

**Exploring the multi-  
level governance of  
welfare provision and  
social innovation:  
welfare mix, welfare  
models and rescaling**

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# 1 ABSTRACT

This paper is concerned with the spatial and institutional conditions under which localized forms of social innovation can complement and strengthen existing institutionalized welfare programs and schemes. It aims to identify relevant concepts to analytically frame socially innovative policies within the changing institutional context of welfare state policies. In order to do so, we explore several complementary bodies of literature: the literature on welfare state models and welfare mix and the literature on multi-level governance and state rescaling. The paper starts with a brief account of the emergence, evolution and classification of the European welfare states and then goes on to problematize two aspects of contemporary thinking about the welfare state in its various forms, namely methodological nationalism and state-centrism. It does so by analysing the Europeanisation of social policy, the localization of the welfare state and the changing welfare mix. The main part of the paper addresses these two shortcomings. Methodological nationalism is addressed through the literature on state spatial restructuring and multi-level governance, while state-centrism is challenged by discussing the literature on welfare mix and by unpacking the concept of governance in its multiple dimensions. At the end of this part we list the main insights and concepts derived from the literature on state rescaling and multi-level governance that help to shed light on the relationship between local social innovation and the welfare state. In the conclusion to this paper, we connect all this to social innovation and explore how variations in territorial organisation, mode of governance and welfare regimes could correspond to variations in the openness to and capacity of social innovation.

**Keywords:** multi-level governance, welfare state, social innovation, welfare mix, welfare regimes, rescaling

## 2 INTRODUCTION

In a previous paper (ImPROVE Deliverable 4.1), we surveyed the literature on localized socially innovative policies and actions aimed at overcoming poverty and social exclusion. We showed 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, particularly in post-industrial urban neighbourhoods, and the transition from the Fordist to the knowledge based economy. We proposed 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 multi-level institutions of the welfare state on the other hand. An important aspect of this relationship is the dialectical interplay between central state institutions on the one hand and civil society associations, market actors and local public institutions on the other hand. Since we are interested in the conditions under which localized forms of social innovation can complement and strengthen existing institutionalized welfare programs and schemes, this paper is mainly concerned with the spatial and institutional dimension of this relationship. We aim to identify relevant concepts to analytically frame socially innovative policies within the changing institutional context of welfare state policies.

We have previously defined social innovation in the field of poverty reduction as 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 institutionalized welfare policies through processes of social learning, collective action and awareness raising. For the purpose of this paper, three dimensions of this definition of social innovation are important. Firstly, social innovation is about types of action, intervention or policy that are new in a particular institutional context. This implies an in depth knowledge of the institutional context under analysis. This aspect will be explored in this paper through a particular focus on the institutionalist literature. Secondly, social innovation is characterized by the involvement of civil society, social entrepreneurs and/or local governments. This follows from the reference to the absence of an adequate solution to particular forms and dimensions of poverty and social exclusion in the market or institutionalized welfare state policies. We will explore this aspect of social innovation through the literature on governance and welfare mix, which focuses on the multiplicity of actors involved in and instruments mobilized for the steering of society and the economy. All this does not preclude the involvement of profit-oriented market actors neither of supra-local state institutions, but does imply a redefinition of the roles played by each of these actors. Thirdly, social innovation has a strong bottom-up character and tends to be close to the everyday life context of citizens. However, in order to satisfy social needs, it needs to forge linkages to institutions and mechanisms of need satisfaction that operate at supra-local spatial scales. This aspect of social innovation is explored through the literature on multi-level governance and state rescaling.

As we will argue below, the emergence of socially innovative initiatives and projects in the spatial and institutional margins of the welfare state is paralleled with (and sometimes even leads to) a redefinition of the roles of market, state and civil society within the context of welfare regimes and its territorial re-organization. It is here, in the shift to the multi-scalar governance of welfare and the redefinition of the welfare mix that an analytical and empirical connection between social innovation and the welfare state can be identified and studied. As welfare regimes vary across space and time, it is important to pay sufficient attention to the variation in welfare regimes when analyzing how socially innovative actions and policies can be aligned with institutionalized welfare state policies on various spatial scales in mutually supportive ways. We expect that social innovation will be

differentially enabled and facilitated by different welfare models. Special attention will be paid here to the territorial organization, mode of governance and relationship between the state, civil society and the market in these different welfare regimes. We will do this by surveying the literature on welfare models.

This paper starts from the observation that the emergence of new social needs and risks called for changes of welfare actions and policies in the actors, instruments and spatial scales involved, which triggered socially innovative responses. Attempts to connect these responses to a rethinking and reconfiguration of the welfare state meet with a number of governance challenges. This paper surveys the literature on welfare mix, welfare models, rescaling and multi-level governance by way of preparing the analytical ground for the identification and formulation of the main governance challenges faced by local forms of social innovation.

The paper is divided into four parts. In the first part, we focus on the literature on the welfare state. After a brief account of the emergence, evolution and classification of the European welfare states, we argue that it suffers from two major shortcomings: (a) methodological nationalism and (b) state-centrism. In the second part, the problem of methodological nationalism will be dealt with through the literature on state spatial restructuring and multi-level governance. In the third part, the problem of state-centrism will be tackled by the literature on welfare mix and by unpacking the concept of governance in its multiple dimensions. In a fourth and concluding chapter, we relate all this to social innovation. We explore how variations in territorial organisation, mode of governance and welfare regimes could correspond to variations in the openness to and capacity of social innovation.

### **3 CHANGING WELFARE REGIMES IN EUROPE**

This part is focused on welfare regimes. We start with a brief account of the emergence of national welfare states and discuss its varieties by giving an overview of the different welfare regimes identified in the literature on welfare models. We then consider two areas in which our thinking on welfare regimes has to be revisited and improved, namely methodological nationalism and state centrism. It is against this background, that, in the third and fourth part of the paper, we will discuss the main findings and concepts in the literature on ‘multi-level’ governance and state ‘rescaling’ and ‘governance’ and ‘welfare mix’ and connect these to social innovation and welfare policies.

#### **3.1 THE EMERGENCE OF THE NATIONAL WELFARE STATE AND ITS VARIETIES**

Welfare states are democratic capitalist societies that are characterized by social citizenship and legally guaranteed welfare provisions. In welfare states, the state takes up an important role in welfare provision, next to the family, the market and/or civil society. They have emerged over the last 200 years out of diverse social and political struggles, promoted by multiple social movements and a broad range of philosophical backgrounds (Martinelli 2010). Given our interest in the relationship between social innovation and the welfare state, we are particularly interested in how the role of civil society in welfare states has changed over time. Up to the 19<sup>th</sup> century, welfare was primarily organized as place-based social assistance and mainly by means of charity. The relief of poverty has always been a core duty of Christianity. Nonetheless, already the ‘Elizabethan Act for the Relief of the Poor’ in 1601 established a national system – even if administered by parishes and despite the differentiation between the ‘deserving’ and ‘undeserving’ poor – to tackle the severest forms of poverty of children, the disabled and unemployed. Later, also the Prussian ‘Landrecht’ from 1794 established a patriarchal responsibility of the state for the poor, although its implementation was delegated to communities.

Only in the course of the 19<sup>th</sup> and early 20<sup>th</sup> century, in a societal dynamic of rapid urbanization, industrialization and the philanthropy of the French and American revolutions, the local state as well as national bodies eventually took on more and more responsibility for the welfare of its subjects (see Kuhnle and Sander 2010: 61-80). This was a response to increasing pressure from below as the new consciousness for the public responsibility for welfare did not necessarily originate in the public administrations. From the 19<sup>th</sup> century onwards, four main philosophical traditions contributed to an emerging welfare system: “1) liberal-bourgeois philanthropy and reformism; 2) church-initiated charity initiatives; 3) utopian, mutual aid and co-operative experiences; 4) workers’ movements” (Martinelli 2010). These different movements had a clear political dimension, either accommodating the existing order or challenging it. For instance, “Mid-Victorian Britain had a widely flourishing culture of popular ‘social science’, operating through the medium of national and local sociological and statistical associations, which carried out extensive enquiries into questions such as health, housing, crime, prostitution and the condition of the poor. [...] Their social vision was dominated by the belief that middle-class progress could be universalized” (Harris 1996: 54). While in the second half of the 19<sup>th</sup> century social science skills became increasingly professionalized (e.g. at universities), charity, civic, church and socialist organizations remained key actors in researching misery and providing welfare (ibid.).

Germany is a special case, as the workers movement was especially strong and revolutionary. Bismarck opted for an interesting mixture of repression and cooptation, by prohibiting the Social democratic party and at the same time implementing profound social reforms. At the beginning, in Germany welfare state and authoritarianism went hand in hand. Municipal *Armenfürsorge* developed into a means-tested, subsidiary public assistance for the needy to complement Bismarck’s social security legislation for industrial workers of the 1880s. At the end of World War I, given revolutionary tensions, the workers movement obtained substantial democratic and social rights in many European countries (Frankenberg 1996: 82-85). Some of these rights, such as vacation, job protection, public pension schemes and industrial co-management date from this revolutionary situation and have remained cornerstones of the welfare state until today. However even in contexts where the welfare of industrial workers was organized nationally at a relatively early stage in the process of industrialization, the precursors of social insurance bodies were found in organizations of educated and politicized workers that resembled guilds and corporations of the Middle Ages and served as places for political discussion and the organization of pressure on employers. When Bismarck wanted to strengthen state influence on the insurance bodies, he was opposed by social partners who defended their autonomy (Palier 2010: 602-604).

Therefore, while civil society - especially the church, charity organisations and self-help cooperatives and trade unions - was a key provider of welfare until the 20<sup>th</sup> century, the nation state assumed a central role thereafter in universalizing and de-ideologizing welfare provision. Even the Nazis based their legitimization on the promise of a well-working national welfare state and generalized consumption norms. However, it was only after World War II and in line with Keynesian welfare capitalism that welfare states were nationally homogenized. They emerged as democratic and social success stories in a specific historical conjuncture. In Western Europe, the cold war and an anti-Fascist consensus led to an inclusive national state project based on strategies of full employment and social security. To understand why this happened, we need to look to the ideational roots and social background of welfare state development. Pierson and Leimgruber (2010) show that welfare state development met with new ideas about citizenship, bureaucratic and state organization, human flourishing, poverty and deprivation as well as democratic governance and social justice against a background of rapid societal change and the emergence of the modern nation state. After WWII it were primarily the imperatives of post-war reconstruction, the management capacities suggested by Keynesianism and the general – and relatively uncontested belief between centre-left and centre-right – that life chances and income should not be too unequal and that the logic of



citizenship should dominate the logic of charity. In the case of the Bismarckian system, the introduction of social insurance was a top-down decision prepared by the German chancellor to build worker loyalty towards the imperial regime, to contribute to nation-building and to weaken an oppositional labour movement. Despite its conservative origin, it meant a radical break with liberalism, as it introduced a mandatory insurance system. In contrast, parliamentary democracies usually introduced social security later, but with higher levels of coverage and adequacy of protection (Kuhnle and Sander 2010: 65-67). What we learn from this brief overview of the history of the welfare state is that the initial role of local governments and civil society in providing welfare under industrial capitalism has gradually been overtaken by national states (cfr. the emblematic case of Austria, where inter-war Red Vienna was the predecessor of post-war national welfare state, see Novy, Hammer et al. 2009). An important emancipatory aspect of this shift in the provision of welfare is how the logic of social citizenship and rights became dominant over the logic of charity. As we will see later on, local social innovation that emerged with the social movements in the aftermath of the uprising of the 1960s re-introduces this tension. This overview hence puts the relationship of contemporary forms of local social innovation to the welfare state in perspective. The emergence of the welfare state from a host of local initiatives, many of which rooted in civil society did not lead to one, but to a diversity of welfare models. It is no surprise then that comparative research on welfare states has a long tradition, encompassing both quantitative studies that focused mostly on social spending and more qualitative approaches that analysed the basic principles of the organization of welfare and the level of social rights (Kettunen and Petersen 2011: 3). Titmuss (1974) is supposed to be the first to develop three ideal-typical welfare models (e.g. Kaufmann 2013), which were later taken up by Esping-Andersen (1990). During the last 20 years Esping-Andersen's typology of welfare regimes has become the most established, discussed and complemented typology among scholars. In his book 'The Three Worlds of Welfare Capitalism' (1990), based on empirical data from the 1980s and additional studies in socio-economic history he identified three models characterised by different degrees of (a) de-commodification, as replacement of market earnings, with the later addition of the concept of de-familisation (1996); (b) types of stratification, as ascription of social status; and (c) main providers of welfare, as state, family, market. By applying these criteria, he constructed the following ideal types:

- \* a *Scandinavian Social-democratic* regime, characterised by generous de-commodification and inclusive universal benefits financed through taxes and mainly provided by the State;
- \* a *Continental European Conservative* regime, with varying degrees of de-commodification, stratification preserving workers' status through separate insurance schemes and the family as the main welfare provider;
- \* an *Anglo-Saxon Liberal* regime with minimal de-commodification and confirming stratification through residual, means-tested benefits mainly provided by the state in case of market failure.

In the course of time, Esping-Andersen's typology has been widely applied to related fields, but has also been tested, criticized and extended (for a complete overview on alternative welfare models that have been developed in the course of the 1990s see Arts and Gelissen, 2002). Criticism reflects that there are more worlds of welfare (Southern Europe, Australia and New Zealand, Eastern Europe), that spheres of social policies are separated, that there seems to be confusion between ideal types and real systems, that methods and variables of later studies vary, that classifications cannot be taken as explanations (e.g. of future developments) and that the original concept was blind for gender aspects. Moreover, welfare models would also change due to globalization, deepened EU integration and EU enlargement (for summaries of these arguments see e.g. Schubert, Hegelich and Bazant 2008: 14-15; Arts and Gelissen 2010: 572-574).

In response to some of the above criticisms, Esping-Andersen's classification has been extended with two other models of welfare. First of all, a *Mediterranean and Familistic* model, defined by Ferrera (1993) and diffused in the South of Europe. It is characterised by high stratification and low distributive capacity. In this welfare system, families are the main actors engaged in the redistribution of resources and providing care. Like in the corporatist model, social policies are conceived in a meritocratic and fragmented way, but they are less generous and very unbalanced in the provision of monetary benefits, which prevail over in-kind services (Saraceno and Naldini 2007). Secondly, a fifth welfare model has been proposed to cover the group of Central and Eastern European Countries (Kazepov 2010, 51). Since the 1990s, their welfare policies and institutions are undergoing a long process of transformation, following differently the heterogeneous lines existing in Europe. They appear not yet having consolidated models with clear characteristics, thus they are defined as *Transition Welfare Countries* (*ibidem*). However, although it is still unclear whether post-communist welfare states in general are a group of its own, it seems likely to be the case for the CEE region (Cook 2010). Nonetheless, Fenger (2007) suggests differentiating the post-communist welfare states in Europe into three groups, which are the former-USSR countries, rather successful Central and Eastern European countries (like Poland and the Czech Republic) and developing welfare states (like in Romania, Moldova or Georgia).

## **3.2 WELFARE STATE RESEARCH AND METHODOLOGICAL NATIONALISM**

An issue that has become more seriously discussed in recent years is the methodological nationalism of much welfare state research. Welfare regime typologies are in general based on the assumption that the organization of welfare provision is located at the national scale and its regulative principles and functioning is internally homogenous (Brenner, 2004a). Indeed, since the Second World War, the development of social, health, education and labour policies has belonged mainly to the national state, with local agencies functioning as transmission belts for national social policies. These few decades were a unique period of economic growth, democracy and welfare which ended with neoliberal restructuring from Thatcher and Reagan onwards. Over the last decades, supranationalisation and subsidiarisation processes have introduced the spatial dimension as a key aspect to be considered in the analysis of welfare contributing, at least partly, to an internal diversifying of national welfare systems. This does not prevent them to be path dependent in the transformation of traditional models (Jessop 2002, Kazepov Barberis 2008, 2012). We will not dwell on the discussion of the hollowing out of the nation state in an abstract way, but contextualize it. Therefore, we briefly discuss the specific European situation with its globally unique scalar mismatch of supranationalisation and (vertical) subsidiarization.

### **3.2.1 THE EUROPEANIZATION OF SOCIAL POLICY**

European integration has for long focussed on economic integration. Milestones have been the common market and a common currency in the Eurozone. This economic integration has been accompanied by integration steps in many other fields, especially judiciary. One policy domain which has remained a national competence has been social policy. Nevertheless, the EU has shaped social policy as well. Because of its increasing influence on social and labour market policy making in its member states, the European Union has established a further layer in European welfare regimes, which focusses mainly on issues of workers' rights, gender rights and equal opportunity (Von Wahl 2005, Adnett and Hardy 2005: 2). European social policy has evolved as regulation (labour law and working conditions, health and safety at the workplace, gender equality, and anti-discrimination policies), redistribution (e.g. via the ESF) and public debates on Europe's social dimension and mutual

surveillance among national policymakers ('open method of coordination') which started in 1994 in the field of employment policy and has been extended to health, pension reforms, equal opportunities, and social inclusion since then (see table A.1 in annex for an overview). Apart from that, social policy still follows the philosophy of the 1957 Treaty which suggests that improvements in living conditions would be an effect of market liberalization and that there is no need for an explicit delegation of competence to the Commission in the field of social legislation (apart from where it is necessary for market integration) (Falkner 2010: 292-296). This leads to fundamental problems for the concept as well as the reality of the European welfare state. The deepening of European integration has created a unified economic territory based on a common market and – in part – a common currency. This economic homogenization went hand in hand with a hollowing out of national welfare states. As an ideal type of a territorially fixed form of statehood, it is increasingly losing its clear boundaries and the hierarchies between different policy levels become a matter for intense discussion and contestation. While economic decision making is increasingly centralized via Central Bank and new forms of coordination, it is still unclear how a European Social Model can be positively defined apart from that it is different from – especially – the welfare model of the United States (Schubert, Hegelich and Bazant 2008: 33-34). Also, the classification of different welfare regimes becomes problematic in view of changing empirical data on which typologies are based – especially with the ever increasing number of countries that are included – and deepened economic integration which is leading to some convergence of social policy models stipulated through economic policy making. Via the Troika of European Commission, European Central Bank and IMF, peripheral countries are increasingly obliged to cut back their welfare states in an effort to increase competitiveness. Therefore, economic austerity measures are contributing to a new welfare model which abandons universal coverage as a social right, due to fiscal constraints and the search for renewed competitiveness under the given macro-economic framework.

**TABLE 1: PROBLEM DIMENSIONS OF THE CONCEPTS 'WELFARE STATE' AND 'WELFARE REGIME'**

	<b>Welfare state and regime</b>
<b>Enlargement</b>	Change of empirical basis Increasing plurality
<b>Deepened Integration</b>	Changes in the course of time can make classification irrelevant Complex interdependence
<b>Supranationality</b>	Negatively defined European model Limited sovereignty

Source: Adapted from Schubert, Hegelich and Bazant 2008: 34 (own translation)

Beside these direct influences on social policy making in member states, the influence of the European Union is mostly indirect via the impact European integration has on national social spending. On the one hand, EU citizenship opens access to social transfers in every member state where EU citizens take up residence. On the other hand, effects of the European Monetary Union and the harmonization of taxes are likely, at least in the medium term (see table A.2 in annex).

Overall, it seems that the effects of European integration over the last 20 years have been ambiguous. While Scandinavian countries and Germany have pursued liberalizing reforms which have increased inequality and wage spread, Austria has so far stuck to universal collective bargaining and active labour market policies which has resulted in the lowest unemployment rate in the EU.

While market integration is likely to exert pressure on member states to implement business friendly reforms and Europe is also often used as cognitive, strategic as well as legitimating frame for national employment-friendly welfare state reforms (Graziano, Jacquot and Palier 2011: 15), evidence on the effects of the open method of coordination and mutual learning (e.g. in health care) suggest that these forms of governance innovation do not have to follow a neoliberal path in general (Hervey 2008: 113). Rather, a comparison of the impact of EU social security integration, enforced either by EU rules or judicial activism, on national welfare institutions in Denmark and Germany shows that Europeanization is mediated by the institutional – fit or misfit with EU systems – and de facto – e.g. immigration of EU citizens –exposedness to European integration as well as political, administrative and legal responses of the member states (Sindbjerg Martinsen 2005). This illustrates that each territorial level and each actor filters priorities and regulations in accordance with their own contextual institutional and material settings. Actual policies and practices are therefore a complex translation exercise that often share a common core, but may show highly differentiated manifestations..

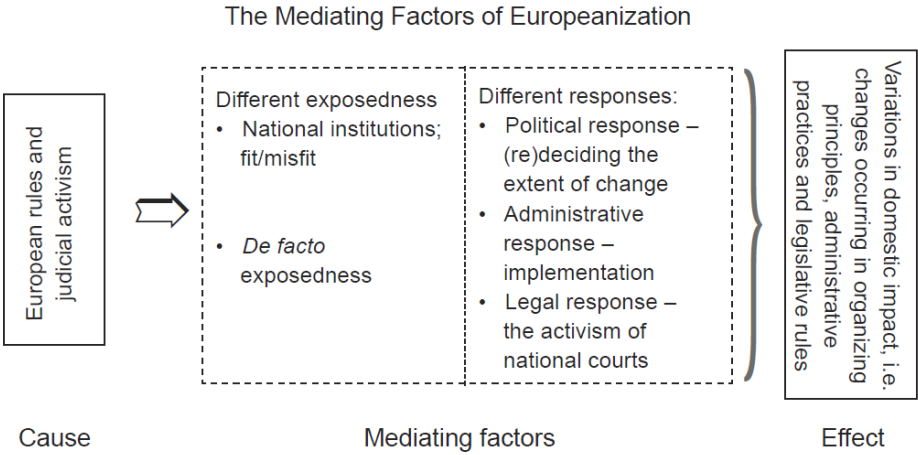


Figure 1: Mediating Europeanization  
 Source: Author's own data.

Source: Sindbjerg Martinsen 2005: 1037

There also seems to be some similarity with regard to the relationship between international financial institutions and nation states, although there is little systematic research on the interaction between intergovernmental organizations and national welfare policies. In principle, one can differentiate between direct impacts (member states are forced to adhere to norms), diffusion (rule accepted in one country and diffused to other) and endogeneity (countries ratify norms where they already meet the standards). Having said that, however, most influences rather seem to be indirect due to member states' room for manoeuvre when implementing policy advice by international financial institutions and their potentials to 'upload ideas' to the international level. Just as in the case of the European Union, international organizations may also be used to legitimize austerity programs to be implemented by national elites. In this sense, one should also have in mind that ideologies of international organizations have changed in the course of time (mostly from Keynesian to Washington Consensus to something new today) (Armingeon 2010: 307-317).

To conclude, against a background of globalization discourses, similar economic policies, the EU promotion of market competition and the requirements to meet the Maastricht criteria, some welfare convergence is likely to occur. Again, however we have to be cautious in interpreting convergence. Indeed, EU countries may be moving slowly in the direction of the liberal welfare

model (Moreno and Palier 2005: 166-168), although welfare state discourses do not show clear signs of convergence between regime types (Taylor-Gooby 2005: 7-9). Still, from what has been discussed above it can easily be seen that methodological nationalism and the assumed primacy of the national cannot capture the political-economic shift that have confronted welfare states in the last decades. Esping-Andersen (1990) has most prominently carried forward this methodologically nationalist tradition of welfare state analysis that sets the focus on different national paths of development of social policies and the construction of ideal types to capture those differences. What has become clear with economic globalization, the transformation of post-communist economies in Central and Eastern Europe and the deepening and widening of economic and political integration in Europe, conceptual frameworks to analyse differences as well as paths of convergence between welfare states need to understand relationships and mutual influences of different levels of statehood that are often mediated by supra- or international levels. Although the European Union's impact on social policy in member states is still rather limited, it cannot be ignored. This has resulted in the need to focus on multi-level arrangements of welfare and scale-sensitive institution-building. Before we explore the literature on multi-level governance and re-scaling to develop the analytical tools to address this problematic, we briefly look at the localization of the welfare state, a process which accompanies the Europeanization of the welfare state and has similar analytical consequences.

### **3.2.2 THE LOCALIZATION OF THE WELFARE STATE**

Despite differing national and subnational state roles, a tendency towards decentralization has been identified in almost all European Countries' public policy reforms (Kazepov 2010). This is particularly obvious in the case of activation policies where a double dynamics of activation as decentralization makes it possible to adapt policy programmes to local needs and circumstances and involve local stakeholders, but also creates new tensions for the balancing and rebalancing of power, of institutional capacities (e.g. of civil society organisations) or between standardisation and professional or municipal discretion (Newman 2007: 370). Case management is more and more governing unemployment in western countries, which means a radical localization of governance wherein rights and responsibilities are articulated primarily between the case manager and his or her client (McDonald and Marston 2005: 374). This process of *devolution* assumes different forms both within and across national borders (Di Gaetano and Strom 2003, 368-369). Within this picture, the increasing role of local institutions is supported by three main arguments: they are supposed to be more (financially) effective, participative (democratic) and sustainable (Kazepov 2010; Andreotti *et al.* 2012). They are expected to reach a double aim: on the one hand de-bureaucratization and, on the other hand, demonopolisation and vertical subsidiarity. Andreotti *et al.* (2012) show how these expectations changed over time, in particular analysing the effects of local and mixed welfare arrangements to identify the conditions for their effectiveness. Indeed devolution processes are supposed to reach three aims: (1) improving responsiveness to social needs and fostering social cohesion (access to resources and participation); (2) reinforcing capacity of innovation; and (3) guaranteeing a reduction of public expenditure (see also Ferrera 2005, amongst others for the increased saliency of the cost argument in times of fiscal austerity). However, it seem rather unrealistic that these three 'goals' can be reached simultaneously, especially in the short term. The growth of effectiveness and innovation is not guaranteed *per se* by territorial reorganization and mixed networks involvement. They create a potential context for it, but positive results have to be promoted with intentional actions and it can be not "*at a zero cost*": economic resources as well as social investment are required.

Supranational levels often promote and support experiments at the subnational level. Looking back at grass-roots movements and institutional innovations relevant to social policy over the last two decades, Ferrera sees at least three developments: cross-border interregional cooperation around

social policy issues; growing institutional and financial links between such initiatives and EU authorities and a deliberate strategy of the EU, especially the Commission, to strengthen the regional level in social policy.

### **3.3 BEYOND STATE-CENTRISM: THE CHANGING WELFARE MIX**

In the context of the on-going restructuring of the welfare state and the general shift towards other than state-based spheres of production and provision of welfare, including notably the market and civil society, the involvement and co-operation between civil society, private actors and the welfare state makes clear that a state-centric perspective on welfare provision is increasingly inadequate. The involvement of other than state-actors has at the end of the 20th century again become a matter of intense political debate and reflection. In the sphere of public-private mix there is a shift to private provision of pensions, child and elderly care and health care in most OECD countries. The involvement of different actors in welfare provision is nothing new, as Esping-Andersen (2002: 12-17) explains that in a welfare mix system, family and government may absorb market failures and the market or government may compensate for family failure. Otherwise there is acute welfare deficit or crisis. However, what is new in this so-called 'welfare mix', is that the roles and responsibilities of these various actors in welfare provision are once again changing, giving rise to the question which form of regulation, governance structures and forms of accountability are necessary to guarantee the inclusiveness and effective functioning of these new mixed systems (Seeleib-Kaiser 2008: 217-221).

Drawing on literature study and a comparative study between the UK, France and Germany on care for elderly and initiatives against social exclusion of marginalized groups, Bode (2006) argues that current welfare mixes underlie a trend towards disorganization, with three characteristics being most prominent:

- (a) "long-established patterns of system-wide coordination via negotiated public-private partnerships turn into volatile and heterogeneous configuration, with organizational outputs (e.g. service delivery performance) being accepted to be variable as a principle.
- (b) The new welfare mix is exhibiting a growing distance between non-statutory provider organizations and both the welfare state and civil society, this entailing more precarious, but also more dynamic interrelations.
- (c) Civic action turns out to be fluid, sporadic, dispersed and also creative in many places. Hence there is the paradox of the new welfare mix generating innovative dynamics and systematic organizational failure concomitantly" (ibid. 347).

This trend towards disorganization of the welfare mix puts governance central to the question of the restructuring of welfare regimes. We will discuss insights and concepts on governing the welfare mix, in a context of a tendency towards disorganization, in chapter four of this paper.

In this second part we have discussed how the combined impact of processes of supra-nationalisation, subsidiarization and welfare mix disorganization call for the introduction of new complexities to be taken in account in the analysis of welfare regime typologies (see table 3 for an overview of the spatial and institutional changes of the provision of welfare that will be discussed at length in the next two parts of the paper). The territorial organization of institutional competences, the mix of actors involved and their combination assume different characteristics depending on the contexts they are embedded in. What interests us here is the role played by socially innovative actions, policies and interventions in the spatial and institutional transformation of welfare regimes, as they bring in new scalar sensibilities and new sets of actors and instruments. We hypothesize that the variation of regimes, both in terms of their welfare mix and territorial organisation, corresponds

to a variation in the openness and capacity of social innovation in the sector of welfare policies. What is interesting is to understand which models of welfare and governance can create the best conditions for social innovation and adaptability to changing contexts with changing problems.

**TABLE 2: THE PROCESS OF SUBSIDIARIZATION: THE DIALECTICS OF GOVERNMENT AND GOVERNANCE**

Government	Changing aspects	Processes of subsidiarization	Governance
	a) role of public institution (State)	To vertical (new levels) and horizontal (new actors) governing	
	b) involved actors	From public monopoly to mixed public-(for and not for) private arrangements	
	c) degree of involvement	Inhabitants increasingly as citizens or consumers	
	d) spatial organisation	Rescaling towards multi-level	

## 4 RESCALING AND MULTI-LEVEL GOVERNANCE

In this third part of the paper, we explore two bodies of literature that can help us to address the changing territorial organization of welfare regimes. The first body of literature comes from human geography and is concerned with state rescaling, while the second body of literature is derived from political science and concerns itself with multi-level governance. Both reflect attempts to overcome methodological nationalism. The aim of this part is to gather relevant concepts and insights to think through the connection between local forms of social innovation and welfare states, which, as we argued before, requires an approach which is sensitive to the changing spatial organization of the welfare state.

### 4.1 RESCALING THE WELFARE STATE

Since the late 1980s, human geography, attuned as the discipline is to the changing spatial forms of social life, has become increasingly concerned with globalisation as a ‘scale question’ (see Swyngedouw, 1989 for one of the earliest contributions to this debate). As most post-war social science took the national state as the dominant (and naturalized) spatial form of social processes, geographers started arguing that globalization ‘relativized’ the national scale. This implies not so much the disappearance of the national scale, but the reshuffling of the hierarchical relations between various spatial scales, with most notably the declining capacity of the national state to steer processes on other spatial scales, whether international or subnational. Human geographers have hence argued against the methodological nationalism that still informs most social science research practice and called for a more historicized understanding of the spatiality of social life.

The political geographer John Agnew (1994) argues that during the 20<sup>th</sup> century the nation state emerged as the most important “power container” which regulated economic, political and social processes. However, for a long time social scientists have not treated this as a historical fact, but as an often implicit geographical assumption that accepted the nation state as an *unchanging* spatial entity of central importance. The national state is no longer seen as a historical entity subject to

change and transformation over time, but as a trans historical phenomenon that fully captures and contains social processes in a fixed national form. It is this assumption, according to Agnew, that increasingly obscures a correct understanding of the political dynamics in our world. Unthinkingly, research questions are framed as 'national questions' to be answered by collecting and analysing 'national data' (Beck, 2005, 2007). This predominance of a national perspective was (and to some extent still is) especially strong with respect to the scholarly analysis of social policies, as the institutional framework of the welfare state has traditionally been strongly focused on national institutions.

However, from the late 1970s onwards it became increasingly clear that the national state as we knew it must be understood within the historically specific political-economic context of a Fordist mode of regulating capital accumulation. The national state then is one of the constitutive dimensions of regulatory processes under capitalism rather than a static background to it (Brenner 2004a: 70; Keating 2008b). The literature on state spatial restructuring has addressed methodological nationalism by developing a theory of state rescaling. Scaling, according to Brenner, refers to "the hierarchical differentiation and (re)ordering of geographical scales" (Brenner, 2001: 593). The literature on state rescaling is concerned with describing how state spaces (i.e. political territories and jurisdictions governed by states) are hierarchically organized in relation to one another and how this can be explained as a results of continuous attempts to regulate the inherently unstable processes of economic development under capitalism. For example, the localization of welfare regimes often reflect the rescaling of social policy competencies, instruments and resources away from the national to the local scale, in an attempt to undermine redistributive mechanisms at the national scale and introduce competition between localities that allows private capital to partially free itself from contributing to redistribution. In line with the critique of methodological nationalism, scales are hence not considered as pre-given but as socially constructed and the object of social struggle. The 'scalar Gestalt' of the welfare state (for example) thus at any time reflects the dynamics of co-operation and competition, empowerment and disempowerment of particular groups and homogenization and differentiation (Smith 1984; 1995; Swyngedouw 1997).

One of the central insights to come out of the state rescaling literature is that of the glocalisation thesis, which poses specific challenges for innovating welfare regimes. Given the historically evolved coincidence of social rights and democracy organized via the nation state, glocalisation threatens the pillars of the welfare state. The thesis implies that national states have, in the face of increased global competition, both up- and downscaled regulatory competencies, power and resources, in an attempt to deregulate national markets and "position local and regional economies strategically within supranational (European and global) circuits of capital" (Brenner 2004b: 476). Within social policy, the tendency towards decentralization has been stronger, as the upscaling of regulatory powers in this domain has been limited (see table A.1 and A.2 in annex). The upscaling of social policy would of course hamper the free international movement of capital and hence regulate interspatial competition. In his seminal work on the future of the capitalist state, Jessop has explicitly linked the rescaling perspective to the demise of the welfare state. Jessop (1999 2008) describes the current phase of state spatial restructuring and changing governance of welfare as a transition from the Keynesian Welfare National State (KWNS) towards a Schumpeterian Workfare Postnational Regime (SWPR). While the Keynesian state was pre-occupied with demand management, investments in the infrastructure of mass production and the equal spreading of development across space ('spatial Keynesianism') (Brenner 2004a), the Schumpeterian state intervenes in the economy mainly through supply side policies that promote product, process, organizational and market innovation in open economies. Another important shift identified by Jessop in the 'new' welfare is the shift from welfare to workfare, often associated with the subordination of social policies to economic development policies (Jessop, 2002). These shifts, according to Jessop, are associated with a 'relativization of scale', as the national scale loses its primacy in determining policies in a selective way. While



economic governance is strengthened at the European level, social policy is subordinated to the competitiveness imperative. This scalar mismatch is probably the key impediment for progressive improvements of European social policy (Martinelli and Novy 2013).

Some authors have taken the 'scale question' beyond its familiar political economy terrain. The political philosopher Nancy Fraser for example has linked it to the broader issue of social justice. She argues that the rescaling of the welfare state both reflects and has implications for the way claims for justice are nowadays framed. Rejecting methodological nationalism, she observes that the assumption of congruence of territorial, political, economic, social and cultural borders, that characterized the Keynesian-Westphalian nation state frame, is unsustainable in the face of justice claims that address global risks and transnational externalities of capitalist accumulation (Beck 2007 Fraser 2008). It follows that "for many, it has ceased to be that the modern territorial state is the appropriate unit for thinking about issues of justice. The effect is to destabilize the previous structure of political claims-making – and therefore to change the way we argue about social justice" (Fraser 2008: 14). Examples from the labour market and industrial re-location, export-zones, bio-politics of climate change and the criminal networks of weapons and drugs illustrate that "forces that perpetrate injustice belong not to 'the space of places' but to the 'space of flows'" (ibid. 23). It opens up the concern that "by partitioning political space along territorial lines, this principle insulates extra- and non-territorial powers from the reach of justice. In a globalizing world, therefore, it is less likely to serve as a remedy for miss-framing than as a means of inflicting or perpetuating it" (ibid. 23). Questions on a just ordering of social relations within a society are thus complicated by new difficulties that have at least partly a scalar dimension. As Fraser argues: "it is not only the substance of justice, but also the frame which is in dispute" (ibid. 15). Since 'miss-framing' is a source of social injustice, the particular ways in which the makers of claims for justice are politically 'represented', including the spatial scale at which particular claims are made, becomes an important issue.

## **4.2 MULTI-LEVEL GOVERNANCE OF WELFARE**

### **4.2.1 UNPACKING MULTI-LEVEL GOVERNANCE**

In political science and policy studies, what we have called 'rescaling' above, is studied through the lenses of 'multi-level governance' (MLG). The multi-level dimension of governance refers to the reallocation of authority from the central state upwards, downwards and sideways (Hooghe and Marks 2003: abstract). The multi-level governance approach stresses the independent role of supranational and subnational governmental bodies in non-hierarchical interrelations with national governments. The governance dimension, which we will discuss in more depth in part 4 of this paper (but is crucially connected with the multi-level nature of it), highlights how this also comprises relations of state actors with private and non-profit actors on different bargaining levels (Hajer et al., 2004). Attempts to intellectually grasp the unravelling of central state control have led to the stretching of established concepts such as federalism and international relations on the one hand and the introduction of new ones such as multi-level governance, polycentric governance, fragmentation, condominio and multi-perspectival governance on the other (see Hooghe and Marks 2003 for an overview). Multi-level governance and rescaling literature share the assumption that inter-linkages between territorial levels of government have become increasingly complex, but differ in the explanatory concepts that are brought to bear on the problematic (Büchs, 2009). Whereas multi-level governance is more descriptive and focus on issues of transparency and effective governance, the rescaling perspective draws from a critical political economy perspective and sees

scale as the product of the dynamics of capitalist accumulation and social struggles over forms of regulation.

In its multi-level form governance involves a large number of decision-making arenas, differentiated along both functional and territorial lines and interlinked in a non-hierarchical way (Eberlein and Kerwer, 2004: 128 in Papadopoulos 2007). This differentiates it from the concept of ‘scale’, which explicitly focusses on the hierarchical relations between these decision-making arenas and is hence more sensitive to power differentials implied in hierarchies. It is widely accepted that dispersed governance, across multiple levels or jurisdictions, results in a gain of (scale) flexibility opposed to governance concentrated in one jurisdiction. Centralized government has been critiqued for lack of sensitiveness to variations of scale efficiency between policies and the incapacity to address an increasing heterogeneity of populations, regions, preferences of citizens and new social risk (Marks and Hooghe 2000 Esping-Andersen 2002 Hooghe and Marks 2003 Bevir 2006).

Hooghe and Marks (2003) developed a typology of multi-level governance (see figure 1). They distinguish between two types of multilevel-governance based on the non-intersection or overlap pursued in membership and territorial jurisdiction respectively. Type I governance is composed of territorial jurisdictions. Citizens and specialists can be located at a particular scale, located within a limited set of nested scales which can be thought of as a Russian doll. Type II governance is functionally differentiated into a (virtually endless and) flexible set of specialized jurisdictions. These two types can be understood as two possible answers on the coordination dilemma of multi-level governance, namely how to avoid ‘socially perverse outcomes’ due to spill over effects from one jurisdiction to another?. One strategy to deal with this dilemma is “to *limit the number of autonomous actors* who have to be coordinated by limiting the number of autonomous jurisdictions” (Type I). The other is to “*limit interaction among actors* by splicing competencies into functionally distinct units” (Type 2) (Hooghe and Marks 2003: 13 emphasis in original). In reality “Type II governance is generally embedded in Type I governance, but the way it works varies... The result is a baroque patchwork of Type II jurisdictions overlaying a nested pattern of Type I jurisdictions” (Hooghe and Marks 2003: 12).

FIGURE 1: TYPES OF MULTI-LEVEL GOVERNANCE<sup>1</sup>

TYPE I	TYPE II
general-purpose jurisdictions	task-specific jurisdictions
non-intersecting memberships	intersecting memberships
jurisdictions organized in a limited number of levels	no limit to the number of jurisdictional levels
system-wide architecture	flexible design

Source: Hooghe and Marks 2003: 7

Both types embody a different conception of community. Type I governance usually draws on a sort of ‘encompassing community’, rooted in a shared identity (e.g. nation, region, religion). With this

<sup>1</sup> The authors “resist the urge to give proper names to these types and so add terminological complexity to an already jargon-laden subject. For those who prefer substantive labels, we suggest “general purpose jurisdictions” and “task-specific jurisdictions”.

type of community the link to the territory is often rather strong but this does not imply a clear one-on-one relation. The focus of type I governance is largely oriented towards the territorially organized (and scaled) governing institutions associated with democracy. Ideal typical models of representative democracy in national and federal states exemplify this. The authors mention the Somalian clan system and religious self-governance in India as examples of non-territorial forms of Type I governance. Type II governance implies a more flexible and functionally oriented community membership. Coordination mechanisms of NGO umbrella organizations fit this type. These communities emerge with the shared need for decision making because actors have similar or competing interests that should be coordinated. Participants are allowed to choose or switch between competing jurisdictions. The focus of type II governance is largely oriented towards the creation of a market for specific public goods (Hooghe and Marks 2003).

Another coordination problem that multilevel governance needs to address is what Maarten Hajer (2003) calls 'institutional voids'. Hajer observes an increased "discrepancy between the existing institutional order and the actual practice of policy making" (176) in the governance of transnational problems such as environmental issues, economic interdependency and global terrorism. A lot of policy - including new, often private, actors in decision and implementation phases - operates without polity, i.e. in an 'institutional void': "There are no pre-given rules that determine who is responsible, who has authority over whom and what sort of accountability is to be expected" (Hajer and Wagenaar 2003). A similar 'institutional void' or absence of a 'shadow of hierarchy' is observable in developing regions with a very poorly developed or recently destroyed state (Börzel and Risse 2010). Under specific conditions private corporations take on the provision of public goods. These observations lead put pressure on our thinking on social rights and public responsibility; they oblige us to think about the conditions under which governance without a state could work.

With regard to the possibility of a mutually supporting relationship between local initiatives and central institutions, the concept of 'accountable autonomy' is crucial because it brings in external support and centralized authority as necessary to facilitate local autonomy and empowered participation. Different forms of intervention and support are thinkable: training, technical assistance, facilities, diffusion of knowledge and good practices, making changes in the legal environment, monitoring process and the quality of output. The tension between 'accountability' and 'autonomy' is understood with regard to "two distinct senses of autonomy" (Fung 2004: 6). The first stresses independence whereas the second stresses the capacity needed to get things done. Thus, "support and accountability are two pillars of a reconstructed relationship between central power and neighbourhood action that can reinforce local autonomy... Somewhat paradoxically, realizing autonomy requires the sensitive application of external guidance and constraint" (Ibid. 6-7).

#### **4.2.2 MULTI-LEVEL GOVERNANCE OF WELFARE**

Analysing the territorial reorganization of welfare systems, Kazepov (2010) associates different territorial connotations to the five models of welfare. From the territorial point of view, the *Liberal welfare systems* are characterised by a *centrally framed* organization: social measures are mainly managed homogeneously throughout the country (although some differences relating to local governance arrangements have been identified in relation to *activation policies* and some devolution processes took place in recent years). The *Social democratic welfare system* is characterized by a *local autonomy centrally framed* system, that means municipalities have high autonomy in managing and funding policies in a nationally defined regulatory context which contributes to avoid excessive territorial differentiation. The special characteristic of the Scandinavian model seems to be nationalized local government with strong local fiscal and politico-administrative capacities as an essential prerequisite for an egalitarian and universal welfare state (Sellers and Lindström 2007: 613-625). In our

understanding, this system seems most prone to deal with the challenges of multi-scalar governance, as it permits to link guaranteeing universal social rights with contextualized service provisioning. The *Corporatist welfare systems* present diversified territorial organisations: 1) federal state structures (e.g. Germany and Belgium) are *regionally framed*, thus exclusive legislative competences on social policies belong mainly to regions (with the important exception of insurance based benefits and provisions). Despite the high potential of diversification, these countries dispose of mechanisms to keep it under control; 2) countries (e.g. France) that are *centrally framed* where social measures are regulated and funded at the national level. The *Familistic welfare system*, despite strong post-war centralism, are actually considered *regionally framed* but, unlike corporatist welfare systems, regional differentiation is not limited by guaranteed universal rights and equalization mechanisms, so that they are increasingly characterized by fragmentation and diversification. The *Transition welfare systems* are changing their territorial organization: these countries are characterised by a *transitional mixed* model, with multilevel arrangements (e.g. in Poland) or stronger central control (e.g. in Slovenia).

To conclude this part on the changing spatial organisation of welfare provision, we list the main insights and concepts derived from the literature on state rescaling and multi-level governance that can help us to formulate challenges for creating a mutually enriching relationship local social innovation and the welfare state.

One needs to drop the prevailing methodologically nationalist perspective on welfare provision to see social innovation in welfare provision. A mutually enriching relationship between local social innovation and the welfare state hence requires a scale sensitive perspective. Different welfare models tend to have a different form of territorial organisation and the spatial scale at which claims for social justice are framed is itself the object of debate.

The rescaling of social policies is not so much a technical exercise in optimizing the efficiency of welfare provision, but the result of processes of social struggle over the regulation of socio-economic development under capitalism. This means that social innovation and the nature of its relationship to institutionalized welfare policies crucially implies the transformation of relations of power.

The differentiation of levels in decision-making processes creates scale flexibility and makes it more sensitive to variation, but also throws up questions of transparency and effectiveness of governing processes. This dilemma is also reflected in the governance of social innovation. The notion of accountable autonomy is crucial here: local autonomy and participation needs external support and centralized authority to be empowering.

The spatial reorganisation of the state currently implies the double movement of upscaling and downscaling policy responsibilities, resources and instruments. Special attention should hence be paid to the particularities of the relationship between local forms of social innovation and the emergence of social policies at supranational (mainly European) level.

Processes of decision-making can be organized along functional and territorial lines. The former has the advantage of limiting interaction among actors, whereas the second limits the number of autonomous jurisdictions that have to be coordinated.

The proliferation of multiple levels of decision-making leaves institutional voids that at once open up a space for the development of social innovation, while at the same time creating questions about public responsibility and social rights.

## 5 GOVERNANCE AND THE WELFARE MIX

In this fourth part of the paper, two important and actual issues are singled out for analytical reflection. On the one hand, the discussion on the reorganization of welfare is related to a new configuration of the public and private domain, of markets, hierarchies and networks and the dialectics of state and civil society. On the other hand, the related topic of the coordination of this reorganized configuration of actors and instruments in welfare provision gave rise to discussions on Governance, which has been cutting-edge in welfare studies, especially since the 1980s (Ascoli and Ranci 2002 Ferrera and Hemerijck 2003). This has led to an interest in diverse forms of mixed welfare systems. We explore these two issues through two complementary bodies of literature. The first body of literature comes from social policy and is concerned with the notion of welfare mix, while the second body of literature is derived from political science and concerns itself with governance. Both reflect attempts to come to terms with the changing roles and responsibilities of state, market and civil society actors in welfare provision and the associated change in the mix of instruments and actions applied. The aim of this part is to gather relevant concepts and insights to think through the changing role of civil society, social entrepreneurs and local governments and new participatory modes of intervention, policy and action in welfare provision and especially different modes of coordinating these actors and their actions.

### 5.1 WELFARE MIX

Scholars introduced the expression *welfare mix* (Ascoli and Ranci 2002 Evers and Laville 2004 Andreotti *et al.* 2012) to point out the combination of different actors and sectors involved in co-producing welfare programs, services and/or goods. Andreotti *et al.* (2012) underline that the concept of “local welfare mix” means “*the relationship between the public sector, the market economy and the civil society designed to ease the difficult transition from the welfare state to the “active welfare society”*” (*ibidem*, 1932). In figure 2 below, Spicker (2008) visualizes the mixed economy of welfare by showing possible combinations of types of actors involved in financing and providing welfare. His table on “the distribution of welfare services through a range of mechanism beyond the state itself” (*ibid.* 136) is based on a typology of welfare providing sectors. He distinguishes between four sectors: the public-, private-, voluntary- and informal sector.

The public sector refers of course to state services. The public sector establishes the formal framework and has to a certain extent the authority and ability to decide on the definition and direction of change of the welfare project. “The protection of welfare calls for at least some public services – a point acknowledged even by right-wing opponents of state welfare, like Hayek.” (Spicker, 2008: 136). But the state’s possibilities are limited. Arguments for state provision are the strongest in the case of guaranteeing universal minimum standards, the exercise of control and protection, large economies of scale and the prevention of service fragmentation. Other state-led provisions and the idea that the state should step in when other sectors fail are more contested (Spicker, 2008).

The private sector distributes resources by means of commercial demand-offer and competition dynamics. Consumer choice and competition are often defended as the best mechanism to guarantee quality and responsiveness. Arguments against this position – both on the ideal of the individual consumer and on market mechanism - are well documented, for example uneven geographical distribution and coverage and the fact that individual choices do not guarantee a social choice and social priorities in a democratic way. The voluntary sector refers to non-profit and civil society organizations. Within the voluntary sector Spicker gives special attention to ‘mutual aid’. These are organizations that are based on group solidarity and contribution. “The central principle of mutual aid has been voluntary collective efforts, which is both self-interested and supportive of

others” (Spicker, 2008: 140). The voluntary sector is mostly regarded as supplementary to the public sector but is in many regards also complementary. They often work with ‘rejects’ or help people to find their way through services. The voluntary sector regularly receives criticism for being selective and unresponsive, a criticism that may apply to the public sector as well.

The informal sector consist of care and protection provided by family, friends, neighbours and community members. In-house labour, traditionally by women, is regarded as part of this sector. The relation between the informal and the public sector is ambiguous as in many cases the informal sector emerges where the public sector is failing. Most criticism on the informal sector is on the quality of care, which is hard to guarantee (Spicker, 2008).

Other possible typologies of the actors involved in welfare provision exist. Especially the voluntary and informal sector are often clustered in varying combinations as being ‘civil society’. This approach to the welfare-mix, in contrast to the one of Andreotti and colleagues, does not start from a political project of installing an ‘active welfare state’ but from the observation that the relations and dynamics between the different actors contributing to welfare provision change over time. From this perspective a public-private mix of welfare provision is not a new phenomenon. Some authors have even questioned the premise that the relations between the state and other, non-state providers are nowadays less hierarchical than before (Davies, 2011).

FIGURE 2: THE MIXED ECONOMY OF WELFARE

Finance	Provision				
	Public	Private	Voluntary	Mutual aid	Informal
Public	Social services departments	Private homes for older people	Delegated agency services	State-sponsored mutualist régimes	Foster care
Private corporate		Occupational welfare	Philanthropic foundations	Employer-sponsored workers' organisations	
Charges to consumers	Residential care for older people	Private health care	Housing association rents	Building societies	Childminding
Mutualist (subscriptions/contributions)	National insurance	Health Maintenance Organisations		Union pension funds	
Voluntary	Hospital friends	Purchase of services by voluntary organisations	Religious welfare organisations	Self-help groups	Family care

Source: Spicker, 2008: 143

According to Evers (2005: 745-746), there is a hybridization of social services going on in which public services may adopt characteristics of the third sector (e.g. local links and social capital) while third sector organizations are increasingly dependent on state funding and regulations. Therefore it is nowadays often difficult to demarcate the lines between the public and the third sector, while managerialism is growing in importance throughout. Due to our interest in social innovation

initiatives our focus here is on the role of civil society, voluntary organizations, local public institutions and market actors with a social mission.

In practice, welfare mix is not as new as often assumed and existed before the crisis of the welfare state in the 1970s and the critiques of over-bureaucratization that followed them. Voluntary, civil society agencies were already involved in the provision and planning of welfare. However, Bode (2006) argues that in post-war Europe an organized welfare mix developed with regard to voluntary organizations (planning, provision, supervision, public-private partnership, firm involvement of civic stakeholders) that now undergoes a process of permanent dis- and reorganization in which long-established patterns of coordination turn into volatile configurations, the distance between provider organizations and both the welfare state and civil society increases and more output heterogeneity is a consequence. In order to utilize the potential of the third sector, governments would have to enter into constructive partnerships, ensure a realistic assessment of financial costs of services to prevent a prioritization of economic over social objectives, develop business support systems, support education and training and tackle geographical imbalances (Haugh and Kitson 2007: 990-991).

The disorganization of welfare-mixes is market driven to some extent. This does not mean that market-logics are always predominant. Good indicators for the changing character of the governance of welfare mix are (1) the way third-sector and voluntary agencies manage their resources (which includes new ways of spot-on public funding) and (2) new requirements of documentation (on goals, process, results) and bargaining procedures with governments (Bode 2006 Mayer 2007). The changes described above are especially relevant to smaller and specific initiatives that cannot create more certainty by scaling up some of their administrative task of client contact points. As Bode claims: “the success of specific providers of social support will thus increasingly depend on their ability to meet short-term performance standards, to compete for institutional resources and to garner the support of local and regional civic organizations and the public. The result will be a more unequal distribution of services” (Bode 2003: 358)

This leads some to argue that the welfare provision sector in European countries in the last decades is increasingly organized through ‘quasi-market governance’ (Le Grand 2003). For Bode, “this governance materializes in a new ‘contract culture’ and a business jargon capturing both welfare bureaucracies and non-statutory agencies involved in service provision” (Bode 2006: 346). The effects of the more flexible, ‘quasi-market governance’ arrangements of the welfare-mix are ambiguous. From the user perspective, possible positive effects are:

- (a) the promotion of social participation and inclusion. Participatory processes reinforce legitimacy, justice and effectiveness of policies and complement representative democracy;
- (b) improved efficiency and control on costs. Important reforms, especially based on New Public Management strategies (Ferlie *et al.* 1996; Pollitt *et al.* 2007; Lévesque 2012), have increased externalization of functions from the public to the private sector (profit and non-profit), de-bureaucratized welfare provision, reduced labour costs and promoted retrenchment policies;
- (c) reinforcing of effectiveness and service innovations. Diversified networks are supposed to better meet the complexity of individual needs mixing complementary competences and resources.

However, it is perhaps unrealistic to aim for these three goals simultaneously in the short term. The improvement in effectiveness and innovation is not guaranteed per se by territorial reorganization and participation. They create a potential context for it, but positive results have to be promoted with intentional actions and it cannot be reached at zero costs (Andreotti *et al.* 2012). Negative effects of more flexible welfare mix arrangements are high uncertainty of initiatives in which people invest their time and hopes, the effect that smaller target populations’ situation depends largely on the will and creativity of local actors and the risk that some groups might get obscured if their

situation is temporarily not relevant. An overall objection towards this social service flexibility and ‘particularism’ is that it makes it increasingly hard to couple social service provision to a ‘social rights discourse’ even when ‘duties’, ‘reciprocity’ and ‘active involvement’ are added. This could lead to perverse strategies from organizations and local governments that aim to ‘roam of’ the “better clients” or to keep the provision of social services/goods low in their area (Bode 2003 Andreotti et al. 2012). Lastly, it must be noted that for some client groups the effects would be non-existent or hardly noticeable.

## 5.2 GOVERNANCE

The development of new welfare mixes as one of the key elements in the reorganisation of welfare regimes requires coordination, especially, but not only, because of the disorganization tendencies described above. The term governance is widely used to describe a range of new practices in public administration (Pierre and Peters 2000 Bevir 2006). According to Pierre (2000) governance refers to “sustaining co-ordination and coherence among a wide variety of actors with different purposes and objectives such as political actors and institutions, corporate interests, civil society, and transnational governments” (3-4). Different ‘styles’ of coordinating these relationships are possible. In contrast to governmental bodies, governance arenas are not characterized by top-down policy making but by “cooperative relations between governmental units attached to different territorial levels (sub-national, national, European) and by collaboration of these units with various non-public bodies (associations, third-sector organizations, firms etc.)” (Papadopoulos 2007: 470). Deliberation, bargaining and compromise-seeking are the guiding principles in governance arenas. Pierre and Peters (2000) describe governance as a dynamic process in which different structures interact and where the role of the state is a variable rather than a steady factor.

Governance approaches stress the ‘horizontal relations’ and ‘problem-solving capacity’ of alternative policy making and policy implementation processes (Hajer van Tatenhove et al. 2004). The change from government to governance entails a shift in the nature of policy legitimacy as well. In general, the literature documents a decline of ‘democratic legitimacy’ and an increase in ‘output legitimacy’ (Scharpf 1999 Hajer and Wagenaar 2003 Papadopoulos 2007). Bevir (2006) points out that governance is in practice primarily conceived as a solution to functional problems and thus constructed as a means to efficiency rather than democratization. This is not to say that efficiency is the sole determinant of governance. Marks and Hooghe (2000) show that path dependency, identity, legal constraints, party-political and distributional coalitions and other political factors play a significant role as well.

As is clear from the description of governance in the preceding paragraph, the term governance is a complex one, reflecting growing complexity of policy making and agency in civil society. For this reason, we will try to unpack it and analyse it in three directions: (a) the changing role of public institutions in the dialectics of *government* and *governance*; (b) the changing types of actors involved and the way in which this mix of actors is governed and (c) the degree of participation and deliberation in governance arrangements. The multi-level nature of governing has already been discussed in chapter 3.

### 5.2.1 FROM GOVERNMENT TO GOVERNANCE – AND BACK AGAIN?

The term *governance* is notoriously difficult to operationalize, having broad and different meanings, including many interrelated and complex aspects (Keating 2008a Pierre 1999) or being considered a “quasi-concept” with no final definition (Jenson 2003). It is hence impossible to use the concept and



the typologies and models of governance without specifying its meaning in a particular context. Keating (2008a) identifies a threefold variation in scholars' use of the term in relation to government. In a first version, it is considered as a mode of collective policy regulation and action where *government is included*; in a second sense, it is *a form of government* that privileges policy making in a specified territory through negotiation rather than hierarchy; finally, it is a form of policy making, spreading as an *alternative to government*. Keating specifies that the last one is the most widespread version among scholars studying multilevel governance. For example, Heritier and Rhodes (2011) suggest the term governance refers to "*structures and processes of coordination that aim at adopting and implementing political decisions outside the traditional governmental arenas*" (*ibidem*, 78). In the context of the ImPRovE research project, governance is used in the first and second sense, i.e. as a mode of collective policy making in which governments have to share authority with a range of other actors from the market, civil society and voluntary sector, a condition that tends to push governments (as well as the other actors) into less hierarchical and more horizontal, cooperative and dialogical forms of government. However, the latter should not obscure that power differentials and hierarchy is not absent from governance arenas, but should highlight that power now works in more complex and networked ways.

This new style of governing implied in the shift from government to governance is reflected in many definitions of governance. Lascombes and Le Gales (2007: 2) describe "new governance" or "new negotiated governance" in which "*public policies are less hierarchized, less organized within a sector demarcated, or structured by powerful interest groups*". These authors highlight that relationships are becoming increasingly horizontal and policy aims shared across sectors and different actors. Heritier and Rhodes (2011) argue that a "new" governance (opposed to an old governance) has recently risen: it is based on: a) co-production and co-realization of collective decisions, overcoming consultation and concertation; b) growing importance of decisional public-private networks and involving different levels and types of public authority; and c) a new style of non-hierarchical decision-making characterized by problem-solving, efficiency, transparency and consensus-building. Thus they identify a growing use of diverse governance mechanisms.

The declining role of hierarchy explains the importance of coordination in governance, i.e. the set of relations connecting offices, organizations and institutions in order to reciprocally harmonize and mainstream their actions (means used, intended outcomes), in particular to achieve greater effectiveness and efficiency. Empirically, this can happen in many ways: in terms of extent (considered as the intensity in directing the actors), complexity (distinguishing inter- and intra-institutional coordination) and levels (horizontal, vertical and multi-level) (Minas and Overbye 2010; Barberis 2010; Peters 1998; Hooghe and Marks 2003) – but also according to different mixes of forms of regulation: hierarchy (the traditional "bureaucratic" model), market (by contractualizing and privatizing relational structures) and networks (more horizontal and based on reciprocal responsibility). These mixes are affected by path dependencies in institutional structures, thus being more or less likely in different national and local contexts, not just according to usual welfare models: for example, the degree of territorial unevenness and the definition of multiple veto-points in federal and regional States can affect the reversibility and flexibility of decentralization and its coordination tools (Minas and Overbye 2010 Barberis 2010 Osaghae 1990 Obinger, Leibfried and Castles 2005).

Central in governance as a new style of governing are networks as a coordination mechanism. Scholars have identified different networked configurations: *joint-up* government, *whole-of-government*, shared governance, co-governance (Kooiman 2003 Bogdanor 2005 Christensen and Lægveid 2007 Somerville and Haines 2008 Kazepov 2010) and even a governance *by chance*, instead of a governance *by design*, characterised by particularistic logics, cumulative decisions and partial corrections, without a reflexive intention on how the whole processes could be managed (Barberis 2010). The need for coordination is seen by some scholars as a task increasing in importance,

requiring specialized and distributed skills and reflexivity, in order to make up for the increasingly ineffective role of bureaucratic-hierarchical management in rescaling processes (Soerensen 2006 Meuleman 2008).

The concept of 'policy network' captures the role of networks in governance well (Pierre and Peters 2000 Rhodes 2007). The phenomenon is not new, but its prevalence and importance on and across different scales is. The network perspective stresses informal, horizontal and decentralized relations. Vertical network relations receive less attention from this perspective as network governance has often been promoted as an alternative for hierarchical control and market principles. Governments have to engage with civil and private actors which they cannot fully control. Within policy-networks the state's role tends to shift towards creating continuity and the management of cooperative processes aimed at reaching a consensus. Control by central intelligence becomes dispersed through the network and the intelligence itself distributed among a variety of units. However, the autonomy of such networks and especially the relatively closed character of those networks have been questioned for resulting in a lack of democratic legitimacy (Hajer van Tata eenhove al. 2004, Rhodes, 2007 2000 Büchs, 2009 Papadopoulos 2007).

Obviously, in reality, there are many hybrid forms of governing: "in most cases traditional instruments have evolved over time, producing 'hybrid' forms of governance, in which traditional hierarchy frequently coexists with more deliberative, partnership-based instruments" (Heritier and Rhodes 2011: 17). Probably the relation between governance and government, as governing modes, can be imagined as the opposed poles of a *continuum* with many potential combinations in intermediate positions. Büchs (2009) equally warns for one-sided accounts of the demise of government. She argues that the perceived impact from on-going state transformations depends largely on how the role of the state and 'state strength' is defined. From the perspective of 'state expenditure' and 'amount of regulation' one could hardly speak of state shrinking in European countries. This might be explained by "the simple assumption that the requirements for coordination and regulation are steadily increasing as public and private actors are interacting in ever more complex ways" (ibid. 14). From this perspective the role of the state is not shrinking, but increasingly oriented towards meta-governance (Jessop 2002 Peters 2007). In contrast, if one regards the strength of the state in terms of its capacity to minimize negative effects of market economies "the impact of compounded vertical and horizontal state transformation may contribute to diminished state strength as both dimensions appear to complement one another in this regard" (Büchs 2009: 14). Problems to complement the upscaling of economic activities to a European market with a parallel European integration process in the field of social protection (Scharpf 2006) exemplify this.

### **5.2.2 GOVERNING MIXED NETWORKS**

Concerning networks' composition, Heritier and Rhodes (2011) include in the concept of governance non-hierarchical structures and processes systematically involving *non-state actors* in policy formulation and/or implementation. According to Kazepov (2008), the notion of *welfare mix* (see 4.1) shares the networked and horizontal characteristics attributed to 'governance' and serves as a good example of horizontal subsidiarization. There are obviously different ways in which a welfare mix might be governed (as alternatives to the top-down hierarchical operation of governments). The typology developed for the case of urban governance by Di Gaetano and Strom (2003) is useful here. They build up their governance typology considering four criteria: (1) *governing relations*, which concern the modes of interaction between public officials and private sector or community interests; (2) *governing logic*, linked to political decision making processes; (3) *key decision makers*, regarding the various actors involved; (4) *political objectives*, divided in material, purposive and symbolic.

Based on these criteria, the authors identify a typology composed by five modes of urban governance: clientelistic, corporatist, managerial, pluralist, and populist (see table 3):

- 1) *Clientelistic* modes of governance are characterized by personalized and particularistic exchange relationships between politicians and favoured interests or clients. These are provided with selective benefits and favours in return of political support;
- 2) *Corporatist* modes of governance are the result of programmatic public-private governing relations. The interaction between public institutions and interest groups are based on negotiation and compromise. Their aims are legitimate policy decisions, seek consensus and reinforce the involved coalitions, excluding other groups and interests;
- 3) *Managerial* modes of governance are characterized by formal, bureaucratic or contractual relations between public officials and the private sector. Emphasis is on effectiveness and efficiency of policies and programs; this system has a hierarchical connotation;
- 4) *Pluralist* modes of governance are based on a high degree of competition among contending rival private interests of competing blocs or alliances; this systems is ruled by a politically created and publicly sponsored market logic;
- 5) *Populist* modes of governance emerge where individuals and groups are encouraged to expand their participation in the governing process. The political orientation is primarily symbolic, as the principal purpose is to stimulate greater attention to democratic procedures and practices.

The authors underline that these five modes of governance obviously have to be considered as ideal types that do not actually exist as pure forms.

TABLE 3: MODES OF URBAN GOVERNANCE

	<i>Clientelistic</i>	<i>Corporatist</i>	<i>Managerial</i>	<i>Pluralist</i>	<i>Populist</i>
Governing relations	Particularistic, personalized, exchange	Exclusionary negotiation	Formal, bureaucratic, or contractual	Brokering or mediating among competing interests	Inclusionary negotiation
Governing logic	Reciprocity	Consensus building	Authoritative decision making	Conflict management	Mobilization of popular support
Key decision makers	Politicians and clients	Politicians and powerful civic leaders	Politicians and civil servants	Politicians and organized interests	Politicians and community movement leaders
Political objectives	Material	Purposive	Material	Purposive	Symbolic

Source: Di Gaetano and Strom 2003: 366

This classification might create some misunderstanding for some of the labels used. Kazepov and Carbone (2007: 104-105), for instance, add a further mode of governance to this typology: *participatory governance*. They underline that citizens and groups can be called to mobilization not only to create instrumentally public consensus, as in the *populist mode*, but really to be included in policy making and implementation with actions aimed at incrementing popular control on policies and political decisions. Thus the negotiation process can be oriented to reach material and purposive political objectives, not only symbolic aims.

Also the label managerial to identify hierarchical, formal and bureaucratic forms of governance might be misleading. Actually New Public Management reforms introduce lean organizations, de-bureaucratization and goal oriented tasks to public managers rather than completion to rules and procedures. The typology requires therefore further reflection and fine-tuning.

It is in any case possible to cross-tabulate these six modes of governance typology with the five models of welfare systems defined by Esping-Andersen (1990) and integrated by Ferrera (1993). In fact, Kazepov and Carbone (2007) argue that in *Conservative* welfare systems (e.g. Germany) the *corporatist* mode of governance is the most consolidated; while *Nordic* welfare systems (e.g. Denmark) are characterized by a *mix of managerial and participative models*; in the *Liberal* systems (e.g. the UK) the prevalent *mix is of pluralist and corporative* modes; finally, in the *Familistic* systems (e.g. Italy or Spain) the prevalent logic is a mix of *populist and clientelistic* modes, even though also other modes exist in the different regional settings. *Transition countries* are not considered by the authors in formulating this typology. Figure 3 below provides a synopsis.

A deeper understanding of this picture would require further specifications and empirical investigation. For instance, although *corporatism* still plays a relevant role in coordinated market economies, German, Dutch and partly also Austrian welfare reforms of the 1990s show that tripartite social pacts were not necessarily the key element in those reforms. They were rather based on compromises between coalition parties with more or less formal consultations with the social partners (Siegel 2005: 122).

FIGURE 3: SYNOPSIS OF THE MAIN CHARACTERISTICS OF VERTICAL AND HORIZONTAL SUBSIDIARITY

	Territorial frame	Regional variation	Governance type	Governance content	Users' involvement	Intermediate bodies' involvement	Bargaining level	Main private actors	Role of public actor
Scandinavian (SE, FI, NO)	Local autonomy centrally framed	Low-Medium	Managerial participative	Delivery	High	Very low	Central	For profit	Planning and management
Continental National (FR)	Centrally framed	Low	Corporative and statist managerial	Delivery and management	Medium	Medium	Central	Non-profit/for profit	Planning and shared management
Continental Federal (CH, DE)	Regionally framed	Medium	Corporative	Delivery, management and planning	Medium	High (active subsidiarity)	Regional (Kanton, Land)	Non-profit/for profit	Shared in planning and management
Southern European (ES, IT)	Regionally framed	Very high	Highly fragmented (managerial, corporative, clientelistic)	Delivery, management and planning	Low	High (passive subsidiarity)	Regional and local	Non-profit	Planning and shared management with limitations
Transition mixed (PL)	Mixed	Low-Medium	Highly fragmented (managerial, corporative, clientelistic)	Delivery, management and planning	Low	High (passive subsidiarity)	Mainly central	Non-profit/for profit	Planning and shared management with limitations

Source: Kazepov (2010:72).

### **5.2.3 GOVERNANCE AND DEGREE OF PARTICIPATION**

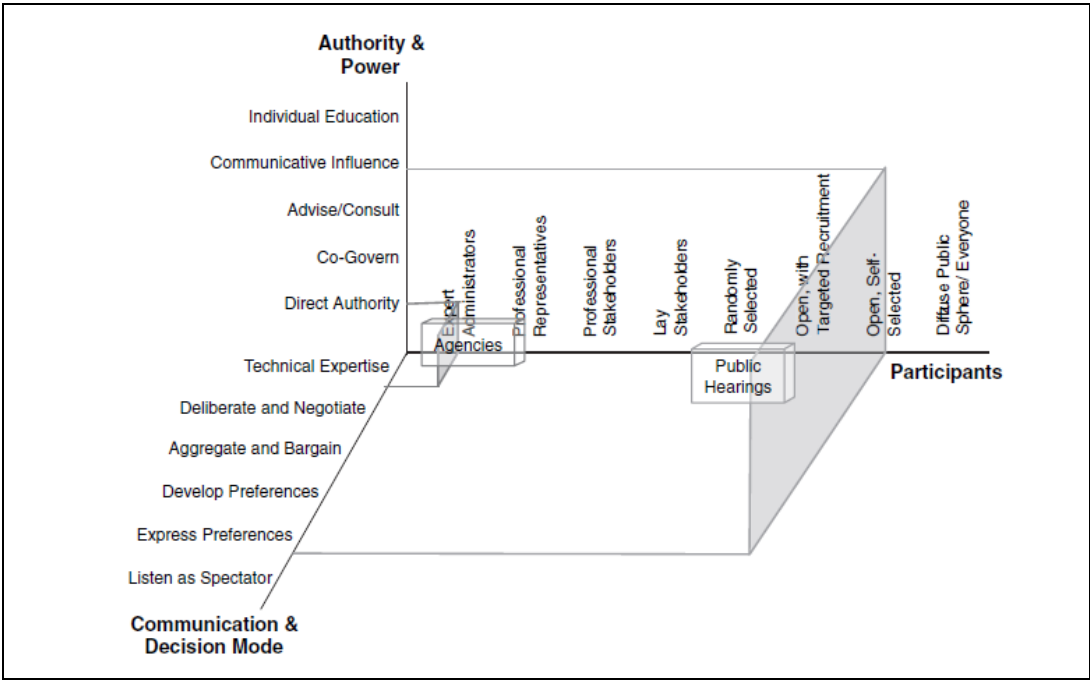
Governance is also defined by the “degree” of actors’ involvement in governing. Whereas the network and multi-level perspectives on governance discussed above are primarily geared towards efficiency, the deliberative governance perspective makes an explicit link between efficiency and democratic legitimacy. Its main principles - practical orientation, grassroots-participation and a deliberative way of finding solutions - should on the one hand create conditions for alternative problem definitions, innovative coalitions and new decision making processes tout court, on the other hand deliberative governance should contribute to institutional trust and enhanced policy implementation (Hajer, van Tatenhove et al. 2004). The work of Fung and Wright (2001 2003), introducing the concept of ‘empowered participatory governance’, is of central importance here. They describe deliberative governance as a method for ‘deepening democracy’ and they hold on that these forms of governance “have the potential to be radically democratic in their reliance on the participation and capacities of ordinary people, deliberative because they institute reason-based decision making and empowered since they attempt to tie action to discussion” (ibid. 7). Fung and Wright draw on five distinct cases on the local and regional level: Neighbourhood councils in Chicago, The Winsconsin Regional Training Partnership, Habitat Conservation Planning, participatory budget of Porto Alegre and Panchayat reforms in West Bengal and Kerala. Despite their many differences “these experiments colonize and transform existing state and corporate institutions in such a way that the administrative bureaucracies charged with solving these problems are restructured into these deliberative groups” (Ibid. 25). The authors describe three general principles of ‘empowered participatory governance’: “(1) a focus on specific tangible problems, (2) Involvement of ordinary people affected by these problems and officials close to them; and (3) the deliberative development of solutions to these problems (Ibid. 17). They also describe three properties of an institutional design: “(1) The devolution of public decision authority to empowered local units; (2) the creation of formal linkages of responsibility, resource distribution, and communication that connects these units to each other and to superordinate, more centralized authorities; and (3) the use and generation of new state institutions to support and guide these decentred problem solving efforts rather than leaving them as informal of voluntary affairs”(Ibid, 17).

Participation and deliberation are crucial dimensions of governance from the perspective of social innovation. It has been documented that tying voice and actions through participatory institutions does enhance the sensibility and innovativeness towards unmet local needs. But, these forms of ‘participatory governance’ seem to have some disadvantages as well: varying engagement of participants, slow procedures, insufficient knowledge and resources, situations in which the participation is not substantial and professionals control the whole organisation, etc. A call for more participation and deliberation does hence not suffice, and we should not take for granted that participatory modes of governance offer more sensitivity and responsively towards unmet needs per se.

Fung (2006) has analysed complex governance arrangements from the perspective of participation, which can help us to identify the possibilities of social innovation in relation to specific organizational types. He analyses the participatory nature of governance arrangements by answering the following three questions: (1) who participates?; (2) how participants are involved in the decision making process?; and (3) how their participation is linked with policies? The first question concerns actors’ selection and pinpoints different modes on a line ranging from more exclusive participation (where just public administrators or representatives are engaged), to more inclusive (open participation of diffuse public sphere), passing through some intermediate positions (selecting “mini-publics”: self-selection, open-targeted, random, choosing stakeholders or professionals). The second question is aimed at understanding how deep participants’ involvement is. Less intense degrees include listening sessions or consultations; intermediate ones the possibility to develop preferences, aggregate and

bargaining; and the most intense ones involvement in deliberation and negotiation and, finally, deploy technique and expertise. The third question concerns the extent of authority and power, thus the possibility to influence public policies: starting from weakest to strongest authority, we have personal benefits, communicative influence, advise and consult, co-governance and direct authority. Crossing these dimensions, Fung outlines a “*democracy cube*” (*ibidem*, 70-71) to represent in a three-dimensional space the varieties of complex governance analysed by participatory mechanisms (see figure 4 below).

FIGURE 4: THE DEMOCRACY CUBE



Source: Fung (2006: 71).

These three axes allow us to look into the degrees of inclusiveness of governance processes and Andreotti *et al.* (2012) identify three main critical elements emerging from the debate:

- a) *the lack of universalism and inclusivity* of governance arenas, that often lack regulatory and participative models, risking to transform them into exclusive policy communities;
- b) *the scarce definition of private actor mandates*, causing problems of accountability and conflict of interests, linked to the overlapping of civil society’s economic and political roles, as providers and as citizen’s advocacy players;
- c) *the legitimacy problem* connected with the representation of private and civil society actors in governance arenas, risking to overcome citizens’ effective possibility to influence the decision-making process.

The authors conclude arguing that: “Under this perspective, local welfare policies may become less democratically responsive in relation to citizens’ needs, instead of having improved their ability to address such needs” (*ibid.* 1934). The agreement among private interests has not to be confused with the agreement on the common interest.

In this respect, Fung (2006) stresses that direct participation does not substitute, but complements, representative democracy. The aim is to contrast some iniquities stemming from electoral dynamics, such as the pressure exerted by privileged connections (e.g. in patronage systems), powerful interest

groups, class, racial or gender disadvantages. The general policy making process can be improved through direct participation, incrementing transparency in decision-making and involving different competences and points of view in thinking social problems and solutions, thus activating new resources. Indeed the possibility to reach these results is linked to the possibility they become specific aims, as the risk is that governance processes reproduce the same power relations, iniquities and exclusion mechanisms, existing in the society at large and already reproduced by representative democracy.

During the last decades, the process of subsidiarization brought about the elaboration of complex models and tools to concretely “play” governance. An interesting variety (from the *open method of coordination* elaborated by the European Union to local participatory policy programs) include stakeholders, services’ clients, third sector, private organizations, citizens in the different phases of policy making: programming, designing, implementing, assessing public policies. At least in rhetoric, from a passive role of users, citizens and their organizations are often called to be active in constructing their contexts’ wellbeing.

To conclude this part on the changing welfare mix and its governance, we list the main insights and concepts derived from the literature on welfare mix and governance that can help us to formulate challenges for creating a mutually enriching relationship between local social innovation and the welfare state.

- Governance is a complex concept but will here be used to refer to a mode of collective policy and decision-making in which governments have to share authority with a range of other actors from the market, civil society and the voluntary sector, a condition that tends to push governments (as well as the other actors) into less hierarchical and more horizontal, cooperative and dialogical forms of government. This stress on horizontal relationships should not obscure that power differentials and hierarchy is not absent from governance arenas but make us attentive to the often complex and networked ways in which power shapes social interaction.
- The welfare mix is undergoing a process of dis- and re-organization, which is partially market driven, but is also characterized by the increasing involvement of voluntary and informal sector. The quasi-market governance through which the welfare mix is increasingly organized yields ambiguous results for users, with improved efficiency, cost reduction and scope for participation as positive effects and undermining of social rights, unequal access and dependency on local initiative as negative effects. A mutually enriching relationship between local social innovation and the welfare state requires us to attend to these ambiguous results for service users.
- Governance, especially when its networked and multi-level nature is stressed, is often promoted from the perspective of efficiency, rather than that of democratization. However, the deliberative governance perspective, informed by the principles of practical orientation, grassroots-participation and a deliberative way of finding solutions, makes an explicit link between efficiency and democratic legitimacy. The deliberative governance perspective can help us to position social innovation in the reorganization of the welfare mix and its governance.
- Crucial in governance is the involvement of non-state actors in policy formulation and implementation. The governance logic and relations among state and non-state actors and governance objectives vary, which is captured by various governance typologies. One of the typologies that seems particularly useful distinguishes five modes of (urban) governance: clientelist, corporatist, managerial, pluralist and populist (to which participatory governance can be added as a sixth type). This typology may help us capture the position of local social

innovation initiatives within the wider governance arena and can be cross-tabulated with the different welfare models identified earlier.

## **6 TOWARDS A HYPOTHESIS: GOVERNANCE AND WELFARE MODELS AND SOCIAL INNOVATION**

In this paper, we have discussed changes in the spatial and institutional organization of welfare provision in Western societies at length. As we have argued before, it is in the context of the processes of rescaling the welfare state, the dis- or re-organization of the welfare mix and the emergence of the multi-level governance of welfare provision described above that social innovative actions and initiatives become significant. By way of conclusion, we now want to put forward some hypothetical statements on how the spatial and/or institutional context might encourage or discourage social innovation. (These hypothetical statements will then be translated in governance challenges for a mutually enriching relationship between social innovation and the welfare state in the next phase of the ImPRovE research process.)

Although social innovation (SI) occurs at diverse spatial scales, the local (whether it be the neighbourhood, the city or the region) is of specific importance to social innovation. Social innovation emerges as a contextually embedded reaction on a shared, daily life, experience of unmet needs and-or problems experienced with the current institutionalized procedures of need alleviation (Chambon, David et al. 1982). Proximity and recognition of one's fellow as well as the relations that people from a certain social group have with people and institutions outside this group (the strong and weak ties (Granovetter 1973) of the people that experience this unmet need) are crucial to understand how these reactions emerge and how they could evolve. The local dimension is often considered to be the ideal dimension to meet social needs but also to mobilize resources to face problems in a socially innovative way based on the idea that better and faster solutions are developed by civil society, social entrepreneurs and local public institutions in the daily living environment of citizens (Moulaert, Martinelli et al. 2010 Andreotti et al. 2012).

Pleas for interpreting (local) social innovation in an institutionally and spatially embedded way are reoccurring in SI literature (Fontan, Klein et al. 2004 Moulaert and Nussbaumer 2008 Klein, Fontan et al. 2009 MacCallum, Moulaert et al. 2009). It must be clear that SI cannot and should not be thought of as a strictly local matter, nor something that is only carried by civil society actors or social entrepreneurs. Focusing on localities, be they neighbourhoods, cities or regions, as the privileged sites for socio-economic development entails "a number of strategic and analytical risks", as Moulaert et al. (2005: 1978) claim, namely an exaggerated belief in the power of local agency and institutions to address structural forms of social exclusion and poverty, the idea that all social needs should be met locally and 'misunderstood subsidiarity' by which actors and institutions on higher spatial scales shed their responsibilities to actors and institutions on lower spatial scales. Local social innovation initiatives should therefore attempt to act strategically on different spatial scales and maintain relations with actors outside civil society or the market, particularly with the state and public institutions. This 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.

As argued before, the aim of the ImPRovE project is to frame social innovation within the changing welfare state in its various forms. To better understand the potentials of different welfare models with regard to social innovation we will present horizontal and vertical governance typologies to be considered and analysed in relation to the *four-plus-one* welfare models classification. The idea is



that the different governance arrangements correspond to a different degree of openness and closure towards the capacity of social innovation in the sector of welfare policies. This poses different challenges to social innovation. In analysing the literature we did not find much attention and reference to the influence of different governance models on innovation. It is, in a sense, *taken-for-granted* that a more horizontal governing system *per se* guarantees spaces for new solutions, involving new actors, points of view, competences, tools, etc. This assumption, however, needs to be proved and it remains important to understand how different governance systems and processes can influence (or even determine) the capacity of innovation.

With regard to social capital formation in terms of bridging or bonding social capital, generalized social trust and social support, however, interesting correlations with welfare regimes – or society-centred vs. institution-centred countries – can be introduced at this point. Based on data from the International Social Survey Programme (ISSP) 2001, Kääriäinen and Lehtonen (2006) have shown that bonding social capital (family ties) is particularly strong in the Mediterranean and in some post-socialist regimes, bridging social capital (voluntary civic engagement) is most common in social-democratic and also liberal regimes (and weakest in Eastern Europe), generalized trust is strong in social democratic regimes where also social security is strong but also in some non-European countries of the liberal regime where inequality is of relatively little concern (Australia, New Zealand and Canada), while it is weak in – society-centred – Mediterranean and especially Eastern European countries. Informal social support is rather balanced in most welfare state types but – and contrary to intuition or common assumptions – especially lower in the Mediterranean regime. Concluding, the correlation between bridging and bonding social capital is obviously reverse, while trust and social support clearly have positive connections with bridging social capital.

A first attempt of cross-tabulating welfare models and the openness to innovation, allows us to identify a first hypothesis to be tested: “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, often captured as ‘roll-back’ and ‘roll-out’ neoliberalism (Peck 2002). 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: 10-11).

This sketchy picture needs a precise scrutiny that we are not able to provide here. A few clarifications, however, can be made. Continental Countries, for instance, have been defined as “frozen” (Palier and Martin 2008) for a long period, but started substantial innovation processes in the last decade. In Mediterranean Countries very diversified contexts exist which don’t lack innovative practices. The latter are, however, fragmented, unequally distributed and never get up-scaled (Kazepov 2008). Considering this frame, Nordic Countries, even keeping their strong State model, result the most innovative. This might confirm the importance of public institutions’ role in promoting innovation, a topic to be further explored. The Liberal Anglo-Saxon Countries, coherent with their tradition, reinforced the logics of market and competition, using standardization tools and managerial competences to control the system. This makes them an interesting case for the analysis of the capacity of innovation, for example, in the public sector through pluralistic meta-governance arrangements. East European Countries have not been considered in this typology because of the lengthy transition period. The countries included in this welfare model are developing indeed different governance systems, thus it becomes more difficult to have an idea of their predisposition to innovation. In general, we can observe that, in the last decades of transition towards capitalist

market economies and the accession to the European Union, they completely changed their welfare systems. This “forced” institutional transformation which must not be confused with innovation, but represent a paradigmatic case of isomorphism, might have brought them to the development of interesting methods and tools oriented towards innovations.

The active or passive role of the State can make an interesting difference in building welfare policies and their ability to innovate. Kazepov (2010: 65) analyses the relationships between public institutions and the third sector in European welfare systems. He builds upon another interesting typology on elderly care (Ascoli and Ranci: 2002) which considers two criteria: financial coverage of third sector activities by the State (total: +60%; partial: -60%) and the welfare services covered by third sector actors (dominant: +50%; complementary: -50%). Cross-tabulating these criteria, four models are found: the *Corporative Model* diffused in Continental Europe which is characterised by *active subsidiarity* where the third sector plays a relevant role and is supported by the State. The *Familistic model*, typical of Southern European countries, is associated to *passive subsidiarity*. There the third sector and families take responsibility, without public support. The *Universalistic Model*, to be found in the Nordic countries, is dominated by a *pervasive role of the State* and the third sector’s role – even though increasing – is still limited and generously funded. Finally, the *Neoliberal model*, in the Anglo-Saxon countries, where the *State keeps just a residual role* in providing welfare and third sector actors increase their role embedded within pervasive market contexts.

The different kinds of relationships between public and private actors are thus interrelated with welfare models in a mutual reinforcing relationship. The following table sums up all the typologies we briefly described in this paper. It helps to make some hypothesis about the conditions and challenges, connected to the relationship between governance and welfare models aimed at stimulating potentially socially innovative practices.

**TABLE 4: CROSS-TABULATING WELFARE AND GOVERNANCE MODELS AND TERRITORIAL ORGANIZATION - SYNTHESIS TABLE**

<b>Welfare models</b>	<b>Geographical Zones</b>	<b>Territorial organization</b>	<b>Governance</b>	<b>Relationships State/Third Sector</b>	<b>Capacity of Innovation</b>
<b>Universalistic</b>	North of Europe	Local autonomy centrally framed	Managerial and participative mixed	Pervasive role of the State	High capacity of innovation
<b>Corporatist-conservative</b>	Continental Europe	Regionally /Centrally framed	Corporatist	Active subsidiarity	Later but substantial innovation
<b>Liberal</b>	Anglo-Saxon Countries	Centrally framed	Pluralist and corporative mixed	Market model and residual role of the State	Proactive deregulation
<b>Familistic</b>	South of Europe	Regionally framed	Populist and clientelistic mixed	Passive subsidiarity	Fragmented innovation
<b>Transitional</b>	Central and Eastern Europe	Transitional mixed	Highly diversified – difficult to define	Highly diversified – difficult to define	Highly diversified – difficult to define

Sources: Adapted and rearranged considering the following sources: BEPA 2010, Di Gaetano and Strom 2003, Esping-Andersen 1990, Ferrera 1993, Kazepov 2008, 2010, Kazepov and Carbone 2007, Palier and Martin 2008.

Considering all the classifications and typologies presented so far, the highest capacity of innovation is attributed to the universalistic and state-centred Nordic countries. The processes of decentralization and subsidiarisation have kept a strong role for the State, that not only defines the legal and policy framework, but also coordinates a managerial and participative governance system, and controls through an effective accountability system all actors' activities. In this context, municipalities have a large autonomy in organizing welfare policies and the third sector has access to public financing, delivered to support their activities.

The liberal Anglo-Saxon countries mainly rely on the market also in relation to the capacity to innovate. A strong deregulation process has confined the State in an increasingly residual role as provider while it still keeps its persisting importance. State efforts, however, are targeted at creating a more favourable context for a plural competition and subsidize private welfare provider directly or indirectly. Innovation mainly looks like a spontaneous result of competition and entrepreneurial logic.

In the corporatist-conservative welfare countries, in continental Europe, the State has to manage governance systems where categorical interests and/or territorial groups can create multiple vetoes. Overcoming these obstacles is a condition to promote reforms and innovation. The familistic welfare countries in the South of Europe tend to be dominated by populist and clientelistic governance systems. This logic can direct public resources to the strongest and more institutionalised and privileged actors, curbing the rise of new subjects and new kind of interventions. They are also characterised by passive subsidiarity in the relationship between the State and Third sector: distributing responsibilities with inadequate resources. In similar conditions, innovation can rise in interstitial spaces: autonomous actors and even informal groups could spontaneously fill what is left (the "blanks"), developing innovative experiences to satisfy new and unmet demands and social needs. The result is mainly fragmentation. It is possible to find highly interesting experimentations in neighbourhoods, but what can be problematic is to up-scale and sustain the experiments.

Eastern and Central European Countries are classified as transition welfare models. For a long period, they have been developing different assets and arrangements, influenced by European guidelines and other countries' models. Institutional competences are differently framed and governance models emerging highly diversified, thus the capacity to develop innovative experiences differs widely.

A further result we aimed at was to identify challenging aspects of social innovation in different governance models. The classification proposed by Di Gaetano and Strom (2003) briefly described above, helps us to identify for each governance model what the problems are that could curb innovation. As already highlighted, in the different welfare models different governance models prevail, thus they will have probably to face different challenges to promote social innovation.

1) The *clientelistic model* has self-evident problems: participation and its benefits are distributed to politicians' and/or bureaucrats' clients, thus *rights* become *privileges* and they are allocated following an unfair and inefficient logic. The circulation of resources and opportunities is channelled by prevailing particularistic interests.

2) The *corporatist model* is based on negotiations among interest groups. The participation is structured and limited to organizations that can express representatives and are quite strong to prevail. This might create a polarization of different interests that, using veto points, block decision making processes aimed at the public good. A sort of elitism might therefore emerge between new and frailer categories' with new needs who are excluded and well protected insiders.

3) The *managerial model* is the most hierarchic one (and might be renamed accordingly). Here public institutions keep an organizational and controlling role that could become rigid and produce an excess of standardization, limiting the possibility to adapt intervention to economic, social and

cultural change. Many resources could be absorbed by maintaining the bureaucracy in this kind of system.

4) The *pluralist model* is ruled by market logic. The weaker control exerted by institutions can create a fragmented system, overlapping interventions and leaving unaddressed problems. The redistribution of resources is weaker and the pervasive laissez-faire logic affects the possible outcomes. Thus it becomes difficult to develop new (and frail) ideas and issues/themes and the duration of good experiences that need time to reinforce is not guaranteed by strong competition.

5) The *populist model* is aimed at symbolic forms of participation, that are more rhetoric than reality. Emphasis is on apparently inclusive forms of participation while the aim is actually just consensus through distribution of resources and positions according to particularistic criteria. The risk is the implosion of the governance process at the moment when the lack of empowerment and the uneven results becomes evident.

6) The *participatory model* is aimed to encourage citizens and their organizations to give their contribution to the policy making process. The open participation can multiply actors and proposals and this is good for innovation, but the system could become slow in decision-making and difficult to be managed in times of rapid change. Coordination and adequate tools to steer are needed to make the system work.

The following table (see table 5 below) provides a synthetic framework of the governance models and their characteristics and the different challenges they have to face to be innovative.

**TABLE 5: GOVERNANCE MODELS AND CHALLENGES FOR SOCIAL INNOVATION**

<b>Governance Models</b>	<b>Characteristics</b> a) role of public institution b) actors involved c) degree of involvement	<b>Challenges for social innovation</b>
1) Clientelistic	a) distribution of privileges b) politicians (or/and bureaucrats) and their “clients” c) highly exclusive participation	Inefficiency, waste of resources Prevailing of particularistic interests in spite of systemic results Unfairness
2) Corporatist	a) mediation in negotiation b) interest groups c) limited and indirect participation	Elitism Prevailing of institutionalised groups (insider vs outsiders) and exclusion of new subjects and new interests No systemic logic and loss of efficiency Veto points
3) Managerial (hierarchical)	a) organization and control b) citizens-clients c) participation established by defined criteria	Standardization of intervention Need of a strong investment on organization and control Adoption of private managing tools within public administration
4) Pluralist (ruled by market logic)	a) (residual) regulation of the system b) clients-competitors c) open (to “the strongest”)	Fragmentation, overlapping interventions Difficulty to develop new (and frail) ideas and subjects and to guarantee the duration of good experiences Weak possibility of redistribution of resources
5) Populist	a) mobilization of popular forces b) community leaders c) inclusive in a symbolic sense	Emphasis on symbolic involvement and results Based on ability to mobilize communities and groups Implosion
6) Participatory	a) mobilization of citizens’ competences b) citizens and their organizations c) inclusive in concrete policy aims	Slow decision-making Complicated coordination Too local, never upscaled

# ANNEX

**TABLE A.1: FORMS OF EU SOCIAL POLICY (IN THE VERY BROADEST SENSE)**

	Issue areas	Member state / EU relations
regulation of social rights and standards	Mainly: Labour law, health and safety at the workplace, equal treatment policies	Both share competence, EU became of increasing importance 1970s-1990s
spending for social purposes	Mainly: European Social Fund, Globalization Fund, Agricultural Fund, Regional Fund	EU expenditure minor if compared to national welfare systems, but within EU budget significant
coordination to stimulate voluntary harmonization in the social field	Mainly: Employment policy, pensions, social assistance, education	EU impact depends on domestic willingness; hardly any information on de facto effects or proofs of causality
liberalization of public utilities in general, including 'social utilities' (a result of the EU's economic policy)	Mainly: Employment services, energy, transport, postal services, but also part of the health industry. In fact, economic policies touch the 'outer ring' of social protection	Member states cannot discriminate private actors on the market or exclude them, outside a few narrowly defined and contentious core areas of public interest.

Source: Falkner 2010: 299

**TABLE A.2: IMPACT OF EUROPEAN INTEGRATION ON NATIONAL SOCIAL SPENDING**

	Effect	EU policy	Evaluative arguments
Impact on expenditure	Direct	Opening borders and social security systems for citizens of other EU states: social transfers no longer restricted to 'own citizens', no longer consumed within state territory.	From the member state perspective, this can be costly. But: Other countries' situations are similar, reciprocity is possible. If not: ECJ provides for (some) protection of financial stability of the social security systems.  From citizens' perspective, this offers new social rights.
Impact on budgetary resources	Direct	EMU, convergence criteria limit deficit spending.	Short-term: restrictive effect on social expenses possible, although governments are in principle free to cut where they find useful, including outside the welfare area.  Long-term: not limiting the budgetary deficits might have had an even more negative effect on social budgets due to the danger of debt payment overload.
	Indirect	Only partial tax harmonization on EU level, hence room for tax competition between member states.	De facto pressure on nation states to lower their taxes (including social security contributions) on the mobile economic actors. But to be decided on national level.

Source: Falkner 2010: 301

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## **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 7<sup>th</sup> 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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