

SOCIAL INNOVATION AND LOCAL/REGIONAL DEVELOPMENT

BACKGROUND

The global knowledge-based economy has negative impacts for people with low skills. Indeed, to remain competitive, Europe needs to specialise its competitive edge – and therefore some of its production tools – in stronger value-added (services, RTD, etc.) or less labour-intensive industries.

As a result, there will be ever fewer openings in lower-skilled or less knowledge-intensive positions.

In addition, Europe's ageing population will generate new concerns arising both from the requirement of longer professional careers (lifelong learning and training) and from society as a whole (new needs).

These realisations mean that the onus is on public authorities to invest in social innovation as much as they already plead for investment in technological innovation.

I. CHALLENGES

1.1 The Stakes for Youth and Unskilled Labour

Under triple pressure from (i) a denial of academic failure resulting in naïve educational policies; (ii) the need to address the abdication of educational roles among families (in areas including healthy lifestyles, obesity, road safety, dental hygiene, sexuality, citizenship education, awareness of sustainable development, thematic days, prevention of major risks); and, (iii) the cultural mix among the general population – and even possibly (iv) a rejection of excellence –, educational systems are no longer able to perform their primary function, which is to adequately teach children their mother tongue, mathematics and science as the basic competences needed to meet the skills requirements of companies competing on a global market. Can education and training systems tailor their provision to meet new skills requirements and possibly promote entrepreneurship and creativeness as demands of the global cognitive economy?

Vulnerable, unemployed people are facing a labour market that is either contracting (due to a higher incidence of business closures) or increasingly competitive (i.e. with ever fewer low-skilled jobs). According to INSEE (F), the share of low-skilled labour in total employment dropped from 28% in 1982 to 26% in 1990 to 23.5% in 2002. According to Brussels statistics, 65% of the city's students drop out of school with only a lower secondary education school-leaving certificate (equivalent to BAC -3). Consequently, unemployment runs high (33% among 18-24 year-olds) because of the gap between job offer and demand. Can non-academic training systems turn long-term unemployed workers and young school drop-outs into skilled job seekers?

There is a growing discrepancy between teenagers' skills training choices – and possibly the competences of recent migrant labour – and present job offers and future skills requirements among businesses.

Highly centralised education and vocational training policy decisions do not allow sufficient flexibility to tailor provision to the specific needs of regional labour markets.

In conclusion, one of the main challenges facing the economy of the 21st century will be to help a growing share of the population avoid the risk of being sucked into a multi-faceted downward spiral originating in four divides:

- Economic (lack of access to the labour market);
- Social (growing poverty);
- Educational (school drop outs); and
- Cognitive (lack of access to knowledge);

that are mutually reinforcing and contributing to these people being excluded in a variety of ways.

A paper entitled "Tough Choices" on a study of the National Centre on Education and the Economy published in the International Herald Tribune (14 December 2006) asks: "(...) *Why should any employer anywhere in the world pay Americans to do highly skilled work – if other people, just as well educated, are available in less developed countries for half US wages ? (...)*

(...) In a globally integrated economy, American workers will get a premium only if they or their firms offer a uniquely innovative product or service, which demands a skilled and creative labor force to conceive, design, market and manufacture and a labour force that is constantly able to keep learning (...).

(...) That means revamping an education system designed in the 1990s for people to do "routine work" and refocusing it on producing people who can imagine things that have never been available before, who can create ingenious marketing and sales campaigns, write books, build furniture, make movies and design software" that will captive people's imaginations and become indispensable for millions".

If these findings are correct, how large a share of the population is capable of achieving this level of skills and what are the options for the rest?

1.2 Ageing

A dichotomy is in evidence between public policies aiming to keep older workers longer in employment and the coexisting shortage of jobs available for young people – and the winding up of companies no longer able to compete in a global economy. Furthermore, while there is merit in recognising the expertise of older workers (in the 60+ age group), there is a corresponding need to admit that creation of knowledge and faster technological change often mean faster obsolescence of their experience in light of the new challenges facing the creation of added value. Therefore, an ageing population raises the issues of in-service training and of the transmission of knowledge and know-how.

Furthermore, this demographic trend raises issues in terms of both the long-term sustainability of social security systems and emerging demand for products and services specifically addressing provision for this population group.

In conclusion, an ageing population may represent an employment opportunity both in the services industry and on the labour market.

II. WEAKNESSES IN CURRENT POLICIES

The main weaknesses of present employment policies include the following:

- The duration of employment periods mandated under most workfare programmes is short. This results both in a lack of user motivation and in employers inadequately leveraging the creative potential of beneficiaries.
- Excessive variety in so-called social (re)integration schemes generally aiming to curb unemployment statistics rather than reckon with future population trends.
- Responses take the form of skills provision rather than an analysis of business requirements and individual ability-driven evaluations.
- A gap between corporate social responsibility expectations and actual business aims, which are profit and growth as the only ways of securing long-term survival.
- Inadequate differentials between minimum transfer welfare payments and minimum wages.
- Absence of labour market flexibility. Social or cultural protection levels governing fixed-term contracts paralyse the labour market and create an obstacle to labour market access for new (i.e. young) workers, particularly in the context of an absence of net job generation. Worth noting in this respect is that youth unemployment is not as much of an issue in the US as it is in Europe.
- Increasing cost of access to education and training excellence.
- Contradiction between policies aiming to solve the issues of ageing (mandatory lengthening of occupational careers and the cost of existing pension systems), unemployment (bottlenecks in a stagnating market, benefits) and immigration (inflow of labour – some of which is unskilled – in a context of high unemployment among similarly unqualified domestic labour).
- Weak investment in basic and vocational – and possibly academic – training. Owing to heavily segmented public spending – including in the field of knowledge, where different levels of education (primary, secondary, tertiary and vocational) are funded from separate budgets – and the absence of a long-term vision recognising the importance of knowledge, public authorities have yet to measure the full extent of the long-term leverage provided by investment in education. It is apparent that the concept of opportunity costs is absent from investment or divestment decisions in the field of education.
- Insufficient integration of the “human capital” dimension in regional development policies.
- Absence of foresighting when it comes to the opportunities and threats arising from an ageing population and its impact on migration streams.

III. NEW PARADIGMS

Europe can only be restored to higher levels of economic growth provided that there is a substantial reduction in the number of inadequately skilled individuals or a sizeable increase in those who gain access to effective lifelong education and training systems. Indeed, low levels of training will increasingly become a handicap in the face of a globalised economy and resulting technological change.

US futurologist J. Naisbitt provides the following vision of the stakes of education for the competitiveness of nations in future:

Of course, massive offshore outsourcing of manufacturing jobs has been going on for decades. What is beginning to happen now is offshoring of talent at much higher levels to obtain skills and knowledge of much greater diversity. (...) Now companies can and will seek to bring together the best skills from around the globe. Not, let's get the best team of engineers in all of the United States for our project, but, let's get the best team of engineers in the world. (...)

The answer for everybody regarding this extraordinary development is better education and training. (...) The United States has a big lead in the increasingly competitive global economy, but it could lose it if it doesn't become serious about its basic school system. For years the quality of its graduates has been going down, and as in the US steel industry, the subsidies keep going up as the product declines. Elementary and secondary education in the United States is a declining industry, its products performing less and less well. It is a monopoly, propped up by subsidies, protected by strong unions, and with poor management with no real accountability. The situation is sufficiently dire that I am left only with the hope that it will be privatized and that competition will work its corrective magic. The reason the US higher education is the best in the world is because it is a competitive system.

(...) If you want to be a player in the global economy, your number-one economic priority must be education, as an individual or a country. (...)¹

Ageing creates job opportunities that are worth exploring, notably in industries including healthcare and health technologies, wellness, leisure (accommodation, food, physical exertion and cultural activities), vocational training.

As the economy globalises, answers to issues relating to individuals will increasingly need to be local and tailored to specific needs, thereby requiring growing levels of social innovation.

¹ John Naisbitt, *Mind Set ! Reset Your Thinking and See the Future*, 2006, pp. 177 & 178

IV. STATISTICS

Presented overleaf are some 2005 national and regional EU25 unemployment statistics taken from the Eurostat 15/2006 report (2006).

Country	Sample population	Total	Youth (14-25)	Youth over total
B	National	9.0	21.5	2.4
	Brussels	16.3	35.1	2.2
	Flanders	5.4	14.2	2.6
	Wallonia	11.8	31.8	2.7
DK	National	4.8	8.6	1.8
D	National	11.2	15.5	1.4
	Baden-Württemberg	7.1	11.1	1.6
	Bayern	7.1	11.6	1.6
	Berlin	19.4	23.8	1.2
E	National	9.2	19.7	2.1
	Cataluña	7.2	15.9	2.3
	Madrid	6.8	16.5	2.4
	Basque Country	7.3	19.1	2.6
F	National	9.5	22.3	2.3
	Ile-de-France	9.5	20.4	2.1
	Rhône-Alpes	8.4	18.6	2.2
	Lorraine	10.2	23.8	2.3
	Nord-Pas de Calais	13.2	29.8	2.3
I	National	7.7	24.0	3.1
	Lombardy	4.1	13.0	3.2
UK	National	9.0	12.8	1.4
	London	6.9	19.7	2.9
	East Anglia	4.1	10.7	2.6
	Scotland	5.3	13.1	2.5
FIN	National	8.4	20.1	2.4
S	National	7.5	21.9	2.9

Worth noting in the French concept is that according to the *Centre d'Analyse Stratégique*² (Centre for Strategic Analysis), up-and-coming professions by 2015 will be in the services industry and in particular personal services (+400,000 jobs), healthcare and social welfare (+300,000), transport and logistics (+227,000), administration (+197,000) and trade/sales (+194,000). Conversely, the number of low-skilled blue- and white-collar jobs will shrink by 41,000 and 84,000 respectively.

² *Les Echos*, 02 January 2007.

V. POSSIBLE SOLUTIONS: SOCIAL INNOVATION

5.1 Definition

Social innovation can be defined as the development of innovative activities (products and services) out of a realisation of the need to provide for specific groups who are sidelined by market economy and labour market trends. It differs from economic innovation in that its aim is not necessarily to maximise profit.

However, social innovation needs over time to reduce the cost – imposed on public authorities (at national, regional, local and other levels of government) – of providing for those in society whom the global economy leaves behind by making available to them occupational and personal development opportunities.

This being said, this trend also raises the issue of solvency on the demand side. Indeed, either the welfare state will implode or public deficits will sky-rocket to such an extent that there will be no choice but to cut social spending or privatise an ever-larger share of existing public products and services.

5.2 Defining the Experimental Field of Social Innovation

Intuitively, there are a number of areas in which development is possible in the field of social innovation, including:

- ✓ Workfare;
- ✓ Constant knowledge production;
- ✓ Supporting entrepreneurship;
- ✓ Social innovation policy development reviews through territorial mapping (GIS);
- ✓ Ageing;
- ✓ In-service or re-qualification vocational training;
- ✓ Migration streams management;
- ✓ Transition from teenage to adulthood;
- ✓ Lack of symmetry between economic growth, job creation, the pursuit of happiness, downsizing of the welfare state;
- ✓ Sustainable development.

5.3 The Role of RDAs

In the past, RDAs have been closely associated first with efforts to convert the economy of declining industrial areas and later – as least in some regions – as drivers of entrepreneurship and technological innovation. Having acquired expertise in these areas, would it not be legitimate for them to become involved with social innovation?

Correspondingly, are RDAs able in the near future to (i) initiate strategic thinking about the resources needed to secure the future of their geographical area of competence; and (ii) develop a range of socially innovative products and services as they did with the market economy in mind?

5.4 Tools

Below is a non-exhaustive list of social innovations:

- ✓ Social incubators;
- ✓ Micro-credits and loans for unemployed people / potential business developers;
- ✓ « Wellness » clustering;
- ✓ Second-chance schooling;
- ✓ Mentoring to upgraded capabilities to apply for jobs;
- ✓ Digital inclusions;
- ✓ Geographical mobility;
- ✓ Urban regeneration through social mix;
- ✓ Social enterprises.