

## **SOME REFLECTIONS ON THE GOVERNANCE OF SOCIAL INNOVATION IN EUROPE**

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### **ABSTRACT**

The European Parliament's regulation for the EU programme for Employment and Social Innovation is a step towards the governance of social innovation, amid the reigning confusion about its role vis-à-vis the State's role in our post-crisis scenario, where citizens are finding themselves in increasingly vulnerable positions, and where austerity measures have created business 'opportunities' in social sectors such as education and healthcare.

The regulation stresses that both the ends and means of Social Innovation are social, alleviating the effects of unsustainable economic development. The governance of social innovation would necessarily subordinate economic to social benefits, and could foster the creation of relational capital, where social innovation could even function as an alternative intermediary between the State and its citizens, sidestepping the market, although it seems unlikely. The regulation includes notions from platforms against poverty giving political hope, but it is through our socially attuned collective intelligence that hope for the future can be found.

KEY WORDS: social innovation, governance, social needs; social capital

### **RESUMEN**

La regulación del Parlamento Europeo del Programa europeo para el Empleo y la Innovación Social es un avance hacia la gobernanza de la innovación social, en medio de una reinante confusión sobre el rol "vis a vis" del estado en un escenario post-crisis, en el que la ciudadanía ve incrementadas sus posiciones de vulnerabilidad, y donde las medidas de austeridad están generando oportunidades empresariales en sectores sociales, por ejemplo en la Sanidad y la Educación.

El reglamento hace hincapié en que tanto los fines como los medios de la Innovación social son sociales, aliviando así los efectos insostenibles del crecimiento económico. La gobernanza de la innovación social debe subordinar lo económico a los beneficios sociales, y debe favorecer la creación de capital relacional. Asimismo la innovación social debe funcionar como alternativa en los procesos de intermediación entre estado y ciudadanía, dejando a un lado el mercado, aunque ello parezca improbable.

La regulación europea incluye nociones que provienen de plataformas contra de la pobreza ofreciendo esperanza política, pero es mediante la sintonía de nuestra inteligencia social y colectiva que podremos donde hallaremos la esperanza para nuestro futuro.

PALABRAS CLAVE: innovación social; gobernanza; necesidades sociales; capital social

#### RESUM

La regulació del Parlament Europeu del Programa europeu per a l'Ocupació i la Innovació Social és un avanç cap a la governança de la innovació social , enmig d'una regnant confusió sobre el paper " vis a vis " de l'estat en un escenari post -crisi , en què la ciutadania veu incrementades les seves posicions de vulnerabilitat, i a on les mesures d'austeritat estan generant oportunitats empresarials en sectors socials , per exemple en la Sanitat i l'Educació .

El reglament remarca que tant els fins com els mitjans de la Innovació social són socials , alleujant així els efectes insostenibles del creixement econòmic . La governança de la innovació social de subordinar l'econòmic als beneficis socials , i ha d'afavorir la creació de capital relacional . Així mateix, la innovació social ha de funcionar com a alternativa en els processos d'intermediació entre estat i ciutadania , deixant de banda el mercat , encara que això sembli improbable . La regulació europea inclou nocions que provenen de plataformes contra la pobresa oferint esperança política , però és mitjançant la sintonia de la nostra intel·ligència social i col·lectiva que podrem on trobarem l'esperança per al nostre futur

PARAULES CLAU: innovació social; governança; necessitats socials; capital social

The recent publication of the ‘Regulation 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation (EaSI),’ which the European Commission will implement, is an important step towards the Governance of Social Innovation in Europe. But above all, it sheds some light on the confounded public debate over whether social innovation and entrepreneurship are taking over provision voids that rightfully belong to the State, on the one hand, and, on the other, on the tangle of proposals emerging from different groups and governmental entities presented as initiatives of social innovation

And I say it has shed some light because one can notice consensus about what Europe means by Social Innovation and Entrepreneurship and its potential contribution to creating better conditions for employability and social inclusion. This applies especially to a significant percentage of the European population that currently does not seem to be the main beneficiary of the banking and economic ‘bailouts,’ and which is in a situation of extreme vulnerability.

It is important to note, first, that this regulation is consistent with the concepts of social innovation arising from different European platforms against poverty. The Council and the European Parliament recognise in social innovation a ‘powerful tool for addressing the social challenges arising from population ageing, poverty, unemployment, new work patterns and life styles, and the expectations of citizens regarding social justice, education and healthcare.’

Given this view, it is understood that the fundamental feature that must distinguish a socially innovative service, product or model is whether or not its aim is responding to a social or environmental problem. Though not just any kind of problem, but specifically one that leads to social justice needs arising from a model of unsustainable and irresponsible economic development with regard to people and the planet.

I want to stress the importance of this distinction. For years I have been researching and working on projects related to social entrepreneurship and innovation at the local level, and it worries me often meeting self-styled ‘social entrepreneurs/innovators’ convinced that the mere fact of developing their entrepreneurial ideas in community or for a community (including virtual ones), in a social environment, grants them the ‘social’ badge. They also seem to believe that the level of technological sophistication in the development of their idea gives them the ‘innovative’ seal, in other words, the coveted passport for every immigrant to Silicon Valley or any of its replicas worldwide.

Almost everyone forgets or, worse, do not consider the key components of social entrepreneurship and innovation in their projects: the ethical aim of the idea, a

socially responsible management or the subordination of economic benefits to social and environment ones, and how these return to the community.

This disconnection from ethical aims, social and environmental values, responsibility, trust, cooperation and reciprocity—keys in creating social capital—conceptually distances them from real social entrepreneurship. This conceptual distancing becomes institutional exclusion because, as we shall see, this new regulation makes clear the conditions to be considered a social entrepreneur, and this is something that governmental entities dealing with employment and social inclusion should take into account.

The Regulation was published at the moment when many reputable sources of information recognised the alarming levels of poverty in Europe, mainly in the countries most affected by the crisis and by the conditions of the bailouts imposed by the European Central Bank.

The newspaper *El País* recently published that in Spain, in six years, the number of users of the services provided by charities such as Caritas has gone from just under four hundred thousand to over 1.3 million, and that the Italian Government has recently recognized that the country has reached its highest levels of poverty.<sup>1</sup> In Greece, another 'bailed-out' country, the economic and social situation is such that diseases such as malaria and the plague have reappeared in health care statistics. Just like the plague, inequality is an epidemic that is transmitted in Europe at breakneck speeds.

We, 'bailed-out' Europeans, have endured waiting for some conjoined reaction from our governments while they remained wedded to austerity policies as a kind of social purge to the 'excesses of the past' and as part of a political condemnation for belonging to the excluded 'bailout' club. In actuality, European citizenship is the real prisoner of this conviction, repaying with unemployment, increasingly precarious jobs, and increasingly limited access to education and health care.

In this economic and social context arises the new European Regulation and reappear some issues that I deem necessary to point out in order to understand the political dimension of social entrepreneurship and innovation.

Are social innovation entrepreneurs called to bail out Europe's poor citizens, meeting their basic needs and employment requirements? Is it possible for policies that result in processes of social and economic decline and others aimed at creating a critical

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<sup>1</sup> Claudi Pérez, 'La desigualdad corroe el proyecto europeo,' *El País*, 5th of January, 2014 ([http://internacional.elpais.com/internacional/2014/01/05/actualidad/1388953809\\_021102.html](http://internacional.elpais.com/internacional/2014/01/05/actualidad/1388953809_021102.html))

mass of enterprising citizens, driven by ethical principles and promoting sustainable economic development, to coexist in the same EU?

The regulation of the European Parliament we are referring to can give us some clues to think about these questions.

First, the regulation makes clear the definition of social innovation: these are innovations 'that are social both as to their ends and their means and in particular those which relate to the development and implementation of new ideas (concerning products, services and models), that simultaneously meet social needs and create new social relationships or collaborations, thereby benefiting society and boosting its capacity to act'.

This definition helps us to understand that 'good governance of social innovation' should promote initiatives of social entrepreneurship whose ethical aims are consistent with the means used to achieve them. For example: if the idea of social entrepreneurship seeks to address the problem of family reconciliation through a system of neighbourhood support, it wouldn't be desirable to give exclusive importance to women (in their socially accepted role as carers) as a claim for its creation, because we would be excluding the participation of men and dismissing their family obligations. That is, it would end up reinforcing gender inequalities in the realm of the couple and the family due to an unfair social distribution of responsibilities and tasks in both realms.

Secondly, it stresses that these are social innovations because they also generate new relationships and new collaborations, i.e. they foster relational capital and its power as a resource for social mobility. The creation of relational capital empowers the community and encourages participation, making it a necessary co-operator in the generation of knowledge and in the search for solutions to their problems and in creating greater social capital.

These new relationships arising from the invitation to cooperate, to collaborate and to share knowledge (not just expenses, costs or spaces) are essential, for example, in programmes to combat unemployment. This is because human capital needs relational capital to integrate into the labour market and requires the existence of strong social capital to stay in it.

Having seen the consensual definition for Social Innovation, other issues arise:

Does this mean that entrepreneurship and innovation will relieve the State of its duties of ensuring the exercise of social rights, burdening the community with the task of

solving its own needs? Or is it possible that social innovation ends up displacing the 'holy' market as intermediary between the State and citizenry, creating a direct connection between the two, capable of promoting new collaborative and participatory forms in the community to solve social and environmental problems on the basis of values of social and environmental sustainability?<sup>2</sup>

Frankly, I would prefer for the latter to happen. But I am not able to assert if this can be. And I'm sceptical when it comes to believing that in this post-crisis era neoliberalism as a model of political and economic thought will allow the public or private market to cease playing a significant role, conditioned by its power of influence in contemporary European economies. In fact, in Spain, the successive privatizations in the public health sector or cuts in education and care units prove that the business for corporations—their market—isn't any longer in building or science, but in that which the public considers indispensable and for which it will surely pay: health and education.

Finally, I want to highlight the definition that the European regulation gives for 'Social Enterprise', a company that, regardless of its legal form, presents these features:

(a) in accordance with its Articles of Association, Statutes or with any other legal document by which it is established, has as its primary objective the achievement of measurable, positive social impacts rather than generating profit for its owners, members and shareholders, and which:

- (i) provides services or goods which generate a social return and/or
- (ii) employs a method of production of goods or services that embodies its social objective;

(b) uses its profits first and foremost to achieve its primary objective and has predefined procedures and rules covering any distribution of profits to shareholders and owners that ensure that such distribution does not undermine the primary objective; and

(c) is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activities.<sup>3</sup>

<sup>2</sup> William Davies explores such kind of implications of the social in his post 'Neoliberalism and the revenge of the "social".' <http://www.opendemocracy.net/william-davies/neoliberalism-and-revenge-of-%E2%80%99social%E2%80%99D>

<sup>3</sup> Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013, *Official Journal of the European Union* <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:EN:PDF>

Thus:

First, the legal form of a social enterprise is conditioned by the assumption that its benefits must have an impact on its primary objective. The organization is called to the pursuit of profit, i.e., to be economically viable, but the profit should go to the social and environmental objectives established by social enterprise. For example: the Rub & Stub restaurant, in Copenhagen,<sup>4</sup> was created in order to draw the public's attention to the issues of food sovereignty in the world. They use products wasted by Danish supermarkets and which can still be used to make healthy food for customers committed to the cause.

The economic benefits contribute to maintaining the restaurant, obviously, but are intended primarily to cooperation projects of NGOs in Africa. Its primary purpose is not to fund projects in Africa but to raise awareness globally about the food problem by reducing waste where there is abundance, and help feeding those who have nothing. When this is achieved, they say they will put an end to their social enterprise because the purposes for which it was created will be fulfilled.

The means (the company, the restaurant) is aligned with the purpose (raising awareness about food waste) and its benefits, which are intended for similar purposes, in this case projects in Africa, specifically in vulnerable communities characterized by poverty and famine.

Second, the business management of the company should be 'socially responsible,' i.e., a transparent and participatory management. The ethics of social responsibility of the business that motivates the social enterprise is the ethics shared by all its stakeholders, and this ethic is one that understands that people and the planet come before profit, and that economic performance is subordinate to social and environmental performance.

Therefore, the Regulation can be understood as a first step towards an emerging governance of European social innovation in the post-crisis scenario in which we live. This is a first step on the complicated road to economic recovery and the restoration of rights. However, it is clearly insufficient since its application is limited to the governance of future programmes to combat poverty and to promote employment in the H2020 Strategy, hence, it does not involve true economic and political governance that ensures fair and sustainable growth and braces the conquest of Social Rights for which Europe has been historically acclaimed on the international political context.

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<sup>4</sup> For more information on the restaurant, see: <http://www.semana.com/cultura/multimedia/el-restaurante-rub-stb-emprende-una-guerra-contra-el-desperdicio/370242-3>

The fact that the Parliament and the Council have ratified this proposed regulation by the commission and that its arguments have included some of the demands and proposals of European platforms against poverty suggests that we can still expect political representatives to collect citizens' proposals.

But above all, the Regulation is a catalyst for European collective intelligence, one that kept the peace, gave prosperity and took care of the territories despite the walls and borders that marked its identity after World War II. The one that, at some point, understood cares as the greatest display of generosity for the future and of social innovation for the present.