



**SOCIAL INNOVATION  
WHAT'S IN IT FOR SOCIAL SERVICE PROVIDERS?**

**ANALYTICAL PAPER**

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## Introduction

Social Innovation has become a prominent concept in European politics over the past years. The term "social innovation" is a relatively new one, but social innovation itself is not new. There are many examples of social innovation throughout history, from kindergartens to hospices, and from the cooperative movement to microfinance. A "field" of social innovation is, however, a new idea, and approaches by the European Commission to encouraging social innovation are a more recent phenomenon. The following analysis will discuss conceptual ideas of social innovation, and attempt to explain how the recent focus of the European Commission will impact Social Service Providers.

First, a conceptual discussion of social innovation and subsidiary concepts is in order, before the report turns to a discussion of the impact of the recent prominence of social innovation on the providers of social services. Following this, recent activities by the EU to encourage and support social innovators will be described. The latter, while descriptive in nature, should be understood as a brief guide to access points for EPR Members at the European level. The report concludes with some general remarks.

## What is Social Innovation?

Social innovation is an umbrella term, which incorporates multiple differing approaches to policy-making and social change. Social innovations have been defined as "[...] innovations that are social both in their ends and in their means", or, more specifically, as "[...] new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations."<sup>1</sup> These innovations are not only good for society, but also enhance society's capacity to act.

To put it differently, a crucial aspect of social innovation is the inclusion of civil society, or the 'customers' of a social service. The *process of social interactions* between individuals undertaken to reach certain outcomes is participative, involves a number of actors and stakeholders, who have a vested interest in solving social problems, and empowers the beneficiaries. It is in itself an outcome, as it produces social capital.

The new drivers of innovation are embedded in society, rather than in the technological processes, which drove innovations in the industrial era. Clayton Christensen<sup>2</sup> even

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<sup>1</sup> Caulier-Grice, J., Kahn, L., Mulgan, G., Pulford, L. & Vasconcelos, D. (2010), 'Study on Social Innovation: A paper prepared by the Social Innovation eXchange (SIX) and the Young Foundation for the Bureau of European Policy Advisors'.

<sup>2</sup> Christensen, C. M. et al. (2008), 'Disruptive innovation for social change', HBR Paper, October.

mentions the need to replace his traditional concept of ‘disruptive technological innovations’<sup>3</sup> with ‘catalytic innovations’<sup>4</sup>, where social change is the primary objective. In this new realm traditional organisations are challenged by new actors and business models to enable the inventive use of innovations with ‘customers’ and local communities as co-creators. Consequently, the new paradigm of social intervention embodied by social innovation offers a way to address social risks with, rather than for, stakeholders.

Given this process, social innovations can be grouped into three categories:

- Grassroots social innovations, which respond to pressing social demands not addressed by the market, and are directed towards the most vulnerable groups in society (e.g., local projects to integrate disabled into the labour market),
- A broader level that addresses societal challenges, in which the lines between ‘social’ and ‘economic’ blur, where the innovation aims at society as a whole (e.g., The Red Cross),
- Systemic innovations, which fundamentally change attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services (e.g., initiatives to raise general awareness of physical barriers of the disabled in public structures, such as lack of building access for wheelchair users).

While social innovation is an approach that can influence all walks of life for the better, the focus in this report will be on the impact of social innovation on the care and rehabilitation community.

Actors ranging from policy-makers to entrepreneurs increasingly acknowledge the potential of social innovation. As Commission-President Barroso has put it, “Europe has a long and strong tradition of social innovation: from the workplace to hospices [...]. We have always

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<sup>3</sup> The term was coined to designate a method that challenged industry’s incumbent by offering simpler, good enough alternatives (ex-personal computers, less performing than mainframes but reached an unserved market for their affordable, if limited, capabilities) which could create social change.

<sup>4</sup> Based on Clayton Christensen’s disruptive-innovation model, catalytic innovations challenge organisational incumbents by offering simpler, good-enough solutions aimed at underserved groups. Unlike disruptive innovations, though, catalytic innovations are focused on creating social change. Catalytic innovators are defined by five distinct qualities. First, they create social change through scaling and replication. Second, they meet a need that is either over served (that is, the existing solution is more complex than necessary for many people) or not served at all. Third, the products and services they offer are simpler and cheaper than alternatives, but recipients view them as good enough. Fourth, they bring in resources in ways that initially seem unattractive to incumbents. And fifth, they are often ignored, put down, or even discouraged by existing organisations, which don’t see the catalytic innovators’ solutions as viable.

been a continent of creative social entrepreneurs who have designed systems to enhance education, health, social inclusion and the well-being of citizens.”<sup>5</sup>

Social innovation as a field is developing with an enormous pace, in the form of new institutions, methods and actors, and is steadily changing the way governments work, the way civil society achieves impact, and the way business is transacted.

Many social innovations have to do with service innovation. This includes innovation in services and in service products, new or improved ways of designing and producing services, and Innovation in service firms, organisations, and industries – organisational innovations and the management of innovation processes, within service organisations. Social design is also used as a term to describe particular approaches to social innovation.

Social design is also meant to empower people at local level to invent together solutions to economic and social problems. It contributes to offer new values to guide public administrations’ actions through collaborative working, experimentations and prototyping. While the techniques being developed vary considerably they rarely resemble the more traditional forms of service-planning in the public sector in which either formal meetings are the dominant form or where experts arrive at solutions by linear analysis. Social innovation practices tend to be looser, involve more people, feature more animation techniques, are more interdisciplinary, find new ways of involving users and citizens and encourage thinking out of the box. They deploy evidence based methods and often use techniques like benchmarking to identify good practices in the specific fields.

While investment in social innovations is increasing through foundations, governments and private actors, the lack of conceptual clarity on what social innovation is produces different regional outcomes. Many confuse social innovation with social enterprise, or limit it to the social field. It is not taken seriously by many, especially in the new Member States, and for part of the social economy it is perceived as an existential threat that allows the private sector to access funding historically ear-marked for social projects.

## **Evidence-based policies**

Central to an understanding of social innovation is its close link to evidence-based policy-making. The reliance on substantial evidence in decision-making is a distinct feature that demarks social innovation from policies driven by instinct or ideology of political actors.

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<sup>5</sup> Barroso, J.M.D. in a speech at the Social Innovation Europe Initiative, 17 March 2011, Brussels.

That is not to say, that evidence-based policy is free of bias and doubt. One caveat of this approach is the selective choosing of evidence by actors central to policy. What is accepted as evidence, and what is not, is still largely up to the respective decision-makers. However, the reliance on evidence makes it easier for other stakeholders to follow the line of thought behind new policy developments, and follow up on the research underlying the presented evidence.

A substantial part of this evidence base is generated through social policy experiments, which serve as tool that builds the foundation for political and entrepreneurial social innovations.

## Social Policy Experiments

Where research evidence is used in policy-making the quality of the information used will largely reflect the robustness of methodology adopted.<sup>6</sup> Social policy analysts have a number of approaches they can use to assess the impacts of social programmes. One of these methodologies is social experiments, or randomised control trials (RCTs), which involve randomly assigning people to groups that do and do not receive a programme or intervention. The estimate of a programme's impact is obtained by comparing the outcomes for those participating in the programme with those not in receipts of the intervention. As such social experiments can address the question: "What works better and in what sense? For whom? And at what cost?".<sup>7</sup>

Social experiments have several distinguishing characteristics.<sup>8</sup> They:

- Aim to reproduce the techniques of laboratory experiments with highly structured methods,
- Generate hypotheses,
- Control variables,
- Randomly assign subjects to an experiment or control group,
- Measure outcomes quantitatively,
- Generalise from samples to populations.<sup>9</sup>

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<sup>6</sup> Stafford, B. (2002), 'Being more certain about Random Assignment in Social Policy Evaluations', *Social Policy and Society*, Vol. 1, No. 4, pp275-284.

<sup>7</sup> Boruch, R. (1997), *Randomized Experiments for Planning and Evaluation: A practical guide*, Sage, Thousand Oaks, California.

<sup>8</sup> Greenberg, D. and Shroder, M. (2004), *The Digest of Social Experiments*, third edition, Urban Institute Press, Washington, DC.

Proponents of social experiments argue that it is the only method that can produce unbiased estimates of mean net impacts that are internally valid and enable researchers to state their degree of statistical confidence that the estimate is the 'true' measure of the impact of the intervention.<sup>10</sup>

Social experiments have been used extensively in the United States to evaluate social programmes including, for example, welfare-to-work, education and training initiatives, low income housing assistance and negative income taxes.<sup>11</sup> In Europe they are less widely used although some countries have experience with them on different levels. The United Kingdom probably has experience on the largest scale, perhaps in part as a result of policy transfer and learning from the United States. Other Member States, such as the Netherlands, Denmark, Finland and others also have experiences, albeit in a less integrated manor than is the case in the United Kingdom. The European Union is actively promoting the use of social policy experiments through a variety of tools.

## **Social Innovation with or against social entrepreneurs**

A central worry of the emergence of social innovation in a European context is that it will shift service provision from traditional providers to social entrepreneurs, who are profit-oriented and lack accountability. The fear is that the EU promotes a shift to neo-liberal market economics, or the 'survival of the cheapest', without preserving the standards in quality and accountability that traditional service providers deliver. This fear includes multiple tangents, which will be discussed in turn in this section.

While it is theoretically possible to engage in social innovation with a profit orientation, it is in practise rather uncommon. Most social entrepreneurs are associated with the voluntary or non-profit sector. It is also important to keep in mind that especially large scale social service provision is a difficult market to enter, as projects are seldom funded in their entirety by the European institutions. Furthermore, social entrepreneurship is not equal to corporate social responsibility. The latter features prominently in many larger firms nowadays, but is rarely associated with provision of new and old social services, but rather with making their own businesses more sustainable.

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<sup>9</sup> Gray, D. (2009), *'Doing Research in the Real World'*, second edition, Sage, London.

<sup>10</sup> Boruch, R. (1997), *'Randomized Experiments for Planning and Evaluation: A practical guide'*, Sage, Thousand Oaks, California and Orr, L. (1999), *'Social Experiments: Evaluating public programs with experimental methods'*, Sage, Thousand Oaks, California.

<sup>11</sup> Greenberg, D. and Shroder, M. (2004), *'The Digest of Social Experiments'*, third edition, Urban Institute Press, Washington, DC and Greenberg, D., Shroder, M., Onstott, M. (1999), 'The social experiment market', *Journal of Economic Perspectives*, 13:3, 157-172.

Lack of accountability and transparency is another caveat of the private sector. It is, however, not limited to social entrepreneurs, and should largely be of concern to the funding institutions. With the strict reporting requirements under EU- and state-funding the risk of misconduct is kept at a reasonable level. A central mechanism ensuring this is the bottom-up nature of social innovation. One of the reasons why funding grants are relatively small sums is that they are supposed to serve the function of an incubator. EU funding largely aims at helping social innovations along on the local level, while other funding is necessary to scale inventions to regional or national levels. The EU supports scaling strategies, but generally does not fund the bulk of their implementation.

Further questions arise as to the intentions of the EU in supporting social innovation. The main points are encouraging creativity, sustainability and affordability provisions in the social sphere. Affordability in this context aims at cost efficiency, rather than cutting services, wherefore supporting social innovation should also be in the interest of social service providers.

In sum, the emphasis of the EU to support and enhance social innovations is mostly a chance to social service providers. While coexistence with other stakeholders is certainly a part of this new paradigm, it brings more opportunities than threats with it. Social entrepreneurs can find a home in existing provider organisations, or can serve as partners in the implementation of new projects. They often bring a different skill set to the table, which can complement the expertise of traditional providers. A key development to watch in this regard will be the increasing occurrence of public-private partnerships, which should be amended by increasing cooperation between private stakeholders and the third sector as well.

## Support of Social Innovation and Social Policy Experimentation on the European Level

The European Union is putting more and more resources in the promotion of social innovation. While some Member States have already supported social innovations for a long time, the EU's efforts are often a first step in many countries. Consequently, the focus in this analysis lies on efforts on the supranational level, rather than an individual analysis for all Member States. National ministries that interact with the policy instruments discussed in the following sections should be first contact points if your organisation is interested in pursuing innovative projects in your country. Often national foundations also support social innovation initiatives, even on an international level.

As mentioned previously, the focus of the EU is incubation of the early stages of social innovation. This expresses itself in the proposal for a stage-gate model of funding, as recommended by Social Innovation Europe in a report on finance.<sup>12</sup> Stage-gate funding would have high drop-off rates in progressing from small grants for early stage ideas, through to direct procurement for innovations. The model is based on conditionality, so that future funding would be targeted at organisations demonstrating successful outcomes in previous stages.

EU sponsored programmes and innovation funds also have the potential to form a valuable database on 'what works' in effectively scaling up social innovations. Encouraging a 'system of learning' by drawing on, and exchanging experience is a central goal of current EU proposals.

## Europe 2020 and the Innovation Union

Under the *Europe 2020 Strategy* an initiative on the promotion of social innovation was established under the name *Innovation Union*. It is one of the seven core flagship initiatives of *Europe 2020*. At its core, it attempts to "revolutionize the way public and private sectors work together, notably through Innovation Partnerships between the European institutions, national and regional authorities and business".<sup>13</sup> Part of the commitment by the Commission is the "support [of] a substantial research programme on public sector and social innovation, looking at issues such as measurement and evaluation, financing and other barriers to scaling up and development."

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<sup>12</sup> For more information, see [http://ec.europa.eu/enterprise/newsroom/cf/\\_getdocument.cfm?doc\\_id=7048](http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7048)

<sup>13</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=intro](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=intro)



One of the relevant topical core projects of the *Innovation Union* is the *European Innovation Partnership on Active and Healthy Ageing*. It focuses on the three areas of prevention and health promotion, care and cure, and active and independent living of elderly people; and promotes the active use of innovative methods to achieve the goal of increasing the average healthy life span by two years by 2020. Towards this goal the Commission is actively looking for partnering institutions.

Social innovation can help achieve active inclusion by enhancing the effectiveness of policies and services in order to maximise positive social impact. This includes increasing the quality of life and work of services' users and beneficiaries, as well as the accessibility and sustainability of services.

Like active inclusion, social innovation is a theme that runs through many of the Commission's key initiatives underpinning the *Europe 2020 Strategy*, from the *New Skills agenda* and the *European Platform against Poverty to Horizon 2020*, the *8th EU framework programme for research and innovation*, that commits to addressing societal challenges, including making progress towards 'inclusive, innovative, secure societies'.

The EU has supported social innovation through several instruments, including *EQUAL* and *PROGRESS* programmes and the *European Framework Programme for Research and Technological Development* (FP). The draft legislative package on cohesion policy for the period 2014- 2020, which was adopted by the Commission in October 2012, will continue this policy. The proposals for the *European Social Fund (ESF)* regulation, the *European Regional Development Fund (ERDF)* regulation and the new *EU Programme for Social Change and Innovation (EPSCI)* will support investment in and scaling-up of social innovations and facilitate capacity building.

## **PROGRESS (programming period 2007-2013)**

As described previously, the idea of social innovation is often linked to "social policy experimentation". It is understood that the development of innovations should be based on evidence and experience of "what works". Social policy experimentation provides a means to test innovations before implementing them more widely. According to the European Commission, social policy experiments are policy interventions bringing innovative answers to social needs with the ultimate aim of improving the quality and effectiveness of social policies and facilitating their adaptation to new social needs and societal challenges. They

are introduced on a small scale because of existing uncertainty as to their impact, in conditions which ensure the possibility of measuring their impact and in a way that allows their repetition on a wider scale if the results prove convincing.

The EU Employment and social solidarity programme '*PROGRESS*' - which aims to strengthen the EU's contribution in support of the Member States' commitments and efforts to create more and better jobs and to build a more cohesive society – provides financial support for the testing of reforms and ideas through social policy experimentation. *PROGRESS* has issued multiple calls for proposals for social experimentations in recent years, and has subsequently supported a plethora of projects of public and private social innovators.

### **EPSCI (programming period 2014-2020)**

The European Commission's proposal for the *new programme for social change and innovation* (EPSCI for the new programming period 2014-2020) promises to reinforce its support to social innovation through social policy experimentation.

The *EPSCI programme* will support social policy experiments with the aim of helping to develop adequate, accessible and efficient social protection systems and labour markets and enhance evidence-based social change and innovation. It will support policy coordination, sharing of best practices, capacity building and testing of innovative policies as well as the scaling up of the most successful measures, particularly through the *European Social Fund*.

The Commission has also proposed to increase support for social innovation and social policy experimentation under the *Multiannual Financial Framework* for the new programming period. Under the different funds the European Union provides many opportunities for stakeholders to apply for financial support in the execution of innovative projects.

## Conclusion

What this analysis goes to show is that social innovation has by no means to be a threatening concept to traditional social service providers. To the contrary, it provides new opportunities to improve existing services and increase the target range to more disadvantaged people.

In general, social innovation approaches are:

- Open rather than closed when it comes to knowledge-sharing and the ownership of knowledge;
- Multi-disciplinary and more integrated to problem solving than the single department or single profession solutions of the past;
- Participative and empowering of citizens and users rather than 'top down' and expert-led.
- Demand-led rather than supply-driven;
- Tailored rather than mass-produced, as most solutions have to be adapted to local circumstances and personalised to individuals.

The European Union is steadily providing more tools of support and assistance. Moreover, the Member States are waking up to the idea of added value from social innovations. While support in some countries is much stronger than in others, the efforts of the EU do not go unnoticed. Through publicity for best practices and financial and technical assistance, social innovations are gaining ground in the larger economy and in society as a whole.

This new paradigm also opens up a wide array of new opportunities, especially towards cooperation with social entrepreneurs, rather than competition with them. While the outcomes of social innovation are not always clear yet, the underlying conceptual framework is promising towards supporting the sustainable and far-reaching provision of social services across Europe in the future.

## Relevant References and Links

[“This is European Social Innovation”](#) is a brochure composed by DG Enterprise & Industry, which promotes best practices in social innovation from around Europe.

[“Empowering people, driving change – Social Innovation in the European Union”](#) is a book that provides a deeper insight on the role of social innovation in the EU, and the efforts by the EU to support social innovators.

[“Social Experimentation in Europe: Towards a more complete and effective range of the EU Actions for Social Innovation”](#) provides a brief overview of the role of social policy experiments in social innovation around Europe.

[“A Guide to Social Experimentation”](#) provides a brief methodological overview of social experimentation, as it is understood by the European Commission.

[“Facing New Challenges: Promoting active inclusion through social innovation”](#) is an analysis published by SOLIDAR on the impact of EU policies on active inclusion.

[“The Open Book of Social Innovation”](#) describes ways to design, develop and grow social innovation. It is produced by NESTA.

[“Financing Social Impact: Funding social innovation in Europe – mapping the way forward”](#) gives a thorough overview of funding schemes in the EU.

[“Strengthening social innovation in Europe – Journey to effective assessment metrics”](#) outlines proposals to enhance transparency and accountability metrics when engaging in social innovation.