

## **SOCIAL INNOVATION STRATEGY IN HUNGARY; AN EVALUATION FROM THE POINT OF WELFARE PROVISION**

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**Abstract:** Social innovation is an effective response to changing social demands in welfare societies. By reshaping social interactions in welfare provision, it essentially aims at building a new and more participative wellbeing, namely “the enabling welfare state”, without causing any decline in welfare rights of citizens. The European Union, in this sense, started a rigorous transition process to social innovative strategies in welfare provision in the beginning of 2000s. Hungary, as an outstandingly emerging economy of its region, also launched social innovation programs to make not only the market, but also citizens, community and local authorities more active in the co-provision of welfare. Even though social innovation strategies have not spread over the whole country yet, Hungary seems to have sufficient capacity and resources to make social innovation an effective part of “co-provision of welfare” or to turn itself an “enabling welfare state” in the near future.

**Keywords:** *Social Innovation, Welfare Provision, Welfare State Restructuring, Rights-Based Approach*

### **1. INTRODUCTION**

New quests in neoliberal economy and politics have resulted in major shifts in both the thought of welfare state and the relationships between civil society, the market, the citizen and the state. This has prompted a reconsideration of concepts to adapt to the new socioeconomic and sociocultural order. Social innovation, along with social investments, social inclusion, social integration and social entrepreneurship, is just one of these concepts to re-evaluate regarding welfare provision.

Having its roots and policy outcomes in a large variety of research fields, social innovation is an emerging concept in welfare state debates. While social innovation has been the focus of numerous studies and researches particularly in urban and local development studies as well as political sciences over the past decades, (Moulaert et al., 2013) there is still a lack of extensive research in social policy and welfare theory studies. (Evers, Ewert and Brandsen, 2014; Jenson, 2012) However, social innovation may contribute significantly to the debates about the future of the welfare state and social policy.

Welfare states have been experiencing a financial crisis for the last few decades. Governments have long been facing a challenge to spend less on welfare of citizens without leading a decline in overall social protection level. Social innovation strategies emerged as effective tools to overcome this challenge by essentially leading a new type of division of labour among welfare providing actors. Hence, social innovation as a new way for social intervention to socioeconomic problems in societies may offer an effective alternative to the restructuring of welfare state by enabling a new role sharing among welfare providers, namely in welfare mix.

Social innovation differs from classical civil society solidarity in many respects. Considering it as a new and more effective method of self-help mechanism, it envisages a much more productive cooperation between welfare provider actors and has the potential to combine formal and informal welfare provision activities. In this sense, social innovation is a self-help mechanism for the ones who are not satisfied sufficiently while meeting their basic needs in private market, institutional welfare policies or traditional civil society solidarity networks.

Claiming social innovation as a unique way to reconfigure market and state relations in support of welfare production, this study seeks to evaluate social innovation strategies in Hungary in regards of its potential in welfare provision. Even though social innovation mechanism is not a new tool in welfare and social protection provision, it definitely offers a new way to reorganise the existing providers, which are namely the state, the market, family and NGOs. In this sense, it is a new combination between civil society organisations, social entrepreneurs and central and local state authorities. The main purpose here is to find a better and more cost-effective way to respond to unmet social needs of individuals.

## **2. SOCIAL INNOVATION AND WELFARE PRODUCTION**

In every society, there is a mix of sources of wellbeing for everyone. The market, for instance, is the major source of wellbeing for the majority of people in a society. In this sense, people earn their livelihood either directly or through someone else in their family from the market. (Esping-Andersen et al., 2002, p. 11) Therefore, the market, together with state institutions, is the formal provider of wellbeing. The state and other public authorities, on the other hand, provide public and social services for needy citizens without charging them with market prices as well as redistribution of income. However, wellbeing is also possible to be provided from informal sources, such as the family and community or civil society. Welfare societies that can achieve a balance and harmony in the cooperation and coordination among given sources of wellbeing become the most successful welfare states and offer better social protection to their citizens. However, the economic, social, political and even cultural environment around the world has changed significantly over the last few decades and this change has threatened the capacity of all welfare providers to sustain the existing level of wellbeing for all citizens. (Hall and Lamont, 2013; Cerev, 2014, pp. 248–252) The rise in the number of working poor and budgetary restraints for public services indicate the insufficiency of markets and state institutions clearly. Considering

the benefits it provides, social innovation has emerged as one of the best alternatives in the redesign of welfare mixture by enabling a more active society and citizen in welfare provision. Therefore, it finds itself a solid place in many of the leading social policy analysis. (Ewert and Evers, 2014, p. 428; Ayob, Teasdale and Fagan, 2016, pp. 10–14; Cerev and Yenihan, 2017, p. 81)

As a new approach to social policy interventions, social innovation offers significant contributions to attempts to overcome budgetary restraints as well as addressing ineffectively met social needs and demographic challenges in societies. Combining not-for-profit, for profit, and public authorities altogether and through a more activated civil society, social innovation presents a new way of social intervention in meeting welfare and social protection needs of citizens. In other words, social innovation offers one of the most cost-effective solutions in welfare provision by passing beyond the classical ways of labour of division between the state and other providers. (Swyngedouw, 2009, pp. 66–70) This might mean a solid step taken towards a new form of “enabling welfare state” or “active welfare state” to response to changing social demands more effectively by requiring a change of attitude among stakeholders and active involvement from citizens.

Welfare economies now face a number of demographic and societal challenges, such as rising poverty rates, changing family norms and types like lone-parenthood, decline in fertility rates, and an inadequate supply of jobs etc. Welfare states may response to changing social demands stemming from these challenges in a number of different ways. One of the most common measures taken to meet new welfare needs of citizens is the capacity expansion of markets and attribute a coordinator role to the state rather than the direct provider. In other words, the state takes over the leading role in welfare provision to a lesser extent, but the coordination of a new style of division of labour among private companies, civil society organisations and even the family. This is absolutely a new type of partnership rather than a hierarchy between the state and other welfare providers.

Thus, social innovation has taken a leading role increasingly in both the definition and solution of changing social demands and risks in many developed welfare societies. Expanding the active involvement of markets in welfare provision, some of which were previously provided by the state under rights-based social policy principles, alters the essential purposes of markets by turning them towards purposes such as social inclusion and social development along with the traditional goal of making profit (Nicholls and Murdock, 2012, pp. 2–3; Osberg and Schmidpeter, 2013).

### **3. HUNGARIAN SOCIAL INNOVATION EXPERIENCE IN COMPARISON WITH EUROPEAN UNION’S AGENDA**

Social innovation has been an ongoing topic in debates over the future of European welfare state since the second half of the 2000s. The European Commission considers social innovation as a new and effective method of social intervention to deal with unmet socioeconomic needs. The most attractive feature of social innovation is that it enables various policy sectors to work collectively and collaboratively to respond to

dynamic societal challenges and needs by providing active involvement of citizens and civil society. (Barroso, 2011; BEPA, 2010, p. 7)

When the European Commission launched its Renewed Social Agenda in July 2008, social innovation appeared in one of the Union's policy papers for the first time. This reflected a change in the overall attitudes of the Union towards social problems in the shape of transition from attempts to create more jobs in the market and promote economic growth (Euroactiv, 2009) to more inclusive and active participation. Following this, Bureau of European Policy Advisors (BEPA) launched the report 'Empowering people, driving change. Social innovation in the European Union' in 2010 (BEPA, 2010, p. 6) and this report is broadly believed to form the basis of the European social innovation strategy. Considering the first attempts of extensive social innovation programs, Hungary seems in accordance with European Union regarding its timing.

Besides these institutional developments in the EU, some individual efforts in some member states were recorded as well. The Dutch King Willem Alexander, for instance, claimed that the classical welfare state was replaced by the 'participation society'. In this new society and welfare order, the citizens are expected to be more active particularly in care services, which were provided public institutions formerly. As another individual example, the government in the UK (even though it is no more a member state) launched a new programme called "Big Society Initiative" in 2011. This programme relied similarly on the active involvement of the society on its own issues via various social innovation practices. (Ishkanian and Szreter, 2012)

The essence of all these efforts is to encourage the active citizenship and active welfare state, which requires more involvement of citizens, market forces and civil society particularly in times of crisis. (BEPA, 2010, p. 7) However, since social innovation is a new and more effective way of welfare provision by empowering citizens and civil society, a threat may emerge here in the shape of getting away from rights-based policies due to the decreasing involvement of the state in provisions. Therefore, a detailed legal framework must be regulated not to cause any decline in welfare rights and entitlements of citizens. In regards of this point, Hungary seems in need of strengthen the legal framework regarding social innovation more in order to guarantee social protection entitlements of citizens on a rights-based manner.

#### **4. GENERAL EVALUATION OF AND RECOMMENDATIONS FOR SOCIAL INNOVATION STRATEGY OF HUNGARY**

Social innovation strategy of Hungary has outstanding aspects to evaluate in the light of the general framework mentioned above. First, it occurs clearly from the White Paper (Social Innovation White Paper, 2021) that Hungary is fully aware of the fact that social innovation strategies are supposed to complete welfare state rather than replace it. Otherwise, possible failures in regards of rights-based social protection may occur and this may threaten the overall social peace.

Today, unlike the Golden Age period, it does not seem possible and plausible to make the majority of the welfare expenditures only by the state. In other words, market, family and civil society organizations should take more responsibility and complete the state more effectively. To this end, the smartest solution seems to be social innovation, one of the most effective self-help mechanisms, because social innovation has the potential to employ all actors in coordination and cooperation, instead of working separately and independently. Considering this, it is understood that there are sufficient number of social innovation supporters in the private sector in Hungary. A similar positive inference can be made on the family/interpersonal solidarity bonds on community level.

One of the conditions that directly determine the success and effectiveness of a social innovation strategy is financial resources. In this context, sources of financing should be both adequate and sufficient. While there is the advantage of targeted operational and developmental financing facilities, sustainability issue requires direct state and/or government support on both central and local levels. However, no definite inference can be drawn from the White Paper analysis regarding the direct and clear support from central and/or local authorities in Hungary.

The most striking negative conclusion from the White Paper is that the legal infrastructure regarding social innovation has not yet been fully launched in Hungary. In addition to other problems, this deficiency may cause failures in the establishment and maintenance of a rights-based social protection approach via social innovation activities.

A positive feature that can eliminate many deficiencies is the strong culture of “learning by doing and from each other”. In this way, a social innovation strategy that is successful in one sector can be transferred to another one. It can also create a constructive environment of competition between industries, businesses, local governments and even individuals. This could start a “race to the top” process in social protection and welfare provision.

When the examples of successful countries in social innovation are examined, it is understood that one of their common features is a consensus between stakeholders and beneficiaries on what exactly social innovation means. Therefore, the lack of a clear definition of social innovation still stands out as an important deficiency in Hungary. As such, there is a possibility and risk of being confused simply with traditional civil society solidarity.

Similarly, it is understood from the White Paper that there is a narrow social innovation environment that focuses on limited subjects and fields, instead of spreading over different regions and subjects. Besides, more disadvantaged regions appear to be less developed in terms of social innovation. It would be appropriate to strengthen the local ecosystems of regions accordingly by motivating and mobilizing local governments. Even though social innovation is a self-help mechanism at its core, its effectiveness and financial sustainability depend largely on the open support of local governments. Otherwise, effective implementation of localization, which is the dominant trend in social protection and social welfare issues, will be difficult.

Imported practitioners, methods and ideas cannot guarantee the success, as local conditions are not fully known. Therefore, in general terms, social innovation practices seem still in the development stage in Hungary.

Lack of a system in which the results of social innovation activities are observed and measured regularly is also an important deficiency. The impacts of social innovation in combating social problems such as poverty and deprivation is not fully evaluated. For this reason, direct and more rigorous involvement of government agencies and private enterprises to social innovation campaigns highly unlikely. Dissemination of impact analysis is extremely important and necessary in order to be professional in social innovation activities and to achieve effective welfare production and provision in this way.

The fact that civil society organisations in Hungary has a more individualistic perspective rather than working in cooperation and coordination is another factor that makes it difficult to complete public welfare services more effectively. Therefore, in order to develop social innovation strategies quantitatively and qualitatively with the participation of community organisations and private enterprises, it may be appropriate to explain the importance of social innovation practices on the brand/business image and, thereby, profitability rates via social innovation campaigns.

Looking at the successful country examples in social innovation, it is clearly seen that not only legal framework and the financial sustainability, but also direct state support both on local and central levels are provided as well. For this reason, Hungary's priority should be to create a dynamic legislation on the one hand (so that the changing demands and needs can be responded immediately), and to develop road maps with the support of central and local governments on the other.

Moreover, establishing international partnerships may be helpful in the rapid improvement of social innovation culture and the spread of successful examples, especially in the beginning stages. For this reason, it would be more accurate to establish international partnerships and see these relationships as a learning process.

In the light of all these evaluations and suggestions, it is possible to assert that further studies and analyses are required to see how successful social innovation strategies will be launched in Hungary in terms of complementing and modifying the traditional welfare state provisions without causing any decline in social protection rights of citizens. The supranational social innovation ecosystem, in which Hungary is involved and which is encouraged by the EU, is the most significant advantage of Hungary to develop more effective social innovation strategies in the near future. Therefore, it is plausible to claim that as an outstanding emerging economy recently, Hungary seems to redesign its welfare scheme in conformity with the EU perceptions, which include empowering the citizens, the civil society, the market and local authorities more in welfare production.

## **5. CONCLUSION**

Changing social demands and demographic transitions challenge the previous configuration of welfare mix. In the search for a more effective social intervention model,

governments need to establish a new and proper balance between welfare providers, namely the market, the state, the family and civil society, without compromising quality of life and welfare rights of citizens. Social innovation, in this sense, has emerged as a recent and solid contribution to the debates over “enabling welfare state”. The ultimate purpose has not changed at all; it is still to improve social inclusion and social cohesion. However, the way that welfare societies address the issue has changed significantly thanks to social innovation strategies.

Social innovation strategies varies from funding social enterprises engaged in training and retraining the hard-to-employ, the disadvantaged who are excluded from the labour market or those with insufficient or inappropriate skills on the one hand, to creating new programs addressing unmet needs or services on the other. The most visible difference that social innovation makes in the field of social policy is that formal and informal providers come together in an innovative collaboration. As such, even social risk areas, which are usually considered outside of the market provision, are included in the welfare provision agenda of market actors to generate new well-being thanks to fruitful collaborations established with civil society and the state.

Hungary, as an outstanding emerging economy in Europe, has attributed a significant role to social innovation in welfare provision recently as a part of its reconfiguration process of welfare provision in conformity with the EU Agenda. To this end, the government has laid the necessary foundations to build an effective social innovation agenda in the near future. Even though there are still a number of issues to solve before reaching effective results in social innovation strategies, such as the lack of relevant legislation, limited coverage and imbalanced distribution among regions in terms of social innovation practices etc., Hungary can rapidly complete this foundation-building process through its emerging markets and dynamic civil society structure. In the way of being an “enabling and active welfare state” rather than a “passive” one, Hungary aims to employ social innovation practices including empowering not only the market, but also citizens, civil society, and local authorities in co-production of welfare without causing any decline in existing social welfare and social protection rights of its citizens.

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