EVALUATION OF THE EUROPEAN SOCIAL FUND AS A MEASURE TO SUPPORT SOCIAL INNOVATION IN THE PUBLIC SECTOR

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Abstract

The main objective of this research paper is to present how the public sector may contribute to the development of social innovations and to what extent this process may be supported by the European Social Fund’s (ESF) resources. The research method comprises critical analysis of the ESF reports. Discussion on the concept of social innovation is covered in the first part. Then determinants of social innovations are presented, followed by observations on social innovations in the public sector. The subsequent part is devoted to a short study of the ESF as an instrument to support social innovations in the public sector and finally a short empirical example of the ESF usage in Poland is delivered.

Although the usage of the ESF funds as an instrument strengthening social innovations in the public sector is not always unproblematic, it may be assessed to be a useful measure of support in this area.

Keywords: social innovation, public sector, ESF.
JEL Classification: O31, O38, H44.

Introduction

Social innovations have recently captured the attention of researchers and policy makers. This is due to the fact that a paradigm of sustainable growth which includes a social dimension has become a dominant one, at least in the EU. The social dimension implies inclusion of social needs into the mainstream of the public policy. The same refers to innovations that are not any more regarded as a purely technical or organisational issue. Moreover, technology is to a certain extent socially constructed and innovations develop under particular cultural conditions.

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Concept of social innovation

In order to define what social innovation is and what its features are it is necessary to describe innovation itself. Innovation is not a synonym of invention as invention is the first appearance of an idea for a new product or process, while innovation is the first attempt to implement it (Fagerberg, 2006). Innovation has to meet two criteria: novelty and improvement understood as an increase in effectiveness in comparison to the previous arrangements. J. A. Phillips et al. propose to include sustainability as an important criterion for improvement. By sustainability they understand solutions that are environmentally and organizationally sustainable. This means that such solutions may work over a long period of time (Philips et al., 2008).

There are two general approaches to innovation. The first one focuses on the organisational and social processes that produce innovation, such as organizational structure or social and economic factors. Another one treats innovation as a new product or its new features or production methods. Therefore it is useful to make a distinction between innovation as a process and innovation as an outcome which can be named “a proper innovation” (Philips et al., 2008). According to K. Pavitt, innovation processes involve the exploration and exploitation of opportunities for new or improved products, a process or service which stems from new technical practice or change in market demand, or a combination of the two (Pavitt, 2006).

The social and economic changes triggered the implementation of analysis that goes beyond a purely economic context. J. Hochgerner analyses this trend in detail providing rationale for this development (Hochgerner, 2011). It is very difficult to explain what the notion of “social” means. According to social choice theory social choice is about aggregating individual preferences or values or gathering information about what individuals want to develop what the society wants (Cain, 2001). This approach suggests that the
word “social” describes a class of needs and problems. Although it seems that there is a consensus within societies on social needs, problems and objectives, in reality it is very difficult to assess what maximises everyone’s happiness or utility.

M. Harris and D. Albury explain the rationale behind the rise of interest in social innovations (Harris & Albury, 2009). Firstly, many forms of innovations are neglected by a traditional approach and can be described as “hidden innovations” escaping official statistics but important in the service sector, such as in public services. Secondly new social entrepreneurs are very often disappointed at existing institutions and their limits. Thirdly “new public management” does not respond adequately to reform agenda for public services facing major economic and social challenges. Finally, traditional innovation deems to be insufficient to solve major societal challenges such as climate change and an ageing society.

M. Harris and D. Albury observe that “social innovation” means different things to different people. It may be regarded as innovation developed and delivered by the third sector, any innovation that contributes to alleviating or solving a social problem or “new social economy” that focuses on new social movements and social relationships cutting across the state, the market, the household and grant-based organisations (Harris & Albury, 2009). Many scholars by “social” understand institutional forms generating social value. Therefore this notion is associated with non profit organisations or social entrepreneurs. Social value may be defined as creation of benefits or reduction of costs for society through addressing social needs and problems (Phills et al., 2008). Anyway not all products meet the definition of social innovation although they might solve social problems. According to Phills et al. social innovation must not be related to the private value but they should contribute to distribution of financial and social value toward society as whole. Therefore according to these authors, social innovation is “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (Phills et al., 2008). A social innovation can be a product, production process, or technology but it can also be a principle, idea, a piece of legislation, a social movement, an intervention, or some combination of them. It is inspired by the desire to meet social needs which may be neglected by traditional forms of the private market and often poorly served or unresolved by the state (Harris & Albury, 2009). H. Brooks enumerates four categories of social innovations: market innovations (like leasing), management innovations (like new working hours arrangements), political innovations (like summit meetings) and institutional innovations (like self-help groups) (Brooks, 1982). J. Hochgerner stresses that innovations themselves are embedded in basic cultural patterns and processes of social change. Hence innovations influence social conditions and trends and as social relations are embedded in the economic system, all socio-cultural structures seem determined by the economy (Hochgerner, 2011). This statement is supported by J. Howaldt and M. Schwartz who point that social innovations are much more context-dependent and more specific than technology in type (Howald & Schwartz, 2010). Social innovations occur on the level of social behavioural patterns, routines, practices and settings. Moulaert et al. stress three interrelated dimensions of social innovations: satisfaction of human needs, changes in social relations, especially with regard to governance (the systemic changes perspective) and increase in socio-political capability and access to resources (Moulaert et al., 2005). Zentrum für Sociale Innovation describes social innovations as “new concepts and measures for solving social challenges that are accepted and utilized by social groups affected” (Zentrum für Sociale Innovation, 2008). They are not only determined by the potential of an idea but also by its realization (Hochgerner, 2011). J. Howaldt and M. Schwartz claim that there is a substantive distinction between social and technical innovations. Social innovations occur and are collectively created at the level of social practice. They are configurations of social practices in certain areas of action or social contexts prompted in an intentional targeted manner to satisfy or answer needs and problems in a better way in comparison to established practices (Howald & Schwartz, 2010).

There are four strands of research on social innovations (Howald & Schwartz, 2010). The first one is devoted to management and organizational research putting emphasis on improvements in social capital. A second research area examines the connection of business success and social progress. The third line of research focuses on impact of charismatic individuals. Finally the fourth strand is devoted to local and regional development. According to this approach, social innovations have huge impacts on national and regional economies and their sources come from citizens living in specific locations.

Determinants of social innovations

Mulgan et al. claim that some social innovations are modest and incremental, while others like the shift to a low carbon economy are more fundamental and systemic transformations (Mulgan et al., 2007).
Phillips et al. notice two sources of social innovations (Phillips et al., 2008). In recent years non-profit and governmental organisations started to employ managerial rules in their activities. Governmental agencies and business at the same time started to recognize social and environmental issues, philanthropy and advocacy. Simultaneously, business and non-profit organisations’ leaders engaged in shaping public policy. As a result a favourable environment for social innovations has emerged. Another source of social innovations is the shifting roles and relationships between government, business and NGO sectors. Traditionally government agencies established regulations and monitored the business, businesses tried to fight with regulation and monitoring while NGOs were undertaking mainly monitoring functions. Antagonistic roles have been replaced by collaboration and mutual support.

Social innovations are subject to demand and supply. Demand refers to social needs. According to Mulgan et al. “the starting point for demand is a social recognition of needs that are not being adequately met” (Mulgan et al., 2007). This demands efforts of innovators themselves who try to persuade the public to care about new issues and a good timing as demand is growing when problems become more acute. Acceptance for social innovations should be shared by their direct consumers (the public who pay directly for goods and services) and indirect consumers (organizations that buy goods and services on behalf of people in need). The second category comprising for example public agencies is critical to the spread of innovations. Indirect demand for social innovations depends on decisions of a small number of indirect consumers and is determined by the level of public spending and proportion of resources that can be devoted to new and at the same time risky models or responding to new needs (Mulgan et al., 2007). Some research reveals that that public sector employees are more risk averse and less inclined to make charitable contributions than private sector employees (Buurman et al., 2009).

Effective supply of social innovations is related to their diffusion. Paths of social innovations diffusion comprise the market, technological infrastructure (web-based, social networking), social networking and social movements, governmental guidelines and support, intermediary and self-organised institutions, organizational processes, different forms of communication and cooperation (Howald & Schwartz, 2010). In order to be effectively diffused, social innovation should be superior to its alternatives, bring observable results, compatible with what already exists, lack or have weak competition, be a simple idea and entail low marginal costs (Mulgan et al., 2007).

Social innovations in the public sector

Social innovations may be provided by the public, private or third sectors, or users and communities but some of them cannot be qualified as social innovations as they do not address directly the social needs (Harris & Albury, 2009).

A growing importance of social innovations in services is observed in terms of research efforts and policymaking practices. According to A. Hughes et al. “the combination of straightened public finances with major social challenges means that public services need to become more productive and develop new ways of working. Innovation in the public sector is therefore a pressing task” (Hughes et al., 2011). M. Harris and D. Albury add that the public services will have to deliver significantly better performance at a significantly lower cost” (Harris & Albury, 2009). Contemporarily there are several serious social problems that need an adequate response. M. Harris and D. Albury enumerate the following problematic areas for the UK society: ageing, rise in long-term health conditions, increasingly degraded environment and less important ones: economic competitiveness, social inequalities, mental ill-health, crime and social disorder, alcohol and drug abuse (Harris & Albury, 2009). The majority of these problems can be traced in most of European and world states. Therefore increasing demands of public services may be noticed. They are fortified by such factors as expectations of increase in the public sector’s productivity, growing citizens’ expectations, globalisation, media’s influence, technological innovations, demographic and climate changes which have become the major drivers of the public sector innovations (Bason, 2010).

The above-described factors combined with recession leading to significant tightening of public finances provoke the need to search for new solutions. Besides, the recession may have an impact on effective responses to societal challenges as public policymakers tend to be more prudent with expenditures. Nevertheless, the recession demands radical new approaches. There are numerous examples from the past proving that periods of international tensions led to the emergence of new technologies, organisational forms and services. M. Harris and D. Albury claim that a radical, not an incremental, approach to social innovations is needed and government should play a coordinating role in such a process. This does not exclude cooperation with the private and third sectors. On the contrary, stronger relationship between the
state, the market and the civil society is indispensable (Harris & Albury, 2009). A similar view is presented in the “BEPA report” (Bureau of European Policy Advisers, 2011). According to one of the approaches to social innovations described in this document the social dimension of innovation relates to changes in fundamental attitudes and values, strategies and policies, organisational structures and processes, responsibilities and tasks of institutions and linkages between them and different types of actors. Also Murray et al. stress the importance of collaboration between public service workers and civil society in the process of encouraging the social innovation (Murray et al., 2010).

Although in the past governments were often pioneers of social innovation there are many structural barriers that inhibit innovating by the government. They comprise cost based budgeting, departmental structures, lack of career rewards. The government very often lacks innovations enablers in terms of money, people and processes that can be found in the business sector. The public innovation process is by its nature centralised, episodic and structurally limited (Murray et al., 2010). Also structural-political barriers to innovations in the form of relative absence of risk capital are important. Ch. Bason notices that due to year-on-year budgets usually with no possibilities for major longer-term investments, public managers and staff are forced into short-term thinking. (Bason, 2010).

Murray et al. discuss several areas where social innovation in the public sector could be better supported (Murray et al., 2010). These fields cover strategic issues (strategy itself, leadership, incentives, risk management, formation and training, circuits of information, user, engagement and learning cultures) and financial issues (budgets to promote internal innovation, distributed accountability and democratic innovation, new forms of taxation and public revenues raising, public medium of exchange and means of payment, public investment and fiscal moves to promote social innovation). The government also has powers to influence the business sector social innovativeness through legislation and regulation which themselves may have innovative features. Support of innovative culture within the governmental bodies is a crucial factor and a signal from the leaders to front line civil servants that the former ones want to see experimentation.

European Social Fund as a mean of social innovations’ support in the public sector

The European Union has, over the years, developed a lot of measures supporting various initiatives empowering citizens and organisations to respond to social challenges in a more effective manner and help national, regional and local actors to develop innovative practices and governance modes (Bureau of European Policy Advisers, 2011). One of the central policy documents placing innovations in the core of social and economic policymaking was the Lisbon Strategy supplemented by the Renewed Sustainable Development Strategy for an enlarged Union and a Renewed Social Agenda. The Europe 2020 strategy acknowledges that innovations and a more direct interaction between the economic and the social dimension contribute to overcoming economic crises and identifying an appropriate response to societal challenges.

The European Social Fund (ESF) is regarded as a financial arm of the Lisbon Strategy supporting national employment and inclusion priorities (Bureau of European Policy Advisers, 2011). The ESF made significant investments in social innovations. Regarding the current programming period 2007-2013, the ESF focuses on strengthening institutional capacity and efficiency of public administration and public services at national, regional and local levels in Convergence regions and to promote the labour market institutions across the EU, the design and introduction of reforms in education and training systems and the updating of skills of training personnel (The European Social Fund and institutional capacity of public bodies, 2010). The ESF invests also in transnational cooperation (sharing experience, learning mobility) and innovative activities within the Operational Programmes (new forms of work organization, improvement of employees’ skills, new approaches to lifelong learning, development of human resources in research and innovation, cooperation between the sectors, new skills for climate change and sustainable growth, new ways of combating unemployment). The current design of the ESF seems to meet Europeans’ expectations. According to The Eurobarometer Report, the Europeans most want the EU to address unemployment as a priority (63%), then education and training (30%), equal opportunities for all (25%), climate change (18%) and ageing population (17%) (Special Eurobarometer Report 350, 2010).

The smallest programming and reporting units in the 2007 – 2013 programming period are fairly broad priority axes. Some Member States such as Bulgaria, Greece, Hungary and Romania have dedicated one Operational Programme explicitly to institutional and administrative capacity. 85% of all EU Member States are using the ESF to address the capacity of their public bodies in 82% of all Operational Programmes and 46% of all priority axes (The European Social Fund and institutional capacity of public bodies, 2010).
The ESF funds support social innovation offering financial means to strengthen the institutional capacity of public bodies in order to increase their efficiencies, promote socio-economic development and promote good governance as a key element of the Lisbon Strategy. There are three types of the ESF interventions regarding increase in institutional capacity (capacity building, improving systems and research, networking) and three types of recipients (public employment services, educational training systems and other public administration) (The European Social Fund and institutional capacity of public bodies, 2010).

In the field of public employment, services capacity building related to the staff training (e.g. Czech Republic, the Slovak Republic). Another way of modernising the public employment services is to enhance the system itself through modernisation of the network of public employment services by developing statistical monitoring systems (e.g. Cyprus), harmonisation and updating of the services offered and collaboration among public employment services, local authorities and social partners (e.g. Lithuania). Networking covers stakeholder co-operation and comprises information flow between educational institutions, enterprises, service providers and NGOs (e.g. Hungary), modernisation of labour market instruments and institutions and the development of a network for vocational information and counselling services (e.g. Poland).

The ESF funds are also used to support various public administration bodies at various levels of governance. Training of civil servants and employees in local public administration, capacity building of regional development agencies are addressed to public actors at regional level (e.g. in Spain, Hungary, Italy and Portugal). Some Member States support specific functional public administration departments (e.g. Greece, Italy and Portugal) and modernisation of the public administration by public staff training courses covering such topics as ICT, HR management and soft-skills, economic, legal or technical subjects (e.g. the Czech Republic, the Slovak Republic, Italy and Malta). Regarding improvement of systems, the competence schemes for the individual administrations and training materials were prepared (e.g. in Poland) and e-government projects implemented (e.g. in Bulgaria). Concerning networking, cooperation amongst local players is supported and training programmes focus on development of IT skills, language training, etc. (e.g. in Hungary). Active participation of social partners and NGOs with the public administration in the implementation of the Lisbon Strategy is promoted e.g. in Poland, where such measures as evaluation of participants’ needs regarding social dialogue, disseminating best practices of cooperation, creation of codes of conduct aiming at the provision of better public services, strengthening of public consultation, coordinating public policies with social partners and increasing the skills of civil servants in the area of cooperation with NGOs and social partners are implemented.

Administrative and institutional capacity building in Poland through the ESF interventions

According to the ECORYS report, due to the politicization of the civil service and weak tasks’ coordination, the Polish public administration still has problems in meeting overall needs of citizens and especially firms (ECORYS, 2011). The Polish public administrations suffers from lack of management standards, high staff turnover combined with insufficient skills and competence. Concerning the systemic problems, there is a lack of task-oriented budgetary planning, limited usage of management tools and poor monitoring systems.

Priority Axis 5 under the Operational Programme Human Capital (OP HC) is devoted to Good Governance and it is designed to address Polish administration’s main problems. It comprises the following specific objectives: improving regulatory potential of public administration, improvement of quality of the public policies and services related to enterprises creation and business operation, modernization of management in public administration and justice administration, strengthening of the potential of social partners and non-government organizations oriented at enhancing their active participation in the process of implementing the Lisbon Strategy. Table 1 presents five measures of Priority Axis 5 and corresponding sub-measures.

The beneficiary of the majority of resources available within Priority Axis 5 is public administration although the data reveal a strong interest of the third sector. The evaluation of Priority Axis 5 shows that many projects focus on diagnostic issues and their implementation brings indirect effects like better internal cooperation and better preparation of new projects (ECORYS, 2011). The major achievement is the implementation of performance-based budgeting. There are, however, some problems like fragmented implementation and poor standards of cooperation within a given institution. Despite these difficulties, according to the ECORYS report, the implementation of ESF projects has an overall positive impact on the organizational culture and public administration (ECORYS, 2011). This should be a prerequisite for innovativeness.
Table 1. Measures of the Priority Axis Good Governance

<table>
<thead>
<tr>
<th>Measure</th>
<th>Sub-measure</th>
<th>Applications after formal assessment (% of total allocation)</th>
<th>Signed contracts (% of total allocation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Strengthening the capacity of the government (central administration)</td>
<td>5.1.1 Modernisation of management systems and improvement of human resources competence</td>
<td>94.6</td>
<td>78.7</td>
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<td></td>
<td>5.1.2 Implementation of financial management system in terms of tasks</td>
<td></td>
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<td></td>
<td>5.1.3 Internships and practical training for NSPA students</td>
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<tr>
<td>5.2 Strengthening the capacity of self-government administration</td>
<td>5.2.1 Modernisation of management in local administration</td>
<td>206.5</td>
<td>59.1</td>
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<tr>
<td></td>
<td>5.2.2 System support of local administration functioning</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>5.2.3 Improvement of public services human resources</td>
<td></td>
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<tr>
<td>5.3 Support for the implementation of the Lisbon Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4 Development of the capacity of the third sector</td>
<td>5.4.1 System support for the third sector</td>
<td>522.7</td>
<td>60.0</td>
</tr>
<tr>
<td></td>
<td>5.4.2 Development of civic dialogue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5 Social dialogue</td>
<td>5.5.1 System support for social dialogue</td>
<td>168.5</td>
<td>42.5</td>
</tr>
<tr>
<td></td>
<td>5.5.2 Strengthening of social dialogue participants</td>
<td></td>
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</table>


There are examples of social innovations implemented through Priority Axis 5. The project “Innovative Toolbox for Regulatory Impact Assessment and Public Investment Decisions - iSWORD” supports the public administration in better policy making in the field of environment, infrastructure, pensions and health for the society. The “Local Government Activity Program PAS” enables monitoring of the public services taking into account opinion of representatives of social and professional communities (Wosik et al., 2011).

A study on innovativeness in Poland criticizes usage of the EU structural funds in Poland with regard to its impact on increase in innovativeness of the Polish economy (Geodecki et al., 2012). Failures are also attributed to the OP HC. Projects completed under this scheme cover “dummy” activities like trainings, conferences and unrealistic development strategies produced by local authorities that have little to do with practical development of innovations and improvement of the social capital indispensable to implement social innovations. On the strategic level, ambitious proposals included in the report Poland 2030 are not mirrored by the management of public policies and the public administration activities.

Conclusion

There is a clear need for social innovations delivered by the public sector, especially in the period of economic and financial turmoil combined with demographic and environmental challenges. Although the government in the past used to be a pioneer of innovativeness processes, contemporarily there are a lot of structural barriers that inhibit this process. In order to regain innovative capability, governmental structures need internal change. In the EU this may be supported by resources of the ESF regarded as a financial arm of the Lisbon Strategy designed to reinforce innovations in Europe. In the programming period 2007-2013 the ESF provides financial means to strengthen the institutional capacity and efficiency of public administration, public employment services and its cooperation between the public and non-governmental stakeholders in the field of social issues. Usage of the ESF funds is not always unproblematic and the efficiency of many projects is doubtful. This fact does not, in any way, change the conclusion that the ESF could be a very useful instrument to support social innovations in the public sector.
References


