

## SUMMARY OF CRISES MONTREAL PAPER

### Overlooking 1970s and 1980s Innovative Structures Empirical Background

Neglect of and misunderstanding about origins and antecedents from the 1970s onwards has not only miscast the role of social enterprise and third sector organisations but also undermined their socially innovative role, especially in the UK. Many current academic contributions on social innovation overlook the emergence of innovative third sector structures during the 1970s and 1980s, throughout the voluntary and community sector. Many have been more recently “colonised” during academic discourses which promotes their conversion into vehicles for low cost public service delivery.

### Little Understanding of Social Innovation Required

Many earlier third sector organisations, including worker cooperatives, community enterprises and local regeneration structures were essentially socially innovative in the face of massive job losses through large scale deindustrialisation. Cripps provides a context and background to third sector structures’ social innovation, “By the end of 1980, the UK’s total output of manufactures had fallen back to the level achieved in 1967 and the volume of production of many individual industries was back to the 1950s. Employment in most was back to the level of the 1940s and some to levels not experienced since before the Second World War” (Cripps 1981). Confronted with this scale of problems, many local community structures had no alternative but to be innovative.

Hudson summarises job losses over a longer period (Hudson, 2010) “In particular, there has been a dramatic process of deindustrialisation with UK employment in manufacturing decreasing from 7,053,000 in 1979 to 2,730 000 in 2009”. Despite the 1967 devaluation of Sterling as a Reserve Currency (Godley, May 1977), the collapse of manufacturing (Rowthorn and Ramaswamy, 1997) the need to reduce public expenditure (Robinson and Wilkinson, 1977), the collapse of the Keynesian welfare state and the onset of a ‘Schumpeterian Workfare Postnational Regime (Jessop, 2002) also presented a context of for the introduction of Urban Policy.

It appears difficult to many contributors to realise the scale of the change from the pre 1970 Golden Age (Lipietz et al., 1990) with its tide of deindustrialisation and job losses that resulted. Lipietz (Lipietz, 1997, p. 4) summarises that the “1980s did not favour those who made the most consistent efforts towards flexibilisation”, since these countries “suffered simultaneous deindustrialization and a deepening deficit in the balance of payments for manufactured goods”.

### Different Interpretations

Moulaert and Ailenie provide a good definition of social innovation which provides a basis for distinguishing between French and Anglo Saxon approaches. (Moulaert and Ailenie, 2005, p. 2037)

*“Social innovation in the economy is mainly about the (re)introduction of social justice into production and allocation systems. Although current literature on the social economy addresses the challenge of bringing social justice values back into the economy— for example, by combating social exclusion, fostering development in particularly deprived localities and reinventing solidarity in production relations—it says little, and that inadequately, on the analytical questions arising from current social economy practice”*

Godin and Benoit also describe differences between Anglo Saxon and French approach (Godin, Benoit, 2012, p. 40) "To many writers, in France but also elsewhere, the concept is placed within a left-wing ideology, either explicitly or implicitly. Social innovation privileges the non-institutional, the 'alternative' and the 'marginal'.

The UK academic agenda is dominated by the EMES (Emergence of Social Enterprise) focus on a narrow marketised part of the social economy, much of which is not conducive to social innovation. Social enterprise is defined in market and business terms so that it represents only a portion of the wider social enterprise community (Fecher and Levesque, 2015, p. 184). Their analysis shows the European Union has move in the same direction:

*"The conceptualizations of academics limit themselves here to the comparison of the social economy advanced by CIRIEC (Chaves and Monzon) with the social enterprise' proposed by the research network EMES (Borzaga, Defourny and Nyssens)..... According to the proposed analysis, the conceptualizations of the European Union and its various bodies will tend in the direction of the social enterprise rather than that of the social economy, even if these conceptualizations are considered evolutive"*

De Cuyper et al complain that EU (and UK ) definitions are dominated by the narrower view offered by EMES (De Cuyper et al., 2015, p. 273)

*"EMES-researchers use the term 'social enterprises' (Borzaga and Defourny 2001, Defourny and Nyssens 2010, 2013) to refer to 'those organizations that are at the crossroads of market, public policy and civil society' (Nyssens 2006). According to Monzon and Chaves (2012) it refers to the market sub-sector of the social economy".*

They also complain that this has hindered the development of the social economy in Flanders (De Cuyper et al., 2015, p. 268) "a restricted view on the social economy coupled with a silo-approach in the development of supportive policy measures is still hindering the development of the field..."

### **Social Innovation Marginalised by Marketisation**

Though not frequently recorded, there were considerable numbers of local organisations practising social innovation in the 1970s and 1980s (Knight and Hayes, 1982, p. 10)

*"The community work service of the London Voluntary Service Council knew of 31 similar voluntary sector projects in London in December 1980. The Greater London Council located some 50 producer cooperatives in Londo....the London Voluntary Service Council conducted a postal survey of employment projects in London in the summer of 1981 and found 130".*

And though, as shown later, barely recognised in Government policy, many of these projects were beginning to deliver results (Knight and Hayes, 1982, p. 101): "the projects in our sample are tangible examples of a new order. Some people are making connections between social and economic and community goals. They are trying to make capital work for people instead of people work for capital"

Richardson also describes what was taking shape (Richardson, 1986, p. 81) “Paul Hodson from the Urban Unit of the National Council for Voluntary Organisations (NCVO). ..... estimated that there were presently about 4,500 different voluntary groups receiving some £78mn in Urban Programme (UP) funding. As well as providing a major source of income the UP was seen to have given the VS an opportunity to influence local government policy making.

In a wide ranging survey of structures across the UK, Gostyn et al (Gostyn, Hudson et al. 1981) described “established community/voluntary organisations establishing commercial subsidiaries, generally take the form of companies limited by guarantee or companies which are limited by shares, with the shares wholly owned by the host organisation”. Before further local authority funding in the 1980s, most of these socially innovative emerging structures across the UK, were supported by the Calouste Gulbenkian Foundation (Thomas 1996, Hewison, Holden 2006) to become established in local communities.

Bennington gives a description of other emerging socially innovative community structures (Bennington, 1986, p. 16) “centres against unemployment, women's employment projects, industry-wide campaigns against closures, trade union and community resource centres, welfare rights campaigns and training projects for young people, women and ethnic minorities”

### **No UK Concept of the Social Economy**

There is a long French History of the social economy, including Dunoyer (1830), August Ott “Traite d'economie sociale” (1851), Charles Gide and Leon Walras 1896. (Moulaert and Ailenei, 2005, p. 2040). “The social economy ... could be defined in the strict sense: the study of all efforts made to improve the condition of the people (Gide, 1912, p. 10)”. Moulaert and Ailenei continue (Moulaert and Ailenei, 2005, p. 2042)

*“According to the approach used by Levesque et al. (1999), there exists a ‘third sector’, different from the traditional public ‘general interest serving’ and the private market sectors, that combines: formal and informal elements at the level of organisation (market, state, volunteering, self-help and the domestic economy), market and nonmarket-oriented production and valorisation of goods and services, monetary and non-monetary resources at the level of funding”*

There is a significant difference in the history of the Regulation Approach in France. While in 1981, Aglietta, Boyer, Coriat and Lipietz became advisers to a Union to la Gauche Government in France, in 1983 a Labour Government with a similar manifesto (Labour Party, 2003) was heavily defeated. While the Mitterand Government “pursued old-style Keynesianism in one country (a return to an already exhausted mode of regulation), together with a more productivist restructuring programme to make French industry more competitive, based on technological modernisation” (Jessop, 1997, p. 509), overwhelmed by Reagan and Thatcher, the UK Labour Party then headed in the direction of “market socialism” (LeGrand and Estrin, 1989).

Lipietz is clear on the composition of the “third system) of (Lipietz et al., 1996, p. 141) “intermediate agencies of socially useful work”

As later Regulationists, Moulaert and Ailenei also describe this (Moulaert and Ailenei, 2005, p. 2041) “In the 1970s, the initiatives in the field of social economy were, on the one hand, reactions to the crisis of the mass-production system and, on the other hand, responses to the overburdening welfare state”.

They refer to “the goal was to establish a collective well-being and recreate social bonds between the people within their communities” (Lipietz, 2003) and the need to “seek solutions for the crisis of employment by the creation of enterprises d’insertion and of worker-owned co-operatives” (Mellor et al., 1988).

Jessop described this approach “This theoretical agenda found its political expression in an alternative economic strategy for France that could be pursued by a relatively autonomous state in order to promote a new class compromise and new structural forms and norms of production and consumption appropriate to the new economic circumstances” (Jessop, 1995, p. 504)

Mayer later describes (Mayer, 2003, p. 124) “third sector and social economy programmes that aim to compensate for the simultaneous fragmentation of the traditional structures of market and state”. Pierson (Pierson, 1996, p. 151) describes how “maturing social programs develop new bases of organized support that have substantial autonomy from the labour movement.”

### **Gradual Marketisation and Subordination to the State**

The UK has witnessed many of the socially innovative organisations above brought to the market or become servants of the state. “The project of navigating the social becomes entirely one of discerning, affording, and procuring a personal solution to every socially produced problem” (Brown, 2006, p.704)

Brenner and Theodore provide more context for this introduction of neoliberalism and its transition from Reagan and Thatcher to Clinton, Shroeder and Blair (Brenner and Theodore, 2002, p. 359) “The transition from the orthodox, radically antistatist neoliberalisms of Reagan and Thatcher in the 1980s to the more socially moderate neoliberalisms of Blair, Clinton, and Schröder during the 1990s.”

Though some literature contributions describe the 1980s difficulties of third sector organisations under the top down and centralised approach of City Challenge and Single Regeneration Budget Challenge Funds (Foley, Hutchinson et al. 1998, Fordham, Hutchinson et al. 1999), Fordham and others recognised that these would not succeed without active community involvement (Fordham 1993).

For the wider voluntary sector, the Wolfenden Committee on the Future of Voluntary Organisations in 1977 reported on a substantial number of voluntary and community structures: Brandsen et al (Brandsen, Kendall et al. May 2008) describe Wolfenden’s Report as “a turning point in a number of senses”, including its “justification for strengthening a horizontal policy architecture centred on the idea of ‘intermediary bodies’ at the local and national levels”. All this meant that third sector organisations were not only becoming policy drivers, but agents of Government policy. Rochester reports (Rochester, 2013, p. 49) that as early in the process as 1981, a working party on ‘Improving Effectiveness in Voluntary Organisation’, set up by NCVO and chaired by the management ‘guru’ Charles Handy, pointed to the need for the sector to embrace the management practices of business and led to the establishment by NCVO of a Management Development Unit (National Council for Voluntary Organisations, 1981).

All this meant that despite a large number of local institutions, third sector capacity for social innovation was already becoming limited. By 1993, though public service delivery by these structures was not yet commonplace, Knight in the comprehensive Centris Report was already describing a “first and third force”: “It acts philanthropically on sub-contract from the state. It is organised through not-for-profit companies that must conform to agreed criteria of operation...” (Knight 1993). McLaughlin (McLaughlin 2004) later suggested that the Centris Report foretold of a ‘third force’ of voluntary organisations which would make a “Faustian Pact” with the state as financier.

The UK approach gradually led to the marketised approach described above. Thatcher and Major Governments built on this “first force”. Ross and Osborne (Ross, Osborne 1999) describe a “new public management agenda” (Hood 1991, Ferlie et al 1996), with its (p51) “ability to introduce service providers, especially the VCO sector, to the discipline of the market” (Mackintosh,1992).

Before the advent of New Labour in 1997, because Thatcher and Major Conservative Governments were wary of further involvement in the voluntary sector, the National Council of Voluntary Organisations itself took the initiative to set up a Commission on the Future of the Voluntary Sector under Nicholas Deakin (Deakin 1996). The Commission’s key recommendation was a Concordat between the voluntary and community sector and Government, which later formed a basis for New Labour’s channelling increased funding into the sector “by recommending that partnership could actually be operationalised through a Concordat between the third sector and the state” (Kendall, Knapp 1995). New Labour built on this.

Lewis describes these processes, with the state driving the third sector into delivery of public services with a gradual reduction of state funding and voluntary sector participation. (Lewis, 1999, p. 10) “Voluntary organisations may be in the process of becoming alternative, rather than supplementary or complementary, providers of welfare, but in a situation in which the state determines the conditions of provision without taking responsibility”

This “mobilisation” is also described by Peck and Tickell (Peck and Tickell, 2002a, p. 388) “..the neoliberal project itself gradually metamorphosed into more socially interventionist and ameliorative forms, epitomized by the Third-Way contortions of the Clinton and Blair administrations”

Jessop identifies (Jessop, 2002, p. 460) “growing reliance on partnership, networks, consultation, negotiation, and other forms of reflexive self-organization, rather than on the combination of anarchic market forces and top-down planning associated with the postwar “mixed economy”

Any third sector capacity for social innovation was rapidly disappearing. By 2000 the social economy as described by Leveque et al (Levesque, Benoît et al., 1999) that “combines: formal and informal elements at the level of organisation (market, state, volunteering, self-help and the domestic economy), market and nonmarket-oriented production and valorisation of goods and services, monetary and non-monetary resources at the level of funding” (Moulaert and Ailenei, 2005, p. 2042) was already disappearing

The situation described by Fecher and Levesque had already come to pass, with the wider social economy losing its relevance (Fecher and Levesque, 2015, p. 180) “the ways and means of State financing have changed radically: for one thing contracts are now tending to replace subsidies; for another, the financing of inputs (of supply) is yielding to financing of the output (of demand)”

Fuller and Geddes are dismissive of Labour’s “localisation” of the state (Fuller and Geddes, 2008, p. 275): “The contradiction of roll-out neoliberalism lies, therefore, in its subordination of the “social” to the market”. Most capacity for social innovation had all but disappeared.

Social enterprise and third sector structures now provide platforms for the implementation of “roll out neoliberalism”, especially during the 1997 New Labour administration (Peck and Tickell, 2002b). By the time of the Department of Trade and Industry’s social enterprise definition as “a business” in 2002 (Department of Trade and Industry 2002) much third sector territory had been completely transformed. This process was completed by the Treasury’s Cross Cutting Review (HM Treasury, 2002). Osborne and McLaughlin argue (Osborne and McLaughlin, 2004, p. 580) that the Review “encapsulates a future for a targeted part of the VCO (Voluntary and Community Organisation) sector as a professionalized and modernized service delivery agent for local public services, within a new agenda for the government of selective engagement with these targeted VCOs”.

Amin, Cameron and Hudson provide a good description of the result (Amin et al., 1999, p. 2044) “Without changes in the structure of current funding arrangements or the opening up of private investment to permit the development of longer term planning and the accumulation of community-owned capital, however, the social economy offers few prospects for becoming economically independent of the state”.

### Academia and Social Innovation

Social innovation has become relegated to an academic construct. The role for universities is highlighted by in the Report by Oxford Said Business School (Mulgan et al., 2007, p. 31) “through the employment of heads of social innovation and social transfer, running social laboratories or incubators to connect users and innovators, or setting up ‘social science parks’.”

Social Innovation has also been reinvented as a way of saving failing public service delivery. In Italy, Ferragina and Grisolia complain that this is inadequate to salvage a failing healthcare system (Ferragina and Grisolia, 2015, p. 9). They continue (Ferragina and Grisolia, 2015, p. 9) “social innovation might soon reveal itself as a convenient buzzword, an eclectic concept to dissimulate political choices, legitimated by the doctrine of budgetary constraints”

Fougere, Martin et al restate basic problem for social innovation (Fougere, Martin et al., 2017, p. 2)

*“it is tempting to see Social Innovation policy discourse not so much as ‘an ideological reaction against an economic and technologist view of socioeconomic and socio-political development’ (Moulaert et al., 2013: 14–15) but rather as a discourse that is largely in line with contemporary neoliberal hegemony (see, for example, Peck and Tickell, 2002)”.*

### Social Innovation has become First Aid

Berkhout gives a description of how social innovation now works in practice (Berkhout, Remko, 2014) “And so the social innovation community gets busy devising ingenious volunteering schemes in hospitals and facilitating communities to re-organize their depleted assets”. Scaling up is the problem (Berkhout, Remko, 2014) He continues “little deep digging is happening in the social innovation world to get at the underlying factors that perpetuate inequality and plunder the planet”.

### Conclusion

Unless there is a recognition that, especially in the UK most social enterprises and third sector organisations were not formed to operate in a fully marketised economy as public service deliverers, any role in social innovation will be severely limited.

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