

The butterfly and the elephant: local social innovation, the welfare state and new poverty dynamics

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ABSTRACT

This paper surveys the literature on localized socially innovative policies and actions aimed at overcoming poverty and social exclusion. The authors show how these local forms of social innovation emerged in the late 1970s against the backdrop of the crisis and transformation of the Western welfare state, the emergence of new social risks and the transition from the Fordist to the knowledge based economy. The paper aims to learn about new or older but as yet too often overlooked poverty and social exclusion dynamics from the locally embedded and collective responses to it by civil society associations, local state institutions and/or social entrepreneurs. The paper first develops a definition of social innovation as it applies to the fight against poverty and social exclusion. In a second part the authors put social innovation in its historical context by discussing three different strands of social innovation research and practice, namely: (1) social innovation as a critique of the territorial innovation model underlying the knowledge-based economy; (2) social innovation as a critique on the bureaucratic nature of the welfare state; and (3) socially innovative forms of neighbourhood development as a response to the urban crisis. The third section of the paper then zooms in on the process dimensions of social innovation for each of the three strands discussed in the second part. The authors propose the metaphor of 'the elephant and the butterfly' to think through the relationship between localized forms of socially innovative actions and initiatives on the one hand and the macro-level institutions of the welfare state and dialectical interplay between state institutions and civil society associations on the other. The paper concludes with a preliminary list of social needs, trends in poverty and the reconfiguration of welfare institutions and policies that are revealed by place-based socially innovative practices.

1 THE CRISIS OF THE EUROPEAN SOCIAL MODEL, NEW SOCIAL RISKS AND THE REVIVAL OF SOCIAL INNOVATION

This paper is concerned with localized socially innovative policies and actions aimed at overcoming poverty and social exclusion. These local forms of social innovation emerged in the late 1970s in the spatial and institutional margins of an increasingly universal welfare state. In this literature review paper, we approach them as an alternative way of revealing ‘social needs’ and addressing new forms of poverty and social exclusion. Complementary to the systematic analyses of quantitative data by the other partners in the Improve consortium, we aim to learn about new (or older but as yet too often overlooked) poverty and social exclusion dynamics from the locally embedded collective responses to it by civil society associations, local state institutions and/or social entrepreneurs.

In what follows we first develop a general definition of social innovation as it applies to the fight against poverty and social exclusion. We then situate the emergence of localized forms of social innovation aimed at overcoming poverty and social exclusion against the backdrop of the crisis of the national welfare state and the emergence of a whole range of new social risks from the late 1970s onwards. On the basis of the general definition of social innovation and the emergence of new social risks, we argue for a relational understanding of poverty and social exclusion. In the second part of the paper, we analyze three different strands in the scientific and policy-oriented literature on social innovation in order to enable us to identify more precisely the specific problems associated with poverty and social exclusion as they are constructed in practices of social innovation. This problem identification is elaborated in three directions: the transition from a Fordist to a knowledge based economy, the bureaucratic and centralized nature of the welfare state and the concentration of poverty in disadvantaged urban neighbourhoods. In the third part, we focus on the process dimension of social innovation, as this dimension is most relevant to the governance challenges that will be analyzed later on in the Improve project. We conclude that social innovation crucially involves civil society actors in poverty reduction strategies, but that more attention needs to be paid to the relationship with the existing welfare institutions. We suggest the metaphors ‘elephant’ and ‘butterfly’ to think through the relationship between socially innovative actions and initiatives and powerful institutions as well as the dialectics of state and civil society.

1.1 DEFINING SOCIAL INNOVATION

Social innovations are innovations that are social in their ends as well as in their means (Ilie and During 2012; The Young Foundation 2006). What does it mean to say that social innovation is social both in its ends and its means? The goal of social innovation is defined either in terms of the satisfaction of social needs that are not adequately addressed by macro-level welfare policies or the private market or in terms of addressing big societal challenges such as climate change (Cahill 2010). Since the Improve research project is concerned with socially innovative actions and policies aimed at overcoming poverty and social exclusion, we will focus on the ‘social needs’ definition. This is the grassroots strand of social innovation (Bureau of European Policy Advisors 2010; Chambon, David and Devevey 1982). As we will argue later in this paper, just like any other action or policy directed at overcoming poverty and social exclusion, social innovation implies a particular view of poverty and social exclusion. Importantly, in the case of social innovation, poverty and social exclusion are defined in a much broader sense than the pure lack of material or financial resources.

The social needs addressed by social innovation are not pre-given, but are highly contextual (Moulaert 2002). In line with its grassroots nature, many socially innovative initiatives emerge as

direct and pragmatic responses to needs experienced by individuals and groups in their daily life, bypassing slow and rigid bureaucratic procedures (Chambon, David and Devevey 1982; Fung and Wright 2001). Hence, the often strongly localized character of social innovation. In its origins, social innovations are not fully thought out or strategically planned, but gradually come into being in a bottom-up fashion when people organize themselves to respond to a need they experience. The context specificity of social innovation means that social innovations are seldom new in the way technological innovations are (Huddart 2010; The Young Foundation 2006). Social innovations are new in a particular context and offer an alternative for existing practices and structures that do not (or not adequately) support individuals and groups in satisfying their basic needs (e.g. the re-introduction of the principle of sharing).

Social innovation is not only innovation that is directed at social goals, but also uses social means. Social means refer to the development of new or transformation of social relations. It crucially involves breaking through and reorganizing existing societal institutions that prevent people from satisfying their basic needs, e.g. consumption habits and practices, the relationship with social workers and the organization of the labour market. It is hence not about the development and application of technological means for social purposes or about financial transfers *per se*. For sure, technological innovations can support social innovation, but only if they act as a vehicle for the transformation of social relations that enable excluded groups to improve their living conditions. Also, although financial transfers *per se* do not qualify as social innovation, the institutionalized social relations that support systems of financial redistribution, e.g. the social dialogue for the accommodation of conflictual interests between employers and employees, qualifies as a major social innovation. More specifically, socially innovative actions are driven by processes of social learning, awareness raising and collective action and mobilization (Moulaert and Nussbaumer 2008).

Given the focus on social relations, social innovation inevitably is a local and institutionally embedded process (Fontan and Klein 2004; Moulaert 2009). Practices that are innovative and successful in one particular locality are not necessarily innovative and successful in another. The local embedding of socially innovative actions and interventions does not mean that social innovation is locally isolated, as most successful social innovations rely on co-operation with and support from supra-local actors (Fontan, Klein and Tremblay 2004; Moulaert 2002; Moulaert *et al.* 2005). Through co-operation with supra-local actors, networks and institutions, localized social innovations can be upscaled and transferred to other local contexts and thus structurally transform society. The structural transformation of societal institutions is a crucial aim of socially innovative actions and interventions, which is why social innovation is not innovation that is social in its ends only. Social innovation hence works towards social change through the deepening and broadening of participation, the establishment of more inclusive organizational procedures, the development of the capacity for collective action and the fundamental change of human attitudes and behavior (Moulaert 2002; Moulaert *et al.* 2005; Moulaert and Nussbaumer 2008).

To summarize, social innovation in our understanding refers to locally embedded practices, actions and policies that help socially excluded and impoverished individuals and social groups to satisfy basic needs for which they find no adequate solution in the private market or macro-level welfare policies. It does so through processes of social learning, collective action and mobilization and awareness raising. Social innovation works towards the transformation of social relation on various spatial scales. Following Moulaert's definition, social innovation thus has three basic components: (a) the satisfaction of basic social needs (content dimension); (b) the transformation of social relations (process dimension) and (c) empowerment and socio-political mobilization (linking the process and content dimension). (Gerometta, Häußermann and Longo 2005; Moulaert *et al.* 2005).

1.2 THE CRISIS OF THE EUROPEAN SOCIAL MODEL AND THE EMERGENCE OF NEW SOCIAL RISKS

Up to the middle of the 20th century, social assistance organized by civil society, be it the church, self-help movements or philanthropic institutions, was the main form of welfare provisioning, aimed at the population at the margin of society. This has been the “normal” form of welfare regime up to the modern welfare state of the 20th century. Only after the traumatic experiences of the Great depression, Fascism and World War II, post-war development became a period of unprecedented progress in social welfare. Under the Cold War and systemic competition with the Soviet bloc, European nation states reached a historic level of social protection and social cohesion. This historical singularity of the European welfare regime in the “golden age” after World War II is decisive to contextualize the criticism of the welfare state and to relativise the current “innovativeness” of a civil society-based form of welfare provisioning.

In the European welfare state, the main risks of poverty and social deprivation concerned illness, unemployment, disability and old age. The national welfare systems, part and parcel of the post-war period of industrial growth, were founded on stable and quasi full employment, generous welfare programmes primarily financed through a progressive taxation system and a stable family model fostering strong family ties based on a gender division of roles (Ranci 2010). In this era of welfare capitalism (Esping-Andersen *et al.* 2002), however, the welfare state was not limited to cash transfers, but the public provisioning of a wide variety of social services, from housing to education and health. In this unique era poverty mainly reflected cyclical downturns of the economy (Silver 1996) and a lack of financial resources in particular groups in the population (e.g. the handicapped). Unemployment was seen as a consequence of an imperfect labour market rather than an individual problem of employability. Conditions such as illness and unemployment were considered to have negative influences on the broader society and to be dependent on factors beyond the control of the individual citizen. The living standard of the vulnerable working-class was not only a matter of economic integration but also seen as one of social and political integration (Serrano Pascual and Magnusson 2007; Ranci 2010). This ‘old poverty’ mainly referred to a lack of income (Silver 1996) since a lack of financial resources not necessarily correlated with other forms of social deprivation.

It is well known that the European social model is facing a long and deep crisis, which began in the 1970s (Castels 2004; Esping-Andersen 1996, for a critical view see Alber 1988). This crisis resulted from the exhaustion of the intensive accumulation regime based on industrial productivity growth and intensified distributional conflicts after trade union and social movement activism in and after 1968. This coincided with the emergence of a series of new social risks (apart from the old social risks which continued to exist). The durability of kinship networks weakened. Technological innovation, the globalization of the economy and the transition to a service economy led to deindustrialisation in Western countries and made secure employment and a decent wage especially for the low-skilled work force increasingly difficult (Ranci 2010; Esping-Andersen *et al.* 2002). Simultaneously, under the pretext of the pressures of global competition, political actors increasingly weakened and the nation states decentralized their capacities to intervene in the economy and civil society through processes of vertical and horizontal state transformation (Büchs 2009; Kazepov 2010). They strategically shifted responsibilities and resources to the European Union and its common market – and in a very limited form to other international institutions as well and to the subnational scale (Jessop 1999; Brenner 2004; MacLeod 2001). These changes profoundly influenced the nature and distribution of social risks (Ranci 2010; Esping-Andersen *et al.* 2002) and created new forms of poverty. In contrast to ‘old poverty’ in welfare capitalism, this ‘new poverty’ is not a consequence of a cyclical downfall of the (national) economy, but is unevenly distributed across the population and cumulative and, therefore, more in tune with “normal” poverty in class-based societies. It is, however, also the outcome of the structural change in the labour market, the family

and social protection (Room and Berghman 1993), which resulted in the return of old and the rise of new uncertainties and social risks that affected not only the traditional poor (Silver 1996).

It must be noted that these changes occurred in different guises and with differing speeds across European regions. Also, it is convincingly argued that nation-states still matter, (Jessop 1999; Rodrik 2013) and different structures of welfare policies and labour market practices cushion the impact of these changes in different ways (Hamnett, 1996). Nonetheless, from the early 1980s onwards, a process of income and wealth concentration has started which undermined the post-war social model in the US (Stiglitz 2012) and Europe (OECD 2011). This was implemented by crude neoliberal policies in the 1980s, but not reversed by social liberal “Third Way” policies afterwards. This has not only increased social cleavages, but resulted in territorially uneven development in Europe (Becker 2010) and the shrinking contribution of the wealthy to finance the public budget – and, therefore, the welfare state. This has led to an incipient crisis of the European social model which has become manifest with the recession since 2008. The increasing social and territorial inequality is the key reference scheme for understanding current “new” phenomena of poverty and social exclusion in Europe.

The increased importance of human capital in a highly competitive globalized knowledge based economy also contributes to rising social inequality. It has led to a rising ‘skills premium’ and a devaluation and precarization of low skilled labour (Cooke *et al.* 1992) (Esping-Andersen 2005). In this regard the knowledge intensive service economy proves to be “potentially dualistic”. While Western societies highly value, both in monetary and cultural terms, innovation and creativity, professionalization and high-skilled occupations, people with low social or cultural resources and insufficient skills (including the capacity to “re-school” oneself) are in many cases destined for a professional life with low wages, precarious working positions and even unemployment. Downward pressures on wage-costs for lower-skilled people, and thus widening wage disparities, seem to be an important condition for the creation of low-end, routine service jobs. “The irony is that class may be less visible, but its importance is arguably far more decisive. In knowledge-intensive economies, life chances will depend on one’s learning abilities and one’s accumulation of human capital. As is well established, the impact of social inheritance is as strong today as in the past – in particular with regard to cognitive development and educational attainment (Esping-Andersen *et al.* 2002).”

From the early 1980s onwards, localities were feeling the pressure of locational competition more directly. The rise of new, often knowledge-intensive industries in western countries contributed to new ‘geographies’ of both centrality and peripheralization, which became most visible in large, globalized cities (Sassen, 1996, 1991, Moulaert, 2000). These new geographies are shaped by an increasing inter-sectorial gap in income, consumption and education levels. As Sassen writes: “the rapid growth of industries with a strong concentration of high- and low-income jobs has assumed distinct forms in the consumption structure which in turn have a feedback effect on the organization of work and types of jobs being created” (Sassen 1996). New forms of social exclusion such as mass long-term unemployment, working poor (Vranken and Leroy 2008) and new problems of social cohesion in inner-cities neighbourhoods (Novy *et al.* 2012) became apparent.

1.3 SHIFTING DEFINITIONS OF POVERTY

As over the course of the 1980s the definition of social exclusion was enlarged to encompass an increasing number of groups at risk of poverty (from migrant youth over the handicapped and single mothers to drug addicts) (Silver 1994), poverty was increasingly considered to be multi-dimensional. Poverty came to be seen as a network of social exclusions that stretch out over multiple spheres of social life (Vranken and Leroy 2008, Vranken *et al.* 2005). Because poverty struck an increasingly

heterogeneous group of people, the ‘new poverty’ is often experienced in a more individualized and socially fragmented way. This makes it harder to recognize, represent and mobilize the poor (Silver 1996). The increasingly heterogeneous life cycles, family structures and career patterns, which are promoted by new market demands and ‘consumerism’, gave rise to the proliferation of heterogeneous and individualized social needs, service demands and risks. Social policies of the post-war European welfare states were not designed to adequately protect people from these new risks of poverty (Silver, 1996, Ranci, 2010). As the tension between accelerating dynamics of change (Rosa, 2003) and the rigidity of traditional welfare institutions becomes increasingly tangible, neoliberals argued that the existing systems of social protection hinder rather than promote employment and competitive knowledge-intensive economies (Murray 1984) (Esping-Andersen 2002).

The emergence of new social risks and the widening conception of social exclusion led to a rethinking of the notion of poverty. As we argue in this paper, this shift in the definition of poverty is reflected in the nature of socially innovative actions and policies that emerged from the 1970s onwards to address poverty and social exclusion. Poverty was no longer seen exclusively as a financial problem, but linked to a network of social exclusions in various spheres of life (e.g. health, political representation, culture, education, etc.). The multi-dimensional nature of poverty points to the importance of understanding poverty relationally. Poverty should not be understood as an individual characteristic, but as an attribute of the network of social relations in which people in poverty find themselves. A relational definition of poverty is also what socially innovative actions and policies to overcome poverty and social exclusion bring to the fore. Social innovation not only aims to satisfy the basic needs of the most vulnerable groups in society, but also wants to do so by transforming social relations through social learning, individual and collective awareness raising and socio-political mobilizations. For the purpose of the Improve research project, we will work with what is arguably the most widely used relational definition of poverty, namely the definition of Amartya Sen. Inspired by Sen’s approach of poverty as “capability deprivation” (Sen 1992; 1999: 87ff), poverty will here be defined as a “pronounced deprivation in well-being” (World Bank 2001: 15; Haughton and Khandker 2009: 1). Clearly for Sen, poverty is a multi-dimensional and relational phenomenon, going beyond the mere lack of income. According to Sen (1992: p. 40), capability is “a set of vectors of functionings, reflecting the person’s freedom to lead one type of life or another. Just as the so-called ‘budget set’ in the commodity space represents a person’s freedom to buy commodity bundles, the ‘capability set’ in the functioning space reflects the person’s freedom to choose from possible livings” (Sen 1992: 40).

Sen consistently argues for a relational understanding of poverty, as “capabilities of relevance are not only those that relate to avoiding premature mortality, being in good health, being schooled and educated, and other such basic concerns, but also various social achievements, including – as Adam Smith (1776) emphasized – being able to appear in public without shame and being able to take part in the life of the community” (Sen 2006: p. 35). Thereby, the freedom to participate in public life is seen as an important dividing line between the non-poor and the poor. Nussbaum further elaborates Sen’s ideas¹ and stresses the importance of the right to participate in societal

¹ Nussbaum’s list of ‘central human capabilities’ (Nussbaum 2006: 58f) includes (1) live; (2) bodily health (including reproductive health, proper nourishment, adequate shelter); (3) bodily integrity (against violent and/or sexual assaults); (4) senses, imagination, and thought – informed by adequate education, including freedom of political and artistic speech and religious exercise; (5) emotions (the right to love and to experience gratitude and justified anger, but not blighted by fear and anxiety); (6) practical reason (liberty of conscience and religious observance); (7) affiliation: (a) protection of social and political institutions and (b) provisions of non-discrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, or national origin; (8) ability to live with concern for other species; (9) ability to play, laugh and enjoy recreational activities; (10) control over one’s environment: (a) political

processes, ranging from life, bodily health and integrity, but also including imagination, thought, emotions and the right to play and enjoy recreational activities, as well as to the political and material control over one's environment. Hence, poverty is "encompassing not only low income and consumption but also low achievement in education, health, nutrition, and other areas of human development" (World Bank 2001: p. V). This basic definition is expanded "to include powerlessness and voicelessness, and vulnerability and fear" (ibid.).

Nancy Fraser's (1995; 2007; Fraser/Honneth 2003) holistic framework of social justice can help to further elaborate the multidimensionality of poverty and specify how local forms of social innovation can help to overcome poverty and social exclusion. Fraser distinguishes three dimensions of social justice: (1) redistribution concerns the economic dimensions of inequality and exclusion, (2) recognition concerns its cultural dimensions, and (3) representation concerns its political dimension. According to Fraser (2007: 255), "people can be impeded from full participation by economic structures that deny them the resources they need in order to interact with others as peers; in that case they suffer from distributive injustice or maldistribution. [...] People can also be prevented from interacting on terms of parity by institutionalized hierarchies of cultural value that deny them the requisite standing; in that case they suffer from status inequality or misrecognition". The political dimension of representation "is a matter of social belonging; what is at issue here is inclusion in, or exclusion from, the community of those entitled to make justice claims on one another. At another level, which pertains to the decision-rule aspect, representation concerns the procedures that structure public processes of contestation; what is at issue here are the terms on which those included in the political community air their claims and adjudicate their disputes" (Fraser 2007: p. 256).

These three dimensions are interrelated and are often involved in dynamics of circular cumulative causation processes (Myrdal 1957) of relational and multidimensional deprivation, as elaborated in Bourdieu's theory of capital (Bourdieu 1984). Deprivation in one of the three dimensions is frequently accompanied by deprivation in other dimensions. Distributive deprivation is usually accompanied by cultural and political processes of exclusion, which in turn reinforce economic exclusion. There is often a "culture of silence" (Freire 1996), "the subaltern cannot speak" (Spivak 2009) – the poor are misrepresented and thus have very little political voice (Hirschman 1970). This has negative consequences on redistribution, as enquiries on the relationship between democracy and the welfare state (Haggard and Kaufmann 2008) suggest. Furthermore, it is difficult to recognize cultural claims of people with little voice in society. Social policies can therefore be counter-productive if they fail to incorporate cultural needs, as this can result in alienating or even humiliating certain groups.

This intertwined and cumulative nature of deprivation is furthermore elaborated in approaches of intersectionality (McCall 2005; Yuval-Davis 2006), which stress separate and interlinked processes of discrimination on the basis of class, race and ethnicity, gender and the body. Therefore, certain groups of people – e.g. the Roma population – are not only discriminated on the basis of their inferior position in the labour market, but also suffer from racist discrimination. Patriarchal settings (both within society and the respective population groups) further aggravate problems for women. Handicapped people can furthermore suffer from ableism, while other forms of discrimination can be directed against people seen to be overweight. To counter the problems related to these multiple forms of deprivation and discrimination, political solutions have to go beyond mere redistribution of material resources, the core business of the welfare state, and have to

participation in political choices affecting one's life, and (b) material conditions: property rights on an equal basis with others, right to seek employment, freedom from unwarranted search and seizure.

include cultural recognition and political participation (Degele and Winker 2007; Klinger and Knapp 2008).

As we will argue later on, local forms of social innovation tend to highlight the need for recognition and representation and could hence help to improve conventional welfare state policies, which are mainly focused on material redistribution. With the rise of “identity politics” in the course of the 1980s, issues of redistribution – prominent during the expansion of welfare states in Fordist times – have been pushed to the background and received less attention. The critique on the bureaucratic nature and top-down operation of the welfare state, originally raised by the New Left, has been absorbed by the neoliberal critique of the welfare state and its mechanisms of social protection and redistribution (Fraser 2012). The celebration and recognition of cultural diversity shifted the focus away from issues of redistribution and rising inequalities and has thus been made to concur with further marketization, which often led to new forms of place-based exclusion (Harvey 1989; Fraser 1995). The accompanying changes in governance arrangements which hollowed out democratic accountability and social rights based on territorialized citizenship put increasing stress on the issue of representation. It is in this context that Fraser has been calling for a new alliance between the recognition of cultural difference and redistribution concerns, an issue which is central to many local socially innovative initiatives (Fraser 2012).

2 DEFINING POVERTY THROUGH SOCIAL INNOVATION: THREE STRANDS OF SOCIAL INNOVATION RESEARCH AND PRACTICE

One of the central claims in this paper is that local forms of social innovation offer insights into contemporary dynamics of social exclusion and poverty. We have already explained how social innovation as a particular paradigm of social intervention highlights the multiple dimensions and relational nature of poverty and social exclusion. In the second part of this paper, we analyse three important strands of social innovation research and practice. The aim is to contextualize social innovation and identify the conceptions of poverty and social exclusion the different strands of social innovation are (often implicitly) working with and the causes and consequences implied in these conceptions. With regard to the purpose of our paper, the three strands of social innovation research and practice that we deal with are concerned with: (1) the transition to the knowledge-based economy; (2) the restructuring of the welfare state; and (3) the urban crisis. Other strands of social innovation research and practice, such as workplace or organisational innovation in enterprises, have less overlap with our thematic priority and, thus, cannot be dealt with in this paper.

2.1 THE TRANSITION FROM FORDISM TO THE KNOWLEDGE-BASED ECONOMY

A first strand of social innovation research and practice is concerned with the shift from a Fordist mode of socio-economic development to what has become known as the knowledge-based economy². In the knowledge-based economy, technological innovation, creativity and knowledge are seen as crucial drivers of socio-economic development. The upsurge in attention for innovation, knowledge and creativity as the main drivers of economic development came in the wake of the global economic recession of the late 1970s. Over the past three decades innovation has almost become a household name, but to understand its contemporary significance as well as its historical

² This account of the regulation school highlights the changes in the production system.

specificity the debate on post-Fordism, now a somewhat outmoded term that has been largely replaced by the 'knowledge-based economy' (Jessop 2002), is a useful point of departure. The debate on post-Fordism that emerged in the 1980s and informed thinking about economic development all through the 1990s and early 2000s (Amin 1994) is concerned with the nature and direction of the transformation of the political economy of Western societies during and after the crisis of Fordism since the mid-1970s.

Fordism is a model of socio-economic development that couples mass production to mass consumption on the national scale (Jessop 2002). Mass production of standardized goods was organized in large-scale production units and Taylorist techniques were used to increase productivity. Mass consumption was supported by the generalization of consumption norms, wages tied to productivity increases and a generous welfare state that to some extent decommodified labour and the reproductive sphere and, this way, the life chances of its citizens. The national state periodically intervened to counter cyclical economic downturns by propping up economic demand. For a variety of reasons, amongst which market saturation and fragmentation and international competition are key elements, this model of socio-economic development began to unravel in the late 1970s. The globalization of the economy undermined attempts to kick start economies through national Keynesian demand management (Swyngedouw 1992). In this context of increased international competition, the deindustrialization of regions and cities and the failure of national Keynesian intervention strategies to revive the economy the search for a new, often called post-Fordist, model of socio-economic development took place.

It is not our intention here to give an exhaustive account of the debate on post-Fordism (and later the knowledge based economy), but only to give a broad brush account of the basic characteristics and tendencies of the knowledge-intensive mode of socio-economic development that emerged as a successor to Fordism. The aim is to explore how social innovation research and practices responded to this new mode of socio-economic development and what we can learn from this about the new dynamics of poverty and social exclusion. We will therefore focus in particular on three crucial elements of the dominant post-Fordist, knowledge-intensive model of socio-economic development: (1) the increased salience it accords to the territorial embedding of economic activities; (2) the pivotal role played by innovation and the relation between technological innovation and social dynamics; (3) the ontology of development underlying it, more specifically its privileging of private entrepreneurship and market-based relationships. The critique of social innovation research and practice on each of these counts reflects a particular vision on poverty and social exclusion under the new mode of development.

2.1.1 THE KNOWLEDGE-BASED ECONOMY AS A TERRITORIAL INNOVATION MODEL

According to Amin, writing in the mid-1990s, three theoretical positions lie at the heart of the post-Fordist debate: the flexible specialization approach, the neo-Schumpeterian approach and the regulation approach (Amin 1994). The flexible specialization approach is, amongst others, associated with the work of Michael Piore and Charles Sabel (1984). Piore and Sabel wrote about the success of industrial districts in the North of Italy (Third Italy), which seemed to fly in the face of a general crisis that was ravaging the economy. They identified the success of these industrial districts in the external environment of the firm and conceived the firm as socially embedded through inter-firm and inter-organizational networks (Lagendijk 2001; MacLeod 2001). For Piore and Sabel this feature distinguishes the large hierarchical multinational firm typical for Fordism from the post-Fordist firm (Piore and Sabel 1984). The regime of flexible specialization in which companies manufacture "specialized goods by means of general-purpose resources rather than vice versa" (Sabel 1994) is a

response to the new circumstances of increased market uncertainty, due to saturation, fragmentation and increased competition. For Piore and Sabel, flexibility and specialization are alternatives to Fordist standardized mass production. Companies engaging in flexible specialization used flexible machinery and employed skilled workers to be able to continuously adapt output to changing market demand.

Piore and Sabel's argument about companies' increasing dependence on flexible and efficient collaboration with subcontractors and skilled workers has far reaching implications for the territorial and social embedding of economic activities. The increased need for intra- and inter-firm collaboration and relations of trust and solidarity encourages spatial agglomeration and hence the resurgence of localities, in this context regions in particular, as integrated unit of production (Amin and Robins 1990). The social embedding of economic activities in relations of trust and solidarity enables flexible specialization and leads to spatial agglomeration (Lagendijk 2001; Benko and Lipietz 1992). The social and territorial embedding of economic activities under the regime of flexible specialization seems to open up a space for (social?) innovation in economic development. It explicitly recognizes the relevance of social and territorial dynamics for economic development, in a manner reminiscent to Karl Polanyi's seminal work in economic sociology (Polanyi, 1944), rather than portraying economic practices as disembodied and disembedded. This fundamental insight is testimony to the influence of the regulation approach, be it that the latter was rather loosely applied by ignoring its Marxist framework of capitalism as a crisis-ridden development model³. As we will explain later, social innovation scholars subscribe to this view of the economy as embedded in social and institutional dynamics but take issue with the one-directional way in which this relation is thought by the flexible specialization approach.

The neo-Schumpeterian approach builds on Kondratiev's work on periods of economic expansion and contraction in the development of capitalist economies and Schumpeter's theory on the role of entrepreneurs in stimulating innovation and thus creating the technological breakthroughs that form the basis of a new phase of economic expansion. Innovation in this model is closely related to the concept of 'creative destruction' (Berman 1988 [1982]). The Schumpeterian coupling between entrepreneurship and technological innovation as the prime source of economic growth, especially in the wake of a structural economic crisis, became very popular in the context of the post-Fordism debate. It ties in well with the perspective of the flexible specialization school on localities as reservoirs of underused and endogenous economic potential for entrepreneurship and innovation, as opposed to the focus on investing external resources in the physical and social infrastructures of mass-production under Fordism.

Parallel to the flexible specialization approach, similar models of post-Fordist, knowledge-intensive development have been developed by others. Storper, for example, made an attempt to summarize the strength of the different strands in the debate and proposed the concept of untraded interdependencies (Storper 1999). Untraded dependencies are territorially embedded 'public assets of production communities' such as labour markets, public institutions of all kind, rules of action, customs, understandings and values. They are public and untraded in the sense that they are freely available to all firms that are part of the spatial agglomeration. Storper's notion of untraded interdependencies brings us to the very core of contemporary thinking about the nature of the relationship between social dynamics and innovation and economic development. The new knowledge-intensive model of development implies a totally different relationship between

³ We will not explore the regulation approach any further here, but suffice it to say that its specific understanding of how social and economic processes interacted within spatial development trajectories heavily influenced social innovation scholars such as Moulaert and also inspired them in their re-formulation of social innovation (see e.g. Moulaert and Swyngedouw 1989).

territories and economic development (Benko and Pecqueur 2001; Moulaert and Sekia 2003). From the perspective of Fordism, territories are a stock of generic resources such as labour and raw resources and are treated as mere platforms on which economic development takes place. Under the knowledge-based economy, territories provide specific, socially constructed and non-transferable resources, i.e. they are spatially embedded, that diversify space and support the economic activities that take place there. The untraded interdependencies identified by Storper also point out how technological innovation is predicated on a range of institutional supports and social dynamics. Technological innovation can hence not be understood without taking into account the broader social, cultural and organizational dynamics specific to a particular locality (Moulaert and Nussbaumer 2008; Moulaert and Hamdouch 2006). The privileged role accorded to territorially embedded institutional infrastructures in supporting technological innovation and economic development lead Moulaert and Sekia to call these new knowledge-intensive models of development 'territorial innovation models' (TIMs) (Moulaert and Sekia 2003).

2.1.2 SOCIAL INNOVATION AS A CRITIQUE OF THE KNOWLEDGE-BASED ECONOMY

According to Moulaert and Mehmood: "there is no doubt that TIMs [Territorial Innovation Models, *authors*] take a significant step forward when compared with orthodox models of spatialized economic 'development' (e.g. neo-classical regional growth models) in that they recognize the explicit role of institutions (including firms) and their learning processes as key factors in economic development" (Moulaert and Mehmood 2010). However, despite the fact that the authors promoting TIMs are critically aware that technological innovation requires innovation in the organisational context and socio-institutional infrastructure of urban and regional economies, their vision on the socio-territorial embedding of the economy is rather narrow. The socio-institutional context is seen as an instrument for the promotion of economic growth and is not seen to have any value in its own right. As researchers on social innovation have regularly pointed out, TIMs consider social factors mainly from the point of view of how functional or instrumental they are for economic development narrowly conceived in terms of economic growth (Moulaert and Sekia 2003; Moulaert and Nussbaumer 2008). Social dynamics are merely supporting factors for enhancing the conception, development and diffusion of technological innovation. Despite the recognition (although one-sided) of the importance of territorially embedded social, organizational and cultural factors, the inherently social character of technology and other forms of scientific knowledge is downplayed (Klein 2009). The social consequences and meaning of technological innovation are seen to follow directly from technological possibilities and marketability, not from the multiple ways in which technologies are put to use in a variety of social contexts. The 'instrumentalist bias' in most TIMs lead authors to hold on also to a one-sided view of the relationship between technology and social dynamics (Moulaert and Nussbaumer 2008).

Moulaert and Nussbaumer (2008: 23) argue that "malgré l'attention accordée aux relations hors marché et en dépit de la reconnaissance du rôle primordial des institutions, ces modèles sont fondés sur une ontologie économique. En d'autres termes, toute forme de relation sociale et d'organisation des relations socio-économiques n'a de légitimité et de clé d'analyse qu'au travers son intérêt pour la production marchande. Ce biais instrumentaliste est profondément ancré dans les travaux contemporains, même dans la tradition alternative du développement." Underlying the critique on the instrumental approach to social dynamics in function of market-driven technological innovation is a dispute on the fundamental nature of development, i.e. on what development essentially is (Moulaert and Sekia 2003). Much of the work on Territorial Innovation Models sticks to a one-dimensional understanding of development in market-economic terms, in which competition and profit-driven entrepreneurship are the privileged forms of economic agency and profitability the

competitive position and economic growth the main measures of success. Improvements in quality of life are considered as positive externalities of economic growth. No further distinction is made between well-being and growth. The focus on competitiveness does not only concern classical economic factors such as productivity, wage and taxation levels and technological advances, but increasingly also social, cultural and political factors such as a culture of trust and co-operation, education and creativity. The same can be said of the notion of a 'socially embedded production process' that emerges from these models. The perspective is preoccupied with ways in which social dynamics support economic development and competitiveness. If cultural habits, values and social patterns tend to constrain the possibilities of market-oriented economic development, they are not regarded as the 'social embedding of economy', but rather as competitive disadvantages or 'social burdens'. So paradoxically, the recognition of local social dynamics and institutions in terms of economic advantages, increasingly puts pressure on their social protection function as "cities and regions tend to polarize according to their ability to lessen the burden of caring responsibilities and to make strategic use of local social capital in addressing flexible and economically innovative arrangements (Kazepov 2005)."

The definition of the problem of poverty and social exclusion that is emerging from the social innovation critique of the knowledge-based economy clearly hinges on marketization. The territorial innovation models that are the building blocks of the global knowledge-based economy broaden the scope of economic development to include a wide range of socio-institutional factors, but do so often in an instrumental fashion. Although this seems to point to a multi-dimensional view of socio-economic development, instead of acting as a vehicle to rethink social protection, amongst others by including new forms of social exclusion and countering more adequately older forms of social exclusion and poverty, on many occasions it has served to extend market relations. This is reflected in the changes in the architecture of the welfare state: from the large-scale financial redistribution through passive monetary benefits and protection from standardized labour market risks under national Fordism to the flexibilization of the labour market and the organization of individualized activation trajectories to adapt the labour force to changing market demands under the globalized knowledge-based economy (Serrano Pascual and Magnusson 2007; Peck 2001). The same can be said about the relational definition of poverty. Although the TIMs embed knowledge-intensive processes of economic development in a localized set of (institutionalized) social relations, these social relations are often mobilized to play a supportive role for technological innovation and territorial economic competitiveness. Despite clear tendencies towards marketization, the changes in the architecture of the welfare state, especially those pertaining to activation policies and social investment strategies, may also encompass emancipatory elements that are close to social innovation (Sabatinelli 2010; Bonoli 2009; Cantillon 2011).

The strand of social innovation research and practice that emerged in response to the transition from the Fordist to the knowledge-based economy defines the marketization of various areas of life, especially those related to social reproduction such as education and training, as a crucial component of the problem of social exclusion and poverty today. Socially innovative actions and policies against poverty and social exclusion hence involve a non-instrumental vision on social relations and societal institutions, a broad vision on development encompassing wellbeing (and not just economic growth) and complement the private firm and entrepreneur with other actors such as civil society association and social movements as important actors in stimulating and creating socio-economic development.

2.2 THE RESTRUCTURING OF THE WELFARE STATE AND ITS INSTITUTIONS

A second strand of social innovation research and practice is concerned with the restructuring of the welfare state and its institutions. In this strand of social innovation research and practice the focus is largely on the re-articulation of roles, responsibility and accountability between state and civil society (and private capital in general) concerning the provision of services and the distribution of public goods. The pressures to reorganize and rethink welfare states have double origins. Firstly, they are rooted in the New Left critique of the welfare state (Fraser 2012). The New Left criticised existing forms of social protection from the market for being oppressive and protecting some groups at the expense of others (e.g. males at the expense of females, European labourers at the expense of post-colonial labour). Apart from mobilizing against the ethical substance of the social protection organized through the welfare state, they also criticised the bureaucratic nature of the welfare state. According to the New Left, the welfare state did not leave any space for citizen autonomy and self-governance. They argued for more citizen participation in the institutions of the welfare state and public service provision. The second strand of social innovation research and practice comes out of this New Left critique of the welfare state (Chambon, David and Devevey 1982). Chambon *et al.* argue that social innovation practices are different from existing practices because they respond to a society which is blocked by 'institutions'. Social innovation rejects 'long circuits' and aims to shorten way between appearance of need and its satisfaction by bypassing existing (welfare) state institutions. As Chambon *et al.* claim: "par analogie, on peut dire que si l'écologie est principalement le combat contre la pollution industrielle, l'innovation sociale est le combat contre la pollution institutionnelle qui engendre des nuisances sociales" (Chambon, David and Devevey 1982 : 67).

The second origin of the pressures to reorganize the welfare state are the above mentioned dynamics of globalization, territorial (urban and regional) innovation models and the emergence of a knowledge based economy. It is well known that the welfare state is facing a long and deep crisis which begun in the aftermath of the two oil price increases in the Seventies of the 20th century (Castles 2004; Esping-Andersen 1996; for a critical view: Alber 1988). Its sustainability was based in Western and Northern Europe on specific conditions: a political consensus about an inclusive one-nation-model of social cohesion (accepted by liberals and conservatives due to Soviet competition), high employment stability, broad and generous policy programs and strong and stable family relations based on a specific gendered division of labour. Important political, socio-demographic, socio-cultural and socio-economic changes, investigated in all European Countries (Castel 1995; Taylor-Gooby 2005; Bonoli 2006; Ranci 2010), have undermined the effectiveness of the welfare state and often questioned its aims. Moreover, also the increasing concentration of income and wealth contributed to the breakdown of the virtuous circle between a growing economy and the financing of social policies. This led to a period of structural reforms of both public administration and welfare policies. These reforms did not tackle increasing inequality, but were aimed at increasing efficiency and effectiveness, giving rise to a new welfare landscape characterized by a silent reconfiguration of the "essence" of the welfare state (Gilbert 2004; Jenson 2004): risk protection (against specific and standardized ones), redistribution (according to the different regulation principles), services (increasingly individualized ones). The welfare state, in fact, deals by definition with basic and social needs with the aim at promoting wellbeing, hence its current threats and shortcomings in achieving these goals are those more focal in civil society's effort to produce a remedy through social innovation.

The State has been the most relevant actor in producing welfare policies during the so-called "Golden Age" (from the Second World War to the 1970s) and the crisis of the welfare state is part of the crisis of the State. A process of destatization (Jessop 2002; Swyngedouw 2009) and rescaling, including decentralization, have been concerning welfare policies (Kazepov 2010) as other public sector's dimensions. Political and economic reasons, especially connected to cost (but also political) - sustainability, have inspired reforms aimed at an overall reorganization, rationalization of costs,

involvement of new actors and introduction of new philosophies of interventions (like activation, see: Serrano-Pascual, Magnusson 2007).

Timing matters (Bonoli 2007) and these relevant changes have been introduced in a context of economic crisis and budgetary constraints, not particularly favourable to policies focusing on redistribution, equality and social citizenship. At the same time, a gap between welfare and new risk profiles in European societies rose (Ranci 2010). In most of the countries, this is due to the negative aspects of path dependency, i.e. the fact that reforms partially remained trapped in models that are often curbed by vested interests and strong lobbies not only resisting the reduction of investments but also trying to influence the reallocation of available resources. This policy context which limits the institutional capacities of adaptation signals increasing difficulties in meeting current social needs. That can be illustrated by the long term effects that unstable and precarious jobs and the delayed entrance of the labour market will have on future pensions of today's young generation.

This silent process of reconfiguration of the welfare state (Gilbert 2004; Jenson 2004) has been just partial. Differences among national and local contexts are deep, in particular considering the extent to which the changes affected social expenditure, the targets of the cuts and the effects over inequality, poverty and social exclusion. Nevertheless, similar trends can be found as the solutions to the crisis of the welfare state adopted in most countries converged towards three main processes: a) debureaucratization, b) decentralization and c) the creation of a welfare mix.

a) *Debureaucratization*: public welfare institutions worked to their own change, also stimulated by the European process of integration and convergence, with measures like the cut of bureaucratic layers, the coordination and merging of different bureaucratic branches (e.g.: social and labour ones). Though, again with relevant differences among countries, public administrations reorganized and renovated themselves and reduced the size of public employment, decreasing costs of services and public expenditure (OECD 2008). On the one hand with New Public Management (NPM) reforms (Ferlie *et al.* 1996; Pollitt *et al.* 2007; Lévesque 2012) aimed at improving efficiency and control on costs, for example externalizing some functions; on the other hand introducing new aims and philosophies of intervention (e.g. activation and empowerment) to fight welfare dependency "traps" (Dean, Taylor-Gooby 1992; Ferrera, 1998).

b) *Decentralization*: a strong tendency toward decentralization cuts across almost all welfare reforms. This trend is supported by two motivations: de-bureaucratization and vertical subsidiarity. The idea is that better and faster solutions rise by institutions closer to citizens and their needs (Fung, Wright 2003; Powell 2007; Moulaert *et al.* 2010). Thus, the local dimension is considered the ideal dimension to meet needs but also to mobilize resources to face problems. Vertical and horizontal subsidiarity are connected: communities can be more easily activated at the local level, where they are better able to perceive and recognize problems, to create proximity networks and become themselves resources for their territory. In fact, local welfare systems are sustained by three main arguments: they are supposed to be more (financially) effective, participative (democratic) and sustainable (Kazepov 2010; Andreotti *et al.* 2011). Andreotti *et al.* observe that the downscaling of social policy and welfare provision shows a tendency towards both, more policy innovations but also a change of policies in a rather strict and economic direction. They conclude that the idea that the territorialization of welfare, aiming at increasing substantive freedoms and autonomy, could also serve the purpose of financial savings proves to be false. Rather, in search for new funds, the interests of private investors become increasingly important which pushes towards interregional competition and a fixation on the economic results of social policy. "In this case, the greater autonomy at the local level leads to a weakening of the guarantees of a high level social protection" (Andreotti *et al.* 2012).

c) *Welfare mix*: the creation of mixed networks including public and private, profit and non-profit organizations aims at increasing effectiveness and efficiency of welfare systems and to expand and diversify the provision of services in a period of budget constraints and recalibration (Ascoli and Ranci 2002; Ferrera, Hemerijck 2003). Diversified but complementary networks are supposed to better meet the complexity of individual needs mixing professionalism, competences and resources in different and specific arrangements. As mentioned before, horizontal subsidiarity is considered one of the key solutions of the welfare crisis. The involvement of civil society in programming, designing, implementing social intervention against poverty and social exclusion aims not only at improving welfare, but also at renovating democracy (Fung 2003). Thus transparency, legitimacy and democracy need to be guaranteed with specific governance “technologies”: attention must be paid to social participation methods, processes and tools to guarantee transparency and accountability (Fung, Wright 2003; Goodin 2003). This also depends on a cultural change in public administration, i.e. decision makers’ and civil servants’ capacity in learning to develop spaces for common decisions, integrate different sources of power and aims and elaborate new practices of working together.

These processes began as a reaction to the crisis in the 1970s, but showed their effects later and differently in different contexts. Indeed, the very same trends have created many combinations interacting with local conditions and with the pre-existing welfare state arrangements. Different contexts have resulted to be differently able to innovate, and the different typologies of welfare mixes/systems (Esping-Andersen 1990; Ferrera 1993; Kazepov 2010) appear to have influenced this reaction: “the Nordic countries have been the most open to social innovation as a tool to renew their social model and promote their social and economic performance. Actors in Anglo-Saxon countries have also been very proactive following the intense deregulation of the 1980s and the need to rebuild the provision of social services. Continental countries, with their heavier institutional traditions, have been less reactive, social innovation often being an add-on which fails to penetrate the system. In Mediterranean countries, the persistence of strong systems of informal solidarity has also slowed down the process, and amongst the eastern Member States, the weakness of having a civil society with no autonomous organization or capacity has been a severe handicap” (BEPA, 2010, pp.10-11). This picture gives an appropriate sketch, but needs to be further refined. Just as an example, continental countries have been “a frozen landscape” (Palier, Martin 2008) for a long period, but started innovating substantially in the last decade. Mediterranean countries do not lack innovative practices, but these are fragmented, unequally distributed and never get upscaled (Kazepov 2008).

To conclude, the definition of the problem of poverty and social exclusion that is emerging from the second strand of social innovation research revolves around the nature of the institutions of social protection and redistribution in the welfare state. Social innovation research and practice takes issue with the bureaucratic, centralized and top down organization of the welfare state and the standardized form of public service delivery, which does not take into account the socio-cultural differences of its clients. The persistent calls for more participation of citizens and civic associations in welfare state institutions respond to both complaints. Social innovation thus accords a more central role to civil society in addressing poverty and social exclusion.

2.3 THE URBAN CRISIS

2.3.1 POVERTY AND THE NEIGHBOURHOOD

The third strand of social innovation research and practice is concerned with the so-called ‘urban crisis’ in Europe that unfolded from the early 1980s onwards and put disadvantaged urban neighbourhoods central in many policy efforts and scholarly research on new forms of poverty and social exclusion. While social inequality and poverty has already been a core topic in social sciences during the second industrial revolution in the UK – like Engels’ famous analysis of miserable living conditions in late 19th century Manchester and the studies on poverty in London by Charles Booth and in York by Seebohm Rowntree – the systematic analysis of the effects of residential segregation in deprived neighbourhoods started only in the 1920s. The researchers of the so-called Chicago school analysed a key urban social problem in US-American metropolises of beginning Fordism, which was that social distance was reflected in urban space in the form of residential segregation. While – in qualitative community studies – they tried to understand the logic of community-specific norms and values of people living in pockets of poverty and unemployment, they were also the first ones to develop quantitative indices of segregation.

In contrast, in the Fordist era after World War II especially European academics seemed somewhat less worried about a spatial concentration of the less fortunate in certain urban neighbourhoods, as in times of full employment, economic progress, more and more fully developed welfare states and planning euphoria in economic and urban policy making, the material living conditions for almost all parts of the population improved. This situation changed when in the course of the 1970s cities in the old industrial heartlands of Europe were confronted with the problems of structural economic change, also due to accelerating economic internationalisation. This condition of ‘urban crisis’ made it obvious to most observers that also in European cities the hardships of unemployment and exclusion were socially and spatially unequally distributed.

Especially social problems in the UK, i.e. the early and harsh societal results of deindustrialisation and neoliberalisation that caused riots in many UK cities, and the escalation of violence in French banlieues starting in the 1980s led to an early problematisation of exclusion (see Levitas 1996 and 2005 for the UK discussion and Atkinson 2000 and Vranken 2001 for differences between French and British concepts). Despite different ideological and political backgrounds, the discussion on exclusion pointed to an increasing gap between the ‘normal’, middle class core strata of Western societies and an increasing number of excluded groups that had lost access to appropriate accommodation, jobs, education, health services and even social contacts that would give them a feeling of belonging to the society they live in and provide them with an adequate amount of security in life. In German-speaking Europe, this has been described as ‘two-thirds-society’ (e.g. Natter and Riedlsperger 1988), with one third covering the excluded. The growing awareness of increasing inequality, however, points towards a more differentiated approach to social cohesion and social fragmentation within and between European societies (Novy *et al.* 2012; OECD 2011) in which spatial aspects are a key element.

While in the United States, where the ‘white flight’ of the middle classes out of the inner city became a mass phenomenon soon after World War II, the discussion on the living conditions of the urban poor and socially excluded covered as early notions as Lewis’ (1966) concept of a culture of poverty, and later Wilson’s (1987) widely received *The Truly Disadvantaged*, Marcuse’s (1989) description of a *Quartered City*, Sassen’s (1991) analysis of social polarisation in *Global Cities*, Mollenkopf and Castells’ (1991) *Dual City* and Fainstein *et al.*’s (1992) *Divided Cities*, in the urban studies debate in Europe the discussion on exclusion culminated in the late 1990s and early 2000s in

a number of edited volumes (e.g. Madanipour *et al.* 1998; Musterd and Ostendorf 1998; Marcuse and van Kempen 2000; Andersen and van Kempen 2001; Moulaert [*et al.*] 2000 and 2003; Kazepov 2005). In this context, one of the most fine-grained conceptualisations of the relationship between employment status and exclusionary tendencies was developed by Castel (1995), who analysed the continuum between the zones of integration, precariousness and exclusion, which depends not only on peoples' positions on the labour market but also on their freedom of choice in this respect.

Eventually, the discourses on the socially excluded strengthened the quarter or neighbourhood as – firstly – a unit of observation and – secondly – a unit of urban interventions. The neighbourhood was perceived as an important reservoir of resources that forms the identity of inhabitants as well as external images and – in an increasingly competitive world – impacts life-styles and possible careers (Kearns and Parkinson 2001). It is obvious, however, that not all urban environments structure chances and risks of their populations in the same way. The extreme form of marginalised and stigmatised neighbourhoods in western societies has been described as the US-American ghetto of Afro-Americans (Wacquant 2004), whose inhabitants are supposed to have delinked from norms and values of mainstream society. For Wacquant (2006), these sociologically defined ghettos are characterised by a historically developed institutionalised form of suppression of the black minority by the white majority in the United States. Because of the special history of the US-American ghetto – which may also be reflected in ethnical homogeneity, a lack of public services, high crime rates and physical and social deprivation in general – and despite increasing marginalisation and stigmatisation of certain neighbourhoods in the European Union, he therefore doubts that they can be described as ghettos. “The comparative sociology of the structure, dynamics, and experience of urban relegation in the United States and the main countries of the European Union during the past three decades reveals not a convergence on the pattern of the US ghetto, as the dominant media and political discourse would have it, but the emergence of a new regime of marginality on both sides of the Atlantic.” (Wacquant 2007: 66-67)

Wacquant (2007: 67-68) rather observes “forms of poverty that are neither residual, not cyclical or transitional, but indeed inscribed in the future of contemporary societies insofar as they are fed by the ongoing fragmentation of the wage-labour relationship, the functional disconnection of dispossessed neighbourhoods from the national and global economies, and the reconfiguration of the welfare state into an instrument for enforcing the obligation of paid work in the polarizing city.” According to Wacquant (2007: 67), this new form of ‘advanced marginality’⁴ tends to concentrate in isolated territories “where only the refuse of society would accept to dwell” and which thereby become ‘territorially stigmatized’, independent from their *de facto* status as dangerous or dilapidated places. The consequence of those processes on both sides of the Atlantic Ocean is that those neighbourhoods lose their qualities as locations of shared emotions, institutions and practices of (informal) mutual help and assistance but become a battlefield-like space instead where street predators, grass-roots organisations, state agencies of surveillance and social control as well as external actors like realtors try to safeguard their interests. Not only would precarious living conditions and the lack of proletarian pride prevent joint political action; the different forms of political interventions are also supposed to confirm the negative image and thus even further contribute to destabilisation and marginalisation. Having the approaches of Bourdieu and Fraser in

⁴ “Advanced marginality also differs from previous forms of urban poverty in that it develops in the context of class decomposition rather than class consolidation, under the press of a double tendency toward precarization and deproletarianization rather than toward proletarian unification and homogenization. Those who are subjected to its tropism and caught in its swirl therefore find themselves disconnected from the traditional instruments of mobilization and representation of constituted groups and, as a consequence, deprived of a language, a repertoire of shared images and signs through which to conceive a collective destiny and to protect possible alternative futures” (Wacquant 2007: 71-72).

mind, the affected groups can only be “negatively defined by social privation, material need, and symbolic deficit” (Wacquant 2007: 73).

Whether these findings are valid for the urban crisis in most European countries or mainly an appropriate description of the social situation in the most seriously deprived neighbourhoods in French suburbs, where most of Wacquant’s empirical research in Europe has taken place, is something that is still under debate and has to be clarified in further comparative research. Obvious is that national and local context factors vary significantly between European societies and shape the spatially specific relationships between neighbourhoods and urban and national societies as a whole (Kesteloot *et al.* 2006; Murie and Musterd 2004). These factors are not just different histories of immigration – also due to the colonial past of western European countries and the large-scale recruitment of foreign workers in the 1960s and 1970s –, the concrete paths of industrialisation and urbanisation as well as developments and current forms of the welfare state, but also differences in the economic and social structures within the same national society (Atkinson and Kintrea 2004). Moreover, despite parallel developments of planning ideas and housing policies in western European countries, there were nonetheless decisive differences in the way directions were set and altered that resulted in different structures of the housing market (Kemeny 1995, Scanlon/Whitehead 2007) and (socio-)spatial forms of cities (Arbaci 2007).

From an abstract point of view and in line with the three dimensions of capital as defined by Bourdieu, the negative effects of the spatial segregation of poor and socially excluded groups can be conceptualised in the following way (Häußermann and Siebel 2004: 165). Materially, people living in disadvantaged neighbourhoods may confront a relative lack of supply of private and public services, public transport and infrastructure as well as an adverse environment. Symbolically, often a relative neglect of public space can be observed, which also contributes to a negative self-image as well as to a negative external perception of the neighbourhood. Socially, there may be a mix of contradictory life-styles, weak social bonds and dominant norms and values that make access to the labour market even more unlikely. In the concept of Putnam (2000: 23), it is in this regard decisive to distinguish between social capital that is linking different social milieus and thus extending an individual’s identity (i.e. *bridging social capital*) and social capital that is narrowing an individual’s scope of action by showing primarily deviant norms and values (*bonding social capital*). This seems to be an important distinction as it shows that governance modes may improve the situation of disadvantaged groups by creating links out of deprived neighbourhoods and promote contacts between different milieus and realities of life.

In order to sort and clarify the differences between effects that can be regarded as consequence of the spatial concentration of certain social groups and effects that are caused primarily by spatial factors, Kronauer (2004) distinguishes between two types of effects by which neighbourhoods can have adverse impacts on residents. On the one hand, there are *effects of concentration (Konzentrationseffekte)* like in the US-ghetto that may lead to a deviant socialisation and respective careers of the youth. On the other hand, effects of the *type of urban quarter (Quartierstypeneffekte)* describe the relationship between social and material characteristics of neighbourhoods in European cities. Usually, a distinction is made between functionally mixed inner city neighbourhoods and mono-functional estates at the urban periphery. Although it was believed that mixed inner city neighbourhoods would offer more resources in terms of informal employment and social contacts, studies show that in reality effects on social groups depend on the life realities of the disadvantaged. Therefore, families and single mothers often find more supportive networks and facilities in social housing estates at the urban periphery, while unemployed single men and migrants often prefer living in run-down, but lively mixed inner city neighbourhoods that offer them diverse contacts and stimulations (Kronauer 2004). Against this background, spatial aspects can not only aggravate the problem in neighbourhoods that are characterised by a concentration of excluded

people, they may also contribute to the solution of social problems by providing certain forms of informal support (Musterd and Murie 2006; Atkinson and Kintrea 2004).

2.3.2 NEIGHBOURHOOD DEVELOPMENT PROGRAMS, SOCIAL INNOVATION AND ITS CONTRADICTIONS

In the above paragraph, we showed how the crisis of Fordism turned into a full-blown urban crisis, because of the disproportionately urban impact of the process of deindustrialization. As a result of the urban crisis, the neighbourhood became a much more important unit for urban interventions and a preferred site for social innovation research and practice alike. Urban and neighbourhood regeneration and development have become mainstream policies in the last 30 years in most economically powerful European countries (e.g. van den Berg *et al.* 2004; Couch *et al.* 2011). While almost all European countries implemented programs for housing, slum clearance and urban regeneration during the 20th century, particularly the early industrialised and urbanised colonial powers in Western Europe (the UK, France and the Netherlands) were both the first to be hit by the social consequences of structural economic change and to broaden the scope of their urban regeneration policies by including aspects of socio-economic development (Atkinson 2000)⁵. The idea was to take special care of those neighbourhoods where the universal welfare state could not adequately intervene and hence did not meet its ends, an idea which resonates with social innovation. Therefore, approaches to physical urban regeneration were often combined with social work, education, labour market and economic policies. Roughly speaking, one can distinguish between policies that target disadvantaged groups of people or policies that target disadvantaged areas as a whole, although most strategies seem to be a mix of these two approaches (Atkinson 2000; Andersen 2001; Carpenter 2006).

In the course of time, the urban policies of the European Union contributed to a wide distribution of the idea of integrated neighbourhood policies in European countries (e.g. Antalovsky *et al.* 2005; Frank 2005) and also initiated processes of social innovation (Drewe 2008). While the rationale of regional policies in the European Union in the 1980s was primarily based on the idea of regional economics that the mobilisation of capital for investments in infrastructure and human capital would trickle down to reduce disparities not only between but also within regions, in the late 1980s and the early 1990s especially the European Parliament and a number of city networks in Europe pushed the Commission to modify this approach and to pay more attention to urban problems. While the *Urban Pilot Projects*, being implemented between 1989 and 1993, still followed the traditional logic of regional policy, the Community Initiative URBAN was much more rooted in the discussion on social exclusion and neighbourhood development and resembled the approach of the *Single Regeneration Budget* in the UK (Carpenter 2006: 2148). Like the urban policy in the UK at that time, URBAN aimed at directly improving the living conditions of residents in relatively small urban

⁵ In France, the *grands ensembles* of Fordist urban development soon confronted image problems due to monotonous urban structures, infrastructural deficiencies and issues with the security of public space, which already in the 1970s resulted in the implementation of a special policy for the stabilisation of *grands ensembles*. This policy was significantly extended and nationally coordinated in the late 1980s (see also Dikec 2006, Merlin 2010). Also in the Netherlands, a special policy for disadvantaged neighbourhoods was initiated as early as in the 1980s, which in the course of time became embedded in a policy framework for the creation of new housing in disadvantaged neighbourhoods (see also Uitermark 2003, Stouten 2010). In the UK, policies for urban regeneration that also started before the era of Margaret Thatcher attracted much political attention under conservative leadership. While the Tories focused on the promotion of public-private-partnerships and later on *Single Regeneration Budgets* and tendering procedures for the allocation of funds, the *New Deal for Communities* implemented under *New Labour* set new priorities in the form of qualification, activation and tackling social exclusion (see Gough 2006, Tallon 2010).

areas that were characterised by several deficits in the fields of urban design, the urban economy, and the environment. URBAN's target was to promote sustainable paths of urban development by also changing the governance of urban regeneration. As the approach followed by URBAN seemed to be rather a novelty for most European countries, its implementation should have changed the way of tackling urban challenges in many European countries despite different paths of industrialisation and urbanisation in Southern Europe (Chorianopoulos 2002) and parallel policy developments in other countries like Germany (Güntner 2007).

The basic idea of the concentration of funds on certain neighbourhoods is to make sure that changes are clearly visible and thus create confidence in the possibilities of lasting improvements of the local situation. The participation of local residents should increase the legitimacy and effectiveness of the measures taken as in the best case targets are prioritised according to the most urgent needs and desires of the local population. At the same time, the frequent reporting of neighbourhood problems as well as projects in media and academia should also provide for a high level of political support (Häußermann 2004). Although certainly not all neighbourhood development programs are socially innovative, several aspects of neighbourhood development carry potential for social innovation. Firstly, the neighbourhood scale is close to the daily life of the inhabitants and neighbourhood interventions are therefore more likely to shorten the link between social needs and their satisfaction, bypassing formal institutions and top-down decision-making. Secondly, many neighbourhood scale interventions bypass sectorial policy divisions and adopt an integrated approach, which ties in well with the multi-dimensional and relational understanding of poverty and social exclusion that underlie social innovation. Thirdly, participation has become omnipresent in neighbourhood development. This opens up opportunities for marginalized and impoverished groups to represent their interests and foreground their social needs in decision-making processes.

One key aspect one needs to have an eye on when analysing the social innovation potential of specific neighbourhood development programs is therefore whether the qualitative improvements being approached focus on the satisfaction of needs of the local population or consider the realisation of a mixed urban neighbourhood its key priority. If the realisation of local needs is regarded as the primary challenge, especially in the case of inner city neighbourhoods, the approach would have to be embedded in city-wide policies. Otherwise, given the increasing marketization of housing, the rents and property prices could increase significantly and push poor residents out of the neighbourhood. When the concentration of funds on certain areas causes a process of gentrification, the socially innovative nature of neighbourhood is undermined (Moulaert, Swyngedouw and Rodriguez 2001). Gentrification does not improve the situation of the poor because it displaces them from their former living environment, thus depriving them of important parts of their social networks. Especially in strategies that aim at the realisation of socially mixed neighbourhoods, the policy rationale is often only partly the target to improve the living conditions of the poor. In the case of the Uitermark (2003) sees the Dutch social mix policy as a way to facilitate the social management of disadvantaged neighbourhoods and minority groups. For Lees (2008: 2464), "social mix policies are cosmetic policies rather than ones prepared to deal with the whole host of complex social, economic and cultural reasons as to why there are concentrations of poor, economically inactive people in our central cities".

To conclude, the crisis of Fordism impacted heavily on the core cities of the industrial economy, leading to an 'urban crisis' that turned the neighbourhood into a privileged unit of observation and policy intervention. The third strand of social innovation research and practice emerged from neighbourhood development initiatives. The definition of the problem of social exclusion and poverty revealed by social innovation here is one of spatially concentrated poverty that is best addressed through integrated and participatory actions and policies that align themselves closely with the daily life of socially excluded groups. The neighbourhood focus is ambiguous, as it

may reflect a pro-market bias but also a direct response to social needs and increased awareness of contextualised and diverse needs. In line with the rise of neoliberalism, the broadening of neighbourhood development strategies does not necessarily lead to social innovation, especially not when combined with market-led regeneration strategies (Andersen 2001). However, and more in line with social innovation's sensitivity to the recognition of socio-cultural difference, neighbourhood development goes well together with postmodern identity politics that stresses context, diversity and the particular. Abandoning homogenizing strategies and standardized service delivery, parts of the population who were neglected by traditional approaches of the welfare state could make themselves heard (for more on the idea of development as enhancing an individual's capability see Sen 1999).

3 PROCESS DIMENSIONS OF SOCIAL INNOVATION

In the second part of this paper, we analysed the three strands of social innovation research and practice in order to identify the underlying vision on poverty and social exclusion. Given the focus of our empirical work on the governance challenges, in this third part we will zoom in on the process dimensions of social innovation as it relates to poverty and social exclusion. We will do so for each of the three strands analysed in part two of this paper.

3.1 TOWARDS A SOCIALLY INNOVATIVE MODEL OF TERRITORIAL DEVELOPMENT

As explained above, the critique on territorial innovation models has been a major contribution to the emergence of social innovation in territorial development (Moulaert 2009). The broadened analysis of economic development trajectories, provided by the Territorial Innovation Models, include territorially embedded socio-institutional, organizational and cultural factors (variously conceived in terms of positive externalities, untraded dependencies and spillovers) as assets for local development, but it suffers from an 'instrumentalist bias'. It therefore fails to recognize the transformation of social relations in ways that allow individuals and groups to better satisfy their human needs as a development aim in itself (Moulaert and Nussbaumer 2008).

Authors such as Moulaert and Klein argue in favour of socially innovative forms of territorial development and social policy that go beyond the techno-economic territorial innovation models and develop more comprehensive models of socio-economic development. Examples are the ALMOLIN model (Moulaert *et al.* 2005) and the Québec model (Klein *et al.* 2010). These models put the satisfaction of human needs and the transformation of social relations and practices central through processes of social learning, awareness raising and socio-political mobilization. This implies that improvement of social organization, equity in socio-economic relations, the capacity of individuals and groups to organize themselves and receive political recognition could and should gain currency as being valuable, self-standing development goals and be integrated as such in economic development strategies. For Fontan *et al.* (2004) socio-territorial innovation calls for a 'development regime' characterized by pluralism and the hybridization of organizational constructions, rather than profit-oriented entrepreneurship in private companies as the only viable organizational form through which to act 'economically'. As Klein (2010) shows in his analysis of the Québec Model social innovation derives from bringing together different actors that normally do not maintain relations or only in direct conflict. A big challenge lies in the reorganization of the connections between different actors. This integrates different dimensions of socio-economic development through processes of mutual learning and the construction of shared development goals. This socially innovative model of

local development hence pays much attention to modes of needs revealing and satisfaction beyond the market system such as non-monetary trade, cultural urban development, sharing, reciprocity and social economy.

Social innovation is hence not solely concerned with sustaining or raising purchasing power to satisfy basic needs. This insight complements our definition of poverty that considers financial resources as only one, although very important, arena of multidimensional social exclusion. Although maintaining purchasing power remains a crucial issue, especially in times of downward pressure on wages due to high unemployment, labour market deregulation and welfare state retrenchment, social innovation focuses, besides redistribution on the enhancement of the individual and collective capacity, or capability (Sen 1983) to respond to their own needs and the processes of learning, awareness raising and socio-political mobilization it requires. The allocation of goods and services through the criterion of purchasing power often fails to provide an acceptable quality level of housing, mobility, sustenance etc. The orthodox claim of economics that economic growth is automatically beneficiary to individual need satisfaction, the so called trickle-down thesis, proves to be false (Cantillon 2011). It does not only disregard the uneven distribution of effects caused by success or failure in the market, it also fails to understand the intrinsically social character of basic needs such as a basic income, material resources, mobility, a safe place to stay, free expression, creativity, relations with the neighbourhood and self-determination (Moulaert 2000).

The orthodox view on economic development implies that most individuals should recognize their incapability to have control over the constraints which determine access to these matters. They are dependent on the success of entrepreneurs for economic growth and hence market dependent for possibilities to satisfy their basic needs. The socially innovative approach to territorial development aims to overcome these constraints, strengthening the capabilities and access to means of socially (excluded) people and groups in order to enable them to satisfy those needs inadequately met by the market or the public sector. Such an approach includes the development of strategies of revealing needs, mobilization, empowerment, representation by enabling institutions and shared management (Moulaert and Nussbaumer 2008; Nussbaumer and Moulaert 2004; Moulaert 2000). Social innovation points out that strategies to overcome poverty and social exclusion should involve the improvement of the capacity of socially excluded individuals and groups to reveal and define their social needs and act collectively to acquire the control over the means to satisfy them.

The idea that people in poverty are able to discuss and participate in struggles on the control over the means to satisfy their own needs is in itself empowering, as it recognizes poor and socially excluded groups as equally capable as other groups in society and improves their political representation in decision-making procedures. This implies, however, the need for a broad conceptualization of culture as a key asset to territorial development, understood as locally embedded patterns of communication and creation. A narrow focus on 'business culture' or 'consumer culture' fails to establish the connection between the satisfaction of basic needs and the various dimensions of social life, which is key to social innovation (Nussbaumer and Moulaert 2004).

Socially innovative forms of local development are not predicated on the denial of the importance of a well-functioning local market economy, but aim to recognize and strengthen other forms of economic and extra-economic agency that are beneficial to equal and qualitative need satisfaction (e.g. production aiming for sustainable provision rather than profit or the co-use of materials and infrastructure based on sharing). As Moulaert and Sekia state (2003: 299-300): "development does not only mean enabling the local and regional market economy, but also empowering the other parts of the economy (public sector, social economy, cultural sector, low-productivity artisan production) as well as community life (socio-cultural dynamics as a level of human existence by itself, political and social governance of non-economic sections of society,

cultural and natural life).” On the one hand socially innovative practices and interventions highlight the importance of the (local) social embedding of the economy and economic practices to bring economic development more in line with social needs. On the other hand however social embedding of economic practices is insufficient for social innovation to occur, since social embedding may imply forms of domination incompatible with the drive towards autonomy and control over one’s own life that social innovation promotes.

The recognition of the different dimensions of the socio-institutional environment (production, technology, social relations, natural environment, political participation) that structure socio-economic development practices in a particular territory, implies the need to take into account other actors than private entrepreneurs, firms, policy-makers and public administration (Klein 2009; Fontan *et al.* 2004; Fontan and Klein 2004). Education institutions, social movements, neighbourhood committees, trade unions and other civil society actors become development agents in their own right. From a social innovation perspective, their diverse needs, know-how and interests are not subordinated to the demands of the market economy, but represent different dimensions of territorial development. The crucial challenge for social innovation is hence the recognition of these possible partners and their role in economic decision making. It requires a multiplicity of partners to be actively involved in the design and accomplishment of local development strategies, rather than having them made in a closed and elitist network of policy makers, businessmen and investors (For successful initiatives of this kind see Moulaert 2000; Christiaens *et al.* 2007; Fontan and Klein 2004). The importance of support for enabling institution and self-organization, especially for socially excluded and marginalized groups, can thus hardly be overestimated. The (collective) empowerment dimension is vital to a socially innovative development approach that aims to strengthen the local capacity to explore new solutions to problems of need satisfaction through a transformation of social relations.

It is clear that social innovation is a highly contextual matter (Crouch *et al.* 2004). Changes in social relations and practices need to be analyzed within their institutional context and spatial setting. The local level is often where people experience needs, construct solidarity, community and identity, develop shared opinions on development and mobilize to develop the collective capacity to act on them. It is therefore a privileged locus for socially innovative and alternative development to emerge and to be organized (Moulaert 2000; Klein 2009)

A socially innovative approach to territorial development therefore requires forms of governance of a more participatory and multi-dimensional nature as for example envisioned by public value management and collaborative governance (Fontan and Klein 2004). A shift is needed from authoritarian and top down forms of innovation as envisaged and promoted by public managers to more open and incremental forms of social innovation that involve users and harnesses the resources and creativity of citizens and communities and non-profit, but also acknowledges their definition of a problem and needs to be satisfied. Collaborative governance arrangements stimulate decision making as a shared undertaking by all those involved and favours horizontal networks over hierarchical relations. These horizontal networks facilitate dialogue, the sharing of knowledge and social learning. This approach requires big learning investments and management skills geared on longer-term and horizontal relationships in order to create public value in development strategies (Lévesque 2012).

To conclude, social innovation research and practice in the field of territorial development highlight the importance of putting social needs central to poverty reduction strategies. These social needs are not solely concerned with material redistribution, but also with political representation through participation and the recognition of a variety of non-market actors as relevant to development. Socially innovative actions and policies hence imply inclusive and participatory forms

of governance that succeed in promoting collaboration between a heterogeneous set of actors and facilitate the thinking and acting across the multiple dimensions of poverty and social exclusion.

3.2 A SOCIALLY INNOVATIVE TRANSFORMATION OF THE WELFARE STATE: POTENTIAL AND RISKS

3.2.1 ON ELEPHANTS AND BUTTERFLIES: PUBLIC INSTITUTIONS AND SOCIAL INNOVATION

In mainstream views, public institutions and social innovation are considered in a “problematic” (Lane *et al.* 2009) or “difficult” (Drewe *et al.* 2008) relationship. This is related mainly to the fact that institutions, in particular public ones, due to the procedural rigidity – that has already been described by Max Weber – are supposed to be conservative by nature, path dependent and prone to reproduce themselves (Chambon *et al.* 1982; Lane *et al.* 2009; MacCallum *et al.* 2009). On the contrary, social innovation is seen as a way to overcome institutional blockages and other institutional rigidities. The role of the public sector concerning social innovation, however, is differently interpreted by advocates of social innovation. Some approaches concentrate mostly on the negative effects of public intervention as undermining the autonomy of civic associations or limiting the free competition of actors, ideas and solutions (e.g. Chambon *et al.* 1982; Lane *et al.* 2009; MacCallum *et al.* 2009; Young Foundation 2010). Others highlight more decisively the possibility of synergies (and the conditions to realize them) among public institutions, private organizations and civil society (e.g. Moulaert, Nussbaumer 2005; Eizaguirre *et al.* 2012; Novy *et al.* 2012).

In order to understand this framing of the relationship, we need to unpack analytically the concept of *social innovation* and analyse its relation with public institutions. In particular we need to understand which characteristics of public institutions are favouring or hindering social innovation (when, where and why), when do the “positive” or the “negative” ones prevail. Spatial and temporal contexts are important in defining these aspects and specific policies may be considered very innovative in a given context, while look ordinary in another (Maloutas 2012). What we need to identify are the tipping points according to which – for instance – externalization and delegation of responsibilities to civil society might be considered a strategy aimed at off-loading the burden of social responsibility or a strategy of empowerment and participation.

Social innovation accords a central role to civil society as the main (collective) actor. Civil society is seen as in a sort of opposition to public institutions and the market, both considered not completely able to satisfy all needs, demands and aspirations (Hirst 2002). In this sense, the innovative action of civil society remedies the failures of the *market* and the *state* (i.e. the public sector). But while the market is considered as inherently innovative (even though, less from the social point of view) since pressured by demand (Schumpeter 1942; Hirschman 1982; Offe 2000; Swyngedouw 2005; Gerometta *et al.* 2005), the public sector’s capacity of innovation is more disputed and ambiguous.

On the one hand, the public sector can be a source of innovation. This role depends on relevant transformations concerning first the public sector itself. A new organizational culture and new competences, instruments and tools to coordinate and manage welfare mixes, involving complex networks are prerequisites for a successful transition. The tricky issue is that these requisites are not given but need to be constructed during the transformation itself. This is a challenge which concerns on the one side the creation of a stimulating and fertile framework for new ideas and solutions, and the promotion of new experiences, aims, actors and networks. On the other

hand and at the same time, the public sector has to maintain its role in front of citizens: guaranteeing quality of services, equity, fairness and access. In synthesis: full and equal citizenship.

Thus the public institutions' role is crucial for:

1) promotion and support of an innovation culture: investing in the context and its culture, creating opportunities for encounters and occasions for reflection and building new relationships, training professionals able to "produce" innovation, finding and spreading new solutions (e.g. upscaling successful local policies against poverty and social exclusion), tools, technologies and innovative practices, involving research (experimentation and evaluation) as an instrument to produce and find good solutions, practices and to understand the pre-conditions to allow their transferability, adopting simple regulation, tax relief, incentives, etc. (Gertler, Wolfe, 2002; Harrison 2008; Ilie, During 2012).

2) promotion, strengthening and coordination of mixed networks: sharing resources among different actors within a frame of clear division of tasks and identifiable responsibilities, giving people a say and not just opening spaces for formal participation and collaboration, developing a coherent "system" of services and intervention, i.e. of synchronized policies, placed in a systemic perspective, aimed at avoiding fragmentation, duplication of interventions and wasting resources (Fung, Wright 2003; Moulaert *et al.* 2010; Ilie, During 2012; Lévesque 2012).

3) keeping public responsibility on citizens' rights and duties: creating an effective democratic accountability system to assess services and guarantee appropriateness and quality of performances, avoid randomness in the distribution of opportunities, and also protecting more "fragile" (poor, sick, disadvantaged, excluded) citizens in accessing the welfare system. Guaranteeing a fair distribution of the financial burden related to social policies (Fung, Wright 2003; Goodin 2003; Mattei 2007).

On the other hand, as some successful accounts on social innovation maintain, being characterized in most of the cases by sectoriality and proceduralism, the public sector is considered to be poorly suited to deal with complex problems. Instituted to cope with social risks, public welfare bureaucracies – in the words of social innovation's advocates – can have a tendency to risk aversion and cautious cultures, creating a sort of barrier to innovation (Young Foundation 2010). Moulaert (2009: 15-16) reminds us that "*criticism to the hierarchical character of political and bureaucratic decisions making systems are well known*" (referring mainly to the risk of opacity and poor democratic accountability in "traditional" top-down bureaucracies) and Swyngedouw (2009: 69) elaborates further on this dialectic relationship, adding that social change and creative innovation rise "*in a context of a widening gap between state and civil society*". Finally, the Young Foundation (2010: 26) asserts that "*during periods of change those within the system – especially those who have prospered from it and now sit at the top of business, bureaucratic or political hierarchies - are likely to be the last to see its deficiencies*".

Critical remarks by social innovation advocates are especially addressed to the state rather than to other public organizations. Critical perspectives sometimes question the positive contribution of the national state to the production of wealth and to society in general and claim national states often produce distortions, dependencies or interferences in a mechanism (the market) essentially capable of perfect self-regulation (Lane *et al.* 2009: 144). Local public institutions are considered abler to promote and support social innovation in an ideal dimension where citizens and their needs are closer and it's easier to create social networks and act to respond to their needs (Andreotti *et al.* 2011).

The dialectic relation between public institutions and social innovation we just described is somehow conceived too narrowly: on the one hand, public institutions are criticized as rigid, self-centred, heavy and slow, expensive, fostering passivity, desynchronized and unable to capture social change and to adapt their aims and interventions to new and complex needs and individual

specificity; on the other hand, market and civil society are considered flexible, effective, efficient, able to innovate and to promote innovation.

In this vision, large scale organisations and institutions, especially the state itself, look like big elephants moving in a context of brittle changes and challenges risking to make damages, while new rising innovative actors, like butterflies, try to experiment their frail flight and colourful experiences⁶. Problems and weaknesses in the relation between the public sector and social innovation cannot be denied. However, strengths of the contribution of public institutions are often forgotten by critics: the possibility of securing citizens' rights against discretion and arbitrariness, creating a framework of rules and systems of services and interventions, investing significant resources and programming long-term investments are key elements in the process of social inclusion and in the practice of citizenship. Criticism, thus, has to be put in perspective and the analysis should be contextualized. Not always and not everywhere the balance between problems and resources, flexibility and bureaucratization, innovation and conservatism is the same. Positive and negative elements coexist in different combinations, providing different resources and different constraints which need to be disentangled empirically.

The criticism of neoliberal and neo-Marxist scholars on the bureaucratic nature of the welfare state (Mead 1986; Murray 1984; Gough 1979; O'Connor 1973; Offe 1984) has converged in similar potential solutions aimed at de-bureaucratization, decentralization and the creation of a welfare mix. However, beyond this apparent similarity, the results of processes aiming at innovating the existing welfare system deployed differently in different contexts. Similar tendencies have created many combinations with local conditions and with pre-existing welfare structures confirming – at least partly – a path-dependency (Pierson 2000) of regulatory principles.

The forms in which social innovation develop are therefore context-sensitive (Crouch *et al.* 2004; Moulaert *et al.* 2010) and connected to a dynamic balance between new tendencies and solutions and local specificity, flexibility and guarantees of rights, decentralization and coordination, participation and delegation, subsidiarization and institutional responsibility. In these complex relationships, there is a dialogic coherence in the way non-profit and public institutions act, react and interact. The latter structure basic legal conditions, provide resources, opportunities or hinder specific actions and projects. The former engage, work and develop strategies and projects in the pre-structured space of action. Both relate to path-dependent political cultures framing public-private and insider-outsider dialectic relations in a given polity. The emerging new welfare mixes are thus connected to welfare models, regimes and the way they change (Ascoli and Ranci 2002; Anheier 2009). Some institutional settings are more supportive for the development of more effective and efficient welfare systems oriented towards social innovation than others. Even institutional settings cannot prevent social innovations to take place in the first place, they surely influence the way solutions that work are institutionalized and upscaled.

⁶ This statement applies not solely to public institutions and the state, but also to any other large organization such as corporate bureaucracies and big civil society organizations such as trade unions.

3.2.2 THE RISKS OF LAISSEZ-FAIRE

Reforms that have been implemented in most public administrations and bureaucracies over the last twenty years were aimed at cutting expenditure and improving efficiency and effectiveness (OECD, 2008). There is, therefore, the need for a better understanding of the balance among managerial, social and political aims devoting a special attention to accountability, both within public institutions and in their partnerships with external actors (Goodin 2003; Mattei 2007; Lévesque 2012). The reforms have been also influenced by political pressures justified by socio-economic and socio-demographic challenges (e.g. new occupational patterns, ageing societies) and curbed and diverted by strong and organized interests defending the status quo in public institutions.

What has been highlighted by many analyses and empirical studies in recent years is that welfare change also produced new risks and problems (Christensen, Lægheid 2007; Kazepov 2010) that need to be taken into account when thinking about social innovation: fragmentation, “decentralization of penury” (Keating, 1998), increasing social and territorial inequality, lack of coordination, weak accountability, “passive subsidiarity” and cost gaming (Kazepov 2010). An underlying characteristic to most of these risks is a neoliberal laissez-faire framing of the solutions (innovations?) adopted. However, similar reform strategies might achieve different results in different countries and not all changes are innovative per se.

For example, decentralization needs specific conditions to achieve de-bureaucratization and subsidiarity in a framework of innovative solutions to problems of social exclusion and poverty (e.g.: the remaking of a consistent system of check and balances to manage veto-actors and vertical subsidiarity; a renewal of central State bureaucracies to enact new coordination tasks; a synchronized decentralization of different dimensions: tasks, skills, resources) (Obinger *et al.* 2005). Decentralization per se does not mean necessarily de-bureaucratization and it surely does not guarantee improving welfare or increasing accountability (Azfar *et al.* 2001; Christensen, Lægheid 2007; Somerville, Haines 2008).

Indeed, the creation of new institutional layers or their re-articulation and the division and redistribution of competences may give rise to a fragmented and complicated interwoven web of relations difficult to coordinate, manage, reconnect and integrate to pursue coherent policy aims (Kazepov 2010). A situation often accompanied by a risk of institutional de-responsibilization (Swyngedouw 2009) with the transfer of functions to local administrations without a reallocation of adequate resources.

The localization of competences makes it also more difficult to face systemic challenges. The risk is to privilege policies oriented to act only on local effects not having the competences, resources and tools to deal with more complex and general (increasingly global) causes of problems, that go beyond limited contexts. In this picture, the more disadvantaged contexts, with less resources (economic, social, relational,...) and competences (know how, social engineering, social skills,...), tend to drift down in a further process of deterioration, while the richer and stronger territories become stronger. This makes the gap deeper and reduces redistribution chances.

Considering these differences, the involvement of civil society organizations and mixed-networks plays out in very diversified roles and must take in account some risks. One of the most relevant risks is public institutions’ passivity, i.e. the possibility of an emerging passive subsidiarity (Kazepov 2010), where social responsibilities and functions are delegated to civil society without establishing adequate mechanisms disciplining public-private relationships, defining general interest aims and allocating enough resources. It is an empirical question to find out who does what for what resources. However, this emerging governance-beyond-the-state has a Janus-face (Swyngedouw 2009: 64): on the one hand, it may indeed conduct to greater openness to innovation, social inclusion

and empowerment; on the other hand, it doesn't guarantee enough democratic accountability against impoverished political citizenship and participation.

A second risk is related to the assumption that civil society organizations' are involved in the public decision because they "represent" and give voice to excluded people and are oriented to the "common good". This is not to be taken for granted and the issue needs to be reframed. Civil society is part of society but cannot be identified with the "common good": its organizations "customarily pursue partial, positioned objectives" (Swyngedouw 2009: 70-71). It can put forward aims and goals of extreme right wing community organizations as well as NIMBY⁷ attitudes. Moreover, their legitimacy and inclusiveness cannot be taken for granted. Their relationships with people they are supposed to "represent" is not always so clear cut and indisputable. Again it is an empirical question to analyse their modus operandi (transparency, efficiency, effectiveness, innovative capacity) and find out both general, specific and context related patterns. Research has shown (Ascoli and Ranci 2002; Anheier, Seibel 1990; Anheier 2005) some general risks and potential downsides of these developments. In particular, the following should be highlighted:

- a) Monopolism and isomorphism: private organizations may become local monopolists more oriented towards their own survival than meeting changing social needs; by "replacing" the public sector, in fact, private organizations risk to replicate the same logic. Civil society organizations' social aims may shift to their own organizational maintenance and oligarchization (Goldsmith *et al.* 2010)
- b) Rigidities: public-private relations may reproduce rigidities through their institutionalization and the adoption of a more formalized modus operandi, instead of mutually reinforcing the specificity (and the complementarity) of each actor;
- c) Closure: Innovative tendencies may acquire conservative dynamics and raise barriers to potential competitors' participation and consequently make it difficult to redirect resources to new interventions and players, stifling innovation. The Darwinian "survival of the fittest" cannot be taken for granted.

In short, social innovation seems to depend on a dynamic context within which new actors and challenging experiences can develop (Lane *et al.* 2009) and "grow up" until they are strong enough to compete with more consolidated organizations. The role of the public sector should be aiming – therefore – not just at intervening when the free market fails, but also at proposing its own political goals and its own strategies of innovation, including new actors. The consequences of a laissez-faire policy in the social field may have heavy social costs and not always achieve the positive goals attributed to subsidiarity – just the reduction of public expenditure and isolated cases of innovation.

Renewing welfare policies and institutions cannot be totally entrusted to spontaneous local organizations. Public institutions passivity may create dysfunctional systems and delegation does not offer any guarantees for improvement and innovation. Thus public institutions remain crucial players both as guarantors of democratic and transparent governance processes (though with a new role) and of accountable systems characterized by new, more complex, flexible, participatory and innovative policies. The possibility to play this role asks for a redefinition of the overall architecture of social policies and of the boundaries of citizenship.

In short, the biggest dilemma is the possibility for public institutions to maintain the control on the welfare systems while giving way and supporting self-organisation. In fact, by taking care of citizens and communities they may foster passivity among citizens and communities, or by delegating their

⁷ 'Not in my backyard'.

welfare to self-organising citizens and communities might increase and consolidate inequalities (Ilie, During 2012). Thus the question is: how is it possible to create a good balance between public care and responsibility? In a context of our metaphor on elephants and butterflies, the former are not just big and slow animals moving in a brittle place and risking to crash everything fragile they find on their way. The latter are not the only innovative actors, gently flying with their colourful feature and spreading the flowers' pollen to make new experiences born. Elephants' memory, solidity, solidarity in the herd and finding water to preserve life are to be conceived positively. And butterflies' fragility and short existence and their egocentric beauty have to be considered potentially critical points. An alliance between so different "animals" may probably create more innovative and productive contexts, valuing each other's strengths and contrasting weaknesses. In a mutual symbiosis, maybe elephants can lengthen the daily existence of butterflies and butterflies spread their lives of colours.

Decentralization does not necessarily mean de-bureaucratization and it does not guarantee improving welfare measures. Effectiveness and efficiency of mixed-networks cannot be taken for granted. Where institutions are stronger, also civil society and the third sector are stronger (Salamon, Anheier 1998; Foley, Edwards 1996). This means that capabilities have to be promoted and supported in order to allow the development of new policies thanks to innovative actors. From this point of view, welfare policies might be considered "public competitive goods" (Crouch *et al.* 2004), i.e. public goods which provide contextual conditions that facilitate (or hinder) innovation, competition, etc. It is not by chance that among the first ten most competitive countries in the world ranked by the World Economic Forum we have high welfare spending countries like Sweden (3), Finland (4), Germany (6), the Netherlands (7) and Denmark (8) (Schwab 2012). Similarly also social innovation might be considered in its mutual reinforcement relation with civil society actors and the environment they create. If such a frame is not given we might end up with contexts in which private organizations become local monopolists and conservative bodies, oriented towards their own survival rather than to meet changing social needs.

3.3 SOCIAL INNOVATION AND NEIGHBOURHOOD DEVELOPMENT

Over the last fifteen years, a group of EU-funded researchers has, in the context of increased attention and concern over the spatial aspects of social exclusion, developed an elaborate understanding of community-based models of social innovation, mainly in European cities. Historically, these models are rooted in the 18th and 19th century experiments and social movements – reaching from *bourgeois* philanthropy and church-initiated movements to mutual aid and more or less radical workers movements – and their legacies in the 20th century (Martinelli 2010). They were studied as self-help and endogenous development initiatives in the fields of (informal) housing (Abramo 2009), (ethnic) entrepreneurship (Hillmann 2009), social and community economies (Moulaert and Ailenei 2005; Moulaert and Nussbaumer 2005; Gibson-Graham and Roelvink 2009; Ailenei and Lefebvre 2010) or microfinance (Antohti 2009), the broad social movements after 1968 (Membretti 2010) as well as more recent deliberative decision-making models like the participatory budget in Porto Alegre (Novy and Leubolt 2005) or *Local Agenda 21* processes (Novy and Hammer 2007).

What unites those diverse case studies is that the empirical work "did not start from 'socially defined communities in the sense of shared values, knowledge and experience as structured through ethnic, class or other socio-cultural axes", but focused instead on "'spatialised' urban communities, i.e. neighbourhoods" (Moulaert 2010: 7). Because of their socio-cultural diversity, they are supposed to have "an extraordinary capacity to generate socially innovative and politically progressive initiatives" (ibid.: 7). The local scale is understood as "a more 'tangible', a 'better', or 'more just' and

democratic level at which to organise change, including social and political activity” (González *et al.* 2010: 49). Socially innovative policies, from a multi-scalar perspective, stress the overall increase in inequality and the concentration of power and wealth in the hands not of the middle-class, but of a small elite. This overall trend (OECD 2011; Wilkinson and Pickett 2010) has implications and is lived, perceived and tackled at the local level. Therefore, socially innovative urban policies have to take the strategy of the middle classes into account, to distinguish themselves and separate from the underclass (Blasius and Friedrichs 2004; Musterd 2008).

Neighbourhoods are regarded as “pivotal sites for initiating and implementing social change that may ripple through the city [or...] sites from which new and emancipatory initiatives emerge. The main argument [...] is that locally based initiatives, often much more so than official state-led programmes, can galvanise a range of publics to engage in activities that have city-wide (if not greater) impacts on the dynamics of urban cohesion and social development” (Moulaert 2010: 5). Especially in critical urban studies, the political catchphrase of the right to the city – originally defined by the French sociologist Henri Lefebvre – was rediscovered (e.g. Duke 2009, Holm and Gebhardt 2010). As Harvey (2008: 23) defines it, “the question of what kind of city we want cannot be divorced from that of what kind of social ties, relationship to nature, lifestyles, technologies and aesthetic values we desire. The right to the city is far more than the individual liberty to access urban resources: it is a right to change ourselves by changing the city.” In this understanding, the right to the city encompasses a change of paradigms of urban regeneration in which the equal access of urban residents to key institutions, infrastructures and social contacts is being supported, meaning that involuntary segregation is also tackled by giving the poor access to the neighbourhoods of the well-off (Duke 2009). Moulaert argues that in view of the erosion of public life and the depoliticisation of public space, communities can be regarded as advocates of citizenship rights and key concrete life-experience settings where political rights are defined. “Communities are therefore the nexus between the search for a democratic state guaranteeing basic rights on the one hand and the continuous reinvention of social life on the other; they are, in other words, the loci and drivers of social innovation” (*ibid.*: 7).

For this strand of social innovation research and practice, the territorial development aspect of social innovation seems particularly promising for two reasons: First, the “tangibility of decline and restructuring at the neighbourhood level is high” (*ibid.*: 11). This means that the consequences of decline are clearly noticeable and partly even visible in the form of abandoned property and vacancy rates, the reduced availability of goods and services and changes in everyday and community life. Therefore, they believe that “the spatial concentration of exclusion factors and people works as a catalyst for seeking alternatives” (*ibid.*: 11). Despite or even due to a long-standing history of *disintegration* that led to a fragmentation of local social capital as well as a loss of professional relations and collective action, many disadvantaged neighbourhoods are supposed to show dynamic populations and inflows of creative migrants. However, with relation to political science and administration, there is a firm connection in “the ‘bottom-linked’ approach to social innovation which recognises the centrality of initiatives taken by those immediately concerned, but stresses the necessity of institutions that would enable, gear or sustain such initiatives through sound, regulated and lasting practices and clearer citizen rights guaranteed by a democratic state-functioning” (*ibid.*: 9).

Analytically, the territorial approach to social innovation stresses the context-sensitivity of socio-economic development (Martinelli *et al.* 2012-forthcoming), social innovation is researched as an *institutionally embedded* and *territorially (re)produced* process (Moulaert 2009), “space matters” (Massey 1985). Moreover, it takes Swyngedouw’s (1997), Jessop’s (2000) and Brenner’s (2004) analyses seriously that the local room to manoeuvre is dependent on processes and structures that are being shaped on different levels and within different scales. For this reason, it is suggested to be

“wary of overly localist interpretations of community development initiatives, which consider local culture and communitarian interests as predominant, if not exclusive, levers of local development, at the expense of trans-local processes and configurations” (Moulaert 2010: 12). Focusing on localities, be they neighbourhoods, cities or regions, as the privileged sites for socio-economic development thus entails “a number of strategic and analytical risks”, as Moulaert *et al.* (2005) claim. Apart from an exaggerated belief in the power of local institutions in a globalized knowledge-based economy and the danger of ‘existential localism’, there is the trap of ‘misunderstood subsidiarity’, in which higher state levels forgo their responsibilities and leave these to a disempowered local level. The latter risk is particularly salient in times of fiscal austerity, as local forms of social innovation will be mobilized to cut state expenditure and offload responsibilities to the citizens and civil society and local authorities, which will be most directly confronted with inadequately served social needs.

In order to effectively satisfy needs and empower people, socially innovative forms of development will need to be driven by multi-scalar strategies. Supra-local structures, agents and dynamics affecting the local context need to be accounted for as social innovation at the local scale depends both on local and extra-local and endogenous and exogenous resources. We can refer here amongst others to the relation between national and the regional governments, procedures to receive funds from national and international organisations, investment policies of multinationals, learning from and competing with other regions etc. The socio-economic context of the local is only partially constituted at the local scale. The local cannot define itself entirely (Klein 2008). To understand the agency of local agents we have to look across scales as agents such as community groups, social movements, non-profit organizations, entrepreneurs and policy makers often need to ‘jump scales’ in order to drive through social change (Swyngedouw 1997). Cooperation with and support from agents outside the region is a crucial element for durable forms of social innovation (Moulaert 2000). Nonetheless, the creative capacity of local organizations, enterprises and communal groups to explore new solutions to problems and to reframe problems is a key asset to territorial innovation. The principal goal of socio-territorial innovation should be to strengthen this local potential through an increase of capacity to ensure social collaboration links with actors both inside and outside the territory (Klein 2009; González *et al.* 2010).

To conclude, this third strand of social innovation research and practice foregrounds a number of important aspects of the process dimension of social innovation. Firstly, the place-based character of social innovation is of crucial importance. It allows for a grounding of development strategies in spatialised rather than moral communities, thus taking into account the unequal spatial distribution of poverty and disadvantageous environments and giving due account of socio-cultural differences existing in contemporary disadvantaged urban neighbourhoods. Secondly, it highlights the necessity of multi-scalar strategies to overcome social exclusion and poverty.

4 CONCLUSION

In this paper, we approached localized forms of social innovation against the backdrop of the restructuring of the welfare state and the emergence of new forms of social exclusion, poverty and social risks. We argued analysing social innovation research and practices would provide us with insights on these new forms of social exclusion and poverty, their causes and consequences. Underlying local forms of social innovation is a multi-dimensional and relational definition of poverty, which goes beyond material and financial needs and also includes the need for recognition of socio-cultural differences (identity politics) and for political representation (participation). In the second part of the paper, we analysed three strands of social innovation research and practices and identified how in each of these poverty and social exclusion was problematized. In the third part of the paper, we zoomed in on the process dimensions of social innovation, in order to be better able to identify and select the main governance challenges for successful forms of social innovation later on in the Improve research project. By way of conclusion, we now list the social needs, trends in poverty and the reconfiguration of welfare institutions and policies that are revealed by place-based socially innovative practices.

4.1 SOCIALLY INNOVATIVE FORMS OF TERRITORIAL DEVELOPMENT

On the content side, this first strand in social innovation research and practice implies a critique on the narrow vision of socio-economic development as economic growth. The social needs addressed by socially innovative practices and interventions imply a broader definition of development in terms of human well-being. The social needs revealed by social innovation are hence not solely materialistic, but multi-dimensional and holistic, i.e. encompassing all existential dimensions of human life and focusing on social relations and its transformation. Social innovation reveals that current models of socio-economic development produce forms of social exclusion that are – at least in the way they are experienced – more individualized, in opposition to the group-based forms of exclusion characteristic for industrial capitalism; hence the stress of social innovation on the transformation of social relations through collective mobilization and social learning.

Social innovation highlights that apart from the need for redistribution, people in poverty also need recognition of their cultural identity and political representation. This implies that the improvement of social organization, equity in socio-economic relations, the capacity of individuals and groups to organize themselves and receive political recognition are human needs in and of themselves. Socially innovative practices and interventions highlight the importance of the (local) social embedding of the economy and economic practices to bring economic development more in line with social needs. This social embedding of economic activities aims to contain market forces and protect people from its destructive ‘forces’. The social embedding of economic practices is, however, insufficient for social innovation to occur, since social embedding may imply forms of domination incompatible with the drive towards autonomy and control over one’s own life that social innovation promotes.

In terms of the process of social innovation, the territorial development strand of social innovation highlights that economic development narrowly conceived should be replaced by human needs as the starting point of strategies to overcome poverty and social exclusion. Economic growth is not automatically beneficiary to individual need satisfaction because it does not only disregard the uneven distribution of effects caused by success or failure in the market, it also fails to understand the intrinsically social character of basic needs. Socially innovative forms of territorial development

to overcome poverty and social exclusion involve the improvement of the capacity of socially excluded individuals and groups to reveal and define their social needs and act collectively to acquire the control over the means to satisfy them. Finally, social innovation reveals the role of forms of economic agency beyond private entrepreneurship and market-based competition. This points towards the role of civil society association and social movements in promoting inclusive and holistic forms of economic development.

4.2 SOCIAL INNOVATION AND WELFARE STATE RESTRUCTURING

Social innovation in the field of welfare state restructuring provides insights on institutional innovation and innovation in terms of the role of the actors involved in actions and policies addressing poverty and social exclusion. Social innovation aims to abbreviate the road to need satisfaction, which implies attempts to work around macro-institutional mechanisms that slow down need satisfaction and often (unintentionally) disempower people in poverty. As for institutional innovation, this strand of social innovation research and practice provides an institutional frame that eases the combination of different skills and competences in mixed networks both public and private (both for and not for profit). Mixed networks are supposed to be able to better “read” social problems and meet the complexity of individual (basic) needs. It also shows the way to cutting down waiting times by activating more rapid solutions and de-bureaucratized pathways to face emergencies. Most welfare states have already made provisions for these options, but they should be better coordinated at the institutional level. Social innovations in welfare state institutions will also help to mobilise coordinated civil society resources and actors. Voluntary work, competences, donations ... (to contrast public resources constraints) should be included in a public policy frame, i.e. allocating clear roles, responsibilities, resources without giving up a strategic “public” vision. Finally, institutional social innovation contributes to the renovation of democracy by providing mechanisms to better include citizens in public decisions, with new methods of governance, social participation and empowerment.

As for actors’ roles, social innovation in the field of the welfare state shows how to activate proximity networks from the grassroots in order to reinforce communities’ relations and foster peer support and solidarity among citizens. The latter are to be seen themselves as resources for their territory. It also provides insights in developing participatory practices to stimulate institutions to include the grassroots in the decision making processes, paying attention to the multiplicity of perspectives, views and needs and fostering complementarity of public, private (for-and-not-for profit) actors roles by valorising differences rather than considering them “a problem”. Social innovation is about seeking a dialectic consensus through negotiations between advocacy groups and public institutions.

4.3 NEIGHBOURHOOD DEVELOPMENT

Social innovations brought up by place-based neighbourhood initiatives do not only focus on the output but also on the process dimension, especially with respect to empowerment. They foster a broader and more holistic concept of social justice in line with Nancy Fraser’s ideas of redistribution, recognition, and representation. Social innovations at the local level are particularly strong in dealing with issues of recognition and representation. Place-based bonds and networks help to create a common sense among community members, but this type of recognition is often accompanied by social closure, as locally constituted groups tend to exclude non-group member as “others”. In the

case of socially deprived neighbourhoods, “othering” can be directly associated with the lowering of bridging social capital. Thus, enhancing of bonding social capital and the focus on cultural diversity can even increase place-based social exclusion. Social innovations therefore do not have to be free of conflict, but can involve confrontational tactics to receive the necessary public attention. The weakness of local social innovations so far has been the difficulty of upscaling local success and to link local efforts to broader strategies of redistribution. Localized social innovations are not perceived as relevant by central state institutions. In this regard, a bottom-linked perspective looks more promising that a purely grassroots or bottom-up approach on the one hand or a purely institutional approach on the other (Miciukiewicz *et al.* 2012; Novy *et al.* 2012). Socially innovative initiatives show that in order to effectively satisfy needs and empower people, strategies to overcome poverty and social exclusion need to be multi-scalar. Supra-local structures, agents and dynamics affecting the local context need to be accounted for as social innovation at the local scale depends both on local and extra-local and endogenous and exogenous resources.

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APPENDIX

Tab.1: PUBLIC INSTITUTIONS' WEAKNESSES, ADOPTED SOLUTIONS AND POTENTIAL RISKS

Weaknesses	Main adopted solutions	Potential Risks
<ul style="list-style-type: none"> ▪ Slow and bureaucratic ▪ Fostering passivity and rigidity 	<ul style="list-style-type: none"> ▪ De-bureaucratization, Managerial reforms ▪ Empowerment and activation policies 	<p>Unfairness, introduction of new rigidities and boundaries to social rights' fruition</p>
<ul style="list-style-type: none"> ▪ Ineffective on targets ▪ Unable to capture social change and individual specificities 	<ul style="list-style-type: none"> ▪ New governance tools ▪ Subsidiarity ▪ Creation of a welfare mix 	<p>Institutional de-responsibilisation, passive subsidiarity, weak accountability and coordination, dispersion of resources, randomness of intervention</p>
<ul style="list-style-type: none"> ▪ Expensive (too costly) ▪ Inefficient (waste of resources) 	<ul style="list-style-type: none"> ▪ managerial reforms and cost containment ▪ Externalization of provisions ▪ decentralization and devolution 	<p>Cost gaming, fragmentation, increasing territorial inequality, impossibility to face systemic challenges</p>

ImProvE: Poverty Reduction in Europe. Social Policy and Innovation

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

The two central questions driving the ImPRovE project are:

- How can social cohesion be achieved in Europe?
- How can social innovation complement, reinforce and modify macro-level policies and vice versa?

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

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

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