Local social innovation and welfare state restructuring: analysing their relationship

Stijn Oosterlynck, Yuri Kazepov, Andreas Novy, Pieter Cools, Tatiana Sarius and Florian Wokuvitsch

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Abstract

This paper is concerned with local social innovation in the field of poverty reduction. We argue that local social innovation aimed at poverty reduction should be discussed in the context of the ongoing restructuring of the welfare state in Europe and debates about the future of social policy, paying particular attention to institutional features such as the territorial organization of the welfare system and changes in the welfare mix. Rather than seeing local social innovation as a new paradigm for social intervention that can potentially replace the welfare state, we see local social innovation as a wave of initiatives that is part and parcel of an ongoing spatio-institutional restructuring of welfare states, leading to a more complex rather than a completely different welfare mix.

We start this paper with a general definition of social innovation as an innovation that is innovative both in its goals and means and then develop a more customised definition for the field of poverty reduction. We do so by discussing three core characteristics of social innovation in this area, namely its approach of poverty as a multidimensional and relational phenomenon, its critique of bureaucratic and centralized welfare institutions and its place-based character. This leads us to define local social innovations in the field of poverty reduction as locally embedded practices, actions and policies that enable socially excluded and impoverished individuals and social groups to satisfy basic needs for which they find no adequate solution in the private market or institutionalized macro-level welfare policies.

In a final part of the paper, we build on this customized definition to analyze the relationship between social innovation and macro-level welfare state policies. We show how the spatio-institutional restructuring of welfare states in recent decades have created many points of contact between macro-level welfare policies and local social innovations and that recent and that social innovation has recently emerged on the European social agenda. Finally, by way of identifying issues of interest for empirical research on the relationship between social innovation and welfare state, we look at how local social innovations organize social interventions differently from conventional welfare state policies and social investment strategies.

Keywords: Social innovation, welfare state, poverty reduction, social investment, welfare mix, rescaling, social policy

1   Introduction: local social innovations and welfare state restructuring

This paper looks at social innovation in the field of poverty reduction and does so in the context of the ongoing restructuring of the welfare state in Europe and debates about the future of social policy. The aim of the paper is to analyse the relationship between local social innovation and the changing welfare state. We look at social innovation and welfare state restructuring from an institutionalist perspective. Institutionalism – ontologically speaking – assumes that "institutions and institutionalization are the primary axis of collective life and social order" and that institutions matter because they define "the rules and resources of social action" and "the opportunity structures and constraints on social behavior" (Jessop, 2001; Sum & Jessop, 2013). This implies that the relationship between social innovation and the welfare state is taken to be determined by the (varying) institutional forms both take. We are interested here in how local social innovations organize social interventions differently from conventional welfare state policies. It is assumed that dealing with social protection against social risks generated in capitalist labour markets can be organized differently from welfare 'machines' that are quasi-automatically transferring resources between different categories of the population. Particular attention has to be paid here to the territorial organization of the welfare system and its welfare mix.

Over the past decades social innovation has been the subject of extensive research in a variety of fields, amongst others local development studies, urban studies and studies of labour organization (Moulaert, MacCallum, Mehmood, & Hamdouch, 2013). However, there is not yet a lot of scholarly literature on social innovation in the field of social policy and welfare studies (see amongst others Evers, Ewert, & Brandsen, 2014; Jenson, 2014). A number of programmatic statements on the future of social policy and the welfare state that have been made by high profile politicians in the context of the global financial-economic crisis have drawn the attention of social policy scholars to social innovation. The European Commission, for example, has heralded social innovation as a new paradigm for social intervention (Barroso, 2011; Bureau of European Policy Advisors, 2010). In a recent speech, the Dutch King Willem Alexander has announced the end of the welfare state and welcomed its successor the 'participation society', in which citizens are expected to take over care tasks formerly executed by public institutions. In the UK, the Conservative Prime Minister Cameron has launched the Big Society Initiative. Cameron stated that "in the past, the left focused on the state and the right focused on the market. We're harnessing that space in between - society - the 'hidden wealth' of our nation." (David Cameron, Speech on the Big Society, Milton Keynes, 23 May 2011). The stress on civic initiative in the participation society and the Big Society programs is shared with the social innovation agenda (Ishkanian & Szreter, 2012).

In this paper, we are cautious not to present social innovation as a new paradigm for providing welfare and social protection as the aforementioned programmatic statements do. Rather, we consider social innovation as a wave of initiatives, driven by civil society actors, social entrepreneurs and local governments that respond to unmet social needs in innovative ways. We argue that, from an institutionalist perspective, it is more productive to see this wave of initiatives as part and parcel of an ongoing spatio-institutional restructuring of welfare states, leading to a more complex rather than a completely different welfare mix. Social innovation adds new actors (e.g. social entrepreneurs) or redefines the role of existing actors (third sector/NPOs or local governments), introduces new instruments (e.g. based on participation of clients) and puts forward new goals (e.g. recognizing diversity in social service provision) in the welfare mix. This perspective on social innovation focuses on the interrelationships with the institutions of the welfare state. Instead of identifying social innovation as a new paradigm

which succeeds apparently outdated ones, we investigate how it complements, shapes and modifies the agenda of social protection as a social right and the 'social investment agenda' (cf. Morel, Palier, & Palme, 2012; Palme & Cronert, 2015).

This paper, then, aims to contribute to both the literature on social innovation and the social policy literature in three ways. First, it develops a definition of social innovation attuned to the specificities of poverty reduction. By doing so, we also aim to counter the de-contextualisation of the idea of social innovation, which due to its popularity among policy-makers has become a buzzword that is severed from its historical roots. Secondly, we situate local social innovation in the context of the ongoing spatio-institutional restructuring of the welfare state, showing how local social innovations are part and parcel of these restructuring processes. This argument can be read as a plea for social policy scholars to take social innovation seriously and for social innovation scholars to engage in reflection and dialogue on social policy. Thirdly, and finally, the paper aims to identify issues of interest for empirical research on the relationship between social innovation and welfare state by reflecting on the affinities and tensions between social innovation, the welfare state and social investment strategies.

The remainder of the paper is structured as follows. In the second section of this paper we define social innovation and explain what is social and innovative about it. We then move on to describe its core characteristics: the broader definition of development in terms of human well-being, its critique on the bureaucratic and centralized nature of public and private institutions carrying our social policies and its place-based and context-sensitive character. In the fourth section of the chapter, we show how the localization of the welfare state and the appearance of social innovation on the European agenda forges multiple contact points between local social innovations and the welfare state. We finish this paper by analyzing the affinities and tensions that can be observed between local social innovations on the one hand and the welfare state and social investment strategies on the other hand.

2   Defining social innovation

Given its focus on what is new or alternative to what already exists, a phenomenon like (social) innovation is by nature difficult to define and demarcate (Chambon et al. 1982: 111). We therefore follow a double strategy. We start with a generic definition, which is widely shared by the multiple constituencies who mobilize the concept to label a very diverse set of social actions, and then historicize it to give it a more precise and substantive meaning – and hence open it up to empirical investigation. The most widely shared definition of social innovation was launched by the British Young Foundation and later picked up the European Commission. It defines social innovations as "innovations that are social in both their ends and their means" (Bureau of European Policy Advisors, 2010: 9; Young Foundation, 2006). More specifically, it is about "new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations" (ibid).

This definition entails a double focus on both process and product, a recurring feature in many of the more academic definitions of social innovation as well (see also Schumpeter, 1942 for this double focus in the original definition of innovation)[1]. Mumford for example defines social

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[1] Economically inspired definitions of social innovation tend to stress the product over the process dimension. Pol and Ville, for example, argue than an innovation is a social innovation "if the implied new idea has the potential to improve either the quality or the quantity of life" (Pol and Ville, 2008). Because contemporary interest in social innovation is to an important extent informed by a critique on the dominant economically and technologically determinist models of innovation, which either

innovation as "the generation and implementation of new ideas about how people should organize interpersonal activities, or social interactions, to meet one or more common goals" (Mumford, 2002: 253). For Hämäläinen and Heiskala social innovation is about "changes in the cultural, normative or regulative structures [or classes] of the society which enhance its collective power resources and improve its economic and social performance" (Hämäläinen and Heiskala, 2007). Klein et al. from their part stress how social innovation "concerns the implementation of new social and institutional arrangements, new forms of resource mobilization, new answers to problems for which available solutions have proven inadequate or new social aspirations" (Klein, Fontan, Harrisson, & Lévesque, 2012). Moulaert, finally, is even more explicit in his focus on social process and refers explicitly to the importance of power relations in the process dimension of social innovation. He and his colleagues claim that social innovation has three basic components: (a) the satisfaction of basic social needs (content dimension); (b) the transformation of social relations (process dimension) and (c) the increase of sociopolitical capabilities and access to resources (empowerment dimension linking process and content) (Moulaert, Martinelli, Swyngedouw, & Gonzalez, 2005).

'Social innovation' is hence different from innovation in general in that both its aims and means are social. Social aims are mostly defined in terms of the satisfaction of 'social needs' (TEPSIE, 2012, Moulaert et al. 2013; Oosterlynck et al., 2013; Mulgan et al., 2007; Chambon et al. 1982), although sometimes it also defined in a broader way in terms of the 'common good' (see Howaldt & Schwartz, 2010: 26) or large-scale societal challenges such global warming, ageing and inequality (see BEPA, 2010; Young foundation, 2006). It is this focus on social aims that gives social innovation its normative overtones, since neither needs nor societal challenges or the common good can be defined outside of a normative framework. Being socially innovative in terms of means (or process) involves a transformation of social relations (Moulaert et al. 2005, 2013; Gerometta, 2005). This transformation of social relations variously refers to new modes of governance and participation, forms of collective action, social learning, awareness raising, etc. It is here that the distinction with technological innovation becomes most clear. It implies that technological innovations that serve particular social aims or address societal challenges but merely through the introduction and application of new technologies are not social innovations per se (although they may enable social innovation, e.g. when new ICT enable new modes of collective action). When applied to the field of social policy, social innovation should be distinguished from mere technocratic interventions aimed at efficient allocation of monetary resources without attention for the set of social relationships and the modes of governance that underpin these interventions (see Klein et al., 2012 for the example of Québec).

The stress on the transformation of social relations draws attention to the institutional embedding of processes of social innovation and the relations of power that are condensed in these institutional forms (Moulaert, Martinelli, Swyngedouw, et al., 2005). Social innovation, like any process of innovation, has to be critical and may be destructive, first, to become creative and constructive in a second moment. It very often involves going against established interests to reorganize existing institutions that prevent people from satisfying their social needs in a particular context (Chambon et al., 1982) and crossing over institutionalized boundaries of organisations, policy sectors and fields of expertise that compartmentalize social groups and their needs (Evers et al., 2014; Howaldt and Schwartz, 2010). When this process is explicitly framed in terms of empowerment, as Moulaert and his collaborators do (Moulaert, 2010; Moulaert, Martinelli, & Swyngedouw, 2005), the normative dimension associated with the

ignore social processes altogether or treat them in an instrumental way (Moulaert & Sekia, 2003), we here prefer definitions of social innovation that include an important focus on social processes and relations.

proclaimed aims of social innovation is further translated into the type of social processes that deserve the label 'socially innovative'. The transformation of social relations then implies increasing the social and political capabilities of social groups to allow them to satisfy their own needs, e.g. through participatory modes of governance and capacity building.

3   The core characteristics of social innovation in the field of poverty reduction

In the previous section, we discussed and developed a general definition of social innovation as an innovation that is innovative both in its goals and means. This, however, still leaves open the question when a social phenomenon is really 'new'. We here advance a contextual understanding of 'newness'. A particular social phenomenon derives its novel nature from the institutional context in which it takes place (Oosterlynck et al., 2013; Moulaert, 2009). This implies that a particular phenomenon can be a revival of an 'old' practice in a different, contemporary context or the transfer of an established practice to another (spatial and/or institutional) context. Compare for example garden allotments as a strategy of political elites during the high days of industrialisation to educate labourers through contact with nature and give them access to extra food resources with contemporary experiments of urban agriculture and urban gardens in the context of ecological transition and strategies to improve social cohesion in superdiverse urban neighbourhoods (Depraetere and Van Bouchaute, 2014).

This implies that social innovation can only be understood contextually, i.e. its newness is a characteristic not of the phenomenon itself but of its relationship to a certain institutional context. It is about the introduction of an alternative way of addressing certain social problems or needs. In this paper, we are interested in social initiatives that are new with regard to established social policies in particular welfare states. This challenges us to grasp the 'newness' of the recent wave of social innovations in the field of poverty reduction. In this third section, we thus aim to describe the core characteristics of the wave of social innovations in the field of poverty reduction in welfare states since the late 1970s. We identify three core characteristics: the broader definition of development (and hence also poverty) in terms of human well-being, its critique on the bureaucratic and centralized nature of welfare institutions and its place-based character. We now discuss each of these three core characteristics in turn, starting with the definition of poverty and development.

3.1 Development as human well-being

When writing about social innovation to address poverty reduction, we need to raise the question on which definition of poverty social innovation operates. There is no space here to engage in the ongoing and lively debates on definitions of poverty (see e.g. Laderchi, Saith, & Stewart, 2003), so we will restrict ourselves to highlighting what poverty is assumed to be by social innovation as defined in the previous section. The stress of social innovation on social relations leads to a definition of poverty that sees it as the result of a set of processes of social exclusion in various spheres of life. Following Vranken, we define poverty as "a complex set of instances of social exclusion that stretches out over numerous areas of individual and collective existence, and which results in the poor being separated from the generally accepted living patterns in society and being unable to bridge this gap on their own" (Vranken, 2001). This definition implies that (1) poverty is not only a question of income but multi-dimensional

(although in a capitalist society the cash nexus is crucial to satisfy needs via the acquisition of commodities); and (2) a relational phenomenon.

Firstly, poverty is multi-dimensional, which implies a critique on economistic readings of development. In fact, right from the beginning of the modern poverty discussion – see Friedrich Engels' analysis of miserable living conditions in Manchester, Charles Booth's studies on poverty in London and Joseph Rowntree's analysis of social conditions in York – poverty was conceptualized in more than only material terms. In Townsends' (1979) seminal contribution to the debate, poverty was also not seen as exclusively related to the scarcity of monetary resources. Although they play a major role, poverty is instead considered to be a complex, multi-dimensional and cumulative problem, depending on a mix of contextual conditions (e.g. labour market and social policies), individual characteristics (and family background), life and work trajectories and social networks.

In many ways, the rise of the current conception of social innovation ran parallel to that of social exclusion, which highlighted the non-material dimensions of poverty (Chambon, David, & Devevey, 1982; Silver, 1994). The political-economic background to the growing literature on social exclusion is the comeback of long term unemployment and social distress after the golden age of European Fordism. The causes for the demise of Fordism were liberalized financial markets, deindustrialization, liberalisation of international trade and increasingly diversified European societies. This return of the social questions led to a new discourse on social exclusion, starting first against the background of a special cultural concept of national belonging in France and the consequences of a neoliberalized society in the United Kingdom and being later transferred to most other European societies (Levitas 1996, 2005; Atkinson 2000). Despite different origins, the original denominator of this discussion was an increasing gap between the middle classes of European societies with access to adequate health services, education and accommodation, permanent jobs and incomes and representative democracy and those who were losing access to all these valuable goods in developed societies. In this context, it became clear that with changing labour markets and increasing precariousness and insecurity in general (Beck 1992) concepts of integration and exclusion needed to be conceptualized in more flexible terms. In particular, there was the need to understand the impact of increasing fragmentation within the continuum between exclusion and full integration depending not only on people's position on the labour market but also their freedom of choice (Castel 1995).

The multi-dimensional understanding of poverty is also close to the idea of 'development as freedom' elaborated by Amartya K. Sen (1999). The key concept in Sen's theory of development is capability, defined as a person's freedom to achieve the functionings to lead the life he or she wants to live (Sen 1992). Poverty is conceptualized as aggregated deprivation of basic capabilities like a lack of food and basic amenities, access to education and health services but also a lack of political representation. While Sen was much concerned with basic development opportunities of the poor in the global South, Martha Nussbaum elaborated a set of capabilities that need to be regarded as crucial for leading a fully integrated life, reaching from bodily health and integrity to the development of true emotions and valued affiliations up to control over one's material and political environment (Nussbaum 2006). Sen's and Nussbaum's ideas have been highly influential when the Human Development Index (as an alternative indicator for a society's well-being to complement the GDP) was developed by the United Nations and display much affinity with the broad idea of development as the improvement of human well-being and the importance of empowerment and capacity building on which social innovation in the field of poverty reduction operates. Recently, the concern for the "good life" (Skidelsky & Skidelsky, 2012; WBGU, 2011) has been taken up, trying to link diversity and equality (Novy, Coimbra

Swiatek, & Moulaert, 2012) and linking the search for a broader understanding of quality of life with concerns for solidarity and cohesion (Novy, 2013).

Secondly, poverty is a relational phenomenon, as is reflected in Smith's famous dictum "to appear in public without shame" (Smith quoted in Sen, 2010: 52). For Vranken, poverty resides not in the individual characteristics of people, but in their position of separation vis-à-vis mainstream society. Even if we would limit poverty to a problem of income, it would still be relational because the distribution of income has to be seen as the result of the social mechanisms of stratification that operate within a society, i.e. the combination of a range of social positions and the bundle of resources that position gives access to (social structures) and the set of rules that govern the distribution of people over these positions. As a result, even addressing income poverty requires a reshuffling of social relations, institutions and structures. This relational understanding of poverty is reflected in the focus of social innovation on social relations and the need for its transformation. This focus is even more relevant in the context of the forms of social exclusion that have emerged in the wake of the crisis of Fordism. Current models of knowledge intensive socio-economic development produce forms of social exclusion that are – at least in the way they are experienced – more individualized, in opposition to the group-based forms of exclusion characteristic for industrial capitalism (Beck, 2005).

Poverty understood multi-dimensionally is however not solely concerned with material well-being, but also with political representation through participation and cultural recognition. Nancy Fraser's concept of social justice is relevant to understand the different ways in which a transformation of social relations can address an enlarged concept of poverty. Fraser theorised the changes in the idea of social justice due to the rise of the new social movements and argues that full participation in society is dependent on a just economic (re-)distribution, but also on cultural recognition and political representation (Fraser 2007, 2012). People can lack opportunities of full participation in society due to lacking financial and material resources, which is the main concern of the post-war welfare state), but also due to neglect or even discrimination on the basis of cultural background and under-representation in crucial institutions and decision making bodies. Transferred to the field of social innovation this means that innovations are particularly focused on attempts to sensitizing and complementing the redistributive and protective policies of the welfare state with concerns of representation and recognition.

3.2 Critique of bureaucratic and centralized welfare institutions

In order to understand on which assumptions of the welfare state contemporary local social innovations operate, we need to briefly look at a number of societal changes and how these have challenged the welfare state over the course of the last four decades. The European welfare states that developed and consolidated after the Second World War and were, despite their differences (Arts & Gelissen, 2002), based on relatively stable nation-state centred socio-economic development and quite standardised social risks. They addressed within the clearly delimited national territory, through expanding entitlements and benefit generosity, emerging social needs. This was facilitated through a broad commitment to an inclusive full employment strategy and the increase of public expenditure backed up by economic growth. Since the mid-1970s, deep structural changes undermined the societal consensus of post-war welfare capitalism, modified the ways social risks were produced, undermined the functioning of consolidated welfare institutions and the effectiveness of social policies and the existing re-distributive mechanisms (Castel, 1995; Taylor-Gooby, 2005; Bonoli, 2006).

The individualization of biographical pathways, the diversification of family arrangements and the de-standardisation of work careers have diversified social risks and life course specific needs, demanding for new social policies. The need to renew welfare states' organization and to adapt its general functioning to the new context, kicked-off an intense debate on the overall institutional architecture of the welfare state and the direction of change.

This process has been followed, over the last three decades, by a significant spatio-institutional reconfiguration of the welfare state, in three main directions: (a) de-and re-bureaucratization; (b) territorial reorganization; and (c) changing welfare mix (Oosterlynck *et al.*, 2013). These processes of reconfiguration reflect the structural societal changes alluded to above, but also the criticisms of welfare state institutions that are embodied in socially innovative projects and practices. Social innovation has part of its roots in the civic rights and democratization movement of the late 1960s (Chambon et al., 1982; Moulaert, 2010). In the second half of the 1960s, the civil rights movement in the US perceived the strong link between civic and social rights and their joint violation. This resulted in severe social struggles, urban riots and political turmoil, first in the US and then spreading to Europe. This broad multi-class movement was not only opposed to economic power, but criticized left organisations and even welfare institutions as oppressive as well. Its anti-systemic approach resulted in a broad "bottom-up" and anti-centralist philosophy. Central to this movement were the notions of empowerment, autonomy, participation and self-governance – all of it concepts which were later taken up by neoliberalism as well. These notions were often opposed to what was in rather strong words called 'institutional pollution', of which welfare state institutions were seen to be part of. Underlying the notion of social innovation then is a strong sense of the need to bypass and transform rigid and centralized welfare institutions. In the next section, we will elaborate on how this led contemporary social innovations to adopt heavily place-based and strongly localized forms (see e.g. Moulaert, Martinelli, Swyngedouw, & Gonzalez, 2010). As the call for autonomy, participation and self-governance is opposed to big hierarchical organisations, both in the state and in the market, social innovation accords a central role to civil society (whether social movements, NGO's, third sector organisations or volunteers)[2], social entrepreneurs and local governments (as the traditional vestige against the centralization of state power).

Overall then, civil society organisations, social entrepreneurs and local governments have started to increasingly take up active roles in defining, designing, funding and implementing social policies. A range of arguments have been voiced to justify this, many of which resonate with the aforementioned sensibilities of social innovation (Andreotti, Mingione, & Polizzi, 2012, however see Anheier and Seibel, 1990; Anheier 2005; Ascoli and Ranci 2002 for critical reflections and potential risks). They

- are said to be able to better decode the complexity of actual social needs and risks, integrating different points of view and interpretations;

- can make available different competences and approaches, allowing and facilitating the diversification of interventions and types of support;

- can integrate resources and strategies and respond to the need for de-standardisation, proximity, cultural sensitivity and participation;

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[2] It is important to point out here that civil society involvement is not at all a new feature of welfare states (even more so, it is a defining feature of corporatist welfare states). The reference here is to new civil society organisations (e.g. new social movements), older civil society organisations that were not yet involved in macro-level social policies or new forms of involvement of civil society organisations that are already involved in macro-level social policies.

- can improve transparency and accountability, creating multiple networks of reciprocal control among different organizations, thus contributing to the general effectiveness and efficiency of the welfare system;

- legitimate political decisions, reinforcing democratic systems through participation and more horizontal governance mechanisms and control;

- can contribute to costs reduction, providing new resources (e.g. voluntaries, financing) to complement decreasing public budgets. Or – with the same budget – increasing the quality of social interventions.

From this point of view, social innovation not only aims at supporting weaker individuals and groups, but also aims at transforming social relationships through participation, rising awareness and learning on poverty problems and exclusion. The assumption is that the macro-social policies, due to their bureaucratic and centralized nature, slow down need satisfaction and often (unintentionally) disempower people in poverty. Social innovation thus takes into account the importance of social processes, besides policy contents and aims. Vertical and horizontal subsidiarity, territorial development and reinforcing social relationships are relevant poverty reduction strategies, aimed at prevention, not just at solving already existing and established problems. Importantly, as opposed to the governing at a distance of the welfare state, social innovation aims to activate proximity networks in order to reinforce communities' relationships and foster peer support and solidarity among citizens.

3.3 Social innovation as place-based practice

A third core characteristic of the contemporary wave of social innovations in the field of poverty reduction is its context-sensitive, strongly localized and place-based character (Moulaert, 2002). This characteristic follows from the objection to "top down" solutions which are often perceived as disempowering and somewhat authoritarian and its desire to respond directly to perceived social needs. Social innovations emerge from the everyday life context of citizens and have a bottom up character (Fontan and Klein 2004; Moulaert 2009). For many members of disadvantaged groups, the neighbourhood is the predominant scale of daily experiences and hence – according to most social innovators – the privileged scale at which experienced unmet needs of disadvantaged groups can be satisfied. In many cases the sense of a shared environment is strong and one of the few remaining bases for broad and inclusive participation, solidarity and collective mobilisation, especially in cities (Moulaert et al., 2010). In local welfare studies local public institutions are considered best-suited to promote and support social innovation in the fight against poverty and social exclusion as they are closest to the citizens and their needs (Andreotti *et al.* 2011). This highlights the role of local governments and networks in detecting, fostering and stimulating social innovations.

Moreover, and in response to the ways in which bureaucratic welfare states have compartmentalized social needs in a range of institutionally separated policy sectors and their respective instrument, place-based interventions – by taking place as the framework to integrate a range of actions – are well-placed to overcome these sectorial policy divides (Moulaert, 2002). This stress on integrating actions and interventions through a focus on place follows amongst others from the awareness of the spatial concentration of poverty and social exclusion, particularly in disadvantaged neighbourhoods in de-industrialising cities (Wilson 1987; Marcuse 1989; Mollenkopf and Castells 1991 and Fainstein et al. 1992). The economic crisis from the 1970s onwards hit industrial cities particularly hard, effectively leading to a full-fledged urban crisis (Theodore & Peck, 2011). This led to an upsurge in socially innovative

neighbourhood development strategies (Christiaens, Moulaert, & Bosmans, 2007; Moulaert et al., 2010).

However, as only a minor part of the socio-economic context is shaped at the local scale, focusing on localities as the privileged sites for socio-economic development is not only problematic from an analytical but also from a strategic point of view (Moulaert et al. 2005). The local room to manoeuvre is always dependent on processes and structures that are being shaped on different levels and within different scales (Swyngedouw 1997, Jessop 2000, Brenner 2004). Despite the requirement of a strong local embeddedness of social innovation, effective local social innovation is always dependent on links with supra-local institutions and, thus, need to follow multi-scalar strategies (Moulaert 2000; Garçia, 2006). This "'bottom-linked' approach to social innovation […] recognises the centrality of initiatives taken by those immediately concerned, but stresses the necessity of institutions that would enable, gear or sustain such initiatives through sound, regulated and lasting practices and clearer citizen rights guaranteed by a democratic state-functioning" (Moulaert 2010: 9).

4 Social innovation, social investment and the welfare state: complementarities and trade-offs

Now that we have defined social innovation in general and discussed its core characteristics in the field of the fight against poverty and social exclusion, we move on to analyse how local social innovation emerged on the agenda about the future of European welfare states. A special focus is given to the relationship with the welfare state and the current mainstream policy, namely social investment strategies. In line with the insights in the preceding two sections, we use the term social innovation to refer to locally embedded practices, actions and policies that enable socially excluded and impoverished individuals and social groups to satisfy basic needs for which they find no adequate solution in the private market or institutionalized macro-level welfare policies. We address the question of how social innovation relates to the welfare state in three different steps. Firstly, we explain how the ongoing localization of the welfare state already offers an increasing amount of 'points of contact' between welfare states and local social innovation. Secondly, we briefly describe how the new European social agenda has pushed social innovation at the forefront of debates. Thirdly, in an attempt to shed light on how these new social innovation agenda might relate to the welfare state and its ongoing restructuring, we analyze the similarities and differences between social innovation on the one hand and the welfare state and social investment strategies – as the pre-dominant social policy reform agenda – on the other hand.

4.1 Localising and opening up the welfare state

As we already hinted at in section 3.2, over the last forty years welfare states have undergone structural spatio-institutional changes, one important dimension of which is the increasing localisation of welfare state capacities and responsibilities (Andreotti & Mingione, 2014; Kazepov, 2010). The territorial re-organization of institutional competences and capacities ('vertical subsidiarisation' and devolution) had two justifications. First, it was the spatial component of a neoliberal agenda of liberalization and privatization. Second, it aimed at democratization, facilitating social participation and the creation of social networks (Fung and Wright, 2001, 2003), mobilizing new resources and adapting interventions to local specificities, thus responding to sustained criticisms directed at the national state for being too distant from

the citizen and too slow, ineffective and inefficient in responding to social needs. As a consequence, regional and municipal authorities have become more autonomous and pro-active actors in providing welfare and social protection, while national and supra-national institutions have mainly held roles of coordination, territorial redistribution and rights homogenisation[3].

Parallel – and related to – processes of vertical subsidiarisation, the last decades also witnessed a trend towards horizontal subsidiarisation. The increasing number of actors, public as well as private, for-profit and not-for-profit, civil society organisations as well as individuals or services claimants, involved in social policy design, management, funding and implementation and foreseen in the reforms of the last decades created an increasingly complex welfare mix (Ascoli and Ranci, 2002). These changes in the welfare mix derive from a variety of processes, amongst which a critique on the institutional rigidities of pillarized welfare regimes, in which both states and established civil society organisations are seen as slow and less effective in responding to complex and changing needs and poverty as a multi-dimensional and relational problem. Horizontal subsidiarization leads to localized mixed networks of public institutions and a host of (new or less established) civil society organizations. By drawing on combinations of different points of view, competencies, skills and tools for needs' analysis, approaches and resources, these localized mixed networks are supposed to be more effective and efficient in realising de-standardised and complex interventions, responding to needs' individualization and cultural differentiation and calls for choice, activation and participation. By including the actors upon which decisions will be implemented, the policy making process acquires new legitimation. They also reinforce the social "tissue" while working, activating social participation, thus building, generating and consolidating social relationships to face and prevent poverty and social exclusion (Kazepov, 2008, 2010).

The vertical and horizontal subsidiarization of national welfare regimes has been increasingly shaped by neoliberalisation and the pressures deriving from fiscal austerity (Peck, 2004). In the 1960s, criticism of social movements on the welfare state derived from the analysis that an affluent society should distribute its money more equally and less authoritarian. Current policy discussions – from the Barroso Commission's concern with social innovation, the Big Society in the UK or the participation state in the Netherlands - are shaped by putting the wheel of history into reverse: scarcity and retrenchment of expensive services is shaping the social policy debate, opening room of manoeuvre for new, cheaper or more effective service providers. This multiplies the potential 'points of contact' with local social innovations in a very different setting than in the 1960s and 1970s. The current opening up of the welfare mix creates opportunities for new and (from the perspective of social policy) unconventional civil society organisations, social entrepreneurs and local public institutions to be involved in the development of social policies and provision of welfare. The localisation of welfare regimes further opens up the system of welfare provision to place-based socially innovative actors. The multiplication of potential points of contact does, however, not pre-determine that these contacts will be forged and institutionalised – as other actors such as multi-national for profit service providers may be more effective in doing so (see Ishkanian & Szreter, 2012 on the UK Big Society agenda). We can, however, expect that it shapes the nature of these contacts between local social innovations and the welfare regime. In order to assess the nature of these contacts, we now turn towards the European social innovation agenda and the shifts in social policy paradigms. These two agendas determine the macro-policy context in which local social innovations operate.

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[3] An important risk entailed by this process of vertical subsidiarization is the fragmentation of policies and territories and the consequent diversification of citizenship rights.

4.2 A new European social agenda

Although the social innovation agenda has been developing since the 1970s, concomitant with the changes in the welfare state arrangements described above, it only explicitly entered the discussion on the future of the European welfare state in the second half of the 2000s. In the wake of the crisis, the European Commission started promoting social innovation as a new paradigm of social intervention that develops new ways of addressing social needs and societal challenges by working across policy sectors and with close involvement of civil society (Oosterlynck & Cools, 2012). The concept of social innovation made its first appearance in the European institutions when the Commission launched its Renewed Social Agenda in July 2008 in an attempt to deal with the failure of the social objectives of the Lisbon Agenda, which before then had been one-sidedly focused on job creation and economic growth (Euractiv, 2009). In 2010 the internal think tank Bureau of European Policy Advisors (BEPA) published the report 'Empowering people, driving change. Social innovation in the European Union', which forms the basis of the European social innovation strategy (Bureau of European Policy Advisors, 2010).

For the European Commission social innovation should have as its aim the creation of an "enabling welfare state" which changes the attitude and involvement of citizens, market actors and civil society (Bureau of European Policy Advisors, 2010: 18). According to the BEPA report using the creativity and personal commitment of citizens is necessary given the tight budgetary constraints on European governments in times of crisis (Bureau of European Policy Advisors, 2010: 7). The authors believe that social innovation will lead to new models of public service provision that address increasing social needs, while lowering their impact on government budgets. The shift towards an enabling welfare state is, still according to the BEPA report, also desirable because the traditional methods of service provision by the market, public sector and civil society are failing. The report approvingly cites authors who have called for "a review of the way in which welfare is provided, involving the recognition of the innovation capacity of public services and the dynamics of a user-based, demand-pull approach in which social innovation is supported and promoted" (Bureau of European Policy Advisors, 2010: 27). Because Europe has the most developed welfare states, the authors of the report believe European countries have to take the lead in social innovation.

By launching and promoting the social innovation agenda, the limited competences have led the European Commission to an apparently paradoxical positioning in the social policy field: It does not directly act at the macro-level of defining social citizenship at the European level or building redistributive institutions, but focusses at the lowest possible level[4]. It re-frames local social innovation in a particular political-economic context of low growth and austerity-driven strategies for offloading public responsibilities to civil society and local actors and the search for new sources of economic growth. This puts a particular spin on place-based and decentralized initiatives and mobilizes the creative and entrepreneurial potential of citizens, their organisations and local governments to ends that are often at odds with the historical roots of social innovation in the struggle for emancipation, autonomy and self-governance. In order to better understand the role of local social innovation in the ongoing restructuring of welfare states (which may both mean how social innovations transform macro-level social policies and how social innovations themselves get aligned and incorporated in social policy agendas), we need to position it with regard to the existing social policy paradigms and compare it with the welfare state and social investment strategies. In the final section, then, by way of identifying issues of interest for empirical research on the relationship between social innovation and

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[4] We are grateful to Bea Cantillon for pointing this out to us.

welfare state, we briefly analyse the convergences and divergences between local social innovation and the classical welfare and social investment state.

4.3 Social innovation, the welfare state and the social investment state: emancipation, protection and activation

Independent of its concrete form or type, the welfare state as a particular way of catering for social needs is rooted in a shift of discourses and beliefs. In the 19th century, enlightenment, industrialization and the emerging social sciences created new perspectives on human well-being and social justice as well as on the possibilities of the bureaucratic organization of the state and firms as well as the rational planning of modern economies. After the humanitarian and political disaster of the great depression, Nazi-fascism and World War II, redistributive and strongly interventionist welfare states that take care of their citizens from cradle to grave became an uncontested terrain all over Europe (Pierson and Leimgruber, 2010)(Hobsbawm, 1995; Judt, 2010)[5]. Although there were still significant differences between Bismarckian and Beveridgean models of welfare provision (Bonoli, 1997) with regard to the stratification of societies, de-commodification and universality, all welfare states to varying degree subordinated the logic of charity to the logic of social rights and citizenship (Pierson and Leimgruber, 2010)(Marshall, 1950)). Welfare states protected their citizens against social risks and unemployment through (partial) de-commodification, i.e. by giving them social rights. The capabilities of citizens were partially de-coupled from their position on the labour market, most prominently in universal welfare states. This institutionalised system of *social protection* worked through cash transfers and social services. By aiming at universal coverage, it often resulted in a bureaucratized and centralized – meaning national - institutional system of 'passive' social protection, which to a significant extent was built through the nationalization of existing local social innovations and embedded in a system of social dialogue between established civil society actors (Novy, Hammer, & Leubolt, 2009).

From the late 1960s onwards, public welfare institutions have been criticized for being slow in responding to new social risks, their standardized approach that is not so well attuned to local specificities, its lack of openness to participation of new civil society actors and its one-sided focus on cash transfers. The democratization movements of the 1960s and 1970s which uttered these critiques most forcefully wanted people to be *emancipated*, which implied seeing and treating them as active citizens co-creating welfare instead of passive welfare recipients (Chambon et al. 1982). Although they supported the societal value of the universal provision of essential goods, services and infrastructure to all citizens, they requested to improve the provision of welfare to become more sensitive to needs and desires of welfare recipients (Evers and Ewert, 2014). Proponents of social innovation claimed that the forms of social protection provided for by welfare states often embodied and consolidated entrenched societal hierarchies (e.g. male dominance and the subordination of ethnic and sexual minorities) (Fraser, 2012). The roots of the movements from which social innovation sprung can be traced back as early as to the 18th and 19th century experiments of bourgeois philanthropy and church-initiated movements – in fact to the origins of the national welfare states, but their legacies in the 20th century are much stronger embedded in a public policy framework (Martinelli 2010). As Moulaert (2010: 7) claims: "communities are […] the nexus between the search for a democratic

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[5] An emblematic example is the Ahlener programme of the left wing of German Christian-democrats which in 1947 called for overcoming capitalism.

state guaranteeing basic rights on the one hand and the continuous reinvention of social life on the other; they are, in other words, the loci and drivers of social innovation."

Local social innovation pushes the welfare state to change in three directions. Firstly, it stresses the active involvement of civil society, social entrepreneurs and local governments in the provision of welfare, mostly in areas where standardized and passive macro-level welfare policies and private market are perceived to fail to provide adequate answers. Citizens should become "prosumer", consuming as well as producing social services (Toffler, 1980). Secondly, its bottom-linked character draws attention to the everyday life context of people in poverty and the need to provide them with a voice to determine their own needs and couples this to strategies to mobilize actors and resources from various spatial scales. Thirdly, it increases flexibility by developing strategies to bypass and transform rigid and centralized public and private institutions. These innovations do not always sit easily with 'classical' welfare states. Not only may competition and conflict emerge between old and new actors in welfare systems, the flexible, place-based and more group-sensitive approaches of social innovation may lead to tensions with the core principle of guaranteed universal social rights for all citizens. Socially innovative initiatives trying to find solutions that are as problem-focused and sensitive to real-life problems of selected societal groups as possible can lead to an increasing fragmentation of welfare provision in terms of availability and quality of services and to uneven accessibility for people in need of assistance.

Social protection and emancipation as defined by new social movements are not identical and, if not properly governed, they may bring about a divergence between local social innovations and the rights-based approach of welfare states. Social innovations that want to combat poverty and foster social cohesion are confronted with the problématique to "accommodate diversity and pursue equality" (Novy et al., 2012, p. 1883). Evers and Ewert (2014: 22) claim: "supporting innovation means to go for arrangements that allow for a new balance between equal standards to be guaranteed everywhere and a diversity of localized arrangements that reach the same level as elsewhere when doing differently" (ibid: 22). It is about combining the equality dimension in terms of universal social rights with the fulfilment of diverse needs and chances for participation.

Over the past two decades, however, it was not so much social innovation but social investment strategies[6] that have been heralded as the main innovation of the welfare state (Cantillon, 2011; Nolan, 2013). It recasts the welfare state and its instrument for the knowledge-based economy by investing in its main asset, namely human resources (Morel et al., 2012). It promotes the role of an *activating* state, dynamically responding to the needs of the economy as well as changing social risks as a result of more precarious working conditions and demographic transitions in family structures. Social investment strategies are grounded in a critique of the mere dismantling of the welfare state during the first wave of neoliberalization in the 1980s, but also builds on the neoliberal critique of the welfare state that considered the instruments of the

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[6] What counts as 'social investment' is heavily contested (Cantillon, 2011; Nolan, 2013), as it can be interpreted in both in broad and narrow terms. For the purpose of this paper social investment refers to employment-centered strategies in which labour market activation rather than social protection or fostering multidimensional capabilities becomes the overarching goal of social policies. Full inclusion in society through labour market participation has of course always been an important goal of welfare states (Brown, 1990), but what is new is the extent to which social policies are sees as an investment (i.e. assessed by their return, in general, in terms of economic growth) rather as a form of building capabilities (i.e. assessed by the degree of widening choices) and social protection (i.e. assessed by the degree to which it protects people against labour market risks).

latter too passive, especially for dynamic knowledge-based economies. Social investment strategies hence have an ambiguous relationship with neoliberalization, especially since labour market activation does not take the critique (widespread in the 1960s and 1970s) of the labour market itself into account (Gorz, 1968) and tends to lead to a re-commodification of labour. This varies of course to the extent that social benefits are made conditional on labour market performance.

Social investment strategies and social innovation share the critique of the insufficiency of the passive instruments, but this critique has very different intellectual roots. The social investment strategy has its roots in the Swedish productive social policy tradition (Morel et al., 2012), which considers social policies not as costs but investments. Social policy hence is seen as socially and economically productive. This is a functionalist argument in favour of social policy (or certain social policies since the argument does not hold for pension benefits for example). Social innovation as a peculiar historicized form of welfare state criticism has its roots in the democratisation and grassroots movements of the 1960s that promoted self-governance and citizen initiatives against economic power and a bureaucratic state that tended to structure everyday life of citizens top-down. Social innovation favours activation strategies from the perspective of emancipation, empowerment of citizen and capability building of human beings. Despite these diverging intellectual roots, both focus on qualities rather than quantities. Where the welfare state worked with a quantitative understanding of work (the amount of jobs provided), social investment and social innovation pay attention to the qualitative dimensions of work, for example the skills required, job satisfaction and scope for human flourishing.

Both social innovation and social investment respond to the new social risks and needs and the new political-economic context of the knowledge-based economy, but social innovation is more critical of latter's functionalist approach and its market ontology. Whereas social investment strategies see social policies for the knowledge-based economy as geared towards the production of human capital, social innovation is critical of privileging technological entrepreneurship and neglecting innovation in social relationship and social movements, NGOs, local governments and community associations as agencies of non-market based forms of development. While the social investment approach stresses that combatting poverty as well as fostering social cohesion can be justified due to being functional to competitiveness (Maloutas, Raco, & Tasan-Kok, 2008), Moulaert and colleagues insist that satisfying social needs should be seen as an objective in itself (Moulaert, Martinelli, & Swyngedouw, 2005; Moulaert, Martinelli, Swyngedouw, et al., 2005).

Social innovation and social investments shares some of the critiques of 'big state', but differ with respect to economic power, e.g. in the form of alienating work or unsustainable production and consumption patterns. Social investment strategies call for a dynamic state focusing its social policy efforts on human capital development, while social innovation is predicated on decentralization, empowering and participatory modes of governance. Despite its critique on 'big state', social investment strategies remain focused on the state and functional to private firms, whereas social innovation is critical of all types of economic and state power, therefore foregrounds civil society, community associations and social entrepreneurs.

5 Conclusion

In this paper we analysed the relationship between local social innovation and the changing welfare state. We argued that local social innovations can be seen as laboratories – for better or for worse – for the ongoing restructuring of the European welfare state. In order to connect

local social innovation and the welfare state, we plea for an institutional perspective, which sees institutions and institutionalization as the central dimension of this relationship. We started from a generic definition of social innovation as innovations that are social in both their ends and their means and subsequently specified this definition by putting it in the particular historical and institutional context from which it emerged. We argued that social innovation in the field of poverty reduction operates on a multi-dimensional and relational understanding of poverty, is place-based but multi-scalar in character and responds to centralized and bureaucratic modes of social intervention.

Over the past decades the spatio-institutional restructuring of welfare states, notably the opening up of the welfare mix and its territorial reorganization, has created numerous potential points of contact with local social innovation. Since the global financial-economic crisis interest of policy makers in social innovation has shown a marked increase, both on the level of EU institutions and nationally. This has led to a very particular framing – and instrumentalisation – of social innovation in terms of particular policy agendas such as austerity and the search for new sources of economic growth. It is in this macro-context that local social innovations as sites for the restructuring of welfare states have to be analysed. To sharpen this agenda, we finished this paper by outlining affinities and tensions between local social innovations, the welfare state and social investment strategies. Analysing how local social innovations are increasingly implicated in the restructuring of welfare states through the shifts in the welfare mix and the rescaling of social policies – with bigger roles for both local authorities and the European Union – requires a focus on how the logics and aims of social interventions – whether they are bottom-linked social innovations or macro-level social policies – get redefined in the process. It is here, we argue, that there is a major research agenda for social innovation and social policy scholars.

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ImPRovE: Poverty Reduction in Europe.
Social Policy and Innovation

Poverty Reduction in Europe: Social Policy and Innovation (ImPRovE) is an international research project that brings together ten outstanding research institutes and a broad network of researchers in a concerted effort to study poverty, social policy and social innovation in Europe. The ImPRovE project aims to improve the basis for evidence-based policy making in Europe, both in the short and in the long term. In the short term, this is done by carrying out research that is directly relevant for policymakers. At the same time however, ImPRovE invests in improving the long-term capacity for evidence-based policy making by upgrading the available research infrastructure, by combining both applied and fundamental research, and by optimising the information flow of research results to relevant policy makers and the civil society at large.

The two central questions driving the ImPRovE project are:

How can social cohesion be achieved in Europe?

How can social innovation complement, reinforce and modify macro-level policies and vice versa?

The project runs from March 2012 till February 2016 and receives EU research support to the amount of Euro 2.7 million under the 7th Framework Programme. The output of ImPRovE will include over 55 research papers, about 16 policy briefs and at least 3 scientific books. The ImPRovE Consortium will organise two international conferences (Spring 2014 and Winter 2015). In addition, ImPRovE will develop a new database of local projects of social innovation in Europe, cross-national comparable reference budgets for 6 countries (Belgium, Finland, Greece, Hungary, Italy and Spain) and will strongly expand the available policy scenarios in the European microsimulation model EUROMOD.

More detailed information is available on the website http://improve-research.eu.

Bea Cantillon (Coordinator)
E-mail: bea.cantillon@uantwerpen.be
Phone: +32 3 265 53 98
Address: University of Antwerp – Sint-Jacobstraat 2 (M.177) – 2000 Antwerp - Belgium

Tim Goedemé (Manager)
E-mail: tim.goedeme@uantwerpen.be
Phone: +32 3 265 55 55
Mobile: +32 494 82 36 27
Address: University of Antwerp – Sint-Jacobstraat 2 (M. 185) – 2000 Antwerp - Belgium