Social innovation as part of the Europe 2020 strategy

Executive Summary

This note builds on the key elements of a forthcoming BEPA report on Social Innovation. Its purpose is: (i) to provide arguments to include social innovation more prominently in the Europe 2020 framework; (ii) to provide a number of concrete examples of social innovation, which can inspire future initiatives at the EU level, while increasing coordination among the various existing initiatives at the European Commission.

This note argues that just as stimulating innovation, entrepreneurship and the knowledge society was at the core of the Lisbon strategy for growth and jobs, social innovation\(^1\) can be part of a new strategy to reach sustainable growth in the EU. The global crisis has made clear that most of the challenges we face are increasingly social. Among the most prominent are the fight against increasing unemployment, ageing and climate change. In a context of strong budgetary constraints, social innovation offers an effective approach to respond to social challenges by mobilizing people’s creativity to develop solutions and make a better use of scarce resources. For some of the challenges such as migration, climate change, or education, spillovers between Member States are clear and makes the need for more co-ordinated actions at a higher level than national, more pressing.

The note gives a number of examples, grouped along three categories of social innovation: (i) First, grassroots social innovations as a response to pressing social demands which are not addressed by the market and are directed to vulnerable groups in society. The example of projecto Geracao (the generation project) in Portugal or the second chance schools in France fall into this category. (ii) Second, the broader level which addresses societal challenges in which the boundary between social and economic blurs and which are directed towards society as a whole. The emergence of the Red Cross or the Open University system fall into this second category. (iii) Third, the systemic type which relates to fundamental changes in attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services. Initiatives related to actions to make citizens aware of climate change and recycling are examples of this last category.

\(^1\) Social innovation refers to new responses to pressing social demands, by means which affect the process of social interactions. Social innovations are characterized by the production of a social return and the creation of new social relationships or partnerships which involve the end users and thereby make policies more effective. See also BEPA societal brief on Social innovation, October 2009.
1. Why should Social Innovation be part of the Europe 2020 strategy?

The Renewed Social Agenda, which was adopted by the European Commission in June 2008, creates an opportunity to shape Europe’s response to new social realities and challenges (climate change, ageing, rising unemployment, etc.). The global crisis has exacerbated these challenges. The Political Guidelines make it clear that there is a need for a new, much stronger focus on the social dimension in Europe. The evaluation of the Lisbon strategy underlines also that growth and jobs have not managed to lifting people out of poverty. In particular, child poverty persists at a high level in some Member States. Just as stimulating innovation, entrepreneurship and the knowledge society was at the core of the Lisbon strategy for growth and jobs, social innovation can offer one way forward to cope with the societal challenges and the crisis the EU Member States are facing. In a context of strong budgetary constraints, social innovation offers an effective approach to respond to social challenges by mobilizing people's creativity to develop solutions and make a better use of scarce resources. Social innovations are moreover a mean to empower citizens to be actively engaged in an innovative and learning society and to recognize the value of social capital. It is also an excellent entry point for a social dynamics behind technological innovations.

Coordinated actions at the level of the EU in the field of Social Innovation is needed as many of the challenges, which can be addressed by social innovation have a cross-border dimension, and require a multilevel governance approach in which the EU level has a catalytic role to play. For some of the challenges such as migration, climate change, or education, spillovers between Member States are clear and makes the need for more coordinated actions at a higher level than national, more pressing.

Finally, best practices of social innovation in various Member States can provide solutions to other Member States, in particular those best practices which have demonstrated to reduce the share of social expenses on public budgets, whilst addressing social needs in an efficient way.

2. Why address social innovation now?

Social needs are more pressing: The global crisis has made clear that most of the challenges we face are increasingly social. Among the most prominent are the fight against increasing unemployment, aging and climate change. Increasing unemployment is often linked to increased crime and social exclusion with long lasting consequences not only for those losing their job, but also for their children who have fewer opportunities in society. Aging of the population and its associated health costs were already a problem before the crisis, but is even more problematic in view of the sustainability of public finances. Clearly, health, long term care and green products and services are significant growth sectors. For example, spending on healthcare, currently between 5% and 13% of GDP for EU countries is set to rise by approximately 4% by 2050. Most of the projected increase in public spending will be on pensions, healthcare and long term care. In 2006, 20 million Europeans worked in the health and social services sector. Also the fight against climate change will put increased pressure on societal changes. For instance, The Stern Review estimated that climate change could cost between 5% and 15% of global per-capita consumption.

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In a context of limited resources new solutions must be found: Government responses to the crisis have involved major fiscal stimulus packages, but at the same time they are confronted with budgetary constraints. Public finances are severely affected, with average deficits now reaching 7% of GDP and debt levels having increased by 20 percentage points in two years. They are particularly attentive to social budgets which on EU average represent 27% of GDP. In this context of limited resources, social innovation offers a way forward providing new solutions to pressing social demands while making a better use of available resources. These growing social needs, together with budgetary constraints, call for radically new and innovative public service models.

Social challenges are also opportunities: Many of these developments can – and should – be viewed, also as offering economic and social opportunities. Developments in information and communications technologies have created exciting possibilities for improving our ability to meet social needs, such as e-health in health care and virtual schools in education. More skilled migrants can improve the quality as well as the quantity of the labour force, promoting the diversity and dynamism of EU economies and societies, as well as helping the EU better to meet the care needs of an ageing population.

3. Examples of social innovation

An important aspect of social innovation is the process of social interactions between individuals undertaken to reach certain outcomes. It is participative, involves a number of actors and stakeholders who have a vested interest in solving a social problem and aims at empowering the beneficiaries. Given this process, social innovations can be schematically classified in three broad categories: Firstly, the (generally) grassroots social innovations which respond to pressing social demands which are not addressed by the market and are directed to vulnerable groups in society; Secondly, the broader level which addresses societal challenges in which the boundary between social and economic blurs and which are directed towards society as a whole; and thirdly the systemic type which relates to fundamental changes in attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services. These social innovations usually activated by institutions, contribute to reform society in the direction of a more participative arena where people are empowered and learning is central.

3.1. Grassroots initiatives promoted by social entrepreneurs or communities

Examples of the first type abound. For instance, projecto Geracao (the generation project) in Portugal has developed original incentives to combat truancy and school dropout by providing education, training, and employment paths for a very deprived community in Urbanização Casal da Boba, in Amadora in the suburbs of Lisbon. Activities under this project range from work and play provision for the very young, enabling parents to stay in full time employment, to a number of programmes working with school age children to encourage them to stay in education. The ‘If you Keep studying’ project currently involves 120 children through two occupational activities – martial arts and a youth orchestra. The martial arts is taught by an Olympic medallist of Cape Verdean origin and teaches 40 children discipline and respect, as well as Judo, whilst the youth orchestra (based on the Orquesta Sinfónica Simón Bolívar in Venezuela) engages 80 children. In 2009, The “Orquestra Geração” came all the way from Lisbon to perform in Brussels, in the framework of the OPEN DAYS. 10 such orchestras have now been established in the Lisbon area over the last 2 years Both activities require children to attend class in order to participate. This project cofinanced by the EQUAL initiative of the ESF in 2006 involves The Calouste Gulbenkian Foundation, the municipality, local schools, churches and other stakeholders in the community to make life better for the whole community, especially its children.
During the 3 year programme, it is estimated that Projecto Geracão has touched the lives of over 1000 people. The Hairdressing Workshop is another example of an initiative which Projecto Geracão developed in collaboration with the school. An alternative curriculum was created, allowing students who achieve the minimum requirements to train as hairdressers at school. In the two years it has been running, all of the 22 pupils who took part are in full time employment. This project has become sustainable through the support of the municipality, and L’Oreal.

Another example is the second chance schools which were designed to provide new opportunities through education and training directed at young people who lack both the basic knowledge and the specific competencies to benefit fully from training or to find employment. The guiding principle was to organise partnerships of local players who share a concern for the social and economic reinsertion of young people faced with exclusion. One of the first second chance schools was created in Marseille in 1997, supported by the local authorities, which turned out to be a major success. Between 1998 and 2007, 66% of the students that passed through the system obtained jobs and 19% continued with further training or education. The European label given by the initial involvement of the European Commission was decisive to involve a wide group of partners.

3.2. Addressing societal challenges

In the second category, broad concerns about societal challenges dominate. This is what motivated Henri Dunant to create the Red Cross to help injured in war times or a group of professors and civil servants to create the Open University to avail knowledge and university degrees to a wider portion of the population who would not have been able to follow a classic academic course. Today, they are often directed also to contribute to the informal household economy. As noted by the Study on Social innovation prepared for BEPA by SIX and the Young foundation, the household (individuals, families, informal groups, associations and networks) have been an under recognised source of social innovations. It plays a critical role in developing social innovations in fields such as the environment, health and care where it is often ahead of business or government. Many innovations which emanate from the household are taken up by business, public sector bodies and civil society organisations. Ageing on the one hand and the increased networking digital capacities are likely to enhance the importance of this type of innovations in the coming decades.

Concrete examples of this emerging trend are:

**Complaints choirs, Finland** where people come together, list their grievances, set them to music and then sing what they have prepared. It provides a space for ordinary citizens to complain about the everyday occurrences which anger and upset them the most. Not only are complaints choirs an innovative form of public consultation, they also help bring communities together, creating a sense of belonging and solidarity and provide one possible means of identifying problems and creating a space for protest, both of which are critical to social innovation.

**Time banking, worldwide** provides a way for people to come together to help others and help themselves at the same time. Participants 'deposit' their time in the bank by giving practical help and support to others and are able to 'withdraw' their time when they need something done themselves. Everybody's time is valued equally. The time banking system was devised by Dr Edgar Cahn in the 1980s whilst he was at the LSE. Originally, the credits were known as time dollars. Returning to the USA, he put these ideas into practice and the currency of ‘time dollars’ spread quickly, led by grassroots practitioners in inner city deprived areas.
The UK based business Riversimple harnesses the knowledge and ideas of a global community of volunteers, engineers, students and small manufacturers to create the first, open source, highly energy efficient eco car. Riversimple is a small company with the ability and freedom to think radically; they have no existing factories or market to protect, so can choose the best, most energy efficient solution to the most pressing problems facing the modern automotive industry. At just 350kg, (almost half the weight of competitors G-Whiz and Smart cars), this two-seater car can accomplish performance figures never before attained from existing hydrogen fuel cell technology. The Riversimple car uses both battery power, for short journeys in town, and hydro electric power for longer journeys. The Riversimple car has a fuel cell of only 6kw. In stark comparison to the average economic car life in the UK (which is just 5 years), the Riversimple car has been designed to last – both physically and in terms of a business model. Built for a lifecycle of 15 years, the car is also cheap to maintain, it will be leased and not sold, and many stakeholders will be involved in the running of the business. The car has also been designed to be recycled. Another example of social innovation is the child trust fund developed in the UK by Julian Legrand which bets on young people financial empowerment (the asset effect) to promote the social and labour market integration of young people. Professor Legrand makes the case for such an innovation developed at European level (bambini bonds).

3.3 Systemic change

In the third category while the most powerful promoters are institutions, social innovations aiming at changing behaviours often come from private or community initiatives to change behaviours. For example, EcoMap, Amsterdam provides local communities with information on their progress toward meeting greenhouse gas (GHG) reduction goals, and with access to the most useful, locally available tools and resources for reducing their carbon footprint. Urban EcoMap amasses information on a neighbourhood level, organized by zip codes, in the following two ways: Discover Your City’s Neighbourhoods: Through this visual display, residents can see their greenhouse gas contributions in the areas of transportation, energy, and waste. This information empowers neighbourhoods to identify and take specific actions to fight climate change using approaches such as alternative-fuel vehicle ownership, recycling, and reducing household energy use. Take Climate Actions: Citizens can make decisions to help decrease the carbon footprint of their geographic regions, their particular zip code, and their city. They can make these choices by gaining visibility into several key factors, including the effort required to make the change, the associated cost or financial benefit, and the environmental impact of the action. Citizens can then share their climate actions with others via social networking. Eco map is supported by CISCO and the city of Amsterdam and involves many stakeholders. Another very significant example argued by Julia O’Connor (Belfast University) is how social innovation processes have been decisive in creating institutional change and transforming Ireland from "the poorest of the rich" to the "Europe's shining light" in the late XXth century. In particular, both the very participative social partnership arrangement between the government, trade unions and farmers, involving also the community and voluntary sector, and the role of the state in opening up education and the economy have been crucial in developing the necessary consensus for reform. She demonstrates how changes necessary for economic success was change in the collective frame of reference within which economic issues, problems and references were analysed.
Last but not least, a good example of an innovation which has been scaled up and is now crosscutting all three categories is the **Grameen bank**, started by a young Bangladeshi bank manager, Mohamed Yunus in the early 1980s who took the risk to provide small loans, mainly to poor women to develop an economic activity. The success of the Grameen Bank had a tremendous influence on the development of microfinance worldwide. In 2006, it developed into a social business enterprise when Mohamed Yunus and Frank Riboud, the CEO of DANONE decided to begin a business that would bring low cost and highly nutritious food to the people of Bangladesh. They agreed to produce a fortified yogurt to improve the nutrition of poor children and the living conditions of poor communities by involving them in the production, distribution and sale of the products. This venture is progressively changing the economic and social situation of a whole region as well as giving DANONE an experience in developing products from local resources with the participation of local communities.

4. Further Steps

The pressing demand of stakeholders and think tanks working on this issue is to see social innovation recognised at a high political level in the EU to make it easier for social innovators at every level to act, get funding, and network and scale up their ventures when successful. In this context, anticipating on the recommendations of the report, we suggest:

- To give a clear recognition to social innovation in the framework of the new EU reform strategy to tackle future challenges (Europe 2020) as a concrete way to develop "people's empowerment in an inclusive society" (2nd priority of the consultation paper). To this end, existing funds could be used to facilitate concrete initiatives on social innovation

- To organize a BEPA event to follow-up the original BEPA workshop on social innovation (January 2009) and to continue the co-ordination that BEPA started on social innovation initiatives with the different Commission Services. This will help to formulate and implement concrete recommendations to promote social innovation at different levels of government

- To develop a strategy for social innovation in a Communication to the Parliament and the Council which would set up priority fields for action, priority tools and targets to be achieved within a specific time period.

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Accessed on 11 December 2009. It is also worth mentioning that in the US, the share of GDP spent on healthcare has more than tripled from 5% to 16% over the past 40 years. The forecasts of the Congressional Budget Office show that health care spending might grow to as much as 50% of GDP by 2082. The Congressional Budget Office (CBO) also estimated that Federal spending on Medicare and Medicaid would rise from 4% of GDP in 2007 to 7% in 2025, 12% in 2050 and 19% in 2082. Europe lags behind the

3 The following DGs were involved in the ad-hoc meeting group on social innovation: DG EMPL, ENTR, REGIO, RTD, AGRI, EAC, SANCO, INFSO
US in terms of public spending on healthcare, but costs are certain to rise considerably in Europe over the next few decades.


iv The following examples are taken from this study

v (LSE Professor and ex member of the Blair cabinet office)

vi See article by Julian Legrand and Graca Carvalho in the BEPA monthly July 2008

vii The following examples are quoted in the SIX/Young foundation study on social innovation

viii Chapter 9 in "Social innovations, institutional change and economic performance" Edited by Timo Hanalainen and Risto Heiskala in association with SITRA, the Finnish innovation fund