respective community level (neighborhood, village and hamlet) start with information-sharing and group formation, and the building of bridges to other similarly affected as well as non-marginalized groups and actors. In the background, the state has several opportunities: education can early on focus on civic education, on learning from concrete involvement in civic organization, and foster the respective capacity to aspire via textbook examples, specific awards etc. It can also promote diverse social ties via enrollment rules. Labor- and unemployment policies can provide space and time for association, and secure conditions no doubt reduce the real or perceived risk of associative action. Finally, association policy that encourages the formation of association, especially among the least advantaged and reduces economic, political and administrative costs associated with it, is a further political instrument.

6. *Creating political space for social innovation: the heterogeneity of individuals and a focus on youth and migration.* Increased life expectancy together with low population growth in many European countries, leads to a relative increase of electoral power of older generations vis à vis the younger. Migration can mediate the aging problem, but evidently only if migrants are welcome and receive citizenship rights in due course. If younger generations - from Europe, or newly arrived - in addition face a challenging economic situation, as indicated by high youth unemployment, the danger of corrosive disadvantage (Wolff and de-Shalit 2007), with further negative capabilities effects in other domains are to be expected. Therefore, policy-innovations such as youth quotas to increase their participation capability, and their potential "fertile" effects in other domains should be seriously considered (Tremmel et al. 2015). In the light of resurgent nationalisms in Europe, which as the Brexit referendum suggests is also partly linked to intergenerational difference, a specific EU-level focus could be on strengthening youth voice and association across Europe. There was a strong push for partnership programs across European nations after World War II and the desire for peace it established on the continent. EU-architect Jean Monnet famously called for acts of concrete solidarity. But this experience is quite distant for the current young generations. So why not reconsider, in the light of the current migration and demography crises, EU exchange programs (in a wide sense) as youth social innovation programs to foster association and voice across borders, and explore their potential for a more inclusive and sustainable European Union for the 21th century?

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