ENABLING SOCIAL INNOVATION ECOSYSTEMS FOR COMMUNITY-LED TERRITORIAL DEVELOPMENT

edited by Fabio Sgaragli
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‘If we want to change the systems we are part of – our countries, communities, organizations, and families – we must also see and change ourselves.’

Adam Kahane,
Solving Tough Problems: An Open Way of Talking, Listening, and Creating New Realities

The importance of social innovation lies mostly in the underlying assumption that the current model of social development is undergoing a massive crisis, both in terms of its sustainability and its capacity to deliver sense and equal prosperity to all. Social innovation represents a new and specific process for innovation through which alternative models of social development can be invented, prototyped, tested and scaled. The mission of social innovation is therefore to help us find a novel and shared ecosystem of interactions and interrelations based on an integrated approach to development, one that takes into account the economic, social and environmental dimensions.

Long-term demographic and migratory trends are starting to erode significantly the perimeter of public social intervention, whilst exponential technologies are disrupting entire supply chains and creating new potential markets. On the horizon, a global climate crisis looms dangerously over our common future, and a shifting geopolitical landscape is putting new emerging powers on the world scene. An estimated additional billion people will soon claim rights that will put even more pressure on our supporting systems and on our global commons. As economic and financial crises become more frequent and deep, public debts skyrocket and limit the possibility of public intervention, exactly when and where it would be most necessary. A Gini coefficient on the rise in mature economies and an

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unequal wealth distribution in developing ones make it all more challenging to find a new point of dynamic equilibrium, which is the pre-requisite for a peaceful civic coexistence.

We are indeed living in a V.U.C.A. world³, a world which is at the same time volatile, uncertain, complex and ambiguous. Dynamic complex change like the one we see today makes it impossible to predict the future, as the conditions for likely scenarios mutate constantly through ever quicker, larger and stronger feedback loops⁴. One powerful side effect is the diminished capacity to act of the different actors (public, private and civil society), as they get challenged in their distinctive roles, whilst the boundary between them blurs continuously. Power dynamics seem to have become even more unstable, stealth and difficult to control.

Ultimately, in a V.U.C.A. world, our ability to find new common narratives and shared social value is greatly challenged, and it is difficult to rely on old 19th-century type of governance models. Existing institutions and organisations struggle to identify a new role to play, as resistances to change are augmented by the opacity of the future. Our old ways of coping with challenges are no longer fit as we face a series of wicked problems⁵. Solutions will only come from iterative loops of dialogical interactions among all the stakeholders affected, and innovations have to be tested on a small scale before being scaled as they will represent a radical departure from the present. This is what we experience in our daily work with a variety of public and private institutions and organisations all across Europe.

What we also sense is that there is a new emerging field of interesting connections being born, where old types of relationship between old actors is being replaced by new types of relationship between new actors⁶. In this emerging field, far-seeing individuals and organisations in Europe and all


around the world are already prototyping and testing new solutions to societal challenges. A new spring of entrepreneurial spirit blended with civic engagement is spreading fast across countries and continents. The evolution of ICT technologies, and their increasing availability and affordability, fuels the viral exchange of ideas and solutions. Far from being another fad, we are witnessing a paradigm shift where grass-root, bottom-up, spontaneous movements and communities of change are shaping new ecosystems that will probably replace existing ones; they are global in reach, but grounded at the local level. These new ecosystems are forming around a clear set of values: shared intent, common purpose, collaboration, transparency, openness. The new actors involved are often agile in their size and hybrid in their being a mix between social purposes, entrepreneurial attitude and profit orientation. The new business, apparently, is social.

Those ecosystems are today the vessels that carry a new message: citizens are proactively taking charge of their future and self-organising in order to produce solutions to shared and felt challenges. The crisis of public institutions and large multinationals represents the other side of the coin. Social innovation therefore is about redesigning the processes through which society searches and adopts better solutions to great challenges. And it is about changing the nature of the actors involved and their interdependencies while doing it. The future, all in a sudden, is being born out of the interaction between a multitude of actors which did not even exist just ten years ago. For many, the likely scenario is that this emerging field of interactions might lead us towards the replacement of existing governance models with ones that are more open, inclusive and participatory.

For social innovation processes to ignite, social infrastructures have to be rebuilt around flexible networks, open processes and cooperative methods. Information is already circulating through alternative and informal information highways, and knowledge gets freely shared through open platforms, as cross-fertilisation is considered a crucial element in fostering creativity. Everything is a remix of something else. New hybrid physical spaces are spreading in cities around the world, they represent the local nodes of a global conversation hosted by a new generation of change-makers. In this complex and multi-dimensional web of interactions, ideas and practices

can come from any part of the ecosystem, which allows for rapid diffusion, dissemination or replication, whilst solutions get systematically tested at the local level, as this remains the fertile ground where problems get magnified, and needs are more clearly perceived. As a new potential market is born out of the remaking of the social fabric, alternative electronic currencies and social finance schemes and tools are progressively fuelling its economic growth. The Solution Economy, the Shared Economy and the Social Economy are already generating new possibilities for employment and creating jobs that did not exist before. We are still at the beginning of this process, but the situation seems to have reached a tipping point.

In order to create the conditions for more social innovations to emerge, for new ecosystems to be born, the work to be done is multi-faceted and involves all actors simultaneously. First of all, we need to convene all relevant stakeholders at the same table, holding back specific interests that might prevent the current system to unlock and become generative again. We need to engage all willing parties in a dialogue that goes beyond blind spots and ideologies.

Second, we need to raise awareness around these new possibilities, share approaches and solutions with an open source mentality. In the same way, big data and open data represent a massive opportunity to unleash our collective intelligence in the search for shared workable solutions. Third, capacity building is key, as this new era of horizontal relationships requires an entire new set of tools for convening, enabling, facilitating and nurturing them. In particular, public officials and civil servants’ role will inevitably have to shift from a 19th-century concept of governance, to one that promotes citizens’ engagement.

Fourth, we need to widely adopt new ways of doing policy; ways that will take into account the diversity of perspectives involved and the interests at stake. Fifth, we have to encourage public-private partnerships and the hybridisation of institutions and organisations, as it will help us break the precinct around shrinking perimeters of actions.

Lastly, the work to be done is to rebuild our social infrastructures, star-

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ting from the local level. The local territory can become again the ecotope (Tansley 1939; Bastian et al. 2003) where demand and supply of social innovation meet in order to start and scale social impact. This calls for new physical and virtual network nodes to be created, and for seeds of new kind of conversations to be planted in a newly reconfigured landscape.

Ultimately, we need to find again a shared purpose and intent to guide the process, as without a new set of values we will not be able to change the lens through which we look at the future and we prepare for alternative realities.

Within this context, the aim of this publication is to contribute to this emerging field of practice through reflections and insights from academics, researchers and practitioners. We would like to express our gratitude for the invaluable contribution they have provided to this book. We have attempted to bring together knowledge from a variety of perspectives, and to add something new to the collective debate in this field.

Fondazione Giacomo Brodolini aims to be a think-and-do tank. We like to research but also to prototype and test ideas in the real world, because we believe that only by closing the loop between action and research, new and solid models of development can emerge. For this reason, our work on social innovation tries to build on leading-edge research, but finds its strength in the projects we design and implement. In our work with public institutions, civil society organisations and private sector companies, we have encountered many change agents that are ready to step out of their comfort zone and lead this change, as they perceive it might be a good chance to contribute to something bigger. Therefore, the ultimate mission of this publication is to reach out and connect to them. To support public policy-makers and civil servants, investors, society leaders and private sector decision-makers in connecting to this emerging field of social innovation, and in contributing to its development. Because only by relearning to work together with shared intent and purpose we will be able to generate an alternative common future for all.
Introduction

Social Innovation, Actors, Contexts and Trends. Opening the Black Box

Francesca Guida and Riccardo Maiolini,
Fondazione ItaliaCamp

Social innovation is the most recent theory over the past decade to facilitate the undergirding of social business and business ethics. Since that time, the popularity of social innovation thinking has grown exponentially; fields such as corporate social responsibility, sustainability, environmental management, innovation and open innovation, and entrepreneurship and social entrepreneurship have perceived the usefulness of linking their current theory and concepts to the social innovation movement and notions.

Social innovation becomes a new way to explore, explain and assess the complex interaction between new concepts of business and society, and new welfare frameworks with sustainability as a driver (Caulier-Grice et al., 2012). First of all, social innovation has been combined with the entrepreneurial dimension of business that serves to find new opportunities and new markets (Bornstein, 2004). In a second wave, social innovation looks at how to manage the governance, and explores engagement dynamics within groups of actors and typologies of alliances (Gerometta, Hausermann and Longo, 2010). Thirdly, social innovation concerns organisational change and how organisations interact with their external environment in order to create new waves of social value (Porter and Kramer, 2011). Finally, social innovation has been used to describe processes of social change and transformation of society, including how business produces new social changes (Nicholls and Murdock, 2012) through the identification of new waves of solutions (Eggers and Macmillan, 2013).

Innovation is the main cause for the socio-economic development of modern society. According to the Schumpeterian model, the individual (the entrepreneur) is the primary medium by which to achieve an innovation. Considering the socio-economic evolution of our times, a new paradigm is progressively asserted according to which individuals and their capability to build social relations play a fundamental role in the innovation process.
(Hochgerner, 2005; Westall, 2007). In this sense, the concept of social innovation, widely developed and disseminated, is understood as a process of collective and shared creation that covers a broad context and a plurality of subjects (Howaldt and Schwarz, 2010).

Like all new and innovative theories, social innovation is still under debate by scholars, researchers and practitioners, in order to find a common definition, a general framework within which to exploit the theory to find solutions and operative tools. In particular, the meaning and the acceptance of the concept ‘social’ next to the word ‘innovation’ are still underestimated. This causes the most common misunderstandings in the current debate on social innovation. In that sense, it is necessary to respond to a question that can orientate the debate. Which are the dimension and the extent of a social innovation network? Which are the main effects of a collective achievement of innovation in terms of social impacts?

Social innovation is a particular kind of innovation that seeks to answer some specific questions (which address the main problems that contemporary societies are facing), and in doing so, seeks to lay the foundations of new ways of thinking and new types of innovation. It attempts to understand which is the role of each actor (economic, political and social) within a complex system, with the scope of getting something new from the interaction between all of them (Guida and Maiolini, 2013). The most important change is that an innovative process is not yet caused by an individual or a group of persons; innovation is social insofar as it is based on a collective expression of inputs that produce new and improved outputs.

The Collectivisation of Innovation

Today’s business and society scenario shows that the contradiction between economic objectives and social purposes is not necessarily an alternative. Organisations collect new challenges, descending into the social context as promoters of new forms of value creation, finding new equilibrium situations that derive from new collaboration forms with actors present in their external environment. The collaboration emerges from the definition of a new form of participation among social groups that want to meet individual needs, and promote a substantial improvement of living conditions for an entire community. From this perspective, social innovation emerges from a set of drivers oriented by co-creative processes (for clients and users), based on collaborative networks, originated from global challenges and
social needs (Guida and Maiolini, 2013). In other words, social innovation is generated from individual and ethical considerations that serve to create new knowledge through a social capital perspective (Schimdpeter, 2013).

In relation to this categorisation of the principal characteristics of social innovation, we can give a definition of social innovation that takes into account the difficulty to understand the origin of the phenomenon, and how the process is organised: ‘Social innovation is a creative process, mostly collective, driven by the purpose of social utility that tries to establish a link between knowledge and competences of various actors in order to obtain a certain level of well-being starting from a community that plays the role of disseminator’ (Guida, Maiolini, 2013, p. 48). This process is generated when the ability to develop innovation does not depend on the initiative of a single individual, but on a various group of players that act in a collective manner. It is characterised, therefore, by the possibility of using networks of individuals and groups to facilitate a process of co-creation and participatory management decisions. On the other hand, the process depends on the context in which it develops, and the degree of sharing of the phases of research, selection, development and implementation of various innovative practices.

**Foster Collective Networks to Generate Social Innovation**

Today environments are turbulent and complex, and change rapidly. This pressing need of integrating players and actions, has forced the shift to a social innovation approach. The term ‘social’ substitutes the classical ‘do-it-yourself’ mentality, where challenges are solved by a single player. In the classical way of problem solving, the solution-maker (a company, an institution, a group of citizens) needs to understand the direct and indirect effects of its action. A closed approach, as it can be defined, is incomplete because it is handled starting from a single perspective. On the other hand, the social innovation approach deals with a collective variety of players that look for a holistic resolution of the challenges. Social innovation encourages the use of various opportunities through the involvement of multiple channels of knowledge.

Because of the variety of knowledge and information managed by a collective that tries to produce social innovation activities, it is necessary to have the presence of, and to identify a social innovation intermediary. The coupling between innovation providers and seekers needs to be fol-
allowed through a process of intermediation. The resolution process passes through a preliminary phase of exchange of proposals, driven by stakes. The transparency of this knowledge sharing generates innovative flows of knowledge that establish the extent of the social innovation paradigm.

The opportunity to gather knowledge comes from a variety of unexpected circumstances, industry and market changes, or demographic and societal changes. The innovation is potentially obtained from the ability to synthesise logics with practices (Chen and O’Mahony, 2006; Reay and Hinchings, 2009) or understand the emergence of new practices and institutions (O’Mahony and Bechky, 2008). In this sense social innovation can gain experience from the presence of conflicting demands before conforming to diverse norms and expectations (D’Aunno, Sutton, and Price, 1991 Kraatz and Block, 2008; Pache and Santos, 2010).

Social innovation is necessary to build capacities and processes that serve to face challenges with a high level of complexity, which need a creative effort to produce a durable and sustainable social impact. To obtain these results it is necessary to combine multiple existing typologies of knowledge, organise processes that are hybrid, and involve multiple actors that play in a dynamic environment where cumulative information gives the opportunity to find out innovative solutions.

**Social Innovation for Social Impact**

The essence of social innovation includes elements that derive from the concepts of ‘change’, ‘improvement’, ‘creativity’ and ‘invention’ (Young Foundation, 2010). From this perspective, social innovation seeks new answers to social problems, identifying and delivering new services that improve the quality of life of individuals and communities, or identifying and implementing new processes, competencies, jobs, and forms of participation. As explained by Antadze and Westley (2010), the majority of social innovations can be divided into radical challenges, potential disruptive innovations, and adaptations of old innovations (incremental ones). The variety of options depends on the fact that social innovation responds to specific social demands and social challenges. The output depends strongly on the prior capability to face a social challenge (in terms of outputs), and the identification of a set of actors that participate therein with their competences, experiences, and general perspectives.

Social innovation is enabled in the market that represents ‘an exchange me-
chanism that allows buyers to trade with sellers’ (Perloff, 2001, p. A-43). The output depends on the capability of buyers and sellers to understand their challenge, and fit a particular objective. In other terms, ‘the combination of the effective supply and effective demand results in innovations that achieve social impact and, at the same time, prove to be financially sustainable’ (Mulgan, et al., 2007, p. 11). Social innovation assumes a new perspective where social impacts become a fundamental part of business, organisational and technological innovation. The corporate sector, non-profit organisations and the civil society have reached the same place travelling on different routes: the inclusion of social challenges into business activities in terms of social impacts. ‘Social impacts are the societal and environmental changes created by activities and investments, [...] positive and negative, intended and unintended that result from investments’ (Epstein and Yuthas, 2014). The strategic objectives of social innovators that operate in the field consist in a direct construction of tools that create tangible social outcomes.

The collective dimension of social innovation expedites the implementation of its positive externalities. The scale and complexity of social outcomes is remarked by the dimension of the collective of networks and communities involved in the development of a social phenomenon. Tackling a complex social challenge depends on the effort of different players involved. The main consequence of the activation of a collective process of social innovation is the exploration of collective impacts to tackle social problems. The greater is the inclusion of multiple players in the definition and challenge of a particular social issue, the greater is the likelihood to solve a given challenge with a high return in terms of social returns. In spite of some scepticism about the capability of social innovators to solve large-scale societal problems, it is necessary to move away from the tautology of explaining social innovation by adding the adjective ‘social’ to characterise elements of the definition such as, for example, social goal, social mission, social change, and social value (Santos, 2012, p. 336). The normative connotation of the term ‘social’ must be interpreted as a way to ground the collective dimension of innovation as a process that shows an inclusiveness approach. Videlicet, the word ‘social’ assumes a holistic acceptance where social innovation is social both in its ends and in its means (Social Innovation Exchange, 2010).

Over the last decades the greatest effort of researchers, analysts and scholars has been to identify intentional ways to generate positive externali-
ties, taking the cue from the relationships between for-profit activities and non-profit initiatives. The art of setting up a successfully functioning social business strategy is mastered by social innovation activists that try to convert social challenges into sustainable action plans. At the same time organisations search for new challenges as paths to markets (Brugmann and Prahalad, 2007), and social groups or communities realise that new business models could ignite an innovative view of business.

Even though the term ‘social innovation’ is largely discussed, it has intertwined meanings that produce overlaps in terms of actions and actors involved. It is not very clear from where social innovation initiatives fostered by companies, NGOs, public institutions or civic players start, and who really is the playmaker of these initiatives. The interdependency and the complementarity are part of the misunderstanding.

In conclusion, the integration of skills takes place where conditions are created because the different actors are involved in various ways with a certain level of commitment, in order to build a process of collective innovation. The circular subsidiarity (Zamagni, 2011) is functional to the development of a process that causes a durable social impact.

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Towards a Theory of Systemic Action

Zaid Hassan, author of The Social Labs Revolution

‘There is nothing so practical as a good theory.’

Kurt Lewin

‘The biggest myth I’ve encountered in my life is as follows: that the road from practical know-how to theoretical knowledge is reversible – in other words, that theoretical knowledge can lead to practical applications just as practical applications can lead to theoretical knowledge... it is very hard to realize that knowledge cannot travel equally in both directions. It flows better from practice to theory...’

Nassim Taleb, author of The Black Swan

As our world increases in complexity, more and more resources are being directed at addressing challenges such as climate change, public healthcare, inequality and poverty. The success of these efforts however is a function of how effective our strategies are as opposed to simply how many resources we can throw at a challenge.

Many of these challenges are growing faster than our attempts to address them. Situations such as acidification of our oceans, greenhouse gases in our atmosphere, demographic shifts leading to either an unemployed youth bulge or an ageing population dependent on healthcare systems, are all examples where the directionality of trends is outpacing our efforts to address them. Part of the reason for this is where we choose to intervene. We have a choice of intervening at the level of symptoms or the level of causes. Systemic responses can be understood as attempting to address the causal drivers of a situations and not simply operating at the level of symptoms.

The scale of these challenges when taken together threatens to reverse much of what has been accomplished in the modern era. In the face of such vast challenges, we have to ask ourselves, what does action that can address these challenges causally look like? What, in other words, does systemic action look like?
The aim, in outlining a theory of systemic action is that it allows us to make better distinctions between actions that are non-systemic. That is, between actions with a lower probability of resulting in changes at a root causal level and systemic actions, where there is a much higher probability of causal change.

The theory outlined here is grounded in the disciplined experimentation of running multiple social labs\(^{10}\). Social labs are interventions in complex challenges that have three characteristics.

Firstly, they are social, in that the people doing the work reflect the social diversity present at the level of a challenge, as opposed to a homogeneous group (of scientists, academics, civil servants, etc.)

Second, the approach taken is experimental, where ideas for solutions are tested early, or prototyped. This prototyping approach represents a sharp departure from traditional planning-based responses to complex challenges.

Finally, social labs attempt to address challenges at a systemic level, representing the stance of not simply seeking to alleviate symptoms.

The approach to constructing a theory of systemic action has been to start with the particulars of historical social labs. Each element of the theory is derived from hard won experience and reflection on that experience. From these particulars I have taken an inductive approach\(^{11}\) and articulated twelve axioms (or rules of thumb) about systemic action. This approach gives rise to three requirements for constructing effective systemic action.

\(^{10}\) See *The Social Labs Revolution: A New Approach to Solving Our Most Complex Challenges* by Zaid Hassan (Berrett-Koehler, 2014) for more.

\(^{11}\) In Aristotle’s distinction between scientific knowledge, he points that scientific knowledge requires deduction from universals. However, ‘induction is the starting-point which knowledge of even the universal presupposes, while deduction proceeds from universals’. Scientific method is ‘knowledge arrived at by syllogism i.e. by demonstrative reasoning from known premisses, the premisses or start-points themselves cannot be the objects of such knowledge’.
The Twelve Axioms

• Axiom 1. Systemic action has multiple owners

• Axiom 2. Systemic action takes place at multiple levels

The first characteristic is the existence of (1) multiple owners. A space characterised by a single owner is more likely to be dominated by a habitual BAU response. The presence of multiple owners usually means that any space that is convened or created must be negotiated. The nature of the negotiation, of course depends on the strengths of the various parties involved and their skill in negotiating. Even if each actor involved in the negotiation is habituated to a particular Business-As-Usual (BAU) space, the resultant negotiation is more likely to result in the creation of a hybrid space. Multiple owners coming from different sectors, as opposed to a single sector helps create a negotiated space.

One of the difficulties with complex social challenges is that no one owns them. This typically means that there is clearly no single entity with overall responsibility for addressing the challenge. Additionally, the most challenging of complex social problems involve resource pools that belong to the commons. Challenges involving the commons have been named as ‘collective action problems’ and involve what have been called common resource pool (CRP) problems. Noble Prize winning economist Elinor Ostrom dedicated the bulk of her career to the study of strategic responses to the CRP challenges. The nature of complex social problems is often characterised as a ‘tragedy of the commons’ with either vertical or horizontally orientated planning strategies being applied to the commons.

Ostrom warns against what she calls ‘blueprint thinking’ in the face of such challenges, which is what happens ‘whenever policymakers, donors, citizens, or scholars propose uniform solutions to a wide variety of problems that are clustered under a single name based on one or more successful exemplars’. Drawing on thousands of case studies from around the world as evidence, Ostrom argues that ‘polycentric’ governance systems, comprising of actors from multiple levels, self-organising in multiple governance structures, are able to cope more effectively with tragedies of the commons.

This gives rise to the second characteristic of systemic responses. To be systemic means operating on (2) multiple levels. A non-systemic response, in contrast, will focus on one particular level, for example, the local level, the management level or the policy level. The evidence from Change Labs cor-
relates to Ostrom’s reasons for including multiple levels. Operating at multiple levels ensures the inclusion of different types of knowledge, including local knowledge. The separation of planning from implementation results in an exclusion of the tacit dimension, or what James C. Scott calls the ‘informal’ or the ‘vernacular’, a detailed and accurate understanding of the system under consideration that does not suffer from temporal lag because the actors we are talking about live in the systems. The other reason to include multiple levels is the ability of one level to resist the plans of another level. All too often top-down plans fail because of resistance at either mid or grassroots levels. Similarly, plans formulated at the grassroots without inclusion of other levels tend to become lobbying and advocacy strategies, with one group lobbying another group at another level for change. Ostrom points out that the inclusion of local knowledge also means ‘appropriators can devise rules that increase the probability that others are trustworthy and will use reciprocity’.

• Axiom 3. The terrain of systemic action is always contested

• Axiom 4. Systemic actions generate and welcome friction

The anthropologist Anna Lowenhaupt Tsing, in her study of Indonesian deforestation, makes the case that ‘a wheel turns because of its encounter with the surface of a road; spinning in the air it goes nowhere. Rubbing two sticks together produces heat and light; one stick alone is just a stick. As a metaphorical image, friction reminds us that heterogeneous and unequal encounters can lead to new arrangements of culture and power’.

This leads to the third characteristic and fourth of systemic responses, which is a recognition that we are operating on (3) contested terrain and the presence of (4) friction. The inclusion of multiple levels, if done with integrity, means giving space to competing and contested claims. If a claim is barred from a space, then it will find expression somewhere else setting the scene for damaging confrontation. All too often BAU responses relegate contested voices to the outside as their contestation means they will not voluntarily participate in the plan. (Note that in many cases voices contesting a space refuse to enter it, lest they be co-opted.)

Myrna Lewis’ work on Deep Democracy postulates a ‘terrorist line’ which names the stages of disagreement that lead to all out warfare. The ‘terrorist line’ begins in the unspeakable. When power ensures that the consequences for speaking out are high, dissent begins in what James C Scott calls ‘the
hidden transcript\textsuperscript{12} – in jokes and innuendo, in comments that can be taken both ways, and then escalates as the conflict continues until it ‘storms the public stage’ in the form of demonstrations or strikes, requiring securitised responses, that then gives way to civil war, insurgency and battle responses. Myrna argues that ‘simply saying what needs to be said’ can halt the terrorist line. The practice therefore of operating on contested terrain is to allow dissenting voices in. This dissent serves in multiple ways. The most fundamental is that what is being contested, via dissent, is the shape of our society. System action requires spaces where this negotiation can take place productively.

There are other benefits from diversity. Operating in contested terrain is an antidote to groupthink. Groupthink can be understood as a situation where a group of people who all think similarly come together, in our case, for the purposes of addressing complex social challenges, but cannot come up with more than BAU responses. The presence of actors from multiple levels ensures that the probability of this is lower but consequently the propensity for conflict is higher than in an equivalent homogenous group.

An ineffective strategy can therefore be thought of one that is frictionless, where wheels are spinning and energy is being burned, but there is no forward movement. Friction is a pre-requisite for movement. Unfortunately most people are not well trained in coping with friction, because at an interpersonal level it is uncomfortable. Why it is uncomfortable? Because BAU spaces characterised by command and control have evolved a professionalised culture where dissent is unwelcome. Dissenting voices and speaking unpalatable truths that caused discomfort are generally viewed to be in bad taste. The unspoken threat being that people are unconstructive would not be invited back.

Another reason is that neither \textit{episteme} nor \textit{techne} are concerned with practical skills such as how to have a productive argument in a group. Conflict is largely viewed as a problem. Looking at famous arguments in the natural sciences and philosophy, in art, in any creative endeavour, we can see that diverse positions and arguments unleash tremendous energies – and risk causing much personal damage. In the social labs I have been a part of we have run, and more generally, in our practice, we have drawn on Deep Democracy and in later years on Adaptive Leadership for practical skills

around conflict. Deep Democracy is particularly well suited because its approach towards conflict is not to avoid it or minimise it but is precisely concerned about how conflict can be embraced as a form of friction to move a group forward.

Adaptive Leadership equally encourages practitioners to actively ‘raise the temperature’ when a group is not moving. Political philosophers like Chantal Mouffe argue that this lack of antagonism, politically, is catastrophic for democracy as it marginalises and radicalises anyone who thinks differently, leading to phenomena such as the rise of the Far Right.

- **Axiom 5. Causal power structures within systemic actions are negotiable**

- **Axiom 6. Roles within systemic actions are fluid**

The requirement for friction leads us to perhaps the most challenging of fifth and sixth characteristics, (5) negotiable causal power structures and relations, and (6) fluid roles. In order to understand the underlying power dynamics during one social lab, we drew on a broader reading of social situation, through the work of James C. Scott. Scott argues that situations of power imbalance and domination result in a marked separation between the public and the hidden. Those who harbour even a subconscious fear of the repercussions of the speaking aloud tend to speak more openly in safe, private conversations rather than in large group conversations

In Deep Democracy, the theoretical backdrop to conflict comes from something Myrna calls ‘role theory’. A role, defined in Deep Democracy, is a behaviour (or what Bordieau might call a disposition). It could be anger, it could be nervousness or any affect, or it could be what we traditionally

13. According to Scott, ‘The theatrical imperatives that normally prevail in situations of domination produce a public transcript in close conformity with how the dominant group wish to have things appear. The dominant never control the stage absolutely, but their wishes normally prevail. In the short run, it is in the interest of the subordinate to produce more or less a credible performance, speaking the lines and making the gestures he knows are expected of him. The result is that the public transcript is – barring a crisis – systematically skewed in the direction of the libretto, the discourse, represented by the dominant. In ideological terms the public transcript will typically, by its accommodationist tone, provide convincing evidence for the hegemony of dominant values, for the hegemony of the dominant discourse. It is precisely this public domain where the effects of power relations are most manifest, and say analysis based exclusively on the public transcript is likely to conclude that the subordinate groups endorse the terms of their subordination and are willing, even enthusiastic partners in that subordination’.
think of as a role, such as ‘leader’. An individual takes on a ‘role’, and typically individuals are attracted to certain roles – for example being the optimist in a group, or being silent in a group. Deep Democracy makes the case that a system is healthy when roles are fluid and unhealthy when roles are ‘stuck’, that is, we are unable to let go of our roles and play other roles. A conflict can be productively addressed, insofar as participants in the conflict learn to recognise the roles they are playing in the conflict, let go of them, and step into other roles.

Social situations can then be seen as a performance of the public transcript, and when this public transcript becomes unbearable, when we have a revolution, the hidden transcript storms the public stage and roles change. A revolution can be thought of as an uncontrolled explosion of the desire to change an unacceptable public narrative where roles are ossified. People refuse to play the roles that they are publicly expected to play, and they start speaking a different set of lines on pain of persecution or death. In Deep Democracy the basic idea is to attempt these changes voluntarily, to learn how to perform a number of roles, to create a fluidity of roles that do not ossify into an unjust public transcript.

- **Axiom 7. Participation in systemic actions is self-determined**

- **Axiom 8. Systemic actions display clear intentionality**

This leads us to the seventh and eighth characteristics, that of (7) self-determination and (8) clear intentionality. The nature of participation in a systemic response must be self-determined. The trouble, of course, with this requirement is that the nature of institutions and representation make it extremely hard to discern a self-determined response. All too often actors are political appointees, professionally representing interests not present in a room. The requirement of self-determination is a measure of will. The difficult and unpredictable work of changing vast systems can really only be undertaken by someone who is willing to submit themselves to the challenge of travelling over unknown terrain and the existential threats that may bring. The analogy is with going on a journey or expedition in a group. If the journey proves to be long and arduous, then in all likelihood, there will be instances of great pain and instances where team-members rely on each other to survive. Such moments are not when you want to discover that an actor does not really want to be there.
- **Axiom 9.** Systemic actions display emergent rationality

- **Axiom 10.** Systemic actions are iterative

The ninth and tenth characteristics of a systemic response, based on a critique of strategic planning-based approaches and ‘blueprint thinking’ involve (9) emergent rationality and (10) iteration. Planning-based approaches separate out the process of strategy formulation (‘planning’) from its execution (‘implementation’). In doing so, what they have actually done is formulated a strategic response to a situation as it was, not as it is. In other words, the fast changing nature of complex social challenges necessarily means that plans necessarily suffer from temporal lag. The defence of plans then becomes what can be thought of as a ‘rationalisation’ – an argument constructed in defence of a pre-determined course of action. Flyvbjerg posits the axiom ‘rationalisation presented as rationality is a principle strategy in the exercise of power’. In contrast an emergent rationality is a response to the situation in the moment.

The other key reason for emergent rationality and iteration is the dialectical nature of a group engaging in practical wisdom. Actors come together, often for the first time, in the space of the lab which serves as a quasi-public sphere and is governed by discourse ethics. The convenors and process-designers of the Lab strive in practical ways to create what Jurgan Habermas has called an ‘ideal speech situation’. The practical ways such situations are created range from the arrangements of seating arrangements in a room (shifting from a traditional lecture style to a circle), sharing of key information to all participants before a physical gathering, through to a range of approaches taken ‘in the room’ such as to facilitators negotiating ground rules with a group, or bringing a group’s awareness to its own processes and behaviours, and inviting them to change their behaviours in the moment.

The rules of an ideal speech situation are as follows:

1. every subject with the competence to speak and act is allowed to take part in a discourse;
2a. everyone is allowed to question any assertion whatever;
2b. everyone is allowed to introduce any assertion whatever into the discourse;
2c. everyone is allowed to express his attitudes, desires and needs;
3. no speaker may be prevented, by internal or external coercion, from exercising his rights as laid down in (1) and (2).
These idealised rules are, of course, impossible to meet completely in practice. Repeated attempts to reach such an ideal speech situation generate, in a dialectical sense, through ‘friction’, deliberation between actors about what is to be done and not done. If the group is concerned with effective strategy, at some point, the group moves from deliberation and dialogue into action, for example through working with their hands to build physical models and then to build in the world, prototypes of interventions. Up to the point prior to models being built, participants are undertaking a very special form of action, that is, talking. While talking in itself is a form of action, action itself, as Aristotle observes, ‘… is choice, and that of choice is desire and reasoning with a view to an end’.

Arriving at a place where actors can exercise choice requires uncovering desire (or what could be thought of as desired end-states or goals in the modern sense) and reasoning as to the best course of action to be undertaken in exercising a choice which results in new arrangements of capital, be that informational, human, social or physical, in order to achieve that end.

In order to maintain the quality of emergent rationality, a systemic approach must be iterative in nature. While a plan follows a linear unbroken path from formulation to implementation, the idea of an iterative approach is to move forward in a cyclical way. Agile approaches to project management are all designed on the premise of the cycle, a twenty-four hour cycle, a weekly cycle, a monthly cycle and so on. Each cycle allows for the surfacing of emergent rationality and the factoring in of new data that characterise complex adaptive challenges. This also allows for the dialectical nature of reasoning to adapt to changes in situation and context and iteratively striving for an ideal speech situation.

• Axiom 11. Learning is an output of systemic action

• Axiom 12. System action generates non-local impacts

Finally, systemic responses give rise to (11) learning and (12) non-local impacts. Due to the fact that complex social problems are adaptive in nature, this means that understanding both the problem definitions and the solutions definitions requires learning. This learning, when captured and disseminated, results in non-local impacts, that is, impacts outside the system that participants are engaged in. This learning should not be confused for ‘best practice’, but more generally along the lines of new ideas, new informational capital and new research. The applicability of this new infor-
Information capital is not the concern of *phronimos*, because they are busy acting and do not know the particularities of other contexts. Instead, they put their learning out and others decide on the applicability of these outputs.

The learning aspect presents a particular challenge when it comes to social challenges. If we think about scientific labs, there are well-established protocols for the dissemination of learning in this domain, these including journals, publishing, peer review and so on. This ecology of disciplined learning is largely absent in the social domain.

The absence of this learning ecology means that many strategies, actions and interventions have limited, ‘localised’ impact because learnings are not captured and disseminated in any disciplined way. Non-local impacts – where an experiment taking place in one domain has impacts in another domain or geography, are another characteristic of systemic action.

### Three Requirements

These twelve axioms provide us with a description of systemic change, which can be used both as design criteria and to assess the probability of an action being systemic. Additionally, there are three requirements, (1) constitutional, (2) processual, and (3) organisational for systemic action.

These three requirements include:

- (requirement 1) the constitution of a diverse team of actors with a shared intention;
- (requirement 2) a set of iterative processes suited to situations of high complexity;
- (requirement 3) the creation of an ontologically novel organisational space designed to support *phronesis*.

### A Phenomenology of Systemic Change

Our experiences have shown there is an immense amount of confusion about how we go about changing systems. This is, from one perspective, entirely unsurprising. We have never really had to consciously try and change such vast, complex and inter-connected systems such as the financial system, the global food system or the assemblage of individual behaviours that results in climate change. Each of these systems is characterised
in ways that we have historically little experience with.
The challenge then becomes to ask: what can usefully be called ‘systemic change’? Without knowing in more detail, any attempt at changing a system, no matter what it is, can be labelled ‘systemic change’ as long as it is labelled such. In other words, it is hardly sufficient for us to accept at face value that purely an intention to effect systemic change constitutes systemic change.

On the other end of the spectrum, ‘systemic change’ can occur without any individual agent expressing the need for systems change. Systems evolve from natural pressures and as a sum of many millions of individual actions, none of which in themselves could be called systemic actions.

Not knowing what types of actions are systemic in character is extremely problematic. We essentially have no idea if the system is going to change or not. We just accept, rather subjectively, that someone has an intention to change the system and is doing something about it. We then apply subjective, opaque criteria to this intention. We look at their track record; we ask ourselves if the actor is credible. The crux of the problem remains. We have no idea if an action is simply alleviating symptoms of deeper systemic problems. We may even be unwittingly strengthening the dynamics causing the problems in the first place.

To take a simple example, if we focus our efforts on alleviating hunger and in the process we promote farming practices which destroy topsoil and poison the water table, then ultimately we are ensuring that fewer people in future will be fed. We are, in effect, degrading our capacity to feed people in the longer term in order to feed people in the short term. Such actions are clearly not systemic.

What we need, no matter how crude or rough, is a phenomenology of systemic change. We need to be able to make an assessment of the claim that an initiative is somehow addressing the underlying problem, the underlying causality of a system. How probable is that an action is addressing root causes? What is the probability that an action is going to impact the very engine that is generating hunger or malnutrition or climate change? We need to be able to examine the phenomenon, the intervention that claims to shift systems, and somehow to assess the claim.

Our experience with social labs allows us to name a number of characteristics we have observed which increase the probability that a change is systemic in nature. In broad terms, a systemic change is understood to be
one that addresses a situation at the causal level, as opposed to a change that simply addresses the symptoms of a situation.

Over the course of a decade of experimentation, these twelve axioms and three requirements have arisen again and again. These twelve axioms describe a phenomenology of systemic change. Taken together they constitute an initial theory of systemic action.

These characteristics do not guarantee systemic change but they serve to increase the probability that an intervention is systemic in nature. Where they are wholly absent, it is likely and probable that an intervention is not systemic in nature.
CHAPTER 1: POLICY

Creative Territories as Breeding Ground for Social Innovation Ecosystems

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In recent years, the field of social innovation, which can be defined as a creative (mostly collective) process aimed at providing services and goods that improve the level of well-being of a community (Guida & Maiolini, 2013), has developed significantly. Examples of both spontaneous and planned initiatives of social innovation have become prominent features in many cities throughout Europe. Reasons for this proliferation may lie in a series of inter-connected socio-economic factors, which have led to the emergence of social needs that are neglected or poorly served by extant public services. Thus, new actors are challenging the way public and private organisations have usually worked to satisfy social needs, designing systems aimed at enhancing different aspects of the well-being of citizens such as education, health, or social inclusion.

In accordance with such a novelty, there is a great debate about what factors could lead to successful social innovation. Both scholars and practitioners from different disciplines and industries have addressed such an issue, highlighting how effective approaches to social innovation should be inspired by different factors like, for instance, participative decision-making processes, creativity, and multi-disciplinary support teams. In sum, effective social innovation requires the ability to involve several actors with different skills, knowledge and background, and to manage the complexity of these relationships by creating an environment that could support experimentation, cross-fertilisation, and lateral thinking (Murray, Caulier-Grice & Mulgan, 2010). Thus, the contextual characteristics in which initiatives of social innovation take place play an important role in affecting the ultimate outcomes, and policy-makers, who want to support initiatives of social innovation in a particular geographical area (a neighbourhood, a city

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or a region), should spend great effort in creating the contextual conditions that could support such initiatives.

What are the contextual factors that are more likely to be conducive to social innovation? How is it possible to guarantee an organic continuity between the place-specific features, the extant social infrastructure, and the initiatives of social innovation? What kind of investments should policymakers make in order to develop breeding ground for social innovation?

In order to answer these questions, it may be useful to draw on extant research on creativity, which has recently shifted from the study of personal characteristics that could be predictive of creative performance, to the investigation of the contextual variables that support creativity. In line with these recent studies, several scholars from different disciplines have highlighted how cohesive social environments (i.e. with stable and strong relational patterns) are more likely to support the development of creative activities, which in turn could sustain regional development, urban renewal, and city competitiveness.

Thus, besides the fact that creativity plays itself a crucial role in providing people with the skills and methods that are necessary to develop effective solutions of social innovation, individuals who operate in creative territories could achieve better results. Indeed, territories that are more supportive to creativity could also be more likely to create conducive physical and social spaces that sustain supporting conditions for social innovation. Therefore, this paper aims at addressing this issue by focusing on the role that the relational patterns could play in sustaining social innovation. In doing so, it discusses what factors affect positively the relational conditions that could be conducive to breeding environments for social innovation.

From Creativity to Creative Clusters

In the last two decades, a series of inter-connected socio-economic factors has led to a major sea change in the character of production and work in the contemporary economy, contributing to the emergence of the so-called post-fordism or knowledge economy. One of the prominent features associated to these phenomena is the progressive culturalisation or symbolicisation of traditional economic sectors – i.e. the emergence of the ‘non-utilitarian aesthetic and semiotic’ features of goods and services as catalysts for consumer attraction (Scott, 2010: 116). The emergence of such a new competitive scenario has been accompanied by a radical change
in the skills required to the labour force in order to produce this new kind of goods and services. As a result, we have witnessed a significant expansion in the number of the so-called knowledge workers – i.e. individuals endowed with high levels of human capital, analytical thinking, and ability for interaction with others (Drucker, 1993).

In line with these changes, creativity has been progressively recognised as a critical resource for the long-term survival of organisations, since in a rapidly changing environment organisations could achieve a competitive advantage only by continuously generating new ideas and knowledge, which in turn could lead to innovation (e.g. Amabile, 1996; Stehr, 2002). If research on creativity has been initially focused on the individuals’ attributes (biographical factors, cognitive styles, etc.) that are positively related to creative outcomes, in the last two decades it has shifted from internal (individual) to external (contextual) determinants investigating how environmental characteristics can facilitate or constrain creativity (e.g. Amabile, 1996; Perry-Smith & Shalley, 2003).

Along with such attention devoted to creativity, also creative industries15 have progressively attracted the interest of many researchers from different disciplines like, for instance, organisation, sociology, and economic geography. Furthermore, because of their great potential for positively restructuring wealth creation and urban management (European Commission, 2010; UNCTAD, 2008), in the last decades policy-makers have invested relevant resources in public policies aimed at sustaining the creation of territorialised production complexes based on creative activities (i.e. creative clusters)16. Creative clusters (or districts), in fact, have been demonstrated to grant several advantages in economic, cultural and social terms, and are conceived as relevant means by which increasing the social and economic prosperity of cities and regions.

More specifically, besides agglomeration economies, typical also of more ‘traditional’ industrial districts (Becattini, 1990), members of a cluster could benefit from all the advantages usually associated with the network form of governance (Jones, Hesterly & Borgatti, 1997). For example, the

15. ‘Industries which have their origin in individual creativity, skill and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’ (DCMS, 1998: 5).

16. For a review, see the 2008 special issue of *Journal of Economic Geography*. 
restriction of access to the cluster, intense exchanges of reputational information among partners and about third parties, the presence of a ‘macroculture’ (i.e. a system of widely shared assumptions and values), and collective sanctions to members who do not behave properly represent relevant coordinating mechanisms, which could bring benefits in terms of reduction of negotiating costs and of the potential for opportunistic behaviour. Furthermore, creative districts could ‘renew the sense of identity of the local community’ (Montanari & Mizzau, 2008: 655) and attract from other geographical areas tourist flows and further creative people (Florida, 2002), thus contrasting the decline of a neighbourhood, a city, or a region. Because of such potential advantages, policy-makers have spent relevant resources in using creative clusters as means by which regenerating de-industrialised areas, reconverting labour from manufacturing to services, and fostering innovation (Garcia, 2004). This is the case of many European cities like, for instance, Glasgow, Manchester, Bilbao, or Turin, which have managed to limit the negative consequences of a decline in the city’s urban fabric, industrial activities, and quality of life by developing effective creative districts, which contributed to renewing their image and attractiveness.

Extant literature clusters different public policies aimed at creating a creative district in a continuum where, on the one side, we have a ‘top-down’ approach, which comprehends projects ‘developed as part of a conscious top-down planning strategy’ (Mommaas, 2004: 515), and, on the other, a ‘bottom-up’ one, which comprehends projects ‘developed from a contingent coming-together of vernacular tactics’ (Mommaas, 2004: 516). According to previous studies, bottom-up approaches seem to be more effective, because they are more likely to favour the development of a ‘collaborative atmosphere’ among the actors involved in the cluster, and to encourage the spontaneous development of artistic and entrepreneurial activities (Power & Scott, 2004). In particular, this kind of policies are more likely to produce positive outcomes when they are focused on the development of ‘soft’ infrastructures, which facilitate information exchange, enhance people social networking, and promote collaboration among interconnected actors, thus contributing to the development of a collaborative and highly connected environment. However, if extant studies acknowledge the role played by the relational patterns developed among a district’s members, too many times they do not investigate the effective functioning of different networks such as those of collaboration, advice, or friendship. As a result, the relational dimension of a cluster is often under-considered or
under-investigated, and policy-makers do not spend enough effort in sustaining such relational patterns. This lack of understanding and effort is not a trivial issue since the way in which creative professionals are linked to each other plays a critical role in determining the outcome of their collaboration and the success of a creative district (Grabher, 2001).

The Role of the Relational Patterns in Creating a Breeding Ground for Social Innovation

Extant studies addressing specifically the role played by the relational patterns in a creative district suggest that a deep understanding of such social dynamics could improve in several ways the effectiveness of public policies aimed at supporting creativity (e.g. Granger & Hamilton, 2010; Montanari, 2011). For example, a deep comprehension of existing relational patterns could increase local authorities’ ability to understand who the most central actors are in order to try to involve them in policy formulation, thus increasing the effectiveness of bottom-up approaches. Furthermore, investigating whether a cluster presents different cliques of individuals with potential partitions could be important in order to highlight potential problems that prevent individuals from information exchanging and cooperation. The mere aggregation in a place (even in a small or medium-sized city) of ‘creative people’, in fact, is not enough to sustain creativity, since such a co-location does not necessarily imply the emergence of collaborative relationships. On the opposite, it is critical to invest adequate resources in sustaining the development of ‘soft’ infrastructures that could facilitate frequent interactions among a district’s members. Thus, policy-makers should better make adequate investments on neighbourhood requalification in order to create places where creative people could meet informally and exchange ideas. According to the network sociality idea proposed by Wittel (2001), in fact, relevant information is exchanged through ephemeral formal and informal relations with work places extending outside the typical venues. In this way, social spaces, like cafes and pubs, could play a critical role in supporting the development of a collaborative environment since they are used ‘for work meetings, where spontaneity and accidental encounters may spark new ideas or provide an occasion for the extension of networks’ (Wittel, 2001: 68).

Drawing on the results of these studies, it is possible to speculate that the presence in a geographical area of such places (or other ‘social infrastruc-
tures’ like, for instance, cultural events or web platforms) where people could meet and socialise represents a critical resource in sustaining the development of the contextual conditions that could be conducive to social innovation. By investing in such soft infrastructures, in fact, policymakers could create the contextual conditions that allow for intense and frequent, often face-to-face, interactions, thus favouring the emergence of a social context characterised by a high level of embeddedness (Granovetter, 1985). Such highly connected contexts (i.e. where individuals are highly connected to each other and with the same third parties) could provide several benefits. For instance, they could sustain the emergence of trust, knowledge exchanges, cooperation, and cross-fertilisation of ideas so as to favour the development of a collaborative atmosphere or ‘buzz’ (Storper & Venables, 2004).

Furthermore, local authorities would benefit from the presence of these ‘social spaces’ in terms of increased external awareness of the publicly funded initiatives of social innovation. Indeed, if a geographical area presents several spaces (cafes, libraries, business incubators, etc.) or temporary events (e.g. festivals, workshops) that provide people working on initiatives of social innovation with occasions to meet and interact with each other, also the remaining population will not be completely unaware of the presence of such a scene. In other words, the social scene supporting social innovation will be more embedded in the local community, and thus policy-makers will benefit from an increased engagement of relevant local stakeholders in increasing the legitimation of the adopted public policies.

Finally, by increasing the interactions among people working on social innovation or the collaboration between academic institutions, no-profit organisations and profit companies, policy-makers could not only support experimentation and cross-fertilisation, but also the ability of a cluster of social innovation to function like a ‘magnet’ (Scott, 2000) – i.e. attracting other professionals working not only in social innovation, but also in more traditional sectors (e.g. banking, ICT), who might be attracted by the idea to live in a vibrant socio-geographical context. When a place (a neighbourhood, a city or a region) is well acknowledged for being home to a renowned community working in social innovation-based activities, it will be more likely to attract other people interested in working in related activities. As a result, policy-makers will benefit from an increase in the human capital already accumulated in the area, and a ‘refresh’ of people and ideas.
Therefore, it could be useful to adopt structured network methodologies to investigate the features of the relational patterns developed in a geographical area of interest, and the places where people meet to exchange ideas and advice. A better understanding of these relational patterns can be important in order to adopt proper actions aimed at creating a supporting and collaborative environment, which could represent breeding ground for social innovation ecosystems.

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The Scottish referendum crossed the European skies like a meteor. The disaster was just avoided but the political landscape has been changed for ever: nationalities which have been contained within the State’s borders for centuries have ground for calling independence; franchise has been extended to minors and residents from different nationalities; new arrangements for currency, trade and defence are conceivable beyond the traditional national borders.

The Scottish referendum proved that the appetite for participation is strong and diffused when people perceive that their contribution makes a difference. With a turnout of 84% this referendum marked a record in contemporary democratic participation.

The European Union of States inspired by the 20th-century principles is still dominant but this is another crack in its future integrity. If the Scottish meteor did not touch the European soil, it is just a matter of time for a new one to appear in our skies. Get ready for the turmoil and a different future.

Most of the analysts interpreted the Scottish referendum as the result of a century-long political struggle between the Central Government and Scotland. This is certainly true but it is not just about it. We argue, on the contrary, this is the result of a greater transformation in governance affecting all the institutions built in the previous century. This is the crisis of post-industrial society which is still governed and legitimised by institutions designed when power was concentrated in the centre and distributed along a hierarchical pyramid in all countries, sectors and industries.

We are in a new age of governance – an age of social networks, computable contracts, complex massive supply chains, contextual innovation, predictive and prescriptive analytics, impact financing, big data, just to mention some examples. The future of the European Union is due to be affected by this new governance as any other institution which defines our current landscape.
The Key Questions

The full picture is still emerging but these are the questions you should consider if you are interested in the future of governance in its broadest sense:

1. **building a movement for change and new social legitimacy**

   In an increasingly massively multi-stakeholder world, legitimacy and authority are no longer centralised or singular. It is not enough for public leadership to make the right decisions but it is also increasingly required to build and move a constituency along with them.

   Leadership even when it is formally legitimised by a democratic selection is losing legitimacy to decide on behalf of everybody. 21st-century public leadership needs more – requiring us to drive and build multi-stakeholder movements for change – including citizens, NGOs, public service delivery agencies, etc. especially if the decisions have a systemic impact, and affect the future beyond very narrowly predictable outcomes. Our current governance and corporate architecture increasingly struggle to build either the platform for this leadership or a shared understanding of challenges facing us in this form of system change.

   How can we create the frameworks and institutions for this new 21st-century form of public man and woman – for a new collective leadership for collective impact and shared outcomes?

2. **predictive power**

   A world is emerging in which the predictive capacities of big data and data science are unlocking new means to identify and isolate future risks – and potentially are able to establish new causal inference, and unleash new liabilities and responsibilities for public leaderships.

   Many local governments are struggling to internalise a data-science-driven world, where we are able to predict with 80-90% certainty, in terms of both time and location, incidents of petty crime or arson; what happens in this world where a public leader fails to act on this ‘knowledge’ – in this new enhanced dereliction of public duty?

   This is the emerging reality our local authorities are facing. How will the predictive and causal inference capability of big data and data science transform the responsibility of public duty, and generate a new domain
of responsibilities and roles for everybody in power either in government or in a boardroom? In a world where the scope of the question – whether policy-makers and board members are liable for failing to prevent – becomes imaginably magnified.

3. **ecosystem of systems**

Many senior public leaders are starting to recognise they are no longer just leaders of discrete corporate bodies but need to become the leaders of massive ecosystems. This is a world which requires them to embrace a world of interdependency, a world of influence, movements, supply meshwork and nudges.

This is a leadership model which embraces our emergent interdependent and complex world, connecting across corporate and jurisdiction borders and boundaries. This is a leadership model essential for increasingly recognising and addressing systemic risks.

The illusion of a closed system and a corporate border, and of a defined set of connections is broken for ever. How can we build a new form of public leadership, one which can help us live up to our 21st-century responsibilities, and address a world driven by networked and systemic risks, when everybody’s risk is connected to everybody else’s?

4. **contextual knowledge vs. abstracted knowledge**

All the necessary knowledge required to make the right decisions is increasingly not able to be funneled into any boardroom either in Berlaymont or in the City of London or a single public leader. The power of abstraction is no longer what it was in the age of industrial certainty – we are increasingly living in an emergent world driven by contextual knowledge and innovation, a world in which any traditional model of representation (democratic, bureaucratic, fordist or by shares) struggles to channel sufficient knowledge into the decision process.

This is a world where power is increasingly becoming divorced from knowledge. How do we build new models of public institutions which embrace the reality of contextual truth and subsidiarity – tapping into the legitimacy of thousands of local conversations where knowledge and innovation are constantly renewed, outside the boardrooms?
5. **open design**

Design brings biases in the chosen architecture of users – increasingly this can be quantifiable and optimised. This notion is applicable to every walk of life: products, urban planning and legislation. It has implications for consumer rights and corporate governance. Future governance demands an open design to serve users’ goals.

How would open design look like in ever more integrated society and markets?

6. **a new social contract**

A new social contract is emerging on the foundations of the old one, moving beyond the division of labour between State and market as defined after WW2. In the last 60 years markets have succeeded in generating unprecedented wealth as never experienced earlier in human history, while States have been effective in raising social standards through redistribution of wealth. Their combined successes have given rise to an ever more refined, complex and demanding society. Citizens expect more from both corporations and governments, but they are also expected to do more than working, voting and purchasing. The borders between rights and duties of all different social agents are meshing up, and we witness a progressive overlap of wealth creation and distribution. Public service are at the centre of this change. What is the new governance for the new social contract?

**Conclusions**

These challenges to the current governance are systemic and increasingly recognised as requiring systemic different approaches, and we witness an array of diverse and *ad hoc* innovations in the field – from the establishment of new legal forms like Social Enterprise CIC, new commerce guilds like B-Corps, Open Data Initiatives, the rise of social movement platforms like change.org and government petitions, to the creation of new laboratories for addressing fair trade, such as Creative Commons. However, we have witnessed little if any systematic leadership; investment and pan-European innovation focused on reinventing governance and the institutions of governance fit for the 21\textsuperscript{st}-century while the investment in technology and start-ups is increasing at a strong pace.

Yet, in history it must be recognised that Europe led the way not only in
the development of technologies and business models but also in building the appropriate infrastructures of governance – for example the first limited liability company through royal charters, and patent laws in the Republic of Venice in the 15th century. This symbiosis between institutions and business was critical to the success of European nations.

We increasingly recognise that the governance infrastructure has to be systematically rebuilt to unleash the great democratic capacity of Europe along with its people’s largely unrivalled ability to innovate, and the power of 21st-century technologies. We believe it is essential that we start to reinvent governance by experimenting with new solutions from the Town Hall to the corporate sector if Europe is to maintain its leading position in the world.

If you were shaken by a possible yes vote in the Scottish referendum, hold on to see the tsunami that a new type of governance for the 21st century is going to unleash in the future.
Good Governance for Scaling Social Innovations

Emma Clarence, NESTA Foundation

Social innovations have been changing the world and the way we live for centuries: creating new ways of responding to the needs of individuals and communities. Whilst many of the processes now labelled ‘social innovation’ are not new, there has been growing interest amongst policy-makers as to what social innovation can do to address the complex, multi-faceted challenges individuals and communities confront. This interest has been accompanied by an increased focus on the importance of ‘scaling’, or growing, successful social innovations. However, scaling is not a simple process. Not only are there different routes that can be taken, but many social innovations have shown themselves to be difficult to scale.

Too many successful social innovations never grow or scale. Indeed, that failure to scale has become an issue in itself, with significant emphasis now being placed on the way in which social innovation can be supported to scale both by policy-makers and funders. Such pressure to grow and to harness the transformational power of social innovations for greater numbers of people and communities is understandable. However, rather than a rush to scale, a more nuanced consideration of scaling up is required, one which asks: what is it that is being scaled? What is the best strategy for scaling the social innovation identified? Is scaling always appropriate? And, does the focus on size crowd out questions around the quality of the innovation and potentially wider considerations around inclusion and empowerment? (Smith, 2014). There are no simple answers to many of these questions. Scaling can be complex and making it a key criterion of the success of a social innovation has the potential to minimise the recognition of that complexity in ways that are unhelpful for social innovators, and policy-makers and funders alike.

What is Social Innovation?

Definitions of social innovation abound, but broadly social innovation can be defined as looking for new ideas and ways of working to meet unmet needs, involving concepts, products, and organisations to address social
problems and challenges. Social innovation helps to create new economic and new social relationships, improving the position of individuals in the workforce and within communities. Nor is it focused only on the outcome of innovation, it also includes processes, whether they be ones that contribute to the development of innovation, or those that are innovations in themselves. Finally, social innovation is not confined to one particular area or sector: it takes place in the public and private sectors, in the third sector/social economy, as well as by individuals, households and communities, and in the relationships and spaces that exist between all of them (Mulgan et al., 2006; SIX/Young Foundation, 2010; OECD, 2010; Westley and Antadze, 2010).

The pressure to grow and scale a social innovation has become increasingly important, with some arguing that it is now a key criterion for measuring the success of an innovation (Davis, 2011). However, it is important to recognise that there are many stages to social innovation, all of which play a valuable role in creating, stimulating and sustaining social innovation, including those that are unsuccessful. Murray et al. (2010) have identified six stages in the process of social innovation: i) prompts – the factors that identify why innovation is needed; ii) proposals – the potential ideas to address the prompt; iii) prototyping and piloting – trying out those ideas; iv) sustaining – where ideas are honed further and the economic and social sustainability of the activity or the organisation implementing the social innovation is addressed; v) scaling – growing or expanding the social innovation; and, vi) systemic change – whereby the social innovation becomes widely accepted and part of the ‘everyday’. Acknowledging that social innovations may not follow these stages sequentially and that there are ‘feedback loops’ between the different stages, it is nevertheless important to acknowledge that not every social innovation will scale, or has the capacity to scale. This does not mean that the social innovation was not necessarily a ‘lost opportunity’. Rather, such innovations can have positive impacts for beneficiaries and users, and can also provide valuable learning opportunities for social innovators. There must be many failures on the path to success.
Scaling Social Innovation

The terms used around the growth of social innovation have also become debated (Davies and Simon, 2013). The idea of ‘scaling’ is one adopted from manufacturing and industrial settings, and whilst a useful shorthand it is important not to overlook that in the world of social innovation growth may also be an organic process, with frequent adaptations and modifications taking place (Murray et al., 2010). At the same time, Davies and Simon (2013) have suggested that what is often intended by the use of the word ‘scaling’ is not necessarily organisational growth, but rather the growth of social impact, which brings with it different considerations for how a social innovation can be scaled effectively. For the purpose of this article, the term ‘scaling’ will be used to refer to a process by which the number of beneficiaries of a social innovation is increased through the spreading of an innovation. How that is achieved can be done through different routes: from the growth and expansion of an organisation, partnerships, franchising and licensing, through to replication, diffusion and dissemination, and the adaptation and adoption of a particular innovation (Murray et al., 2010; Westley, 2013). There is no single most appropriate or effective way to scale. Rather, the route to scaling will depend on a variety of factors, driven in part by individual and organisational motivations, external factors, such as the demand for a particular type of social innovation, alongside the impact of the many barriers that can hinder or even stop an innovation from scaling. Prior to exploring some of these issues in greater detail it is first necessary to focus on some key issues when considering how to scale a social innovation.

Before deciding how to scale, it is necessary to consider what is being scaled. Social innovations take a variety of forms. It may be a programme or an activity, with the innovation embedded through ways and methods of working and procedures. It could be an organisation that has been established to implement a social innovation. Or, it could be a set of principles of guidelines that frame how different actors will address specific opportunities or challenges (Dees, Anderson and Wei-Skillern, 2002). How the social innovation is framed will have a critical impact on how it can be scaled, and the way in which the transformation impact of a specific social innovation is unleashed. Scaling an activity or a set of principles or guidelines, for example, may be done through processes of diffusion, dissemination or replication, which may aid the speed of the scaling process but may
also lead to significant adaptations and evolutions in the social innovation itself. Scaling an organisation may require very different approaches, such as organisational growth, franchising or partnerships, allowing for greater control of the way in which the social innovation is scaled but potentially requiring a longer time-period for that scaling to occur.

It is also important not to overlook that some types of social innovation may have wider goals than are initially apparent, such as creating community cohesion or fostering local economic and employment development, alongside the scaling of a specific innovation (Smith, 2014), or that there may be an interplay between different ‘forms’ of innovation. For example, the way in which an organisation works and the effectiveness of a programme being implemented are not necessarily easily separated (Dees, Anderson and Wei-Skillern, 2002). Attempting to scale a programme without the organisation where there is a specialised organisational culture and competencies and tacit knowledge is important, is likely to be less appropriate and less effective than where the underlying idea of a social innovation can be easily transferred (Mulgan et al., 2007a). Accordingly, framing the social innovation as the programme, and scaling only that without the organisation is likely to lead to very different outcomes from those of the ‘original’ activity, as the links between organisational culture and the way in which the programme was delivered are ‘broken’. This may not be inherently problematic, and might form part of the adaptation and adoption of a social innovation to meet local needs and ways of working, but it is something that needs to be acknowledged, and planned for. Indeed, such planning may instead recognise and emphasise the benefits of adaptation that occurs when a social innovation is diffused. Methods of diffusing social innovation, rather than replication or expansion, are usually accompanied by evolution, with the innovation changing in response to the processes around scaling and the involvement of more users (Mulgan, 2006). There is no single appropriate approach to these types of issues, but they emphasise the importance of identifying exactly what it is that is being scaled.

For scaling to occur there must be both supply and demand. Having identified potential social innovations – generating the ‘supply’ side of social innovation – there must also be a demand for that innovation (Murray et al. 2010). A great idea may fail simply because of the lack of recognition that there is something that a social innovation can improve, or overlook the fact that those with resources have yet to recognise the unmet need or
are unwilling to do anything about it. Innovation is not always welcomed, with its tendency to disrupt, and persuading people, particularly those with resources to support a social innovation, is rarely simple (Murray et al., 2010). Nor is it only about supply and demand: they must also be matched and the right types of organisations to support the development and implementation of the social innovation identified (SIX/The Young Foundation, 2010). The ‘bees’ of social innovation, with ideas, agility and the ability to work across boundaries, need the ‘trees’ of large organisations and institutions who may lack the creativity to innovate but have the skills and capacities for implementation (Mulgan et al., 2007b).

At the same time, all of these considerations must be accompanied by a recognition of the wider economic and budgetary priorities that exist, and the way in which resource availability will influence or even drive the scaling process. In these currently constrained times, governments are unwilling or unable to fund completely the scaling of social innovation, and a mix of resources, and funders, is required to create a sustainable, scalable social innovation. Identifying where resources will come from is a key element of developing a scaling strategy and it cannot be assumed that a good idea is enough in itself to generate demand (Gabriel, 2014). Rather, the generation of demand may form part of a scaling strategy and could occur as a result of a targeted activity, such as advocacy by individuals and organisations, or come about because of the identification of a problem by the media, or the prioritisation of a problem by potential funders, such as a government or other institutions (Westley and Antadze, 2010).

**To Scale or not to Scale?**

Whilst scaling has seemingly become the ‘holy grail’ of social innovation, it is important to examine when scaling is appropriate and will be effective. This is relevant to the way in which the innovation is framed, the route taken to scale and the timing of the scaling process for an organisation or innovation. Dees, Anderson and Wei-Skillern (2002) have identified five key factors that should be considered when assessing the potential pathways for scaling up. The first, readiness, considers whether both the innovation and the organisation itself are ready to expand. Does it have the resources, capacities, and willingness to invest that are needed to find the most effective scaling process? Without those, scaling might not be an appropriate goal at that point in the life of the organisation, or individual innovator. Rushing
to scale in their absence is not only likely to lead to failure, but also has the potential to have a negative impact upon the initial activity or organisation (Westley, 2013). Accordingly, clear planning is required that not only frames the social innovation but also puts in place measures to prepare and ready the organisation to scale.

The second key factor, that of resources, emphasises both the need for resources to be in place for scaling, as well as the way in which resource needs will vary depending upon the route taken to scale. Diffusion and dissemination require significantly fewer resources than when an organisation is seeking to expand. Resources for scaling can come from a variety of sources including contracts for the provision of goods and services to people alongside the direct sale of goods and services, with other potential sources found in trusts, foundations and corporate sponsors, institutional and individual donors, or a mix of all of them. However, different sources of funding in turn raise potential issues around the way in which the users and beneficiaries of social innovation are involved in the processes of innovation. This is particularly relevant with regard to social innovations that seek to empower individuals, or tackle exclusion, where the focus of funders and of beneficiaries may not fully align. Tensions can emerge around the requirement to balance the needs and interests of funders with those of the wider social innovation, whether it be a programme, organisation or a set of principles. The importance of identifying what can be altered, and what is non-negotiable for a social innovator or an organisation before scaling is attempted, can help to draw boundaries and limit the impact of such tensions – although such boundaries may also have consequences for the resources that can be accessed.

The third factor is that of receptivity. As outlined previously, there is little point in attempting to scale an innovation where there is little demand. But receptivity extends beyond supply and demand to wider questions about the communities or individuals that the social innovation is seeking to support. Scaling social innovation across societies, or even countries, brings with it different challenges. Issues of power and empowerment, and the role of elites and local communities can be important considerations for the effectiveness of the scaling up of social innovation (Smith, 2014). Indeed, local community specificities, and their receptiveness to social innovation, are crucial to the success of scaling up particular organisations, activities or programmes. In order to scale, social innovators must ask what, if any, adaptations are needed to enhance the utility of the social innovation and to
make it relevant in a new locality? And, is it possible to make those adaptations without compromising the innovation itself? The responses to such questions depend on the social innovation itself, and the way in which it is being framed and its route to scale, but they are important considerations when planning a scaling strategy.

The final two factors are around risk and return. Scaling may bring with it a range of risks. Such risks may be reputational, financial or even to the existence of organisation itself, with potentially serious negative consequences for an organisation if an innovation fails while scaling. Avoiding such risks can be difficult, but ensuring that there has been a thorough reflection and consideration of the potential internal and external challenges that comes with scaling can enable organisations and social innovators to put in place measures within their scaling strategies to address them. The return factor focuses on the opportunities scaling presents not only to expand the impact of innovation but the returns to the organisation itself around efficiency and effectiveness, and the potential opportunities for organisational learning (Dees, Anderson and Wei-Skillern, 2002). However, the idea of returns is not a simple one. For some social innovations, scaling can enable organisations to both expand their impact and to achieve economies of scale (Mulgan et al., 2007a). But the latter should not be taken as a guaranteed outcome. As Davies and Simon note: ‘Social outcomes are not “products” that can be easily made to formula and packaged’ (2013, p. 4). Indeed, there are types of social innovation that ultimately depend on different, more relational ways of working. This is particularly evident in the public sector where there is a growing focus on co-production between service users/beneficiaries and providers, and on the arguments being put forward for a more ‘relational state’ (Mulgan, 2012). At the same time, there are some types of social innovation that may be difficult to scale because of what they do leading to so-called ‘social diseconomies of scale’ (Mulgan et al., 2007a). An innovation that involves caring may not be able to scale without losing the very thing which is important to the beneficiaries or recipients of the innovation (Mulgan et al., 2007a; Gabriel, 2014). This raises important questions as to whether the social innovation can actually be scaled, or if scaling is possible albeit through specific routes. For example, scaling through an organisation could be inappropriate, but strategies around diffusion and dissemination might be more effective in seeking to avoid the social diseconomies of scale.

Scaling has become the way in which success is too often measured: with
less emphasis on what works within a given locality or for a group of people (Davis, 2011) in favour of how it can grow. However, it is not always clear that ‘what works’ can easily be scaled. It may overlook local assets and capacities, cultural specificities and other factors that have played a critical role in making something successful. Scaling can also lessen the innovative impetus of an organisation, and crowd out wider goals within an organisation or programme, with the focus on scaling tending to standardisation rather than processes of ongoing innovation (Seelos and Mair, 2013; Smith, 2014; Westley, 2013). Getting the balance right between the potential benefits of ongoing productive innovation, the ‘convenience’ of known ways of working and the need to ensure that social innovations ‘maximise their value potential’ is a challenge for all organisations (Seelos and Mair, 2013). There may not be any easy solutions to the balancing act required, but it is an issue of which every organisation and social innovators must at least be cognisant.

**Supporting Scaling**

Scaling social innovation is not easy. But there are measures that can be put in place to support scaling – by both policy-makers, and social innovators and organisations themselves. For policy-makers, consideration of the wider legal, regulatory and policy framework conditions that exist, and the way in which they can hinder or support the spread of social innovation, is important. This should be accompanied by an active focus on developing measures that would help to support social innovations to scale. For social innovators and organisations putting in place a scaling strategy can be crucial to thinking through many of the questions and issues raised, and developing a clearer understanding of what it is scaling is seeking to achieve.

**Organisations and Scaling Strategies**

Gabriel (2014) has highlighted four key stages involved in developing a scaling strategy: i) identifying what will be achieved by scaling; ii) identifying what should be scaled; iii) establishing how scaling can take place; and, iv) preparing to deliver the scaling strategy. These four stages are iterative, with each stage informing the other and reflect many of the considerations for scaling raised by Dees, Anderson and Wei-Skillern (2002). The stages are important in that they require social innovators and organisers
to carefully think about what it is they seek to do. They demand reflection on what could be compromised for the sake of scale, and what is simply not-negotiable. They challenge individuals and organisations to assess the reality of their own skills and capacities, and ask if the people already in post are able to undertake the process of scaling. Sometimes the founders of an organisation are not best placed to lead the scaling process, and changing leadership, alongside culture and organisational structures, may be necessary if a social innovation is to scale and grow (Mulgan, 2006; Gabriel, 2014).

Policy-Makers and Governments

Policy-makers and governments can also play a valuable role in scaling social innovation, both as a social innovator and ‘scaler’ itself, but crucially by creating and providing an ecosystem that supports social innovation (Murray et al., 2010). One of the first thing policy-makers can do to support the scaling of social innovation lies in examining the legal, regulatory and policy framework conditions that exist, and whether they hinder the scaling of social innovation. For example, as a cost-saving measure governments have increasingly focused on using larger procurement contracts, making it difficult for smaller organisations to win such contracts, and some governments have put in place requirements that effectively preclude networks of organisations or those without sufficient capital from participating (Mulgan et al. 2007a; SIX/The Young Foundation, 2010). Such procedures can actively work against the scaling of social innovation. Identifying and removing such hindrances is important can help to create an environment in which organisations can scale.

More broadly, the role of government in creating a positive ecosystem for social innovation can be identified in a number of key areas, at the centre of which lies its role as an enabler and as a facilitator. There are many different activities that can be undertaken by governments including fostering coordination between actors, ensuring the provision of information and evidence on needs and demands, and creating opportunities and facilitating cross-sectorial co-ordination in order to stimulate social innovation and processes of scaling. Governments may undertake these types of activities directly, or do so indirectly by supporting the role of intermediaries to help match the supply and demand of social innovation (Mulgan et al. 2007a; SIX/The Young Foundation, 2010).
Just like businesses, social innovators and organisations also need practical guidance and support. There is a growing recognition that some organisational forms, such as social enterprises, benefit from ‘braided business support’ that recognises and focuses on the social and economic elements of their activities alongside the provision of traditional forms of business support. Such types of support could be extended to a wider range of organisations, enabling individuals and organisations to gain the skills they require to scale. A crucial element to such support would be an understanding that the skills needed for scaling, whether it be through the diffusion and dissemination of an idea, to growing an organisation, are not the same (Westley, 2013) and that focusing on one or two routes to scale may in fact be counter-productive.

Incubators and accelerators are one form of support that can help individuals and organisations at key moments in the development of their ideas, implementation and move towards sustainability and scaling (Mulgan et al., 2007b; Social Innovation Europe, 2011). Work on innovation teams around the world has emphasised the important role such teams can play in supporting social innovation, throughout all of its stages (Puttick et al., 2014). Such incubators and accelerators can help not only in the development of scaling strategies, but also in understanding and gathering evidence of the impact of a social innovation, contributing to convincing policy-makers and potential funders of the positive outcomes and benefits that a social innovation is producing. At the same time, care must be taken that such bodies do not act to drive social innovations into standardisation and conformity, ultimately stifling dynamism and innovation (Kieboom/Kennisland, 2014).

Arguably, when social innovations have reached a stage where they can be scaled they may be more able to access a wider range of finance than those at an earlier stage in their development (Social Innovation Europe, 2011). Nevertheless, it should not be assumed that the private sector will always be willing to support the scaling of social innovation. Although in today’s constrained economic and financial environments access to finance may be problematic, governments nevertheless can support models that will enable the development of mechanisms to help social innovation to scale. This can be done by facilitating access to lines of credit through guarantees, using social impact bonds, payment by results mechanisms, and even establishing investment funds jointly with banks and foundations (Social Innovation Europe, 2011). Other mechanisms that could support the scaling of so-
cial innovation include a shift in focus in procurement and commissioning that emphasises results and outcomes, rather than the fulfilment of specific performance criteria, which may be more effective in assessing the impact of social innovation (SIX/The Young Foundation, 2010).

What all of these measures are focused on is the creation of a positive ecosystem that seeks to support the scaling of social innovation. Enabling, facilitating and ensuring that hindrances are removed are important actions that policy-makers and governments can take in promoting the scaling of social innovation, but one that should not focus on scaling as a criterion of success or be blinded to the complexity that accompanies attempts to scale a social innovation.

**Conclusion**

For centuries social innovations have been playing a transformative role. Indeed, some social innovations are now so much a part of our societies that we may even fail to see them as the innovations they were when they first emerged. The potential of social innovation to address many of the complex problems individuals and societies confront has driven the scaling to the forefront of many policy-makers’ minds. However, whilst such potential should not be neglected, scaling is not a goal in itself. Rather, what is needed is an innovation ecosystem that seeks to support and foster the scaling of social innovations in ways that recognise the potential opportunities and pitfalls posed by scaling, and ask sometimes difficult questions in order to assess what it is that should be scaled and the appropriateness of doing so. Only by questioning and challenging organisations, social innovators and wider stakeholders can we hope to scale the social innovations that will positively transform the lives of individuals and the well-being of communities.
References


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Measuring the Impact of Social Policy

Hélène Giacobino and Laura Abadia, J-PAL Europe

‘Creating a culture in which rigorous randomised evaluations are promoted, encouraged, and financed has the potential to revolutionise social policy during the 21st Century, just as randomised trials revolutionised medicine during the 20th.’

Esther Duflo, Co-founder of the Abdul Latif Jameel Poverty Action Lab (J-PAL) and Professor of Economics, MIT

In the fall of 2005, France witnessed an upsurge in urban violence as youths roamed the suburbs of Paris burning cars and setting fire to public buildings. More than a spontaneous uprising, these riots revealed the deep frustration among many youths living in deprived neighbourhoods surrounding French urban hubs, where unemployment had soared and living conditions had deteriorated. It is in this context that the Social Cohesion Act, voted in law earlier that same year, emerged as the forefront of government action. One of its main pillars, in addition to promoting equal opportunities and improving the access to decent housing, was reducing unemployment. To this end, private operators offering job placement services to job-seekers were allowed to compete with the public employment agency (ANPE at the time, Pole Emploi since 2009).

In most European welfare states, the supply of job placement services had been typically granted to state agencies. However, the public provision of these services is often criticised for its lack of efficiency, and contracting out to private operators is seen as a promising alternative. Since the late 1990s, several governments started expanding job search assistance by contracting out counselling services to private providers. This trend has received strong support from several international organisations, in spite of the scant empirical evidence on the relative performance of public and private providers.

In 2007, the French Public Employment Services started a six-month intensive job search counselling programme at an estimated cost of 657 euros
per client. Around the same time, a similar programme was launched by another public entity, provided through contracts with private companies. Private providers received a fixed payment when the job-seeker entered the programme, a conditional payment if the job-seeker found a job within six months, and another if the client kept the job for at least six months. The estimated cost per client ranged between 900 euros and 3947 euros, depending on whether the client was placed in a lasting job within six months. It was expected that the higher cost of contracting out to private operators would be offset by their greater efficiency in helping job-seekers find work.

In a randomised evaluation\textsuperscript{17}, a team of researchers examined the short-run impacts of intensive job counselling provided simultaneously by public and private providers to job-seekers at risk of long-term unemployment in France. Nearly 44,000 job-seekers were randomly selected to be part of the evaluation and randomly assigned to the public intensive counselling programme, to the private intensive counselling programme, or to the standard public counselling track.

Results were quite surprising: the public intensive programme was twice as effective in helping participants leave unemployment and find jobs compared to the private programme. Given that the net cost per client was considerably lower, the public programme was also much more cost effective. Negative contract incentives may explain why the private operators were outperformed by the public agency: private firms received a large upfront payment, so in order to maximise their gains, they may have found it efficient to enrol as many job-seekers as possible and provide the bare minimum of services to some of them. In particular they seem to have focused their effort on less employable candidates, relying on the best candidates to find jobs by themselves. Sanctions to inactive job-seekers, including temporary or permanent removal from the unemployment list, were also applied less frequently for candidates enrolled in the private programme, which may have had an impact on the candidates’ effort to find a job. These results are in line with similar randomised evaluations carried on in Sweden and in Germany where neither have found an advantage for outsourcing.\textsuperscript{18}

\textsuperscript{17} Behaghel, Luc, Bruno Crépon and Marc Gurgand (2013), Private and Public Provision of Counseling to Job-Seekers: Evidence from a Large Controlled Experiment, AEJ, forthcoming.

\textsuperscript{18} Bennemark, Helge, Erik Gronqvist and Bjorn Ockert (2012), Effects of Contracting out Employment Services: Evidence from a Randomized Experiment, Uppsala Center for Labor
By challenging the notion that market discipline is the panacea for higher efficiency and improved quality of services, this evaluation has prompted a new set of questions regarding the role of contract incentives and quality monitoring in the performance of private providers, valuable aspects that should be explored in the view of improving the services offered to the unemployed.

Box 1: J-PAL (Abdul Latif Jameel Poverty Action Lab), a global network of researchers seeking for the best solutions to tackle poverty

J-PAL, the Abdul Latif Jameel Poverty Action Lab, was established at the Economics Department of the Massachusetts Institute of Technology by three development Economists, Abhijit Banerjee, Esther Duflo, and Sendhil Mullainathan. They were united by the belief that rigorous evidence can help improve the life of those living in poverty, a belief they set at the heart of J-PAL’s mission: bridging research and policy. After 10 years of existence, J-PAL has 108 affiliated researchers who conduct randomised evaluations (also known as randomised controlled trials or RCTs, a type of impact evaluation), to answer critical questions in the fight against poverty.

Even if J-PAL is specialised in randomised evaluations, there are other types of exercises and evaluations that intervene at different stages of the project cycle. Each type of evaluation aims to answer different – and equally important – questions. Needs assessment and programme theory assessment identify the needs that the policy or programme should tackle and the steps that should be followed to fulfil those needs. Once the programme is designed, process evaluation assesses whether the programme is being implemented as it was intended to (e.g. if milestones and deliverables are on schedule). Impact evaluations determine whether policies and programmes are achieving their goal, and when thoughtfully designed, they can help identify and measure unintended side effects, determine who has benefited the most and understand the underlying mechanisms driving the observed impact.
Figure 1: What is evaluation?
Box 2: Some history

Randomised evaluations are not a new invention. Long-established in the medical field, they were introduced to test social policy in the 1960s. They were mainly sponsored by governments in industrialised countries and generally conducted at a very large scale. The Perry Pre-School Program on education (1962-1967), the New Jersey Income Maintenance Experiment on welfare (1968-1972), and the Rand Health Insurance Experiment on health care (1971-1986) are some of the hallmark studies conducted at this time in the United States. Yet, several important questions in the fight against poverty remained unanswered, as many governments and organisations, especially those working in the poorest countries, did not have the capacity to run such large-scale evaluations.

It is in this context that J-PAL was born. By creating a hub for world-class researchers interested in exploring the possible remedies for poverty, J-PAL bolstered the use of randomised evaluations to test public policies and social programmes. More ingenious and innovative evaluation designs were conceived to rigorously test key policy questions at a smaller scale and at a lower cost. Schools, households, hospitals, cities and even entire regions across the globe were converted into real life policy laboratories, allowing not only to gauge what a particular policy or programme does in a particular place, but to understand human behaviour, a crucial conundrum for policymaking.

With more than 560 ongoing or completed trials in 56 countries (out of which 35 have been conducted in 8 European countries) J-PAL has painstakingly constituted a body of evidence that can help improve the life of many.
Taking Guesswork out of Policy-Making

Public policies and social programmes have the potential to enhance the well-being of people on a grand scale: counselling services can help reduce unemployment, information campaigns in schools can have an impact on student performance and behaviour, and free distribution of preventive healthcare products can improve public health. Whether or not these changes actually take place is a fundamental policy question, but unfortunately one that is seldom pondered. Policy decisions are often driven by intuition or fads, and policymakers cannot always confidently tell whether the policy is having its intended effect.

Expensive policies can turn out to be ineffective, whereas relatively light interventions can generate an important change. For instance, in 2009 the Danish Government decided to intensify Active Labour Market Policies (ALMPs) targeted at the youth in response to the sharp rise in unemployment following the financial crisis. A team of researchers ran a randomised evaluation to assess whether offering more intensive counselling and encouraging uneducated youth to pursue education had an impact on employment rates. They found that intensified ALMPs had a negligible impact on youth employment, while they seemed to have increased transitions into sickness benefit\(^{19}\), both outcomes that defeat the initial purpose of intensifying job counselling.

In contrast, a fairly simple intervention in French middle schools proved to be a powerful strategy to improve education outcomes\(^{20}\). The programme was initially implemented in the deprived neighbourhoods on the outskirts of Paris. Parents of six-grade students were invited to participate in three facilitated discussions at their child’s school. During the two-hour meetings, the school staff provided information on how parents could help their children by participating in their education both at school and at home, and distributed a DVD (translated into different languages) introducing the main actors in middle schools and the functioning of the school. Even though only a small fraction of parents volunteered to participate in the


programme, researchers found that there was a remarkable positive change in the behaviour of all students, including those whose parents did not participate.

As these examples illustrate, without evaluation there is no way of knowing if all the resources, time and energy spent are making a difference. Judicious spending decisions need rigorous empirical evidence that can shed light on which policies are the most cost-effective. Accurately measuring outcomes and results is essential to improve accountability, optimise budget allocations and inform policy.

**Measuring Impact**

The impact of a policy or programme can be defined as the difference in outcomes of a sample of entities – i.e. individuals, households, firms – that are directly targeted by a policy or social programme, with the outcomes of those same entities had the policy or programme not been implemented. *How would the beneficiaries of a given programme have fared in the absence of the programme?* Such a hypothetical scenario is known as the counterfactual situation. In practice, evaluators must mimic the counterfactual by constituting a comparison group. The closest the resemblance between the comparison group and the group targeted by the policy or programme, both in terms of observable and unobservable characteristics, the more accurate and robust the estimate of the impact will be.
The strategy used to constitute the comparison group can affect the robustness of results as different methods are more or less prone to selection bias. Often, the reasons determining participation in a programme or policy are correlated with outcomes. For example, if there is a job counselling programme open to everyone, it is very likely that the most motivated job-seekers enrol. Motivation in turn can be positively correlated with the probability of finding a job. Comparing participants to non-participants will give an overestimated measure of the impact of the intervention, as more motivated participants would have had a higher chance of finding a job, even in the absence of the programme. The opposite is also possible: if the job counselling programme is only available to unqualified job-seekers that have been unemployed for a considerable length of time, comparing participants with non-participants will provide an underestimated impact, as participants would have fared relatively worse than non-participants, even in the absence of the programme.

These examples show that selection matters. Randomised evaluations are free from selection bias, whereas the problem is practically unavoidable when non-randomised methods are employed. At its simplest, randomised evaluations – as in medical trials – randomly divide a population of equally eligible individuals in two groups, a ‘treatment’ and a ‘control’ group. Flipping a coin, drawing names from a hat or using a computer program to generate random numbers are all valid randomisation strategies. Because of the random assignment, both groups, if large enough, will be identical.
on average: happy and sad, young and old, tall and short will be equally represented in each group. The only difference is that one group receives the policy or programme, and the other one does not (at least temporarily). Any change observed during the study – i.e. individuals in the treatment group find better jobs, and faster – can be confidently attributed to the policy or programme being implemented, and not to a difference in the groups’ composition. For this reason, results are transparent and easy to communicate, which make them easier to convey to policymakers.

Figure 3: Basic set-up of a randomised evaluation

That said, in some circumstances, randomised evaluations may not be appropriate. For instance, it is virtually impossible to examine the advantages of central bank independence, or of a democratic regime, as these policies are implemented at a macro level. Moreover, a well-designed RCT should include an explicit and relevant policy question, a sufficiently large sample and high quality data. When there is no clear policy question, when the sample size is too small, or when there is a high risk of losing track of too many participants (attrition) or of having the effects of the programme affecting many in the control group (spill-overs), an RCT might not be appropriate.
Some Challenges…

Is it ethical?

After going through the importance of evaluation, and the virtues of randomisation, many readers may be wondering about the ethics of experimenting in real-life settings with real people, and of excluding from the policy or programme – even if temporarily – a group of equally deserving individuals.

A first answer to this justified concern is that the lack of evaluation of programmes or policies whose effects are unknown raise serious ethical concerns. It is imprudent to implement a large-scale policy or programme without knowing if it does any good or if it causes unintended harm. Besides, from a budgetary perspective, financing large-scale interventions without knowing their effects can potentially result in a waste of resources.

Moreover, randomised evaluations can adopt different designs to ensure fairness. When there are more eligible applicants than resources (which is usually the case), randomised evaluations allow for a fair allocation of a programme or policy. An impartial lottery represents a fair and transparent strategy to allocate the programme, and is generally better accepted than a first-come first-served policy or than selection based on a set of arbitrary or unknown criteria.

When eligibility must be determined by qualification or merit, a lottery design is still possible, but only for those at the margin of eligibility. That is, applicants are divided into three different groups: those who are accepted anyway (i.e. the most qualified), those who are not accepted anyway (i.e. the least qualified), and those who will have a random chance of being accepted (i.e. those who are close to the cut-off).

There are instances, however, when it is not ethically or politically feasible to deny access to part of the population. In these cases, it may be possible to opt for a Phase in design. In this design, researchers randomly assign the order in which equally deserving units will participate in the intervention. A share of the population receives the programme first, and the remainder constitutes temporarily the comparison group. Later, another share of the population is phased into the programme, joining the treatment group. When the entire population receives the programme, there is no longer a comparison group and the evaluation ends.

Finally, when a programme is open to all, but only few individuals are
willing to enrol, evaluators can implement an encouragement design. With this design, all individuals can participate, but only some randomly selected individuals receive a special encouragement (e.g. information), increasing the probability that they apply to the programme.

However, there are some situations in which randomised evaluations raise serious ethical challenges. In humanitarian crises or situations of extreme need, randomised evaluations may be problematic. It would be unethical to withhold the access to a nutrition programme to part of the population following a large flood, for example.

For this reason, ethics committees or institutional review boards (IRBs) have been established. Their mission is to guarantee that research projects involving human beings respect ethical principles: respect for persons, beneficence and justice. Research participants must give their informed consent; researchers should avoid deliberately doing harm and the burdens and benefits of research should be fairly distributed among different groups of people.

*Does the policy that works in Kenya work in Panama?*

Another oft cited challenge is that of external validity. Critics claim that it is very difficult to know whether a programme that is effective at a pilot scale has the same impact when scaled up or when replicated in a different location. Randomised evaluations, they say, are overly focused: they test a particular programme, implemented in a certain way and benefiting a specific group of people.

Generalising the results of a randomised evaluation to a different scale or location will unarguably require making some inferences about the extent to which people’s behaviour is similar in different contexts. Yet, this challenge is not specific to randomised evaluations: any study focusing on a specific dataset will unarguably need to infer to which extent the specific findings will be valid elsewhere.

One of the advantages of randomised evaluations is that they can confidently establish a causal relationship between the programme or policy and the observed outcomes, which gives them a strong *internal validity*, an important prerequisite (although not sufficient) to generalise results. If the evaluation method implemented cannot confidently measure the true impact of a programme in a specific context (which is often the case for non-randomised methods that may suffer from selection bias), then its findings can hardly be credible in a different context.
Moreover, even if caution is needed when trying to generalise results, a combination of replications, theory and protocol design can help draw general policy lessons from rigorous field research.

Do the lessons learnt in one particular context apply to a different context?

By evaluating similar programmes in different contexts, researchers can obtain multiple proofs of a hypothesis and assess which general principles are constant across contexts. For example, in 2001 J-PAL affiliates evaluated the effects of a remedial education programme in India and found that reassigning students to classes by initial learning level and adapting teaching to the students’ ability had a significant positive impact on learning outcomes. A similar study was then conducted in Kenya in 2005 and then in Ghana in 2010, both obtaining very similar results. By compounding these different studies, J-PAL can confidently assert that teaching at the right level has important payoffs in terms of learning outcomes.

Does the programme that works for a hundred people work when applied to ten thousand people?

Ingenious designs can also provide valuable insights on the generalisability of results when a tested programme is to be scaled up. In practice, the impact of a pilot programme may change when it is implemented at a larger scale. For instance, if the government provides an intensive job counselling programme to a limited group of job-seekers in a city, participants may acquire additional job-seeking skills, gaining a comparative advantage vis-à-vis job-seekers who were not enrolled in the programme. In this case the programme will appear to have a positive effect on employment rates. However, if the programme is offered to all job-seekers in the city, many more participants would acquire the same job-seeking skills, and will be competing for a limited number of jobs. In this scenario, the effects of the programme on employment outcomes would be smaller.

Researchers can adapt the design of the evaluation to scrutinise how the scale of implementation affects impact. In 2007 J-PAL affiliates exami-

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ned the impacts of an intensive job counselling programme among those who were offered the programme and those who were not. The latter continued to have the option of receiving standard job counselling from the public employment agency. Specifically, the study was designed to analyse whether increasing the number of individuals receiving intensive counselling within a community affected the job prospects of those who were not offered the programme. Researchers varied the proportion of job-seekers who were offered intensive counselling within each community from 0 percent, 25 percent, 50 percent, 75 percent, up to 100 percent. Then, they randomly assigned job-seekers in each treated community into the treatment group (offered intensive counselling) or the comparison group (offered the standard public employment counselling). They found that intensive career counselling helped job-seekers find work sooner, but this improvement came at the expense of jobs for those who were not offered intensive counselling. This displacement effect is an important outcome to consider if the programme was to be scaled up.

**Impact Evaluation as a Public Good**

Evidence will most probably spur policy changes when evaluations tackle relevant policy questions and when their results are made available in a timely fashion. For research to effectively influence policy, researchers need to focus on questions that really matter to policy-makers, and the conclusions of their research need to be easily accessible.

The advantages of evaluating interventions where little empirical evidence exists are manifold. A well conducted RCT demonstrating a positive impact can facilitate scale up, encourage the replication of the policy in different contexts, help to select one amongst several programme alternatives, and provide valuable information for future policymaking.

An example of a well-timed evaluation is that of PROGRESA, a Conditional Cash Transfer (CCT) programme launched in rural Mexico in 1998. PROGRESA was one of the first Conditional Cash Transfers schemes, designed to alleviate poverty in the short run and to foment the accumulation of human capital in the long run. The programme provided cash grants to

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women conditional on children’s school attendance and preventive health measures. Its impact was measured through a randomised evaluation.

The 2000 presidential election resulted in a change in the party in power. One year later, the programme’s external evaluators shared their findings with the new government. The programme had had a remarkable impact: school enrolment increased, incidence of illness amongst children and adults decreased, and nutrition of young children improved.

Based on this evidence, the new administration decided not only to continue, but to expand the programme under the name of OPORTUNIDADES. The evaluation of PROGRESA also fostered the implementation and evaluation of similar programmes in several countries, including Colombia, Honduras, Nicaragua, Argentina and Brazil.

As the PROGRESA/OPORTUNIDADES example illustrates, the learning potential of randomised evaluations is maximised when they test influential, strategically relevant or novel interventions. Policies or programmes that, if effective, can potentially benefit a considerable number of people, innovative policies and interventions with uncertain outcomes are all excellent candidates for evaluation.

**Conclusion**

In conclusion, rigorously measuring the impact of social policies and programmes is an extremely important endeavour to identify the most effective strategies to tackle poverty. Yet, there are still many policy questions that remain unanswered, and several policies and programmes are implemented at a large scale, with uncertain effects. At a time of economic downturn and tightened state coffers, judicious spending on social policy becomes more important than ever: policymakers ought to know whether the resources earmarked are effectively generating a positive change, and whether they are prioritising the most cost-effective strategies.

There are several policy areas in Europe in which impact evaluations have a great learning potential. *Which are the most effective strategies to increase the take-up of social benefits? How can the education system effectively equip the youth with the necessary skills to transition into the labour market? Which is the most cost-effective strategy to reduce school drop-outs after middle school? How can early-childhood interventions impact academic achievement and labour market prospects later in life?*
A lot has been done to take guesswork out of policymaking. Still, the scope for rigorous research remains broad. Each new impact evaluation is a new brick in a larger and more ambitious edifice: that of evidence-based policy. It is by testing new ideas, communicating results and incorporating lessons into future policymaking that social policies and programmes will effectively change the life of the poor for good. And nothing about this improvement will be random.
Social Innovation and EU Structural Funds in Italy: The Demand Side

Andrea Pugliese, Impact Hub Rome

The Context

The responsibility for the series of bankruptcies and layoffs that has shaken the economy is often ascribed with superficiality to the crisis, taking somehow for granted that once the current economic conditions are over, we will be back to the situation we had in 2007.

It is just an illusion: the crisis will not leave us as it found us; during these years we have changed as people, consumers and producers.

Compared to 2007, we travel, we have fun, we work, we study, we care, we spend, and we invest in a different way. We have enhanced our common goods and relationships, and have socialised problems and solutions. Technologies have dematerialised and disintermediated goods and services. Thousands of families have disposed of a car, holidays in a hotel, and impulsive purchases without sacrificing their quality of life.

We are adapting to a context where the economic value is not the only to prevail, but there is concern for the environment and social inclusion.

Every day a person develops a common innovation with a great impact on the economy and on the lives of the community. However, it happens outside the institutional framework, often far from university and research institutes.

The main actors of this change are the citizens, associations, existing businesses, and start-ups that, alone or collaborating in networks, respond to the needs of the territories by building social cohesion and resilience, protecting the environment, and developing prosperity and employment.

These initiatives relate to each other within the paradigm of Social Innovation, and develop phenomena such as Sharing Economy, Economy Solution, Makers, Peer to Peer Education, and so on.

This innovation fully responds to the logic of the smart use of resources and communication technologies. Social Innovation is based on extensive participation in the construction of solutions, as well as on a proactive
networking and open innovation. The open data become requirements for decisions and predictions; there is a sharing of knowledge, and more and better jobs are created with the achievement of economic value and social inclusion.

This picture blurs the boundaries between ownership and use, including the time of work and inactivity, between private space and professional space. It is an environment where skills are recognised and the reputation is the prerequisite for leadership.

In a few years, spontaneously and in response to social needs, significant business models have been developed. There are successful experiences in new services and products, apps and IT applications, co-working spaces, collaborative platforms, co-design, bike and car sharing, time banks, service sharing in blocks of flats, villages, neighbourhoods, and businesses; we can also tell success stories about participatory educational schemes, the sharing of production tools, impact investing, etc.

Phenomena are dynamic and disruptive, more frequently with growing social cohesion, and are developed according to new priorities and with a bottom-up approach.

Social Innovation is the way to deal with the economic recession, to promote participation in a context of impaired social interaction, to activate new investment channels, to improve the organisation and governance of systems, to provide welfare services with the reduction of public resources.

If Social Innovation implements sustainable and fair policies, it is not hard to predict that we will witness phenomena that are typical of transitions: many jobs are going to be lost and others created; new aspects of ownership, taxation, labour, and intellectual property are to be regulated; many businesses will have to change to come to grips with the market; corporations and monopolies are going to be overwhelmed by changes; new players (and, perhaps, monopolies) will show up.

This different paradigm comes into conflict with the already existing one, bringing about more or less obvious forms of friction between the following actors: between producers of goods and supporters of sharing, between hotel owners and platforms acting as intermediaries of rooms; between restaurant owners and dinners offered in private homes; between journalists and advocates of open information; between taxi drivers and brokers of private cars; between food distribution and new patterns of purchase and consumption; between banks and practices of Social Lending.
and Crowdfunding.
The need for a systemic approach, with an emphasis on the role of public administration, becomes therefore an inescapable priority.

**Social Innovation for the Implementation of Europe 2020**

Europe 2020 is the EU strategy to ensure growth, prosperity and social inclusion. It aims not only at creating the conditions for ending the crisis, but also at tackling the shortcomings of the current development model, and creating the conditions for a smarter, more sustainable and inclusive continent.

The Europe 2020 objectives fit into the socio-economic context marked by new values, different modes of consumption, and the relationship between citizens, government, and businesses. Through the structural funds for the 2014-2020 period the EU will invest, along with Member States, to achieve the objectives set out as to employment, energy efficiency, fighting poverty, and scientific research.

New rules for structural funds widen the participation of stakeholders at all levels, lead to a planning of actions based on expected results, and encourage collaboration rather than competition; they also adopt a multidisciplinary approach in the integration of funds, and promote cooperation between the public system and the private sector. All these aspects are the pillars of Social Innovation.

In addition to constituting a more consistent implementation of Europe 2020, Social Innovation also fully meets the subsidiarity principle, which is the bedrock of freedom and democracy, where the State creates the conditions for action without replacing the citizens, and the intervention is moved from the institutional level closest to the citizen. This ensures the effectiveness of gradual interventions, releasing the State from an overload of tasks and costs, and allows citizens to act, operate, and control interventions in the most direct way possible.

**An Italian Misunderstanding**

In Italy there is widespread misunderstanding about the meaning of ‘Social Innovation’, which slows down new policies and paradigms.

Is Social Innovation ‘Innovation in the Social Sector Policies’? Or is it ‘Innovation for the Society’?
It could sound like a matter of minor importance but turns out to be crucial if funds become available within the exclusive competence of the third sector, non-profit organisations, and for projects aimed only at specific targets in favour of citizens considered ‘weak’. Completely different is the second interpretation focused on a broader cross-cutting impact on the society, which is not meant to set constraints on the nature of businesses and beneficiaries.

In a context of Social Innovation:

- innovations are not only positive for the society but improve communities’ ability to act;
- innovations are sustainable and in favour of the society as to both their purpose and in the means used to achieve them;
- products, services, and models meet the economic needs but also social requests, and create new relationships and forms of collaboration;
- participatory processes produce social capital.

It is necessary that those in charge of programming the structural funds (and in the future also of the evaluation of projects, management of funds, and monitoring over them) agree on this point. Otherwise the funds will be governed by the lobbies, which exist since long ago and are well structured; they often convey only partisan interests in maintaining the status quo, being unfit for the market and the economy.

**Social Innovation is not Inevitable**

Social Innovation is far from being inevitable, especially when the economic value it creates for those who invest, is limited due to the respect for social values and environmental aims.

It develops actions that clash with the culture of profit at any cost, break monopolies, and collide with professional corporations and the banking system. However, the limits of the non-profit sector would relegate Social Innovation to the sidelines, turning it into a residual policy actor, without allowing the development of an ecosystem of overall sustainability of development interventions for the country.

At the same time the bearers of new economies and Social Innovation can-
not ignore the consequences brought about by changes. Hundreds of thousands of people, whose job could evolve or disappear in the next few years, spend their working lives wasting resources, producing superfluous things, generating conflicts, and trapped in bad organisational patterns.

So far, the public administration has been far from these dynamics, and has underestimated their social value and impact. In particular, the public administration considers problematic any action targeted to influence or judge its role of programmer, decision-maker, and law-maker. Certainly, it has not understood the potential in terms of simplification of processes, design of services, creation of value for the territories, and efficiency in spending.

Today, the Europe 2020 Strategy sets the new way, and the institutions can no longer act and govern only for citizens but must do so with citizens who become a source of energy, talents, resources, skills and ideas, in a word, ‘stakeholders’.

The widespread inability of institutions to deal with innovation and the real needs of the territories, however, is only one of the critical issues. Social Innovation is a different paradigm, and there is a risk that innovators might be locked up in the supposed good quality of their own projects, ideas, and visionary intelligence.

The actors of Social Innovation are small, and operate in a fragmented way. Their legal assets are often informal or associative, and quite unsuitable for relations with institutions. In general, they look at their markets without having a dialogue with the institutional system. They have their own vocabulary, rather elitist, and look for comparison more internally rather than with their neighbours.

They are far from understanding the times and rules of the bureaucracy, are distrustful of politics, and are totally discouraged by experiences in the access to public funds (including the structural funds).

As they deal with communities’ needs with great empathy except for some cases, they do not imagine themselves as a ‘community’ and, for this reason, do not consider the institutional system as an actor of the dialogue, bearer of ideas, and a pressure group.

As it always happens in communities with a strong vocation to change, they sometimes have the feeling that the actors of Social Innovation are so in love with their model that they have stopped dealing with a world that consider outdated, unreliable, cumbersome and slow.
Public Administration as a Crucial Resource for Society

To start the process of Social Innovation, the administration and the community should start a collaboration towards the production of useful and measurable results based on mutual trust. In this relation it is necessary that the administration pays attention to the ‘weak signals’ that come from the territories.

For years we have given much value to the ‘best practices’, with their classification and analysis, on the assumption that experiences and successful approaches could be replicated in other territories. Social Innovation generates instead original responses to the needs of local communities; it is about ‘weak signals’ difficult to intercept, issued by entities not acquainted with the involvement of the public administration, whose ‘listening skills’ must be fine-tuned.

The hypothesis that public resources could support local development opens up the debate towards some important issues: which requirements must a Social Innovation project own? How to evaluate its social and environmental impacts? How to carry out objective evaluations?

These are the same questions that arise in the financial sector when measuring the Social Impact. These questions lead us to philosophical areas such as the measure of well-being and happiness.

The science of evaluation is working hard to develop new models and indicators. However, it should be recalled that every innovation is based on learning related to failure, and therefore innovating really needs a dose of ‘courage’ which is quite rare both in business and institutions.

For example, venture capitalists know that it is physiological that at least four out of five start-ups will fail. There is no reason why start-ups financed by the European Regional Development Fund (ERDF) should have a higher success rate. However, it is easy to imagine the difficulty faced by a public official when defending this concept in front of the political opposition or observations made by the Court of Auditors. (However, I want to recall that the employment rates as a result of many training courses financed by the European Social Fund – ESF – in the past few years do not reach two-digit percentages...)

New Stakeholders for the 2014-2020 Programming Period

For decades, the structural funds have shared criteria that have little to do with development, participation, and the common good. Funds are often used to ensure the survival of social partners, training institutions, and protected organisations. Many regional authorities use funds for innovation as shock absorbers for companies at risk of shut down. Subsidies are often useful to artificially keep alive obsolete businesses and jobs with a bad influence on competition rules, thus building high walls against newcomers. The crisis has challenged this inefficient and nepotistic system, but has also shown the lack of ideas, and highlighted the weakness of strategies. For the first time, many institutions are open to contributions from the outside, hoping to set up effective strategies.

To bolster this process, the European Commission has expanded the concept of ‘stakeholder’ in the planning and management of funds for the 2014-2020 period. They are no more only the usual clubs of institutions, social partners, and education and training actors. The EU underlines in the Fund Regulations how the concept of representation is to be understood in a much wider sense than in the past. It is emphasised that so far many stakeholders and innovative projects have not been considered for comparison. Whoever is interested in a policy is a stakeholder, even a single private citizen.

Without hypocrisy, it is evident that this new participation scheme is a criticism, not even a bit veiled, about the lack of competence institutions and social partners have shown in recent years in suggesting solutions and in foreseeing future economic scenarios. Another element is the acknowledgement of the fact that social partners are less numerous than representatives from workers and employers.

In Italy we have witnessed some attempts to open up the dialogue. Regional authorities and Ministries have expanded consultations since they were obliged to. In various ways, they have collected projects and suggestions for the drafting of Operational Programmes (OPs), promoted web wikis on draft documents, and involved local actors. It has been a significant step forward but is still difficult to assess.

I wish that my scepticism will be denied by a future scenario characterised by open monitoring committees, rich and transparent websites where people will be able to read about spending and its impacts, as well as by...
objective assessments of projects, and the willingness to put in question the choices made if context conditions change.

**The Potentials of Different Funds**

The structural funds are actually the only ones tied to the implementation of measures of structural innovation and development of human resources with an impact on the economy, forms of citizenship, and the lives of citizens.

ESF can promote Social Innovation by allowing for example to:

- develop and enhance skills. I am referring not only to the skills that are already certified but also to all those new skills related to innovation, what the future will be, and what works in practice;

- identify new professions and changes taking place in the traditional ones, also in order to give support to the educational system and programming;

- define the criteria and different paths to match demand and supply of labour force;

- shape and implement a new governance structure for learning;

- encourage networks, including the international ones; promote study visits to empower stakeholders.

A first comparative reading of the Italian Regional ESF OP proposals presented to the European Commission in July 2014 shows, except for a few cases, quite standard actions and words, with no concrete meaning, vague in impacts, similar to the proposals adopted in 2007 before the crisis. Even worst is the fact that many OPs are similar to each other although they belong to very different regions.

On the other hand, ERDF could become the engine for the development and transfer of innovation into the territories. For example, it could:

- support the implementation of new crucial financial instruments like social impact bonds, local impact bonds, guarantee funds, micro-finance funds, etc.

- steer research and innovation policies to tackle societal problems;
• participate, including co-financing, in the delivery of services relating to the start-up of social businesses and companies;

• contribute to the recreation of contexts dedicated to innovation, co-working, sharing, and participation;

• implement the Digital Agenda, and support the development of services across platforms and broadband;

• mainstream activities also by mapping and promoting Social Innovation and Economy of Sharing.

This vocation of ERDF is also outlined by its complementarity with the Horizon 2020 Programme which encourages scientific research to provide answers to the main societal challenges such as health, welfare, food quality and safety, safe, clean and efficient energy, smart and integrated transport, social cohesion, and the ability to respond to adversity.

This broader vision of innovation goes beyond the usual focus on products or processes, and draws the attention of researchers to the challenges by imposing new and unprecedented multi-disciplinary collaborations which by their nature are based on forms of Social Innovation.

On a local basis, this inspiration could/should be articulated within the Smart Specialisation Strategy (S3) of each region. It will:

• concentrate the political support and investment priorities, as well as challenges and development needs on regional strengths, competitive advantages, and potential for excellence;

• support the technology-based innovation and practice with the aim of stimulating private sector investments;

• obtain the involvement of all stakeholders also to encourage innovation and testing;

• provide evidence for concrete actions and expected results, and then measure the results with independent monitoring and evaluation systems.

Without some commendable and limited exceptions, regional governments have not broadened their vision with the adoption of S3, and consequently ERDF OPs were in line with the previous ones, focusing on economic sy-
stems overwhelmed by the market, fraught with chimeric and vague objectives, and uncertain about expected impacts.

We do not have innovators because the European Commission issues new regulations. The Italian regions, being aware of the needs and clarity of the approach, developed OPs that acknowledge problems, solutions and impacts; some others regions just did their job using the right key words, without any coherence throughout the proposed actions.

Now it is not easy to predict how the European Commission will amend the OP proposals. Optimism suggests that room will be available to give meaning to vague proposals in cooperation with the public administration.

**Possible Actions**

In order to give priority to a sustainable economy, and further the objectives of Europe 2020, the government can facilitate the development of Social Innovation in a wide sense, which is successful in terms of economic, social and environmental sustainability.

An ambitious goal is not possible without a strong political engagement in this sense; it can only support the structural development in a medium to long-term dimension.

The weakness of the current OP proposals, however, is coherent with the apparent inability of the EU to formulate policy proposals to overcome the crisis. The launch of the Social Innovation Competition, Social Experimentation schemes, and ‘Calls for Ideas’ proves the difficulty of the European Commission to come to grips with venture strategies.

In the Structural Funds Regulations the European Commission gives the territories the choice between considering Social Innovation as a cross-cutting approach, and developing specific lines of action to consolidate the practice.

In respect of the forms of bureaucracy, the actors of Social Innovation must ask the public administration for spaces for participation in the government’s choices, infrastructure projects, wide education and training schemes targeted to the citizens, and empowerment of officials and decision-makers.

Thus, in the short term, major issues such as transport policies, energy, waste management, and welfare can turn into a new value for the community.

The role of the public administration is valuable and necessary to support
the transition of the economic model through:

- the adaptation of legislation and taxation to anticipate conflicts, and to protect innovation by reassuring companies, investors, and start-ups;

- the provision of support for trials, allocating economic resources and subsidised services to projects with significant impact, and then proceeding to their mainstreaming whenever it is meaningful;

- the provision of physical places where public/private partnerships can be created;

- the implementation of the Digital Agenda, through the promotion of technology in order to provide and disseminate network services, collaboration tools, and trading platforms;

- the provision of support to networking of experiences and people to encourage the dialogue between generations and genders, as well as the respect for the rule of law, democratic values, and freedom of expression.

**How to Begin**

According to EU regulations and documents issued by thematic working groups, we can, we must sustain Social Innovation through the structural funds.

To understand which scope Social Innovation could have in the new Italian programming phase, it is useful to refer to the Partnership Agreement presented by Italy in April. Although it is still waiting for approval, and will be partially revised, it can be considered as the ‘platform’ on the basis of which Ministries and Regions draft their OPs.

There are numerous actions that envisage the boosting of Social Innovation. I will mention some of them, indicating also their national or regional scope, and the related fund:

- support for the generation of innovative solutions to specific problems of social importance, *inter alia* through the use of open innovation environments such as Living Labs (Regional ERDF OPs);
• interventions to support the creation of new businesses with direct incentives, the supply of services, and micro-finance interventions; to support the promotion of start-ups by rewarding innovation or creativity, forms of management, products or processes, eco-innovation, the efficient use of resources, and cultural growth of biodiversity (National and Regional ERDF OPs);

• support for starting and strengthening entrepreneurial activities that produce socially desirable effects and public goods (Culture National OP, Regional ERDF OPs);

• support to and follow up of the birth and consolidation of social enterprises through training, ‘incubation’, and networking actions among businesses, social workers and actors with skills (Culture National OP, Regional ERDF OPs);

• measurements for the activation and follow-up of entrepreneurial paths, i.e. access to credit, guarantee funds, micro-credit, forms of tutoring (Employment National OP, Regional ESF OPs);

• testing of some social innovation projects subject to impact assessment in the areas of social policies, social economy, and welfare families, inspired by the model of circular subsidiarity (Inclusion National OP, Regional ESF OPs);

• promotion of projects and partnerships between the public and private sector, aimed at corporate social responsibility and the development of the welfare community (Inclusion National OP, Regional ESF OPs);

• strengthening of social enterprises and third-sector organisations in terms of efficiency and effectiveness of their activities (e.g. quality certification, promotion of networking and reporting tools, social innovation of legal forms, and organisational training for the development of social entrepreneurship) (Inclusion National OP, Regional ESF and ERDF OP);

• strengthening of public and private housing and recovery of public property to increase the availability of social housing and services for vulnerable groups; strengthening of infrastructure interventions aimed at testing innovative models such as the social housing
and co-housing (Metropolitan Cities National OP, Regional ERDF OPs);

- interventions of functional recovery and reuse of old buildings for entertainment activities and social group participation, including assistance for the reuse of assets seized from the mafia (National and Regional ERDF OPs).

The operation to start with, however, is, without doubt, that of strengthening the institutional capacity of the stakeholders involved, to which the structural funds dedicate a specific theme.

The action may involve all stakeholders and is designed to accompany the innovation system. This line is crucial to make the parties transfer skills to gain first-hand experience of needs, problems and solutions, and to start to co-design laboratories.

At the same time, we must start to learn about, and become aware of the phenomenon of Social Innovation in the territories. For example, studies and mappings are needed to:

- give visibility to actors which develop projects and interventions based on new models of participation, platforms, resource reuse and savings, and fight against inequalities;

- have the actors relate to each other, also to develop economies of scale, taking advantage of the insights, and facilitating the circulation of knowledge and practices;

- establish new social relations based on trust and on the economic and exploitation of the commons that develop sustainable economies and social inclusion;

- allow institutions to develop regional and local economic policies with high impact on society, employment, and the environment;

- enable the administration in its regulatory function and regulatory development to facilitate the processes in a systemic way;

- promote future calls for projects that meet the needs and potentials of the area;

- develop an economy centred on resource savings rather than consumption.
Social Innovation and EU Structural Funds: The New Programming Period

Giorgio Centurelli, senior expert on EU structural funds

In general, with the term ‘social innovation’ we identify new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Among other recent definitions, social innovation generally can be defined as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations.\(^{24}\)

Social innovations are innovations that are social in both their means and their ends, and are aimed at improving human well-being. They are innovations that are not only good for society but also enhance the individuals’ capacity to act.

Social innovation describes the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process is composed of four main elements:

- identification of new/unmet/inadequately met social needs;
- development of new solutions in response to these social needs;
- evaluation of the effectiveness of new solutions in meeting social needs;
- scaling-up of effective social innovations.

In this context, the word ‘innovation’ refers to the capacity to create and implement novel ideas which are proven to deliver value, and the word ‘social’ refers to the kind of value that innovation is expected to deliver: a value that is less concerned with profit and more with issues such as quality of life, solidarity and well-being.

In particular, the issue here is what this ‘social’ output relates to. The BEPA (Bureau of European Policy Advisors) explores three different possible

meanings of the ‘social’ dimension of social innovation, and proposes three different approaches:

- **social demand innovations**, which respond to social demands that are traditionally not addressed by the market or existing institutions, and are directed towards vulnerable groups in society. The European Social Fund (ESF) and initiatives like PROGRESS are traditionally linked to this;

- the **societal challenge perspective** focuses on innovations for society as a whole through the integration of the social, the economic and the environmental dimensions. Many of the integrated approaches are visible in the European Regional Development Fund’s (ERDF) URBAN and URBACT programmes;

- the **systemic change focus**, the most ambitious of the three and to an extent encompassing the other two, is achieved through a process of organisational development and changes in relations between institutions and stakeholders. Programmes like EQUAL and LEADER are attempting to move in this direction.

Stimulating innovation, entrepreneurship and the knowledge-based society is at the core of the Europe 2020 Strategy.

The Europe 2020 Strategy of smart, sustainable and inclusive growth has set very ambitious targets, three of which directly concern the social domain (the targets are: 1. increasing the employment rate to 75%; 2. reducing early school-leaving under 10%; and 3. reducing poverty by 20 million people).

Social innovation is a tool that is capable to integrate various stakeholders to address social needs and societal challenges. Similarly, growing social problems more often have to be solved with less funding, and social innovation is a tool that can provide us with new, more efficient answers, and is able to deliver them with fewer resources. Finally, complex social and societal challenges call for specific answers that have to be found locally, and social innovation is able to mobilise local actors and create localised responses.

For these reasons, social innovation will play a key role in the cohesion policy. This is reflected by the regulatory framework of the future programming period (2014-2020) that in various parts of its rules promotes actions of social innovation in favour of Europe 2020.

In addition, strategic planning in the cohesion policy context also requires that supported social innovation projects are not only sustainable themselves but also contribute to the sustainability of the policies they are embedded in. Social innovation processes and methods may also play an important role in policy design and implementation, i.e. participatory processes and co-creation, to modernise not only service delivery, but also the corresponding policies.

The strategic role of social innovation in the delivery of Europe 2020 is reflected by the common provisions of the European Structural and Investment (ESI) Funds (Regulation (EU) no. 1303/2013), in particular by:

- thematic focus;
- monitoring provisions of social innovation.

About the thematic focus you can obtain ‘social innovation’ through five thematic objectives, in particular:

- strengthening research, technological development and innovation (thematic objective 1);
- promoting sustainable and quality employment and supporting labour mobility (thematic objective 8);
- promoting social inclusion, combatting poverty and any discrimination (thematic objective 9);
- investing in education, training and vocational training for skills and lifelong learning (thematic objective 10);
- enhancing institutional capacity of public authorities and stakeholders and efficient public administration (thematic objective 11).

The thematic focus is explicit in the provisions for ERDF in the research, technological development and innovation thematic objective under which social innovation is addressed through an investment priority. ERDF also specifically includes social enterprises under the investment priority for
social inclusion and combatting poverty. At the same time, ESF envisages social innovation in all the policy fields which belong to its scope, which means that it is supposed to take place through all investment priorities of the employment, education, social inclusion and administrative capacity building priorities, or to address the areas of these thematic objectives through a separate priority axis on social innovation.

In addition, the new strategic role of social innovation throughout the implementation of the cohesion policy is manifest in the explicit requirement of reporting on progress of actions in the field of social innovation (article 111 (4) g) of Regulation (EU) no. 1303/2006). In order to abide by these provisions, between 2017 and 2019, Member States (better Managing Authorities of the Operational Programmes – OPs) will have to complement annual implementation reports, among the others, with ‘progress in the implementation of actions in the field of social innovation, where appropriate’.

Those provisions are specifically devoted to social innovation, but the new regulatory framework includes other rules that facilitate social innovation; in particular, these are related to simplifications and a more integrated approach.

The new programming period is focused, at technical level, on simplification, which could enable the access to EU structural funds. A reduction of the administrative burden for beneficiaries is, in fact, the main aim behind the Commission’s proposals. Some elements of simplification reduce administrative efforts at all levels, and some are targeted at national and regional administrations. Provisions on simplification envisage for example e-cohesion and simplified cost options: lump sums, flat rates and standard unit costs. In particular, the ESF Regulation (Regulation (EU) no. 1304/2013) demands that ESF projects, for which public support does not exceed 50,000 euros, shall take the form of standard scales of unit costs, lump sums or flat rates, except for operations receiving support within the framework of a State aid scheme (article 14 (4)).

Finally, the new framework looks for a more integrated approach, which is meant to provide simpler funding for investments addressing multidimensional needs. Social innovation is often conceived to address complex social problems, which call for investment into human capital, skills, institutions, organisational structures, technology, equipment, infrastructure, etc. at the same time. The provisions of the new regulatory environment, favourable
to integrated responses with simultaneous interventions of more funds, are beneficial to programming and implementing socially innovative projects. Moreover, in the next financing period of the structural funds, it is possible to develop social innovation at territorial level in a strategy using the instrument of Community-Led Local Development (CLLD). In this case, a Member State could decide to allocate funding to CLLD and give it a specific direction, fitting with its overall strategy for social innovation. This could be done by launching specific calls for proposals for local development strategies incorporating the social innovation dimension.

That is valid for common provisions of the ESI Funds, but what happens to the regulations of the specific structural funds (ESF and ERDF)?

ESF is Europe’s main instrument for supporting jobs, helping people get better jobs, and ensuring fairer job opportunities for all EU citizens. ESF was set up to reduce differences in prosperity and living standards across EU Member States and regions, and to promote economic and social cohesion. ESF spending supports the creation of more and better jobs by co-funding national, regional and local projects that improve the levels of employment, the quality of jobs, and the inclusiveness of the labour market in the Member States and their regions.

According to the ESF Regulation, ESF shall promote social innovation; in particular, it ‘should encourage and support innovative social enterprises and entrepreneurs as well as innovative projects taken on by non-governmental organisations and other actors within the social economy’. More specifically, testing and evaluating innovative solutions before scaling them up is instrumental in improving the efficiency of policies, and thus justifies specific support from ESF. Innovative solutions could include, provided they prove to be effective, the development of social metrics such as, for example, social labelling.

ESF, according to article 9 of Regulation (EU) no. 1304/2006, shall promote social innovation within all areas falling under its scope as defined under article 3. This provision means that social innovation can take place in all policy fields of the ESF investment priorities. In terms of programming, the provision translates into the possibility to design social innovation programmes through every ESF investment priority. The themes that are selected for social innovation in order to address specific needs tackled by the OP will have to be identified by the Member States (article 9 (2)). Moreover, the Commission shall facilitate capacity building for social in-
novation, in particular through supporting mutual learning, establishing networks, and disseminating and promoting good practices and methodologies.

At a strategic level, the ESF Regulation clarifies that each OP co-financed by ESF will have to set out the contribution of its planned ESF-supported actions to social innovation, where it is not covered by a dedicated priority axis (article 11 (3)). Moreover, in order to promote the social innovation by way of derogation from the co-financing rules, the maximum co-financing rate for a priority axis shall be increased by ten percentage points (but ever shall not exceed 100%) where the whole of a priority axis is dedicated to social innovation or transnational cooperation, or to a combination of both. The option of dedicating a specific priority axis to social innovation also ensures that the contribution of the programme to social innovation is programmed in a systematic and visible manner. Nevertheless, a systematic approach is ensured in those programmes too, where social innovation takes place through the investment priorities under the thematic objectives by the obligation to explicitly set out the contribution of ESF actions to social innovation (article 11 (3) b)).

The possibility of mainstreaming social innovation in all areas of the OPs is coupled with the principle of thematic concentration. The provisions on thematic concentration – at least 60, 70 or 80% of funding to be concentrated on maximum 4 investment priorities in each ESF OP, and at least 20% of ESF to be earmarked to the social inclusion thematic objective in each Member State – are to ensure ESF’s effective contribution to the objectives of Europe 2020. As a result, social innovation will be able to take place in all policy areas which are expected to contribute most to the Europe 2020 objectives.

ERDF aims to strengthen the economic and social cohesion in the European Union by correcting imbalances between its regions. ERDF finances direct aid to investments in companies – in particular small and medium sized enterprises (SMEs) – to create sustainable jobs as well as infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport, but also social infrastructures like hospitals, schools and nurseries. ERDF also provides financial instruments (capital risk funds, local development funds) to support regional and local development, and to foster cooperation between towns and regions as well as technical assistance measures.
The ERDF Regulation (Regulation (EU) no. 1301/2006 on the European Regional Development Fund and on specific provisions concerning the investment for growth and jobs goal) sets specific provisions for social innovation and social enterprises.

According to article 5, ERDF shall support investment priorities within the thematic objective 1 on strengthening research, technological development and innovation, including the following investment priority by ‘promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies’.

This shows that social innovation is part of the wider concept of innovation, moving away from ‘just’ technology-based innovation.

Moreover, in promoting social inclusion, combatting poverty and any discrimination (thematic objective 9), ERDF may include actions to provide support for social enterprises (article 5 (9) c)).

Although the ERDF provisions about social innovation and social enterprises are limited to just two paragraphs of the same article 5, there are more possibilities to include social innovation in ERDF investments under other priorities, for example:

- under thematic objective 2 (enhancing access to, and use and quality of ICT), the priority ‘strengthening ICT applications for e-government, e-learning, e-inclusion and e-health’ can include the co-creation using socially innovative methods;

- under thematic objective 3 (SME support measures could also apply to social enterprises), with reference to the priority ‘promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators’.

In those cases, it is better to clarify that the social innovation will not be a ‘major component’ for these priorities but can represent a small part.
ERDF shall include actions to attain the thematic objectives from 1 to 11, but the last four thematic objectives (8-11) are attained mainly by ESF. In these fields, ERDF operates through specific priorities in order to improve the effectiveness of the respective policies, and it is very important that ERDF’s support to these investment priorities is coordinated with ESF investments.

For example, in thematic objective 8 (promoting employment and supporting labour mobility), the possible support for the development of business incubators and investment support for self-employment and business creation can be very relevant for socially innovative start-ups.

Apart from support to social enterprises, in thematic objective 9 (promoting social inclusion and combating poverty) ERDF could invest in social infrastructure that contributes to national, regional and local development.

The same is to say about thematic objective 10 (investing in education, skills and lifelong learning by developing education and training infrastructure), and finally about thematic objective 11 on enhancing institutional capacity and an efficient public administration by strengthening the institutional capacity and the efficiency of public administrations and public services related to implementation of ERDF.

About the programming, in the new period there are three options (that also can be combined) that can be used in order to activate social innovation operations:

- identify the part of a specific priority axis where they intend social innovation to take place and contribute to the specific objective(s) addressed by that axis;

- take the form of a dedicated priority axis focused on one specific thematic objective. The dedicated priority can programme one or more specific objectives which are to be implemented through social innovation;

- identify social innovation like a horizontal principle. In this case, all parts of the OP have to demonstrate how social innovation is promoted and how that contributes to the specific objectives and the main objective of the programme.

At last, at the project level it is very important how to select the social innovation operations.
Criteria for the selection of projects are to ensure that interventions with the highest contribution to the specific and main objectives of the OP receive support. About this, the objective of criteria established for the selection of social innovation projects is at least two-fold. ‘Once, the specific objectives of the theme to which the project should contribute has to be taken into account; second, the socially innovative character of the project has to be warranted. Ideally, the two aspects are integrated and the second reinforces the first, so that the selection of the most innovative projects has the largest impact to the specific objectives’ 26.

On the basis of the broad definition of the term, as upon described, at least three characteristics have to be translated into the selection criteria:

- the social need which is addressed;
- the social qualities of the tools or methods which are used;
- the innovative nature of the activities.

In conclusion, it must be said that the structural funds constitute only one of the four pillars that the European Union has provided for the achievement of the objectives of Europe 2020 in the subject of social innovation.

Together with the structural funds we have in fact also the Fund for the European Aid for the most Deprived (FEAD), the European Globalisation Adjustment Fund (EGF), and the recent EU programme for Employment and Social Innovation (EaSI) with an approved budget of 919 million euros for the 2014-2020 period and that will support Member States’ efforts in the design and implementation of employment and social reforms at European, national as well as regional and local levels by means of policy coordination, and through the identification, analysis and sharing of best practices.

But the structural funds are the most important indirect supports: it will be mainly in the responsibility of the Member States to take full advantage of these opportunities and the tools provided for the full pursuit of development policies, and the consequent well-being of citizens.

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The European Scenery of Impact Investing

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Introduction

A decade ago, sector crossing was not commonplace. Today, the economic crisis and the number of social as well as environmental issues faced, force us to find new ways to envision the future.

Ultimately, no matter the role played by governments and society in general, the capital needed to successfully tackle challenges and issues plaguing our century lies for sure in the hands of companies and investors. If we take a look at the enormous amount of private wealth today, data show that it forms a significant part of GDP, and we venture that through impact investing a possibly more channelled use of the latter could be effectively achieved. Set out below is an attempt to frame starting points and ambitions for this emerging asset class of investments.

In what way would the sector be circumscribed, both legally and practically? Indeed, this phenomenon is something more than the mere concept of measuring. The spotlight is accordingly on the possible targets of impact investing: how to determine who would profit mostly from accurate investments in terms of efficiency? What legal entities would be entitled to funds destined to impact investing?

It is also always worth emphasising that this paper still remains a juridical analysis, and therefore is highly determined by the countries’ legal tradition. In our case, Italy, where the reasoning around social enterprises has always revolved around the profit distribution controversy. Historically, the existence of the non-distribution constraint, with the only exception of social cooperatives, set the perimeter of the sector. Indeed, keeping the legal traditions well in mind is precisely the key input in the pursuit of finding a way through immobility. Ironically, it seems that legislative intervention is not only utterly confusing, but most importantly not needed.

The subject matter finds its pivotal point in the measurement, which will represent a key feature of the attempt to unify a series of differing markets around the world.

Our paper moves from these assumptions, which are considered a funda-
mental basis of our reasoning: ‘profit with purpose’ and ‘non-profit doing business’ are surely the ideal targets to consider for this new asset class, and it is in their definition and scope that the debate becomes concretely relevant.

The origins of impact investing and European experiences being impact investing at a pioneer stage in our search for a model, the greatest obstacle lies in the definition of its boundaries and shapes.

The news is precisely here: target companies should not be closed in the paddock of non-profit legal forms, but rather find in the measurement of their impact and outcome their social trait.

Social enterprise is only a piece of the wide-embracing sector of impact.

No more than five years ago, while observing the development of bridges ventures and social finance in UK, just to cite a few, Italy seemed decades behind in the simple consideration of the phenomenon. However, as a large part of Italy’s attitude is to look at the foreigner with immediate admiration, even when there is less substance than charm, a great amount of mistrust came with the analysis. With time, these models became concrete examples of a replicable success.

Not to mention that the ‘working’ area of impact investing is left more and more without funds, receiving less and less support from the public administration. Naturally, the economic crises led the social economy to find new ways of answering to growing needs; a fertile ground for impact investment.

A huge step forward was made in the debates and conventions which lately pushed the topic to the frontline. This acceleration was surely fostered by the work of the G7 Social Impact Investment Taskforce, a working group composed of the most different individuals, focusing on impact investing and its development both globally and in our country.

One of the working groups of the Italian taskforce, which addressed exclusively the attraction of capital, highlighted how in our country impact has a high development potential, as well as the central role acquired by the social economy, considering for example the improvement made by cooperative banks, warranty funds destined to cooperatives, and microcredit.
**A Tipping Point: the Social Impact Accelerator**

Globally, nonetheless, the approach was taken at a different level, by initiative of different actors: the G7 and the EU.

Clearly, points of view, needs and reasons to act differ, although a unifying factor can be found in the common desire to strongly push and support this new form of sustainable capitalism. It points out that, historically, we are witnessing, perhaps for the first time, the parallel growth and analysis of economic events, both in different countries and at different supranational levels.

As a start, Europe has been promoting since 2011 a growing number of initiatives concerning social economy at large, and then specifically targeting impact investing. As said, it started with the financing of small and medium sized enterprises (SMEs), and is moving now towards impact investing and related issues.

The biggest event was surely the birth of the European Investment Fund (EIF), a European body with SME risk financing at its core. Born as part of the European Investment Bank (EIB) group, EIF became a fortunate and thriving combination of public and private shareholders.

It is owned by EIB, with 62.1% of the shares, and the rest divided between the European Commission (30%) and 25 public and private financial institutions (7.9%, of course spread across 15 countries overall).

When elaborating the final aim of EIF, founders looked up to the recent history of EU orientations, and aimed at boosting the SME sector and, in general, the part of the market which had initially been forgotten in the process of unifying the market; this was obtained by easing access to finance and its instruments, reserved up until then to the strong market entities.

How does EIF achieve all of this? Mainly through the design and development of adaptable venture capital models and guarantee instruments that are suitable for this market segment. If we look at the operative side of this, EIF can be considered as the working arm of principles and objectives set by the EU some years ago, to be achieved by 2020 in support of innovation, research and development, entrepreneurship, growth, and employment.

What about its contribution? Each year funds tend to grow, however by 2013 its total net investments in favour of venture capital and private equity funds reached more than 7.9 billion euros.
Things are moving fast. Within EIF another fund was born, a fund of funds, perhaps the most innovative solution until today, the Social Impact Accelerator (SIA). The latter is an experiment of a pan-European public-private partnership designed to support social businesses.

SIA was born in May 2013 and can surely be seen as an accelerator towards building a bridge between equity finance and social enterprises. Its structure as a fund of funds relies at the same time on the support of private sector investors (Deutsche Bank and Crédit Coopératif, but others are expected to join)\(^{27}\).

Its capital amounting to 60 million euros targets social enterprises cross-nationally.

Its basic investment strategy is as follows: 50% in impact investing funds and directly managed by EIF. Furthermore, extensive and precise guidelines are set by EIF to select the management team of the fund, namely:

- ‘[to] address and achieve a measurable social and/or environmental impact by their investment into social enterprises;
- [to] measure and report satisfactorily on social impact achieved;
- [to] select commercially viable social enterprises; and
- [to] provide investee social enterprises with the necessary support for developing their social business activity’\(^{28}\).

If we analyse these guidelines, it stands out how the management side, with all of its components, professionalism, managing capability, etc. looks very much like any other traditional venture capital model.

EIF is equally precise in defining who can access its funds, listing exhaustive selection criteria; its funds can be accessed by the ones who ‘in addition to financial return targets, also pursue explicit social impact investment targets at the level of their portfolio companies; measure and report on social impact performance achieved at social enterprise level, in addition to financial return performance; and follow strong environmental, social and

\(^{27}\) European Investment Fund, J. Harvey, 14\(^{th}\) May 2013, Press release.

\(^{28}\) [http://www.eif.org/what_we_do/equity/sia/index.htm](http://www.eif.org/what_we_do/equity/sia/index.htm)
governance standards in their own activities,” 29.
Targets are, nonetheless, clearly defined. Being revenues from economic activities a necessary feature, no profits are automatically excluded from the picture.

**What is the World Doing? The EU and G7 Initiatives**

On 15th September 2014 a report of the Italian G7 Taskforce on impact investing was presented in Rome, and represented a great accelerator of this debate. The taskforce considers the topic from three different points of view:

- the policy framework required to bring social impact investment further steps forward;
- a unified international approach to create an efficient measuring system for social outcomes (developing a set of general guidelines to ensure the employment of impact);
- bringing to light new paths to achieve a specific allocation by foundations, institutions and private investors to this new asset class. 30.

Moreover, the Organisation for Economic Co-operation and Development (OECD) will draft a report on global developments in social impact investment to provide another point of view on ways to drive the market forward.

The birth of new European regulations, such as the European Social Entrepreneurship Funds (EuSEF) and the European Venture Capital (EuVECA) regulations, seem to point out a clear intention at a European level. Jointly, they foster the crucial aspect of capital-raising as well as the standardisation of both compliance and reporting features necessary to cross-nationally invest in SMEs. 31.

The objectives of these new regulations are multiple. Firstly, the creation of


31. EVPA, A Summary of the EUSEF and AIFMD Legislations, 2013.*
a pan-EU marketing passport, therefore forcibly respecting the same criteria for all fund managers who desire to invest in social sector organisations through ‘funds’ financed by EuSEF. As a core requirement, we point out the creation of a measureable and positive social impact as their explicit focus. Furthermore, EuSEF implements strict policies of transparency. The required transparency extends also to how EuSEF managers’ pay is calculated, and to profit disclosure32.

We note how the EuSEF label is assigned through a three-step process. After completing the process, in order to qualify for the EuSEF label, these funds must allocate at least 70% of their investible capital to social undertakings33.

Conclusions

Without any doubt, we are witnessing the development of a new model. The starting stage of the phenomenon allows us to infer a number of concrete facts.

Undeniably, a key fact is the link between governance and investments. As mentioned above, equity impact investments, under a technical point of view, turn out to fall easily under the private equity umbrella.

Similarities can be found almost in every operative and functional side of their form. It becomes evident how traditional legal forms of the third sector seem to be lacking, and demonstrate notable leaps. New innovative forms need to be accepted and supported, namely, ‘profit with purpose’ and ‘non-profit doing business’, where possible.

Their revolutionary feature is the almost equal importance given to competence and knowledge, training of professional figures, and the actual financial support of target companies, for instance through the presence in the board of the investing figure. This is a practice that looks very much like the traditional private equity way. The side support provided becomes an essential part of the strategic investment plan.

This choice clashes with some of the milestones of the legal forms of the third sector. The main one is the democratic rules of governance in coo-


33. www.eusef.eu

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peratives. This form of investing brings along shares, and the existence of shares entails majority or minority shareholders: said in other words, no democratic governance. Hence, again, the necessity of new rules, new forms.

These are therefore relevant for the success of the asset class, and the acquired professionalism of its actors, more and more shaped to replicate traditional managerial patterns. Growth is interpreted in terms of self-sustainability.

Secondly, we have to say farewell to the profit distribution constraint in target companies: it is out of step in the present age.

‘Sociality’ and ‘solidarity’ are no longer to be linked to the ‘not for profit’ concept in the strict sense, but found a new frame in the above-mentioned measurement system.

We still operate on the capitalistic market, which, according to the basic economic pillars, is determined by entry barriers. If impact investing wants to stand a chance, it has to be supported by rules.

A further consideration to make is that the ‘profit’ issue is no real issue, since the measurement system is intended to work as a self-regulator: in cases in which profit should weigh heavier against social outcome, measurement would serve as a perimeter to determine an adequate and not speculative profit allowance.

All of this is a starting point, but evidently reliability and market certainty are far from being assured in the eyes of investors. These are aspects that have to be taken into consideration and met in the developing of the measurement systems.

The peculiar perspective of the reasoning linked to socially-driven businesses is that the capital employed in this investing system has inherently different characteristics as to the capital used for profit maximisation. This is a fact that needs to be accordingly weighted and evaluated.

The peculiarity of the capital is directly linked to the duration of the investments concerned: it is held longer as an immediate consequence of the lower profitability and slower convenience for potential investors. The burden pushed upon them comes naturally with the multiple needs they aim at satisfying: not only the investors’ need for economic return on the capital invested, but also people’s and society’s needs they meant to address in the first place. Multiple focus means either more energy wasted or more time needed.
Impact measuring should therefore take into account also the way of using the capital other than the simple outcome.

Lastly, it is desirable that the mentioned attempts and approaches of the EU and the G7 converge towards a common solution. Indeed, it would be regrettable and less effective to devise parallel solutions: positive synergies and cooperation would be lost, and the sector confused and shaken.

It is important to fix and put particular emphasis on the need of adopting a global measuring indicator. This would avoid the problems linked to the complexity and diverseness of the legal scene. Everything should, however, keep a reasonable timing and developing curve, without any rush into fixing indicators. A prudent action is advised and demanded also by the European Commission.\footnote{Social Impact Measurement – Considerations on the report by the GECES group, Marco Fantini, European Commission.}

If those objectives are successfully pursued and in any case considered jointly with experiences and practices spread out over the next decade, this new asset class can surely hope to find not only a framing, but also a considerable growth in the global market.
Incubating Social Innovation: The Case of FabriQ in Milan

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Quarto Oggiaro, Milan: Reshaping the Social FabriQ

FabriQ is the first incubator specifically targeted at promoting social innovation of the City of Milan, and has been officially launched in January 2012. It is located in Quarto Oggiaro, at the northern-western periphery of Milan, and is the prosecution of a former project of the City Council, funded by the Urban 2 programme (co-financed by European funds) for the social and economic revitalisation of the urban suburbs. The administration is investing in the area of Quarto Oggiaro for its social and entrepreneurial requalification: funds have been used to restructure the public building where FabriQ is now located, and that was previously used as a library (you can still notice that from its architectural design) and as a centre for local associations, and to transform it into an incubator for start-ups having a social impact. Fondazione Giacomo Brodolini, in partnership with Impact Hub Milan, is currently managing the incubator after winning a public competition.

Thus, FabriQ was born with a strong civic commitment: on one hand, it attests the engagement of the Major and the Local Administration towards the challenges of social innovation – in particular through a relaunch of the Quarto Oggiaro area – and on the other hand, it is specifically aimed at giving birth to new enterprises producing a social impact on the Milan Metropolitan Area, with expected positive externalities on employment and self-employability.

The result is an open space nurturing small-scale innovations from which the City of Milan can benefit for trying to solve traditional problems, mainly affecting the weakest part of the population (e.g. young women, long-term unemployed, migrants, elderly people, children). Instead of chasing the road of innovation coming from the outside, through FabriQ – and spaces alike – the public administration makes an attempt to anticipate it,
looking for strategic partnerships which allow the research and business of the community of innovators to be targeted towards the most compelling needs coming from its citizens.

FabriQ provides four main services: a) incubation; b) training; d) co-working and networking; e) local community involvement.

**Incubation** is a 9-month intensive programme, which is currently delivered to 8 start-ups. Each of them benefits from: a working space (either an independent room, or a desk in a co-working space), a dedicated mentor, training on a wide range of topics (e.g. social entrepreneurship, business planning, legal and taxation, marketing and communication, pitching, impact monitoring and evaluation), one-to-one consulting services with experts (Business Clinic), meetings with investors, networking events, online and offline communication support, and advice on funding and business opportunities.

Six out of the current 8 start-ups hosted at FabriQ have been selected in May 2014 through a public competition managed by both the City of Milan and the FabriQ team. In addition to the services listed above (which are free of charge), the six winning start-ups have been endowed with 28,000 euros each for co-financing their activities, thanks to an extra-fund of 140,000 euros made available by the city administration.

Start-ups incubated in FabriQ mainly deal with sustainable food, recycling, sports (more specifically, swimming), smart cities, sharing economy, and services for disabled people.

In 2015, there will be a new competition, most probably open to international start-ups (whereas the first one was specifically targeted to start-ups located in the area of Milan), which will introduce around 5-6 more start-ups into FabriQ.

With a space of more than 650 square metres, FabriQ’s building is home to a vibrant co-working space, and a particular attention is paid to networking events and opportunities in order to strengthen the FabriQ community and widen it.

Furthermore, in order to open the incubator and Quarto Oggiaro itself to an international environment, a Summer School 4 Social Entrepreneurs (SS4SE) has been launched in September 2014. SS4SE is a one-week training programme targeted at young people with a business idea with a social impact, or who are simply curious about the world of social innovation. The first edition was attended by participants from different parts of
the world (Japan, Rwanda, El Salvador, United States, and Colombia), this proving how these subjects are of particular interest also outside Europe. SS4SE was planned as a mix of lectures held by senior academics and practitioners from the social business world and field visits to successful social enterprises in the area of Milan.

Involving young people from the local community in far-reaching educational projects is another objective that is pursued by the FabriQ team. In this way, the incubator’s local impact is expected to include a Social Entrepreneurship programme targeted to the secondary schools of the Quarto Oggiaro area. The programme is expected to start before the end of 2015, and will involve students within an age range of 14 to 17 from vocational institutes located in the surrounding area. The programme will lead students to create microenterprises acting as examples in the local context and as a vehicle of cultural change, to stimulate and support their entrepreneurial attitude, and to bolster their self-confidence.

Lessons Learnt in the First Year of Activity

FabriQ is a good example of social innovation started from the direct prompt of a public administration. To date, the major achievement is the presence of 8 start-ups after less than one year of activity. Start-ups are proving their satisfaction for the work done, and some of them are already taking advantage of the support and the networking opportunities of FabriQ to meet investors, and are entering the market, such as the case of XMetrics and OmoG Naturali.

The city of Milan showed foresight in investing in a not particularly advantaged area of its territory, in order to give a sign to the population of Quarto Oggiaro, mainly composed of elderly people, migrants and unemployed. This has had of course positive effects on the territory in terms of prestige: the Mayor himself, Mr Giuliano Pisapia, attended the launch event of FabriQ in January 2014, and the City Councillor in charge of innovation, Ms Cristina Tajani, has always taken part in the most important events organised in FabriQ so far, such as the award ceremony of the start-ups, held in May 2014.

However, there are other factors that contribute to the attractiveness of FabriQ, in one sense or another. The choice of the administration to nurture the periphery of Milan and, in particular, the neighbourhood of Quarto Oggiaro, with the opening of a social innovation incubator is in line with
the social dimension of the project. Still, this choice also brings about some logistical problems, especially because the incubator is not very well connected with public transport, and therefore is not easy to reach. In order to overcome this, communication campaigns and side activities, such as the organisation of SS4SE, have been carried out, but there is still work to do on this field, also in order to ‘reinvigorate’ the presence of the start-ups in the incubator itself.

Furthermore, the size of the social and economic impact generated by the presence of FabriQ in Quarto Oggiaro is necessarily linked to the capacity of the management team to involve the citizenship in the activities of the incubator. Related to this, it is worth noticing how the decision to involve secondary schools of Quarto Oggiaro in the development and implementation of a course on social entrepreneurship goes exactly in this direction.

Also the willingness of the public administration to invest in FabriQ and in other programmes and activities, not necessarily related to the world of innovation, is vital in order to boost the liveliness of the neighbourhood (e.g. concerts, conferences with top speakers, shopping malls, libraries, etc.).

This is something both the city of Milan and the management of FabriQ will work on during the second year of activity, thus creating a virtuous circle of other initiatives and programmes which the image of FabriQ could benefit from.

Another lesson learnt in the first year of activity is that the financial support granted by the City of Milan to the start-ups has been essential to improve the attractiveness of FabriQ and of its incubation programme. The full package, which includes a 9-month incubation programme, an own office and 28,000 euros for each start-up, triggered over 50 business proposals participating in the public competition – a figure beyond the initial expectations. This has convinced the City of Milan to renew the investment in financing start-ups also for the second competition which will be launched by the end of January 2015, and will allow the presence of at least 5-6 more start-ups incubated in FabriQ.

Networking activities have been particularly appreciated from both start-ups and the City of Milan. Stimulating events such as barbecues, dinners with ‘friends’ of FabriQ (investors, mentors, members of Impact Hub Milan, and partners of Fondazione Giacomo Brodolini) have been fruitful opportunities for start-ups to meet strategic people for their growth in an unconventional context. The idea is not only to bring people to FabriQ, but
also to bring FabriQ outside Quarto Oggiaro, in order to increase its popularity and persuade people that it is worth a visit to explore its strengths and its innovation potential.

**Three Recommendations to Cities Willing to Launch a Social Innovation Incubator**

Working to satisfy the needs of its own population is a primary duty for each public administration. But, doing it in an innovative way can really make a difference. Therefore, the decision to make an investment in the creation of an urban incubator specifically devoted to start-ups having social impact falls within the competences of a public administration willing to invest in both the promotion of entrepreneurship and the tackling of social needs within its own territory.

Nevertheless, running a social innovation incubator is not an easy task. There are at least three dimensions that should be carefully taken into consideration before deciding to embark on an operation of this kind:

1. **sustainability**: a city (or more generally, a local entity) must find ways to ensure the sustainability of the operation. It can do so in different ways: relocating internal staff to manage the incubator itself, or more typically, subcontracting the management of the incubator to external organisations that have experience in performing typical tasks of an incubator. Either way, cities should try to ensure human and financial resources to perform at least the following tasks: communication, promotion, networking, mentoring to start-ups, support on legal, financial, marketing, fiscal issues, networking, and, last but not least, an early investment for the start-ups incubated.

The public support cannot of course last forever. The involvement of private investors would ensure the sustainability of an urban incubator in the medium-long term, either in terms of co-financing the activities of the incubator, or by giving financial support to start-ups in the different steps of the incubation process and beyond. No one-size-fits-all solution exists on which is the best business model for an urban incubator. For instance, Nesta, the UK’s innovation foundation, has listed four different types of finance that an incubator could choose, which could be also combined, namely: grants, equity investing, peer selected investment,
and crowdfunding\textsuperscript{35};

2. **involvement with the territory**: involving the territory is dramatically important when the urban incubator is located in a peripheral area of a city, such as FabriQ. Designing activities and/or events, not necessarily related to the field of social innovation, but that enhance the attractiveness of a place, should be envisaged from the beginning if a public administration decides to ‘invest’ in the requalification of a specific area. This can be done in different ways, but it is worth engaging community and citizens’ associations in the activities of the incubator in order to give a sense of belonging to the place. In other words, the incubator should not be felt from citizens as a foreign body, completely disconnected from the place where it has been located and far from the needs and demands of its population. Involving citizens in the choice of dimensions where the incubator should be focused (e.g. technology, ICT, health, urban development), or in the requalification of the incubator itself, through the involvement of schools or associations in activities, such as urban gardening or social entrepreneurship courses, could really make the difference;

3. **relationship with the investors**: an incubation programme is temporary by definition. It can be longer or shorter, depending on a number of factors (e.g. available funds and available human resources, starting points of start-ups entering the incubation programme). However, the success of an incubator is related not only to the programme itself, but also to its capacity to put in contact start-ups with the world of investors, or more generally, public and private stakeholders who can help them in their growth, and above all, in the post-incubation period. Connecting start-ups with investors, and/or stakeholders who can make a difference on their survival on the market, and who are at their ease on the landscape of investment, is seen as a major asset for a good incubator. Not only are private investors sought by start-ups: many start-ups can have a direct interest in being scaled up by public administrations themselves. Of course, an urban incubator perfectly suits this need: cities should be very carefully not to underestimate this

\textsuperscript{35} NESTA (2014), ‘Good Incubation – The craft of supporting early-stage social ventures’, by Paul Miller and Jessica Stacey.
potential in order to nurture innovation in their environment, and to be ready to welcome ‘home-made’ innovations. The challenge for the future will be to match the demand side of innovation represented by start-ups having a social impact, with the supply side, which is still an undiscovered territory populated by enlightened companies and institutions which are investing to set the ground for the emersion of social innovation ecosystems in our cities.
Persistent high youth unemployment rates in most European countries is of real social concern, and has re-ignited the debate on the situation of youth in the labour market. The impact of the economic crisis hitting the eurozone has been linked to youth employment, and the lack of qualifications of some young people is usually identified as one of its main causes. But a closer look at the situation of young Europeans enables us to highlight some of the structural characteristics of labour markets in Europe as a key factor that is involved in the explanation of youth unemployment, along with other social and cultural factors, paving the way for a more complex interpretation of the problem. The poor outcomes of the measures that have been implemented so far highlight the need for a more refined diagnosis to enable more appropriate policy formulation and implementation. The new approach from European policy, namely the ‘Youth Guarantee’, has generated renewed expectations whilst also providing a new opportunity to put into perspective the situation of youth in the labour market, and to define the guidelines to facilitate the transition of young people into working life.

Moreover, youth unemployment also raises a debate on the need to prioritise certain groups in the allocation of resources. In favour of young people is the impact of unemployment on future expectations, but other voices defend the need to prioritise the unemployed with family responsibilities – which also impacts greatly on the future of new generations. Recent studies warn of the consequences in the short and long-term of youth unemployment (Eurofound, 2012). If young people do not have access to employment under suitable conditions, lost opportunities become difficult to recover, career paths will be worse than that of other young people at other times (or in comparison to youth that have succeeded in being incorporated into the labour market despite the crisis). In fact, behind this issue lies an implicit intergenerational pact whereby greater protection of the labour market is accepted for older workers in exchange for keeping youth in the family orbit or for the provision of public support and educational investment to compensate for the lack of youth employment. But this pact has its contradictions when unemployment rates are so high, creating social
tensions with important policy implications (anger, generational political fracture), and reaches certain limits regarding the high rates of enrolment in further and higher education. So the transition from youth to adulthood and the labour market becomes a major issue for the post-crisis Europe.

**Youth in the Labour Market in Europe**

Let’s start by clarifying the structural roots of youth unemployment. As can be seen in Figure 1, according to Eurostat, the unemployment rate of the European population is strongly influenced by age. The greater the age, the lower the unemployment rate. From age 30 unemployment rates tend to coincide with those of the general population, and especially the rates of unemployment of young people under 20 and 25 are well above the rest. It seems that around 30 years there is a change in employment processes. This is the first structural factor of European labour markets. Why does age affect employment and why are younger people more difficult to incorporate into the labour market?

The same graph also informs us of the evolution of unemployment rates over the past decade. It is clear that from 2008 the impact of the economic crisis on employment has had a greater impact on the younger population. Institutional factors in labour markets, high temporality that falls on this group, or their concentration in sectors particularly sensitive to economic cycles, and the difficulties of entry into the labour market, explain this increased vulnerability in times of crisis.

The unemployment rate of young people under 25 in the 28 countries of the European Union increased from 18% to 23% from 2002 to 2013, while that of the total active population (15-74 years) has increased from 9% to 11% in the same period.
However, it should be noted that in 2008, at the end of the previous growth stage of employment, the unemployment rate of young people aged 15 to 24 years old was 15%, compared with an unemployment rate of the total population of 7%. That is, before the crisis the rates of youth unemployment were already high, which in the case of those under 20 years exceeded 20%. This points to a scenario where even if the crisis were overcome and pre-2008 unemployment levels were restored, a serious problem of youth unemployment would remain.

The fact that young people with less work experience are facing greater difficulty in finding employment than adults, does not seem to be a new phenomenon resulting from the current crisis. Moreover, if the trend in youth unemployment in recent years is analysed, a robust regularity can be seen: the unemployment rate for young people is always much greater than that of older adults, even in periods of growth, more than double. The crisis amplifies the gap but does not generate it (Freeman and Wise 1982).
As shown in Figure 3, the youth unemployment rate is much higher than that for the over-25s in all EU countries. It is a widespread phenomenon which is not merely confined to southern European countries (Ferrara 1996, Rhodes 1991), but also extends to countries in central and northern Europe. Even in countries that have very low overall rates of unemployment (Germany, Austria, Denmark, Netherlands) the youth unemployment is also much higher, between 45% and 86% higher than the overall rate.
Thus purely economic factors such as the impact of the crisis, the strength or weakness of national economies, or the degree of competitiveness cannot sufficiently explain the difficulties faced by young people in their employment.

**Supply, Demand and Sociocultural Factors**

Generally the problems of incorporating young people into the labour market have been blamed on a lack of or inadequate qualifications. The analysis of unemployment rates by skill levels however yields interesting information in this respect.

In Figure 4 it is observed that in all cases the unemployment rate decreases with age, except for the lowest qualified group that does not decline until we reach the 25-29 age group. Also for all ages, apart from the same group, unemployment rates are higher for the group with the lowest levels of education. So for the three levels of qualifications it seems that the labour markets select candidates according to their degree of professional experience in relation to age. The lack of professional experience seems to be a determinant for the discrimination of young people in the labour market. However, in the case of the most qualified there is hope that, once the experience is gained, the employment horizon is more promising. From the age of 30 unemployment is practically frictional for this group. But for young people with lower qualifications there is a high risk of instability in employment with long periods of unemployment, and also for them professional experience as a selection criterion is not as important. It is also clear that there is a mismatch between the demand for skills and the supply of young people with secondary and higher education levels, although unemployment for these groups is basically a stage in professional life. This is causing public alarm in the current situation. Society pushes young people to improve their levels of education but in fact the labour market is not ready to absorb them. In this case training is not the problem.
Unlike for young people with less education, training is actually one of the problems, and especially for those who do not get the minimum education and leave school early. For them the future is extremely precarious. But to what extent is training a problem for the young unskilled? What happens if you bring into the analysis the overqualification variable, i.e. the phenomenon of hiring young people with higher levels of education than the level of skills required in the workplace? It is observed that if one applies a restrictive criterion at the European level, 20% of employed people have higher levels of education than their job requires, and 8% of workers with intermediate levels of education have a lower skill level of employment. Most of the overqualified are young people because with age the problem decreases. If these posts were occupied by people with appropriate skill levels, the unemployment situation would be totally different, and there would be very little unemployment in the lower levels of education and high unemployment at higher levels.

It means that the problem is not so much training, as the inability of the labour market to absorb the skills generated by the education system – ironically in a society that seems to prioritise the discourse of generating an innovative and highly competitive production system. By not questioning
the concept of ‘overqualification’ one deduces that due to technological change and the complexity of the organisation of highly competitive production, today a higher level of education is required for lesser skilled jobs. Although this may be true in some cases – the logical implication would be rethinking the goals of the entire education system – this line of argument is hardly acceptable. So it is more feasible to deduce that competition between individuals with different levels of education for a smaller number of jobs explains the difference in unemployment rates and the greater exclusion from employment of young people with lower educational levels. Whereupon if the educational level of this group could be increased, this would entail a further exclusion of those lagging behind.

This does not mean that you should overlook improving the level of training of these groups of young people, especially those early leavers, an issue that is very relevant in some European countries. Both at the individual and collective levels investment in training remains one of the most effective investments against inequality and poverty risks (Piketty, 2013). Moreover, another factor explaining the different rates of youth unemployment appears if we look more closely at the dynamics of the behaviour of youth labour markets in different European countries, and find the great dispersion of participation rates of young people.

Table 1: Activity rates of young people. Europe 2013

<table>
<thead>
<tr>
<th>Age groups</th>
<th>15-19</th>
<th>20-24</th>
<th>15-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity rates &gt;60 youth 15-24 years</td>
<td>Iceland: 74.0</td>
<td>Iceland: 81.1</td>
<td>Iceland: 78.0</td>
</tr>
<tr>
<td></td>
<td>Netherlands: 60.9</td>
<td>Netherlands: 78.6</td>
<td>Netherlands: 70.0</td>
</tr>
<tr>
<td></td>
<td>Switzerland: 56.0</td>
<td>Switzerland: 78.0</td>
<td>Switzerland: 67.0</td>
</tr>
<tr>
<td></td>
<td>Denmark: 52.3</td>
<td>United Kingdom: 76.1</td>
<td>Denmark: 61.7</td>
</tr>
<tr>
<td>Activity rates =&lt;30 youth 15-24 years</td>
<td>Hungary: 4.8</td>
<td>Luxembourg: 41.0</td>
<td>Luxembourg: 25.9</td>
</tr>
<tr>
<td></td>
<td>Bulgaria: 6.8</td>
<td>Italy: 45.4</td>
<td>Italy: 27.2</td>
</tr>
<tr>
<td></td>
<td>Italy: 7.3</td>
<td>Romania: 45.8</td>
<td>Hungary: 27.2</td>
</tr>
<tr>
<td></td>
<td>Greece: 7.5</td>
<td>Bulgaria: 46.3</td>
<td>Greece: 28.4</td>
</tr>
<tr>
<td></td>
<td>Romania: 11.2</td>
<td>Hungary: 46.5</td>
<td>Bulgaria: 29.6</td>
</tr>
<tr>
<td></td>
<td>Luxembourg: 11.3</td>
<td>Croatia: 47.5</td>
<td>Croatia: 29.9</td>
</tr>
<tr>
<td></td>
<td>Croatia: 11.8</td>
<td>Greece: 50.7</td>
<td>Romania: 30.8</td>
</tr>
</tbody>
</table>

Source: LFS, Eurostat 2013
As can be seen in Table 1, the countries in Europe with higher rates of activity, above 60% of young people aged 15 to 24, correspond to the countries with the majority of their young population in the labour market before age 20. And countries with lower rates of activity, below 30% of young people aged 15 to 24 years have very low activity rates of youth (under 20 years) and do not reach the incorporation of 50% of young people (aged 20 to 24) into the labour market. For other European countries more than 50% of young people aged 20 and older are already active in the labour market. This means that for most countries the entry of young people into the labour market does not occur until after age 20, and still many of them are unemployed. So another structural element of most labour markets is that it regulates youth unemployment delaying the age at which young people are incorporated into the labour market, and even still in many countries youth unemployment is out of control.

There is however a core of countries that get young people into the labour market before 20 years old, and also relatively few of them are unemployed. Hence, it could be inferred that the absorption capacity of the labour market in countries such as Iceland, the Netherlands, Switzerland and Denmark attracts young people to start working life as soon as possible. That is to say that the current or recent past’s relatively low unemployment rates can be partially explained by the socio-cultural pattern of young people’s early engagement with the labour market, although some of them do not find work immediately. Note that these four countries are not known for having a high percentage of its young population with higher education, i.e. its skills structure corresponds roughly with the educational levels of the population. Furthermore, these countries have a small difference between the low unemployment rates of the most qualified and least qualified. This means that the market absorbs all levels, including the low-skilled, and one cannot claim that their economies are not competitive as they are amongst the wealthiest.

Special cases are those of Germany and Malta, with lower activity rates, especially among those under 20 years old and low youth unemployment levels. Surely these countries manage to keep youth unemployment under control by delaying the entry of young people into the labour market until after the age of 20. In these cases making the labour market more attractive would not have much influence, but other social and labour guidelines about the incorporation of young people into professional activity would need to be considered.
At the other extreme, all countries with high unemployment rates have low rates of activity of their youth under 25 years old, in some cases almost non-existent for those under 20 years. It would appear that high unemployment rates discourage young people from entering the labour market. But instead another group of primarily Nordic countries (Finland, Sweden and the UK) have high unemployment rates, at around 20%, yet have relatively high rates of activity with more than 50%. Whether their employment policies or social values about what to do regarding the youth labour market, unemployment in these cases does not seem to discourage young people. This variety in the relationship between labour force participation and unemployment suggests that other socio-cultural elements are at play in influencing young people’s decisions about when and how to enter the labour market, which are probably related to the societal processes of emancipation of young people into working life. That is to say that youth unemployment rates also influenced by external factors to the labour market are related to historical values of the working behaviour of young people.

Redirect Youth Employment Policies

The above analysis has shown the interrelationship between supply, demand and socio-cultural factors, emphasising the importance of the structure of labour markets and skills to explain the high rates of youth unemployment. The complex relationships between these factors require a holistic approach that takes into account all of these factors. That is, it is necessary to act on the demand and supply while simultaneously acting on sociocultural factors on the values of young people on the labour market. Based on these considerations it is clear that measures based on improving the training of young people are limited in scope, and should be extremely selective and accompanied by other measures regarding the analysed structural factors, especially those targeting young people to gain professional experience to successfully overcome the main barrier to the labour market.

The launch of the Youth Guarantee initiative by the European Commission in 2012 signals a new approach to tackling youth unemployment. It offers young people under 25 a good job, continuing education, apprenticeship training or internship within four months of becoming unemployed or finishing formal education. Until now the emphasis has been on the deficit of youth employability but the structural nature of the labour problems of
young people has been gradually accepted promoting more holistic and integrated measures covering different dimensions. In fact, it is promoting a new framework for the transition of young people into the labour market, in which the responsibility of society does not end with the provision of training opportunities, but has to ‘ensure’ that young people come into contact with the labour market, and start their first professional experience. In exchange a proactive commitment of young people themselves in the process of joining the world of work is required. However, the problem is how to implement these measures effectively.

The problem has been seen as focusing on the absorption capacity of youths by labour markets and in some countries, which have a higher rate of overqualification, that absorptive capacity should be increased especially in the stretch of skilled jobs to make room for the recruitment of young people with lower skills levels. That is, it is necessary to guide policies on youth employment more to the demand side. The main challenge is how to encourage and promote a production system that is capable of generating more qualified for youth employment.

An aim of this type of policy could be approached in two ways: promoting massive programmes of innovation and creativity for existing businesses, especially small and medium enterprises, counting on the ability gained by young people in the education system, or fostering broad entrepreneurship programmes for youth in order that they themselves generate innovations that should lead to a qualification structure with a greater capacity to absorb the skilled youth. That is, to create the conditions necessary to cause waves of innovation carried out by young people themselves, either existing businesses or new business ventures. The resources mobilised so far in the form of experimental or pilot projects have demonstrated their feasibility, perhaps it is now necessary to generalise and transform them into more massive initiatives to create greater impact.

An action of this kind requires a great social agreement on the conditions under which an injection of resources – mainly human resources in companies – would be socially acceptable and would also require a broad consensus on its impact on the competitiveness of the companies. The massive incorporation of young people in businesses to promote innovation depends on establishing special conditions on the labour relationship between young people and companies, and on the selection criteria of such companies to avoid considering State aid liable to distort the competition rules.
But if markets are not able to create more jobs, or the formula to encourage them is not found, should society stand by and accept such high levels of youth unemployment? Additionally another way of addressing the issue could be to create spaces, not necessarily in terms of labour markets, in which young people can provide services or produce dedicated products addressed to cover social needs. This would facilitate the acquisition of professional experience to encourage their subsequent incorporation into the labour market whilst also contributing to constructing some sort of framework for young people in their transition from education to working life. This is in line with a recently launched proposal by the Italian Government to create a ‘youth social service’. In anticipation of the specific details of this initiative, it should be seen as a new way to address the transition of young people into working life.

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Shaping Employment Services: Public-Private Partnerships as a Social Innovation Instrument

Diego Teloni and Giancarlo Dente,
Fondazione Giacomo Brodolini

Introduction

Europe has long aspired to be a flexible, open and vibrant regional labour market. It has focused on this – especially under the Europe 2020 Strategy and the ‘New Skill for New Jobs’ initiative – through programmes to ease mobility, facilitate better skills-to-job matching across borders, and develop future humane capital. This overarching ethos must adapt to a diversity of national contexts, ranging from the liberal market approach of the UK to the inclusive, social democratic approach of the Nordic States. Yet, across the diversity, there is a spectrum of common activities for public employment services (PES). This activity ranges from narrow scope functionality, focusing on traditional brokerage and job matching between individuals and employers, to a broader scope of actions in which PES embrace shared responsibility for job activation and income support, using a range of active and passive labour market policy tools. Uncertain about the pathway that different PES choose to adopt, partnership and relationship with private actors will characterise their transformation.

In recent years, PES have assumed a pivotal role as providers of active labour market policies (ALMPs) throughout the EU. They have been asked to go beyond their traditional bureaucratic role of registering the unemployed and monitoring/supporting their job search activities, to provide a broad range of employment services and measures to support a wide variety of groups, some of whom have complex needs. The ambitious employment rate targets set by the Europe 2020 Strategy – to have 75% of people aged 20-64 in work by 2020 – will only be met by considerably reshaping PES.

The global financial crisis has given way to acute economic uncertainty and a prolonged crisis of jobs and growth in Europe. One out of five young people under the age of 25 who are willing to work cannot find a job.
Policy-makers know that – without acting today – they risk watching a whole generation of young people suffer from macroeconomics conditions and policy decisions that are not of their making. Cost of inaction is unthinkable.

As the central public actor in the labour market, PES are at the heart of much needed corrective action. Yet, their role is shifting in response to immediate labour market challenges and to profound long-term trends. Shrinking public budgets and financial austerity measures throughout the EU are stimulating a widespread overhaul of public services, including PES.

As PES are expected to do more and better with less resources, a consensus is emerging among policy-makers that they cannot do everything on their own. The model of PES is gradually changing into a coordinator/promoter of networks of different service providers. The set of important challenges for governments – demographic change, the dislocation of skills and jobs and lagging labour productivity – are forcing policy-makers to rethink operational paradigms.

The role of PES will be vital in correcting these imbalances and creating more efficient labour markets.

So far, ways of working with the private sector have been diverse. The remit has included more or less liberalisation of the rules governing private placement and temporary work agencies, including, in some countries, formal agreements allowing private agencies to advertise and recruit through PES. There has also been an increased role for competition in the delivery of publicly funded employment services. The changes were first evident in the reform to skills training programmes for the unemployed but have since been used to deliver job placement and integration programmes. These developments have been marked by organisational reforms such as separating the PES role of service ‘purchaser’ and ‘provider’ alongside the use of market type mechanisms, such as subcontracting and vouchers.

While the diverse socio-political context across Member States may weigh in on the behaviours and role of PES, the current economic troubles have pulled policy-makers – together with a sense of (social) common purpose – to recreate thriving labour markets, sustainable livelihoods and a productive economy. In line with these findings, we envision future employment services to be driven by effective (social) innovation in their engagement and partnership with (private) actors.
Employment Services in EU

PES as public services have a specific role in the labour market: they deliver services free of charge to jobseekers (both unemployed and job changers) as well as to employers, which aim to bring jobseekers and vacancies together, and also contribute to improved transparency in the labour market. PES, both as a stand-alone public service and as a partner with other organisations, have a central role in implementing the Europe 2020 Strategy.

Indeed, they are asked to provide ALMPs and a broad range of employment services and measures to support a wide variety of groups, some of whom have complex needs. The economic crisis meant a stronger involvement of PES in the functioning of labour markets, and in managing active and passive policy measures, despite the budget cuts and the financial constraints. Nevertheless, an overview of the PES services and measures shows a very diverse situation in Europe in terms of resource allocation.

PES expenditure as a percentage of GDP varies significantly across EU Member States, thus reflecting the peculiarities and challenges of the national labour markets and the policy approaches of the governments. When comparing the figures between 2008 and 2011 (and therefore before and during the crisis), all European countries (with the exception of Ireland, Italy, Portugal and Greece) increased the expenditure for labour market services (category 1), although there exist sharp differences. It is worth noting that in southern Europe, where unemployment rates soared massively over the last years, financial resources earmarked to labour market services did not follow such upward trend, and consequently did not change the existing marginal expenditure as compared to the EU average.

When looking at the expenditure for categories 2-7 of labour market policy measures (Training, Employment incentives, Supported employment and rehabilitation, Direct job creation, Start-up incentives), differences are even more striking: in the 2008-2011 period, most of the EU Member States displayed an increased in the percentage of GDP allocated to such measures, except Italy, Germany and the Netherlands. United Kingdom shows the lowest expenditure level for these measures, even though the amount earmarked to labour market services was substantial and higher than the EU average.
Figure 1: Expenditure as a % of GDP for labour market services and ALM-Ps (% of GDP – left scale; % change 2008-2011 – right scale), year 2011

In order to have a more accurate analysis of the adequateness of the PES expenditure *vis-à-vis* the potential users and the different purchasing powers in Europe, you need to consider GDP at purchasing power standard per person willing to work. Such indicator reveals that few countries decided to increase their financial commitment for labour market services and policy measures with the objective of tackling the economic downturn and the rising unemployment rates. On one hand, Denmark, Germany and Sweden raised the expenditure for labour market services; on the other hand, Belgium, Austria and Finland preferred to reinforce the active labour market policies. All Mediterranean countries and Ireland experienced the sharpest decreases in the expenditure levels, mainly in the labour market services in Ireland (-68,1%) and in labour market policy measures in Portugal (-50,9%).

Source: Public expenditure on labour market policy, Eurostat
Note: Data about UK and Greece refer to 2010. The percentage change for these countries covers the 2008-2010 period. The comma is used as the decimal mark, and the point as the thousands separator.
Data about the number of PES staff confirm the existence of a great heterogeneity across Europe\textsuperscript{36}. Between 2008 and 2011 France and Germany increased the PES staff respectively by 22,000 and 18,000 units as well as the United Kingdom (+11,000 units). A different trend was registered in Finland and Italy (-1,500 units in each country) and in Ireland (-300 units). Still, providing an effective and sound analysis requires comparing the number of PES staff with the total active population.

\textsuperscript{36} Eurostat does not provide information about the number of staff working in national PES. We used the latest data presented in ISFOL ‘Lo stato dei Servizi pubblici per l’impiego in Europa’, March 2014.
Table 1: Number of PES staff in 2008 and 2011, and % change

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of PES staff</th>
<th>% change in 2008-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>10,142</td>
<td>9,835</td>
</tr>
<tr>
<td>Denmark</td>
<td>6,400</td>
<td>2,500</td>
</tr>
<tr>
<td>Germany</td>
<td>96,489</td>
<td>115,000</td>
</tr>
<tr>
<td>Ireland</td>
<td>2,200</td>
<td>1,882</td>
</tr>
<tr>
<td>Greece</td>
<td>4,445</td>
<td>n.a.</td>
</tr>
<tr>
<td>Spain</td>
<td>8,704</td>
<td>11,331</td>
</tr>
<tr>
<td>France</td>
<td>26,543</td>
<td>49,400</td>
</tr>
<tr>
<td>Italy</td>
<td>10,100</td>
<td>8,575</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18,500</td>
<td>19,317</td>
</tr>
<tr>
<td>Austria</td>
<td>4,630</td>
<td>5,413</td>
</tr>
<tr>
<td>Portugal</td>
<td>3,839</td>
<td>4,019</td>
</tr>
<tr>
<td>Finland</td>
<td>4,260</td>
<td>2,700</td>
</tr>
<tr>
<td>Sweden</td>
<td>10,248</td>
<td>10,800</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>66,416</td>
<td>77,222</td>
</tr>
</tbody>
</table>

Source: ISFOL Occasional paper n° 13/2014, p. 27

When comparing two important indicators such as the total expenditure for PES/total number of unemployed people and the number of PES staff/total number of unemployed people, high levels of financial allocations are accompanied by a high number of PES staff per unemployed people (with the only exception of Denmark where the 2009 reform of PES implied a transfer of competences to municipalities and the corresponding decrease of PES personnel at central level). Mediterranean countries display a minimal expenditure and a limited availability of PES staff for single unemployed person. The most interesting results are those related to the Dutch and German PES: in the first case, the ratio PES staff/total number of unemployed people continued to be extremely relevant even though the expenditure level went down by 2,000 euros per unemployed; in the latter one, the average expenditure increased by 1,600 euros and the PES personnel moved from 96,489 in 2008 to 115,000 in 2011.
As regards the matching capacity of PES, the number of unemployed people who contacted a PES was equal to 47.7% on average in 2013 at EU level, whereas those who relied on private employment agencies amounted to 25.6%. Denmark represented the only country where most of the unemployed reported to private providers to look for a job. Obviously some European countries are characterised by very diverse approaches to employment services: in Germany, Austria and Sweden, PES represent the main entry point to labour market for 7 out of 10 unemployed persons who get in contact with PES offices for job brokerage and advice services. On the contrary, an opposite trend is found in Italy where informal networks for individuals’ job search are used by 80% of unemployed people together with direct contacts with companies (66.6%).
Table 2: Percentage of unemployed who contacted PES and private employment service providers in 2009-2013

<table>
<thead>
<tr>
<th></th>
<th>Percentage of unemployed who declared having used a PES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>EU-15</td>
<td>57.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>65.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>43.3</td>
</tr>
<tr>
<td>Germany</td>
<td>84.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>55.6</td>
</tr>
<tr>
<td>Greece</td>
<td>58.4</td>
</tr>
<tr>
<td>Spain</td>
<td>41.4</td>
</tr>
<tr>
<td>France</td>
<td>60.8</td>
</tr>
<tr>
<td>Italy</td>
<td>30.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>47.2</td>
</tr>
<tr>
<td>Austria</td>
<td>75.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>64.7</td>
</tr>
<tr>
<td>Finland</td>
<td>59.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>71.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>65.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Percentage of unemployed who declared having used a private employment service provider</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>EU-15</td>
<td>24.7</td>
</tr>
<tr>
<td>Belgium</td>
<td>40.7</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.5</td>
</tr>
<tr>
<td>Germany</td>
<td>18.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>35.0</td>
</tr>
<tr>
<td>Greece</td>
<td>8.5</td>
</tr>
<tr>
<td>Spain</td>
<td>30.8</td>
</tr>
<tr>
<td>France</td>
<td>29.5</td>
</tr>
<tr>
<td>Italy</td>
<td>18.9</td>
</tr>
</tbody>
</table>
When comparing the average expenditure for PES users, the countries investing significantly in PES are those that show a higher level of resources allocated to each client. In spite of a general declining trend over the years due to the growing number of unemployed people, four countries (Belgium, Sweden, Austria and Germany) followed a different pattern by increasing the funding devoted to their public employment services.

**Figure 4: Average expenditure for PES users in 2008 and 2011**

Source: Eurostat

Note: Data about UK and Greece refer to 2010. The percentage change for these countries covers the 2008-2010 period. The point is used as the thousands separator.
Despite the limited availability of information about the number and typology of vacancies, the assessment of the job mediation and placement services provided by PES shows that on average the percentage of dependent workers who found a job through the PES increased at EU level. The penetration rate of PES increased in Ireland and Spain whereas it grew slightly in the UK and Sweden over the years taken into consideration. The performance of PES in the countries that used to have a high penetration rate got worse in the 2008-2011 period, especially in Belgium. PES in France and Italy did not change their performance in terms of penetration rate, although the starting points are extremely different: such indicator is equal to 6.7% in France and only 3.1% in Italy.

The role of private employment agencies did not change significantly in this timeframe: the average penetration rate was equal to 1.8% in 2011 with some differences across the EU-15 (0.3% in Greece, 0.6% in Italy, 2.9% in the Netherlands), which did not impact the overall performance result.

**Table 3: Percentage of dependent workers who found a job through the PES in 2008 and 2011, and percentage change in 2008-2011 period**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Percentage of dependent workers who found a job through the PES in 2008</th>
<th>Percentage of dependent workers who found a job through the PES in 2011</th>
<th>% change in 2008-2011 period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>10.5</td>
<td>9.8</td>
<td>-6.7</td>
</tr>
<tr>
<td>Belgium</td>
<td>13.9</td>
<td>9.8</td>
<td>-29.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.3</td>
<td>5.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Finland</td>
<td>16.5</td>
<td>15.4</td>
<td>-6.7</td>
</tr>
<tr>
<td>France</td>
<td>6.7</td>
<td>6.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>11.9</td>
<td>10.5</td>
<td>-11.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7.4</td>
<td>7.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Greece</td>
<td>4.7</td>
<td>3.7</td>
<td>-21.3</td>
</tr>
<tr>
<td>Ireland</td>
<td>5.3</td>
<td>6.5</td>
<td>22.6</td>
</tr>
<tr>
<td>Italy</td>
<td>3.1</td>
<td>3.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.2</td>
<td>3.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>6.4</td>
<td>6.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Spain</td>
<td>3.5</td>
<td>4.1</td>
<td>17.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>12.7</td>
<td>13.2</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Eurostat
Partnerships in Employment Services as Public-Private Test Case for Social Innovation

National labour markets are operating in a context of increasing international competition for goods, services and labour. Demographics are increasingly unfavourable as the WW2-generation is approaching retirement, and youth cohorts are shrinking. Full-time permanent employment prospects might be eroding as temporary, atypical contract work is gaining ground. Labour market regulation must also adapt to increasingly individualised life cycles and life patterns. And labour market policies are challenged to activate new and larger client groups with complex barriers to labour market integration.

In this context, labour market policies have become high politics, promising to deliver competitive labour markets, mobilising labour supply, and securing social cohesion and equality until recently; labour market policy reforms have emphasised changes in policy design and content (like programmes, instruments, and services). For instance, active labour market policies were pushed forward in the 1990s to motivate and qualify the unemployed to reintegrate on the labour market, thus easing the pressure on public budgets.

In recent years, however, there is a growing recognition that a necessary precondition for changing the substance of employment policies is the reform of the steering and implementation structure. That is, the introduction of new ways of ‘doing policy’ as a process of reforming the institutional arena of management, organisation, implementation and delivery of programmes and services. This is evident in a number of OECD-countries that are currently undertaking major reforms of their steering and implementation structure (e.g. Denmark, the Netherlands, Sweden, Germany, France, Belgium, UK, Australia, and USA). Under the label of New Public Management and New Governance, these reforms are proposed to create more efficient service delivery, higher quality of public services, greater user choice, and more responsive and less bureaucratic public organisations. The primary instruments to achieve these objectives are contracting out service delivery to for-profit and non-profit providers, decentralisation of the steering structure, including single gateways (or one stop shops), public-private partnerships, empowering service users vis-à-vis service providers, and introducing new management tools.

In our opinion, the Public Private Partnership is the (social) innovation
test case of the linkages between the content of employment policy and the institutional set-up. The entrance of private service providers in labour market policy is not in itself new; training providers and temporary work agencies have for a number of years been sub-contractors to the public authorities. What is fundamentally innovative is the shift towards a new ‘institutional logic’. This logic implies a split between purchasers and providers – or between policy and implementation – and means that service delivery is carried out by independent (for-profit and non-profit) providers; economic incentives become the dominant medium for steering; and policy control and supervision is focusing on measurable effects and results. We contend that this new logic has important consequences for the content of policy as well, and assume that it may be shifting towards work-first and stronger conditionality of unemployment benefits.

Developing public-private partnerships in employment is crucial for a number of reasons. Labour markets are no longer efficient enough to cope with increasing demands due to the impact of the crisis, demographic changes and limited geographical mobility. Today’s labour market challenges demand that we share tools, expertise and know-how, and provide complementary services to unemployed people and companies. Co-operation will also maximise the effectiveness of the services provided to jobseekers, as both public and private employment services serve similar groups and have the same final objective: bring as many persons as possible into the labour market.

The widespread liberalisation of employment services is the result of a large number of factors. The new public management approach to public sector reform of the 1980s implied more competition in public services in order to increase efficiency and effectiveness. Indeed, PES were considered as underperforming organisations, and changing job markets (e.g. increased numbers of temporary jobs and demand for workers with specific skills profiles, etc.) led gradually to more open models based on a number of different public and private actors, and in general to a reorganisation of welfare systems.

The increasing competition and partnership mechanisms were a consequence of the realisation that some tasks, which used to be traditionally performed by the government, can be performed by a range of other governmental and non-governmental actors. The existence of a range of employment service providers and the partnership between public and private
organisations can contribute to meeting the needs of a greater number and variety of clients and an opportunity for PES to overcome their constraints and limitations in terms of resources, information and skills.

There are two main operational reasons for establishing partnerships:

• upgrading the capacity of employment services to perform their current tasks, which includes two aspects:
  ◦ the quantity of services provided (for instance, assisting all the new unemployed people during the crisis, or producing a more intensive effort for long-term unemployed people);
  ◦ the type and the quality of services provided (for instance, implementing new services for disabled people or, in general, providing specialised services for specific target groups);

• tackling multi-dimensional problems (hard-to-place clients, industrial restructuring, young people entering the labour market, etc.), which normally requires:
  ◦ additionality: extra skills and expertise, which are more convenient to acquire on the market or that are available only in specific organisations (such as not-for-profit organisations dealing with particular target populations);
  ◦ complementarity: so as to avoid overlaps and duplication of effort (for instance, when different public bodies have both competences and obligations to support specific groups such as lone parents, ex-addicts, etc.).

The cooperation of public and private, commercial and non-commercial agents represents a valuable instrument capable of reaching policy objectives, guaranteeing a smooth functioning of the transitional labour markets, and fostering cooperation and competition ultimately. Intensifying partnerships with private sector employment services is expected to disclose many matching and transition support opportunities.

The following justifications are usually put forth for encouraging partnerships among different employment service providers:

• choice for the client: leaving clients free to choose among different providers is thought to contribute to better matching between services and recipients and, ultimately, to motivating clients;
• competition in quasi-market arrangements: competition, according to a long-standing stream of market theory, is conducive to efficiency and quality of service and encourages experimentation;

• flexibility of private organisations: compared to traditional public structures, private bodies are considered more flexible, less bureaucratic and more service-oriented.

The real question though is not why, but how to co-operate and with whom. The main actors involved in the delivery of employment services can be: i) public organisations such as PES, which provide placement and matching services in all Member States but in some cases also deliver training and other specialised services, local authorities (Municipalities, districts, Regions), health services, chambers of commerce; ii) private entities such as for-profit organisations: private agencies offering employment services to jobseekers and firms alike; not-for-profit organisations dealing with specific disadvantaged groups; iii) interest groups, notably the social partners (trade unions and employers’ organisations), may also be involved in the delivery of ALMPs.

Partnerships among these actors can have different forms depending on the nature of the actors and the way they collaborate with each other:

• PES with private for-profit actors – private employment agencies, temporary work agencies (TWAs), head hunting firms, private training firms, and so forth – generally concerns either outsourcing of specific services or more general collaboration and exchange of information. This type of partnership is normally promoted on the basis of the efficiency and flexibility-related arguments. A sub-type of this form of partnership involves private providers agreeing to cooperate with each other as well as with third sector organisations to provide services to one contracting authority;

• partnerships between the PES and private not-for-profit actors often, but not exclusively, concern support for more difficult-to-place clients (the young, older jobseekers, disabled people, the socially excluded, substance abusers). Cooperation here is based around the established experience of third sector organisations in providing services for particularly vulnerable groups;

• cooperation among different public service providers in sectors
such as health, education, training, social assistance is also justified by the need to deliver integrated services to specific target clients, and includes different levels of networking, from simple exchange of information to contract-type agreements.

Innovation thrives in some parts of the labour market. For example, when it comes to job matching at the high-end of the labour market, leadership executive search agencies operate to match highly-skilled and highly-paid jobs with candidates and a range of well-paid intermediaries. Individuals pay to invest in their own skills, as shown by the growth of coaching and other intensive individualised career services. In addition, employers are willing to pay to invest in senior staff and the employability and technical skills their staff need to perform (even though it is the individuals themselves who may benefit most from such investment). These types of intermediary are highly responsive to shifts in demand; new business models in search agencies frequently emerge, agencies provide a flexible on-call workforce for temporary skilled employment, and the rise in the use of technology has seen the growth in the use of forums such as LinkedIn to match skilled and well-paid individuals with employers. There is little need here for government intervention to ensure that matching works efficiently.

However, there is a market failure at the low end of the labour market, as the incentives for successful innovation are weak. Employers are less willing, or able, to invest in matching services that connect individuals with jobs and in skills development as staff are, or are seen as, more easily replaceable. Individuals are also often unable financially to invest in these services themselves even though they are the ones who will reap the main benefit from employability gains. This means that intermediaries (whether they are traditional employment agencies or welfare-to-work providers) have little financial incentive to innovate.

Governments then become the primary purchaser of such services in an attempt to make the low end of the labour market operate more effectively and to tackle worklessness. Innovation led by government can be constrained by a tendency to design large programmes centrally, which are then rolled out and not always adapted to local contexts and ideas, by political capital resting on high-profile initiatives leading to a tendency to be risk averse, by short timescales of programmes, and by policy moving on before evidence of what works has been gathered. Governments also have to balance its dual role of the provision of benefits to those out of work and
being the provider or purchaser of ‘matching’ services, a dual role that has a long history, from labour exchanges onwards.

Moreover two other dimensions should be taken into account when discussing how to socially shape PES throughout public-private partnership: the broader reorganisation of welfare system and the new relationship between the centre and periphery.

Both local and national levels of government play a fundamental role in developing partnership. Defining the legal and strategic framework for the promotion of cooperation among different actors is typically a responsibility of national/federal States or Regions. Then, the local dimension represents a key feature of employment service cooperation models as partnerships are often spontaneous and tailored to specific needs or institutional traditions of the territories. The existence of successful and consolidated experiences of cooperation with strong social capital influences positively the results of employment service partnership mechanisms.

There are some real examples supporting such reasoning. The WEESP catalogue contains effective and evidence-based information about evaluated or systematically monitored employment service practices in terms of measures, tools and services implemented by all kinds of employment services (public, private, local, municipal, social and NGOs) in 27 EU Member States and in the EFTA/EEA countries. The analysis of the outcomes of practices in terms of partnerships and sub-contracting shows that establishing partnerships between PES and external partners (e.g. private companies, social partners, individual training institutions, non-profit organisations, etc.) or sub-contracting activities to external partners is a positive move which benefits participants of employment services. Participants receive more professional and tailored services because of contracting-out some of the employment services to private providers. The reasoning is that private actors often contribute with new and more efficient approaches or services for unemployed people and in some cases may have specialised knowledge or experience in working with the target group. Several practices find that participants benefit from inter-agency collaboration and the provision of services and guidance as one coordinated activity rather than as disparate ones.

Nevertheless, partnerships and sub-contracting might also entail some

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challenges such as collaboration and exchange of information and communication between the partners. Other issues are about the agreements or contracts between PES and external partners which should outline objectives and services to be provided to unemployed persons.

**Issues and recommendations**

Public-private partnerships in employment services have allowed to improve outcomes for particular groups, and to bring innovation to service delivery.

The risk of ‘creaming effects’ – i.e. private agencies concentrating on higher-skilled, easy to place clients, leaving the more vulnerable for public services to deal with – is always a concern to be dealt with. This is a particular risk when the group eligible for a service exceeds the number of available places and/or when providers can choose whom to admit to a service. A second issue concerns ‘creaming’ and ‘parking’ that occur after the provider has recruited participants: providers may, deliberately or unconsciously, concentrate efforts on those participants perceived as more easily trained or likely to be quicker to place in employment. Participants who would prove more costly to help are likely to receive only minimal services.

But creaming effects may also appear on the side of PES when selecting instruments and types of partnership to fulfil the aims of the initiative: PES may go for quicker, cheaper, less tailor-made, more routine partnership solutions where they can report effects more quickly and in a simpler, short-term way.

Other problems include ‘gaming’ where providers may seek to exploit weaknesses in programme design by undertaking activities which allow better performance on contractual criteria but which do not improve employment outcomes.

The contract design, performance and service standards and procurement procedures selected for providing employment services impact their delivery and final outcomes. Sometimes the contract selection processes give too much weight to the lowest priced bids, resulting in poor service quality or unviable contracts.

Partnership is not only about subcontracting services or activities. Subcontracting requires information systems that enable contracting authorities to
track participants, monitor provider performance and verify the quality of service delivery and outcomes. In addition, it means sharing the ‘social’ responsibility with PES of providing employment services to all users, regardless of their skills, competences and professional profiles. Obviously, this also entails a repositioning and change of PES which will have a profound impact on the entire organisation model. The way in which services are being organised and offered should be in line with the technological revolutions and new expectations citizens and enterprises have regarding the government. Furthermore, the organisation model of public employment services needs to be further modernised and professionalised in order to comply with the current standards of performance measurement, process and risk management, financial management, project operation, information and communication, quality, etc. Such ‘revolution’ will also require a change in culture and an adjustment of function profiles, leadership and tasks.

The opposition between ‘public’ and ‘private’ is not useful; likewise it does not make much sense to assume the monopoly either of one or the other sector.

So far, the cooperation between public and private actors in many countries has been occasional and most often only a formality, also considering the low effectiveness of both public and private services.

Hence, the quality and quantity of the services provided by the whole employment services network are still too low to ensure the infrastructure and the level of service customisation required to implement advanced welfare-to-work or flexicurity models.

Stronger cooperation and integration between public and private actors would allow to increase the number of ‘one-stop shops’ for workers and employers, and above all to broaden the offer of services, customising it on the basis of different targets, in particular those ones consisting of disadvantaged or difficult-to-place persons.

The search for a standardised system of essential levels of services must be conducted in parallel with the attempt to activate efficient forms of cooperation of public and private, able to overcome the inefficiencies of the labour market, and to ensure:

- a universal service, valid for everyone;
- measurable results;
• a cooperative system in which the public sector acts as a server.

The starting point should be the awareness that employment services have to be most widespread and high-performing, accessible and suitable to consider the service as ‘universal’ and directed towards everyone, with minimum essential levels of services and result-based indicators.
CHAPTER 3: CITIES

Cities at a Crossroad, an interview with three cities

Eddy Adams, URBACT Programme

We are living in the age of the city. Very recently, we crossed an important milestone when, for the first time, the majority of human beings live in urban areas. Already, 75% of Europeans are city residents, and this pattern is being replicated in other continents as the world population continues to grow.

This is something to celebrate. Not so long ago, those who could were leaving cities. In the 1970s US President Gerald Ford summed this up in his ‘Drop dead’ dismissal of the city’s plea for federal support when the big apple was at its lowest point.

Since then, New York’s transformation embodies the reversal of cities’ fortunes. That city is associated with Emma Lazarus’ famous lines about ‘Give me your tired, your poor, your huddled masses’, and its continuing success derives from the reasons people still come to cities – for safety, to experience tolerance, and to make their fortunes.

In this urban epoch, as the global population exceeds 6 billion, these drivers represent a double-edged sword. The pluses are clear, but as the numbers stack up, the challenges of urbanisation also emerge. How can we create enough affordable housing to ensure that our cities do not simply become playgrounds for the rich? How can we transform our health and care services to meet the needs of an increasingly older population? How can we improve urban mobility without further degrading the environment? How can we provide enough employment so that residents can live in dignity, supporting themselves and their families?

In many cities, we face these wicked issues with diminishing levels of public finance. Looking ahead, for many it is clear that the ways we have done things in the past will not work in the future. Even if they did, we can no longer afford them. Consequently, cities are increasingly looking for new ideas, generated by new ways of working and fresh collaborative models.
Inspiration can come from within, but Old Europe is also taking it from afar. Cities like Medellin have shown what can be achieved with a bold vision, an appetite for risk taking and a strong collaborative model. In less than twenty years it has gone from global homicide capital to the Wall Street Journal’s most innovative city. Looking east we see Seoul as a model for sustainable urban living, with its emphasis on sharing and cross-sectoral collaboration, catalysed by a modest post-heroic leader, Won Soon Park.

This is social innovation in action where, increasingly, new emerging services are created by social entrepreneurs, motivated not by profit, but by an ambition to tackle inequality and disadvantage. In this new paradigm, civic authorities also play a key role – enabling, supporting and providing the trust that acts as the glue in collaborative settings. At its root is a belief in the power of the crowd – people power – and the importance of tapping into the only resource that is not diminishing – human resource. Harnessing this power is the key to mobilising social innovation in our cities, and to tackling the shape shifting challenges we face.

Looking ahead, we hope to see more cities embracing these new ways of working. So in this publication, we have asked four leading EU cities to share their experience of implementing the social innovation agenda.
Questions and Answers

Cristina Tajani – Milan City Councillor for Employment Policies, Economic Development, University and Research

Piero Fassino – Lord Mayor of the City of Turin

Alexis Galinos – Managing Director at Athens Development and Destination Management Agency (ADDMA)

1. Why does social innovation matter to cities?

Cristina Tajani, Milan

Social innovation is distinctive both in its outcomes and in its relationships, in the new forms of cooperation and collaboration that it brings.

The city is the place where phenomena take place with greater intensity, therefore there is the necessity to design and adopt new working practices and new legal instruments to encode new ideas – products, services and models – that simultaneously meet social needs effectively.

Social innovation is important to the city especially when considering some factors:

• this is the century of cities: for the first time in history, more than half of the world’s population lives in urban areas where the production of GDP and innovation is more concentrated. Soon the global competition between cities is going to replace the competition between nation States;

• changes have occurred in the structure of the socio-economic model on which the economy and welfare policies are based;

• the rapid pace of urban modernisation, increasing social mobility and flexible living arrangements have all contributed to a loss of social interaction and local identity. Many cities across Europe today suffer from a declining sense of community in their neighbourhoods;

• the changes occurred in the settlement-living pattern resulted in a spatial concentration of social phenomena, and in a higher impact of social phenomena on the general life of the citizens;
• along the services of public welfare, there is an increasing presence of non-public initiatives – the so called ‘second welfare’ – which work complementarily to the traditional welfare system in terms of coverage and type of services. In particular, the ‘second welfare’, characterised by strong local roots, involves a wide range of economic and social actors such as enterprises, trade unions, local authorities and the third sector, creating an embryonic system with a great potential.

Piero Fassino, Turin

Cities are the most appropriate areas for developing social innovation processes. They are like a huge living lab where you can have resources and tools to address and seek solutions to problems that in urban areas themselves are often more evident.

The cities, more than any other region, need to invest in innovation for both social pressure exercised by the roots and the concentration of problems, as well as for the opportunities that may raise in terms of new jobs, of companies able to generate new economies, and of new social models based on principles of inclusiveness, creativity and sustainability.

The challenges faced by the city, as ageing population, safety, energy and environmental sustainability, can be overcome only if the cities themselves will be able to leverage the most important resource they have, human capital, and the factors that may enhance its engagement, such as participation, sharing of knowledge and ideas, and a sense of belonging to the community. These are increasingly claiming to be the centre of public action so that all citizens, regardless of age, gender and social class, may find the reasons and the opportunity to become agents of change, and thus contribute, together with public institutions, to the cohesive development of our areas.

Alexis Galinos, Athens

Cities ‘are’ large networks of actors and institutions in physical space. As such they provide for a high number of interactions, a pro-social and positive fact at first sight. However, the modern city induces also a strong sense of alienation for its residents, and the ensuing interactions lose their humanity and creativity. In Athens we believe that social innovation offers the potential to rehuma-
nise cities by changing those conditions that lead to alienation, deprivation, inequality, and dehumanisation.

2. Why is there a growing emphasis on social innovation now?

*Cristina Tajani, Milan*

The field of social innovation has its own importance as a stand-alone business sector. This fact makes it more important now, in an era of welfare state’s boundary redrawing, as one of the aims of social innovation may be trying to intercept and sustain the non-publicly funded social protection programmes, complementing the ‘first welfare’ in terms of coverage and type of service.

The local authority plays a crucial role because of its competency in the provision of social services, and as facilitator and spur of innovation; hence, social innovation finds its own natural habitat in local communities and in citizens’ networks now more than ever.

*Piero Fassino, Turin*

Citizens, workers and policy-makers need to entrust their hope of well-being to a vision of inclusive and creative community that will take shape and substance only if the focus is strongly on social innovation as a means and purpose to redesign a new model of sustainable development.

*Alexis Galinos, Athens*

The emphasis on social innovation can be observed in everyday discourse, in business, in the academia, in social movements and policy-making, just to mention a few. We find two good reasons why a term and a practice may become so trendy. If we look at social innovation positively, it can provide solutions to the main problems posed by the modern city. If we look at it suspiciously, social innovation is a new ‘good-looking’ term, whose meaning can be shaped in order to do business as usual. We have to be clear about our intentions, and we opt for the positive side.
3. Can you see particular challenges in your city that social innovation practices could address?

*Cristina Tajani, Milan*

Milan is the second-most populous city in Italy, with a population of 1.3 million inhabitants, whilst the Milan metropolitan area has a population of over 4 million. While Rome is Italy’s political capital, Milan is the country’s economic and financial heart, with an increasing number of start-ups. It hosts numerous cultural institutions, universities and research centres, with approximately 190,000 enrolled students (i.e. 11% of the national total).

The City of Milan has chosen to promote social innovation as one of the aspects of the smart city. A great challenge here, in a place with a rich economic environment, that faces as well some social issues, is not to reduce the debate over smart city only to the technological dimension but is to think, instead, about how innovation in cities can contribute to the development of new methods for solving socially relevant problems. So, the attempt is to create a smart city with such conditions of governance that help to produce social innovation.

Quoting the guidelines for ‘Milano Smart City’: ‘The underlying vision is one in which a smart city not only cultivates its technological component, but also combines: economic development and social inclusion, innovation and training, research and participation and, at the same time, acquires all the tools necessary to provide the strategic framework, the internal coordination and the synergy, bringing together the different players’.

A recent report published in Italy by Symbola, Unioncamere and AASTER, shows that cohesion fosters companies’ growth: cohesive companies, those with strong ties to local communities and the territory in which they operate, investing in economic and social welfare, which have relationships with non-profit organisations and local institutions, seem to have an edge in terms of growth. According to this report, the employment rate grows in 22% of cohesive companies, compared with 15% of other companies.

Taking into account these data, the challenge for Milan is also to convey and foster the social innovation as an effort to recompose the social resources – both public and private – taking into consideration the enterprises and the third sector, until the micro-level of service to citizens.
**Piero Fassino, Turin,**

Turin, like the other cities of northern Italy, is struggling with different social challenges: an ageing population, the increasing rate of youth unemployment, air pollution, and the gradual and steady reduction of public funds.

But probably the main challenge concerns the research and application of models of new welfare, social welfare, coherent with the characteristics of our territory, around which to converge the active forces of our local economy.

**Alexis Galinos, Athens**

Definitely. Athens is still witnessing all aspects of the ongoing crisis in Greece. A demand-based society, with a service and knowledge economy but weak in its productive capacity (e.g. agricultural, processing, industrial), Athens faced a collapse of social and cultural values once things got tough. Extreme individualist and ‘scapegoat’ value systems emerged as a means to rationalise survival. A generalised conflict mentality followed, which still perpetuates itself. Social innovation comes to address these challenges at a fundamental level by offering new ways to do and see things. For example, we were an EU country with one of the highest per capita consumption of pharmaceuticals. With the crisis, consumption decreased almost by half. On the one hand, overconsumption of pharmaceuticals decreased; on the other, a significant segment of the population has poor or no more access to them. The latter situation gives rise to a scapegoat mentality. New healthcare structures *per se* (e.g. outsourced social enterprises) operating in the old way will not resolve such problems. We also need new ways to perceive and take care of our health. The main challenge thus concerns changing social perceptions, and creating positive value systems through creative and innovative practices.
4. a) What are the biggest barriers cities face in implementing a social innovation approach?

b) Where are the biggest opportunities for real impact?

*Cristina Tajani, Milan*

A social innovation approach can be reached when shifting from an approach centralised someway, to an approach driven by local communities, based on people empowerment, customised solutions and reduced costs, as the local knowledge is being used. This does not imply a ‘reduction’ of the public role but it means that the public sector should be a dynamic agent for transformation.

To fully realise its potential, social innovation has to overcome some barriers such as:

- risk aversion/protectionism: a predisposition towards conservative decision-making, so to avoid risks. This favours the existing rather than bridge it with disruptive innovation, especially in the more traditional segment of the third sector;

- complexity/difficulty to cooperate across multi-stakeholder environments;

- networks and collaboration: social innovators have to make connections to established networks and sometimes their issues do not fit neatly with the existing categories of users, as there is a risk that some solutions are not useful in practice, because of possible mismatches between real users and hypothetical customers.

The biggest opportunities for real impact are represented by the encounter between the provision of the so-called traditional welfare, and the provision that might come also from other socio-economic sectors. Opportunities also come from the contaminations, i.e. electronic engineering for wearable devices, or web programming of multimedia platforms. These contaminations and matches create a variegated reality that can offer innovative solutions, and can intercept requests that are traditionally not fulfilled, or not clearly expressed.
**Piero Fassino, Turin**

One of the major obstacles to the development of policies for social innovation is the not always clear division of responsibilities between the public institutions and the reduction of public resources of local authorities. Furthermore, one challenge is to overcome the risk-averse nature of public institutions, often determined by a regulatory framework not always favourable to develop innovation.

The changes are processes that can generate real impacts only if they assume an appropriate scale of intervention, overcoming the experimental dimension where often it remains entangled. Cities are great places to test ideas; the challenge now is to transform them into ecosystems that favour the initiation of processes capable of positively changing the paradigms of social and economic life.

**Alexis Galinos, Athens**

The interest, or the habit, to grasp onto established uncreative ways of doing things is a disabling condition. When such interests or patterns become well established, they form the greatest barrier. More or less, it is like a long-term smoker. This represents a great opportunity as well. Once we make the leap into the ‘new’, we realise that the way is open for anything. Eventually, the greatest opportunity for real impact coming from social innovation in the cities relates to changes in policy-making, economic culture, and civil society engagement. This shall have an impact in rehumanising the city, and in potentially affecting national or international policies and legislation.

An interesting case relates to the urban movement for sustainable-ecological food systems. City residents are almost completely dependent on external resources for their survival. Thousands of people in our capitals demand a fair food system, GMO-free food, no property rights on genetic material, and so on. At the same time a number of European agricultural federations and agroindustry companies promote the opposite views in EU consultations. However, the cities are not deemed as stakeholders with regards to agricultural and food issues. It should be recognised that cities have an important role to play in such global issues. Social innovation offers this opportunity.
5. **What are some of the social innovation practices already in place in your city?**

*Cristina Tajani, Milan*

The Municipality of Milan carries on different projects to foster social innovation, some of them are mentioned here as examples.

‘FabriQ’ is the first space of the Municipality of Milan specifically dedicated to promoting social innovation. It is a business incubator for the transformation of ideas into concrete projects, and is placed in Quarto Oggiaro, a neighbourhood with a difficult past, a present of pride, and a future under construction. This incubator is the concrete result of the work produced through funds of the European project ‘Urban II’ and consists of an area of 700 square metres where young entrepreneurial start-ups whose activities have a social impact will be incubated. The incubator operates along three axes: incubation and acceleration, entrepreneurship training, and animation of the territory, so to bring a social impact in the city.

The area of Quarto Oggiaro is a place of interest to the Administration, as it is characterised by a high rate of unemployment (youth unemployment is around 70% here), and this fact has determined the choice of this area.

Also other projects are being carried on in this area:

- the European project ‘My Neighbourhood, my city’;

- an agreement with Condé Nast to donate part of the earnings of the Vogue Fashion Night to the regeneration of an area within the neighbourhood;

- the public call ‘Tira su la cler’, for the allocation of space and facilitation of business activities;

- the ‘House of the associations’, managed by the Municipality, which promotes meetings between organisations, citizens and enterprises, and provides space and services to the associations in the neighbourhood.

‘My Neighbourhood, My City’ is a European project that aims at recreating the lost social cohesiveness of the neighbourhoods by using new digital technologies and techniques (ICT) combined with the Living Lab methodologies. The main goal is to strengthen the existing ties and create new ones to ensure the development of a system based on connected and trusted
communities. This project co-creates and co-designs solutions together with the inhabitants. In doing so, the project aims to promote a true sense of belonging and identity. Milan is one of the four pilots (others are located in Aalborg, Birmingham, and Lisbon) that aim at kick-starting a viral effect of the use of the MyNeighbourhood platform to reconnect people, share new ideas, and help to tackle daily problems. The project addresses the real world daily issues of the urban neighbourhoods, such as taking care of the public green, and providing meals to isolated citizens, also thanks to the help of the local schools, in order to improve citizens’ quality of life.

‘OCA – Officine Creative Ansaldo’ is a space opened in 2012 by the Municipality of Milan, whose mission was to become the hub of multicultural activities in the city: a lighthouse for the multi-faceted creativity expressed by the city. It features not only concerts, exhibitions and installations, but also creative workshops and services for cultural enterprises. Since the beginning of the activities, OCA has highlighted its nature and its potential by hosting very different events, from performances to the Forum of Social Policies, not to mention some well-established events like ‘Recycle and Reset’.

‘The FabLab Milan’ is conceived in line with the international FabLab network that is based on the concept of share, learn and make. It connects young students that want to implement projects with professionals, professors and companies, creating synergies and facilitating the exchange of ideas and the creation of projects using machinery and technology of digital fabrication (such as 3D printers, milling machines cnc) with an approach to return to humanism and to the practical ‘to do’.

Piero Fassino, Turin

Turin was the first Italian city to adopt a policy on the topic of social innovation with the Torino Social Innovation programme.

Traditionally Turin has always been a town dedicated to innovation and sensible to social issues. This is evident from the set-up of many public and private projects that, compared to the Italian panorama, stand out for the innovative nature and complexity of the challenge to which they respond. To name a few of the most recent:

- Sharing Hotel Residence: one of the first and most important private initiatives of Italian temporary social housing, which was cre-
ated to meet the needs of temporary accommodation at affordable prices in the city, characterised by energy efficiency and low environmental impact;

- Civic Centre Via Baltea 3: multi-functional centre supported only by private funds, providing a wide range of public services to the local community;

- FabLab Torino: the first and most important Italian laboratory of digital manufacturing: a platform for sharing ideas and skills, and for encouraging creativity, open community and the development of local entrepreneurship;

- Socialfare: the first Italian incubator of social enterprises.

Alexis Galinos, Athens

In civil society, the crisis gave birth to new service structures and ways of doing things. Solidarity-based medical care (including alternative approaches) and production/distribution food structures, new forms of non-monetary exchange like time-banks, and informal educational services for everyday life practical needs emerged and are still developing.

In the economic sector, cooperative businesses have emerged, defeating the old Greek saying ‘It’s better to be a bagel street seller on your own’. Except for this cultural shift in doing business, people gave birth to new ideas. Co-working spaces are gaining momentum, while social enterprises like ‘Amphitriti’ offering tourist services for differentially abled people, and the ‘Sxedia’ magazine offering support for the homeless, are examples of successful practices.

At policy level, we may highlight at least two efforts implemented by the City of Athens: Synathina, a participatory political institution aiming to engage people in policy-making, and the ADDMA pilot programme ‘Enterprise Socially’ aimed at turning Athens into an inclusive and healthy playground for the variety of social enterprise practices around the globe.
6. What are you doing to foster social entrepreneurship in your city and can you share opportunities and challenges from your experience so far?

Cristina Tajani, Milan

Here are some initiatives fostered by the Municipality of Milan in support of young innovative companies with social impact:

• ‘Start 2012’ and ‘Start 2013’ are public tenders that allocate more than 5 million euros, funded by the Chamber of Commerce together with the Lombardy Region, and aim at supporting and promoting the creation of new businesses located in deprived areas;

• ‘Risorse in periferia’ and ‘Tira su la cler’ (2012 and 2013) are projects that allocate more than 1.5 million euros to enterprises, covering also costs for renovation, and aim at qualifying the suburbs. These projects offer to all who wish to start a new business enterprise, to take part in a programme of free training courses, personal assistance and mentoring for new business, along with some funds;

• ‘FabriQ’, the incubator already mentioned above, launched in 2014 a summer school for young social entrepreneurs, which consists of a week with full immersion courses of English language, for young people who want to do business by improving the common welfare. This event aimed at attracting young people that will deepen the discussion on the subject of social innovation, social impact and incubation of ideas, but also with an eye to more practical matters such as marketing and public relations;

• training programmes promoted by the Municipality for start-up companies that invest in the field of social innovation. The training programmes teach social entrepreneurs how to participate and exhibit in trade fairs;

• ‘A.I.R. – Acceleratore di impresa ristretta’ is a project of the Municipality of Milan implemented jointly with the local prison administration, that aims at enhancing the productive realities operating within the Milanese penitentiaries;

• public hearings on social entrepreneurship: since 2013 many me-
etings have been organised by the Municipality in order to promote a dialogue and confrontation with institutions, associations, foundations and companies, on how the city could facilitate the common way to deal with social innovation. Following this public moments, several participatory working groups took place.

Piero Fassino, Turin

In 2013 Torino launched Torino Social Innovation to foster social business. It is a public programme, a set of strategies and instruments to support new young enterprises that are able to address social needs in different fields (such as education, employment, mobility, health, and inclusion), and to create a blended value for the society, both social and economic. This programme aims at sustaining young social entrepreneurs, their creativity, their digital competences, and their perception for social improvements.

The main objectives of the programme are:

- fostering the culture and the awareness of social innovation;
- supporting the development of creative communities;
- sustaining new forms of sharing economy;
- simplifying the development of business projects for an economy that is more dynamic, inclusive and sustainable.

The Torino Social Innovation programme involves a multi-stakeholder system, with different competences in research, entrepreneurship, and policies for young people; a system that is addressed to social needs. This ecosystem represents the added value of the programme’s strategy because it joints together multi-disciplinary competences and experiences.

The partners actually involved in the programme are: the City of Turin, the Chamber of Commerce of Turin, Compagnia di San Paolo, Codex, Confcooperative Torino, CSP – Innovazione nelle ICT, Econocom, Environment Park, Fablab Torino, FarAhead consulting, Fondazione FITS! per l’Innovazione nel Terzo Settore, Fondazione Michelin Sviluppo, Fondazione Torino Wireless, Starteed, Istituto Superiore Mario Boella, Legacoop Piemonte, Permicrolab onlus, Oltre Venture, the Province of Turin, Re-seau Entreprendre Piemonte, Sharing Torino, S-NODI, SocialFare, Talent

The main action of the Torino Social Innovation programme is ‘FaciliTo Giovani’, a service supplied by the Municipality of Turin in collaboration with the incubators and the Province of Torino, aiming to sustain entrepreneurial projects promoted by young people between 18 and 40, and targeted to solving the arising social needs.

FaciliTo Giovani offers information as well as technical and financial support to proponents of innovative ideas that are able to create a blended value, both social and economic, in different fields, such as education, quality of life, mobility, social inclusion, and health. Proponents could be young aspiring entrepreneurs, spin-offs or enterprises with no more than 4 years of life, consisting especially of young people, and operating in Turin. FaciliTo Giovani invests more than 650,000 euros in supporting actions.

*Alexis Galinos, Athens*

The City of Athens is implementing programmes on social entrepreneurship through the European Social Fund and the corresponding Greek legislation. This approach has proved limiting, since it allows only for the Greek legislative interpretation of social enterprises. So we have moved one step beyond, and introduced a completely new approach to social entering (SE). To begin with, we assume that it is unfair to decide that some practices are correct, while others are not. So we have designed a pilot programme on SE, in which we allow for all practices to come into play. The idea is that Athens’ ecosystem will select the ones that fit better into our culture, needs and policies. Hence, we offer a tentative and dynamic ‘social enterprise space’; it may include all or most approaches. At the same time, this chart makes clear that classical business, corporate social responsibility, or philanthropy is located ‘outside’ the SE space. The forthcoming challenge and opportunity concern the development of the ‘SE space tool’, a project on the making.
7. What role do you see for your local authority moving forward in creating enabling conditions for social innovation and social entrepreneurship to flourish in your city?

Cristina Tajani, Milan
The local authority is a key institution that can help to make innovation happens, i.e. with funds, agencies, incubators and, most of all, by promoting effective policies.
‘Smart’ investments are important as they lead growth in the future, thus potentially some revenues for the public sector (e.g. through the repayment of loans with interest rates), but public funding should also open up new paths that private capital does not pursue for many reasons, so the public sector should represent a dynamic agent of transformation.
The local authority can help to change the paradigms of traditional public services into community services that directly address the wishes, interests and needs of people. This change aims at building an interdependency and connectivity system based on the interaction between people, and between people and the urban space.
The message here is not to ‘reduce’ the public sector, but to have a more dynamic, creative and innovative public administration.

Piero Fassino, Turin
Cities are increasingly called upon to play a role of facilitator/process accelerator of social innovation. To do this, it is necessary for them to act as an ecosystem able to attract and develop the next generation of changemakers.
For Turin it is important to continue to do that by stimulating the development of open and flexible networks, as well as by promoting a process of innovation that is implemented at internal level, so that all the value generated by the public authorities, both tangible and intangible, is made available to companies operating in the field of sustainable economy.

Alexis Galinos, Athens
Our main role is to provide the frame of reference for action. We have observed that at some point SE and social innovation became such trendy terms that almost all economic – or not – actors adopted the labels. This
gave rise to the danger of devaluing the terms. If every business, NGO, philanthropy organisation, and so on is named ‘social enterprise’, then the meaning is lost. We believe though that social enterprises and social innovation form a distinct way of socio-economic activity. Hence, our afore-mentioned approach on social enterprising space. If the frame of reference plus the necessary funding schemes is made available, then players can act knowingly and efficiently.
The Authors

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Fabio Sgaragli is the Head of Learning and Innovation at Fondazione Giacomo Brodolini, in charge of the development of the Social Innovation and Social Entrepreneurship Unit. He has over 20 years of international experience working for public, private and civil society organisations on innovation projects. He has delivered consulting and training in over 35 countries in five continents for organisations such as UNHCR, the Society for International Development, URBACT Operational Programme II, NIKE, Bristol Myers Squibb, and UniCredit. In the past he also served as Senior Manager in the Global Office of PricewaterhouseCoopers in charge of innovation and sustainability. He is an expert on entrepreneurship, innovation and corporate social innovation. He currently oversees the activities of FabriQ, the Social Innovation Incubator of the Municipality of Milan.

Riccardo Maiolini

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Dr. Maiolini attended several academic conferences, and in 2014 he received an award from the International Council for Small Business at the George Washington University for his service to support and promote social innovation and the development of new ideas. Currently he is an invited lecturer in several Italian educational organisations where he teaches Economics of Innovation, Entrepreneurship and Economics of Strategy.
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Furthermore, Maria Francesca Guida is also vice president at ECCOM, where she carries out research and consultancy in the cultural sector, and in particular in planning and evaluation of cultural projects.

Her main interests in the cultural heritage are local development projects, promotion of creativity through contemporary art, and impact analysis of the cultural sector. She is currently a member of the ESF-EU Evaluation Committee (2007-2013) in the areas of training and employment for the Region of Apulia. She also serves on the Board of Directors of the Italia-Camp Foundation with funding and development responsibilities.

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Zaid Hassan is a strategist, facilitator and writer passionate about bridging divides and cultural regeneration. His work is focused on supporting individuals, communities and institutions who recognise that new approaches are needed in order to shift contemporary intractable situations. He has worked on catalysing systemic action on a wide range of issues, from mental health, financial systems, to agriculture and climate change.

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Furthermore, Zaid Hassan has guest-lectured at many universities round the world. Most recently at the New School in New York City, the University of Bergen in Norway and the University of Oxford. Over 2009-2010 he was an Associate Fellow of the Institute of Science, Innovation and Society, Said Business School at the University of Oxford.

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Filippo Addarii’s ambition is to reform Europe, through the power of networks, to fulfil its mission of global peace, prosperity and justice.

He is currently serving as Director of International Strategy and Head of EuropeLab at The Young Foundation (UK). He is also senior research associate at the Global Climate Forum, the Berlin-based research centre for sustainable development.

He is a Director of the impact investment fund Hub Launchpad (UK), in the French Movement of Social Entrepreneurs (Mouves), and of Nethical s.r.l., an Italian company leader in e-healthcare. He is also a fellow in the European Center for Living Technologies (University Ca’ Foscari, Venice), Counterpoint (London), Senior Associate at Agirre Center for Social and
Mr Addarii has 12 years of experience in designing, fundraising for and managing European multi-stakeholder projects for socio-economic development through innovative approaches and civic engagement in the EU and worldwide.


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He is a passionate activist in social media and contributor in various media such as The Guardian – Social Entrepreneur Network, and Vita Third Sector Magazine.

Indy Johar

Indy Johar is an architect and institutional innovator. He, on behalf of 00:/, has co-founded multiple social ventures from HubWestminster.net to the upcoming HubLaunchpad.net (A £4m Open Venture Accelerator). He has also co-led research projects such as The Compendium for the Civic Eco-
nomy, whilst supporting several explorations/experiments including the wikihouse.cc, opendesk.cc.

He was Director of the Impact Hub Association and Impact Hub Islington (the original hub in the Hub Network) and worked with Jonathan Robinson to design the protocols and modes of the network scaling. He is currently a Director of DataScienceLondon and an Advisor to the Earth Security Initiative.

Indy Johar, in collaboration with the Young Foundation, is co-founding a new Applied Research, Design and Prototyping Centre focused on the development of new 21st-century institutions and information architectures. The centre is currently working on the series of institutional start-ups from the Polytechnic of the future to the Corporate Organisation for Social Innovation.

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**Hélène Giacobino**

Hélène Giacobino joined J-PAL Europe in 2008 after 15 years working as a lawyer. First hired as the Director of Strategy and Development, she became the Executive Director of J-PAL Europe in 2009. She spends most of her time travelling around the world, particularly in Europe, to disseminate J-PAL randomised evaluations’ results, and to advice policy and decision-makers on how to implement social experimentation and scale up effective programmes. She is also responsible for the capacity-building activity of J-PAL Europe: the annual Executive Training (in English and in French)
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Laura Abadía joined J-PAL Europe in 2013 as Policy Manager. She is in charge of conducting policy outreach and analysis with the aim of promoting evidence-based policy across Europe. She holds a M.Sc. in Political Economy from the London School of Economics, and a Master’s degree in Public Management from Sciences-Po Paris. She has experience in research and project management. Before joining J-PAL Europe, she worked on a programme financed by the French Government, aiming to improve health systems in developing countries, and with a private consulting company specialised in economic and social development.

**Andrea Pugliese**

Andrea Pugliese is a senior expert and researcher in labour market policies, social innovation, and employment services. He has 15 years of experience in EU policies, projects and funds. His consultancy activities concern: employment services, lifelong learning, counselling, social innovation, project design and management, and communication and information services and tools. He also performs training activities in master classes and adult education courses.

After obtaining a university degree in Computer Science in 1990, he got a post-graduate certificate in European policy design, funding and management in 1993.

From 1994 to 1998, he served as Unit Head of the Regional Labour Agency of the Region of Liguria. He was then appointed as Managing Director of Conform, a national leading company providing tools and services for employment, counselling, training, and communication about EU funds. He held this position till 2007, when it started to work as independent advisor, researcher and project manager for national and regional authorities and socio-economic research centres in the field of EU projects. Mr Pugliese is the co-founder of Impact Hub Rome.
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Roberto Randazzo

Roberto Randazzo is a lawyer operating mainly in the field of corporate and business law, highly experienced in international contracts. Over the last few years he has deepened new areas of legal advice in the innovation field, both entrepreneurial and social, with solid experience in consultancies for innovative start-ups and non-profit entities, with particular attention to social business matters, social finance and impact investing.

Roberto Randazzo is a volunteer law lecturer at Bocconi University in Milan as well as lecturer in charge of the law course of the Master in Management of Social Enterprises, Non-Profit Organisations and Cooperatives of SDA Bocconi.

He is the author of many publications and papers about non-profit law and impact investing. Since 2012 he is the Honorary Consul for the Republic of Uganda in Milan.

Antonio Dell’Atti

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- ‘AGES 2.0’, European social experimentation aimed at determining how new technologies, particularly the Internet and social networks, can help to foster social and healthcare inclusion of the elderly; and

- ‘We are Able to Work 2020’, European project aimed at encouraging the promotion of innovative and qualitative elements in the field of non-formal learning and work of young disabled people.

From September 2010, he is member of the ItaliaCamp Association, where he has contributed to the organisation of many ‘barcamps’, and to the set-up and implementation of WeThink, the network of think tanks managed by ItaliaCamp.

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**María Caprile**

María Caprile is a research sociologist. She served as Director of Research at the CIREM Foundation until March 2013, and was a founding member of NOTUS in March 2013. She has conducted studies related to labour, employment policies and industrial relations, with a special focus on gender equality issues. Since 1997, María Caprile has been working as a senior
researcher in charge of coordinating research projects and project management. Over the last ten years, María Caprile has directed large comparative studies on gender mainstreaming in European research and the knowledge society for the European Commission. In the field of employment and industrial relations, she has been in charge of the development of the Quality of Labour Market Indicator for the Spanish trade union UGT, and has been involved in several research projects on employment relations in a changing society.

**Pablo Sanz de Miguel**

Pablo Sanz de Miguel obtained his PhD in Sociology from the Autonomous University of Barcelona, with a dissertation on ‘the activation approach within the European Employments Strategy: translation to the discourses and policies of Spain and UK’. He is a researcher of NOTUS, where he has been working since May 2013. He works in the EurWORK network of Eurofound (previously EIRO), and is currently involved in different comparative and national studies within this project.

**Diego Teloni**

Diego Teloni is the Director of Fondazione Giacomo Brodolini. He has a wide expertise in the coordination of EC-funded projects, and proven ability to manage international teams and networks of experts. He is expert in planning and management of research and intervention projects on socio-economic topics, and he is familiar with all the EU system and institutions involved in issues as labour market analysis and policies, employment services, and labour mobility. He has extensive and practical knowledge of EU and Italian labour market policies, instruments and procedures, and in particular on active labour market policies (ALMPs) and on public employment services (PES) functioning.
Giancarlo Dente

Giancarlo Dente is currently working as Chief Project Manager and Researcher at Fondazione Giacomo Brodolini. He has several years of professional experience in the field of the European Social Fund and EU programmes. Experienced in planning and management of research and intervention projects on socio-economic issues as well as on structural funds evaluation, he has strong coordination skills and familiarity with project management tools. His academic and professional background provided him with a good knowledge of EU and Italian labour and social policies, as well as of public employment services (PES) performance, employment services and labour market analysis.

Eddy Adams

Eddy Adams is a process designer, facilitator and writer with extensive transnational experience. He is particularly interested in leadership and systems change. His current work includes the role of Adviser on Social Innovation and Human Capital to the EU URBACT (Cities Exchange and Learning) Programme, based in Paris. This involves supporting cities to utilise social innovation, as well as sharing the results with a wider audience. In 2013 he designed and led the URBACT workstream exploring how EU cities are harnessing social innovation to tackle the youth crisis. He also acts as an adviser to the award-winning York Genius social innovation platform, recently shortlisted for the Bloomberg Challenge Awards. Moreover, Eddy Adams is an active contributor to SIX, most recently through inputs to events in Philadelphia and the Seoul and Vancouver Summer Schools. He is also a Fellow of the Royal Society of Arts (RSA).

Cristina Tajani

Cristina Tajani is the incumbent Councillor for Employment Policies, Economic Development, University and Research of the City of Milan. She graduated in Economic and Social Studies at the Bocconi University, and achieved her PhD in Labour Sciences at the University of Milan. She specialised in labour economics, economic sociology and industrial relations.
As researcher, she dedicated her studies particularly to quantitative methods for public policy evaluation. She has collaborated with several universities and research centres such as the University of Milan, Bicocca University and IRS – Institute for Social Research. From 2007 to 2009, she acted as the Italian correspondent for EIRO – European Industrial Relations Observatory.

In addition to the academic and study activities, she has dedicated herself to political activities and trade unionism.

**Piero Fassino**

Piero Fassino is the incumbent Lord Mayor of Turin since 2011, and the President of the National Association of Italian Municipalities (ANCI) since 2013. Elected to the Italian Parliament for the first time in 1994, he was re-elected in 1996, 2001, 2006 and 2008. Mr Fassino was in charge of important tasks of government (Secretary of Foreign Affairs in the first Prodi Government, Minister of Foreign Trade in the D’Alema Cabinet, and Minister of Justice in the Amato Government). He acted as leader of the Democratic Party from 2002 to 2006.

**Alexis Galinos**

Alexis Galinos is Managing Director at Athens Development and Destination Management Agency (ADDMA) since 2011.

Since 2002 he has been engaged in the private and public sectors, having an active role in both local and governmental posts. During 2003-2005 he was Advisor to the Mayor of the City of Athens for economic development matters, undertaking all the actions for the establishment of a municipal agency (Athens Tourism and Economic Development Organisation) whose objective was the management and implementation of tourism and economic development in Athens. Mr Galinos acted as the organisation’s first Managing Director from 2005 to 2007.

He served as Special Secretary and Advisor to the Hellenic Ministry of Foreign Affairs during the period 2007-2009 and prior to that, he worked as an external consultant at the World Bank, as well as for NGOs in countries
like India and the Democratic Republic of Congo.
Mr Galinos is an economist specialising in development policies. He holds a Master’s degree in Public Administration from Harvard University, an MSc in European Social Policy from the London School of Economics and Political Science, and a BA in Economics from the Bates College.
Fondazione Giacomo Brodolini

Fondazione Giacomo Brodolini is an independent European think-and-do tank with the mission to advance the social innovation agenda at both the international and the local level. We work to create platforms that engage stakeholders in co-developing solutions to common challenges in the following areas:

- young people – learning and employment;
- agrifood – rebuilding food value chains;
- health – wellbeing and ageing;
- cities – smart local development;
- finance – funding for social impact.

We manage two incubators that assist social innovators in bringing their ideas to life and making them sustainable. We also provide technical assistance to a variety of governance bodies for policy-making and evaluation. We provide both public and private organisations with a diverse range of services, from consulting through communication to learning.