Uncharted Territory: Can Social Innovation Revitalize Literacy and Essential Skills Programs?

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INTRODUCTION

“Social innovation” has become a buzzword in social policy circles over the past decade and the concept of social innovation has emerged as an influential approach to address intractable social problems. Yet despite widespread discussion and promotion, there is still limited understanding of precisely what the concept means in terms of practice, and no commonly accepted definition exists. The term has nevertheless increasingly become common shorthand for applying market tools and engaging private sector players in areas normally reserved for the non-profit sector. It also assumes a desire to do things differently with better results. “Social innovation is a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs. Such successful social innovations have durability and broad impact” (Antandze, 2012). There are many strands of social innovation in Canada, some emerging, others predating the notion itself. To start understanding how social innovation might happen in the landscape of literacy and essential skills, we describe and analyze how different forms of social innovation are crystallizing in Canada and elsewhere and then consider what aspects might be applied to literacy, education and skills training.

1. FIVE DRIVERS OF SOCIAL INNOVATION

While enthusiasm for social innovation has run ahead of its effects, and impacts remain largely unknown, a consensus seems to be growing that we need to re-engineer traditional systems and programs to address intractable social problems (OECD, 2011). In this context, the increasing impetus for social innovation can be attributed to five factors:

- **Pressing societal demands and intractable problems:** Emergent technologies, aging demographics, immigration, persistent unemployment, rising healthcare costs and instability in the global marketplace.

- **Growing movement toward shared values in corporations:** Businesses are looking more closely at the impacts of their practices not only on direct shareholders, but on society, the environment and the economy at large. Social innovation attempts to look at how industry could broaden its social impacts instead of only paying taxes and/or making donations. Many businesses are beginning to develop “triple bottom lines” (3BL) and blended value approaches to measure organizational success: economic, ecological and social (“Triple bottom line”, 2009).

- **Recognition of limitations in the public and third sector:** In most developed countries, despite state funding for essential services such as healthcare, education, social security, housing and social care, many complex issues are inadequately addressed. The challenges include strong departmental lines and the lack of incentives or flexibility to innovate or improve service provision in pace with social needs. Government policies and structures tend to reinforce traditional models not well suited to emerging and complex problems which cut across different levels of government and/or departments. For the third sector, key challenges include narrow funding requirements, ineffective performance frameworks, and lack of capital and resources to take promising ideas to scale.
2. THE PROCESSES OF SOCIAL INNOVATION

Innovation counts for little unless it produces something tangible that people can use, a product or methods that makes them more productive or which helps solve a problem. Our innovators have all created reliable, repeatable methods, processes, services or tools which people can use to learn more effectively. The kernel of these projects is a simple innovation that successfully meets a clear need (Leadbeater, 2012).

The Stanford Center of Social Innovation provides a framework for defining the “innovation” in social innovation as a novel solution that is more effective or efficient than pre-existing alternatives (Phills, Deiglemire and Miller, 2008, p. 38). The birth of a new idea may be prompted by a creative person, organization or government interested in solving a new problem or a difficult problem that has remained persistent despite traditional remedies.

The concept is often rooted in management theory and practice. It is harder to define the “social” in social innovation, but in general, it seems to describe specific societal relations and motivations, a class of issues or problems or activities that are distinct from financial or economic values. The term “social innovation” can thus be differentiated from other types of innovation whose purpose is primarily for-profit and may have potential secondary social benefits. Social innovations focus primarily on social benefits, with an incline towards the perpetuation of social values – benefits to the public or society as a whole – rather than on private values of gain for entrepreneurs, investors and direct consumers. Social innovations can take the form of products, production processes or technology, a principle, an idea, a piece of legislation, a social movement, an intervention or combination of these (Phills et al, 2008).

SMARTPHONES: Innovation with unintended social benefits

Smartphones exemplify the nuance that distinguishes social innovation from traditional notions of innovation. Created for the benefit of company’s shareholders, smartphones have generated social benefits well beyond economic profits. Smartphone technology has provided a revolutionary platform for social innovators to create software applications (apps) indispensable to many fields and used for many social improvement purposes. Apps such as Audible, LookTel Money Reader and VizWiz, have revolutionized communication for the blind and deaf-blind in ways unmatched since the invention of Braille. In the context of this paper, smartphones are a traditionally understood innovation, while apps created by social innovators to improve lives, communities and whole societies – rather than to generate profit – are social innovation.

3. WHERE DOES SOCIAL INNOVATION HAPPEN?

A consensus is emerging internationally that the scale and complexity of modern social problems may require new more sophisticated and innovative approaches. Current discourse suggests an approach of shared responsibility in which the public, private and third sectors move beyond traditional boundaries and see themselves not as adversaries, but as collaborators to achieve broader collective impacts.

3.1 The Third Sector

The third sector – non-profit NGO’s, volunteer and charitable organizations – is often the driving force behind social innovation. Most of the third sector recognizes that governments face fiscal restraints, and that funding mechanisms such as grants and core
funding will not increase and may be at risk. Individual donations can be unpredictable and institutional donors (e.g. foundations) now tend to avoid long-term commitments and favour start-up operations. None of these financial mechanisms allow the generation of internal surpluses that could finance "new ideas". In response, the third sector is looking for entrepreneurial tools and collaborative activities with the business and public sector. These developments are transforming the sector. New kinds of finance, platforms, packages of support, and regulatory governance and accountability frameworks are being developed. Social entrepreneurship and social enterprise are the most common forms of social innovation in this sector.

3.2 The Public Sector

Governments are increasingly drawn towards social finance as a way to align community financial resources towards achieving better outcomes. In the public sector, social innovation can take many forms, such as new public programs, better ways of organizing things, changing methods of funding (e.g. pay for performance), new means of communicating and using emerging technology. Two current drivers are noteworthy. First, fiscal realities and structural issues are causing the public sector to consider how to allocate and account for its funds. Second, the growth centres in most Western economies have shifted from manufacturing, retail and transportation, to healthcare, education and old-age supports – areas in which government is a major player, as provider, funder and/or regulator. In these areas, a convergence of innovation between the public, private and third sectors can ultimately benefit the clients of these services.

Broadly speaking, governments see their role as investors in innovative solutions that demonstrate better results. Tools, such as innovation “seed” funds, and other social capital market structures can direct resources toward community solutions, such as creating government/non-government partnerships to promote and develop better mechanisms to measure and evaluate programs, improve outcomes, or foster knowledge of what works and why. A critical role is to provide incentives for innovation.

3.3 The Private Sector

Many private entrepreneurs see social innovation as a way to create new business opportunities, grow brand loyalty through association with well-known charities or social enterprises, or attract employees who want a socially conscious employer and a stimulating culture of innovation. The continued growth of social industries – such as health, education, training and long-term care – can create opportunities for collaboration and a new alignment of expertise. A significant development over the past twenty years has been the growth in social enterprises and entrepreneurs that earn a profit but also focus on social goals.

3.4 The Three Sectors Working Together for Collective Impact

An example of social innovation in which third sector, business and government collaborate to achieve large-scale change is the development of technology for business, academic research and skills development. Many universities and colleges have paired up or aligned their activities with technology companies. The lines between classroom research and industry technology development are becoming increasingly blurred. While some oppose this trend and raise relevant questions about the extent to which the traditional mission of educational institutions may be compromised, others see this “blurring” as a critically important lever for facilitating economic growth and a regional advantage in attracting industry (Essential Skills Ontario, 2012). This approach has a longstanding tradition in medical research, where criticism has been most pronounced. However, countries such as Finland, the Netherlands and Japan have adapted it to advance technological development between universities and private research and development divisions in industry. In the United States, many universities and colleges are pairing up with regional economic development offices to kick-start local economies through knowledge transfer hubs that often center on the creation, diversification, and industrial application of emerging technology. Such approaches can also help create new entrepreneurs and small businesses.

4. NEW MODELS FOR A NEW WORLD

4.1 Social Entrepreneurship

“Entrepreneurship” and “entrepreneurs” refer to the processes and people who organize a business venture and assume the risk. Entrepreneurs are seen as individuals who have an innate sense and business acumen to recognize and act on opportunities. Social entrepreneurs are individuals with innovative solutions to our most pressing societal challenges. They do not leave these to government but instead identify what is not working and look to solve the problem by changing the system, testing solutions, sharing the solution and inspiring others to take new steps (Ashoka, retrieved 2013). Combining creativity and perseverance, entrepreneurs create or bring about new ideas, services, products and companies that have the potential to change the world for the better (Martin & Osberg, 2007). So what is the difference between entrepreneurship and social entrepreneurship?

Martin and Osberg suggest that the “value proposition” distinguishes the two (2007). For most entrepreneurs the value proposition is that in creating a new enterprise they can generate profits through the goods or services they create and deliver. The impetus is mainly profit. Social
entrepreneurship, on the other hand, recognizes a social problem and uses entrepreneurial principles to create and manage an enterprise primarily to achieve a desired social good. A social entrepreneur does not act primarily for financial gain but to create value in the form of transformational benefits that have positive impact on the lives of those in need (Ayoga, retrieved 2013). The value proposition in traditional entrepreneurship assumes that individuals in the marketplace can afford to pay a premium for a given product or service, allowing a profit for the entrepreneur. A social entrepreneur, however, provides and designs goods and services for disadvantaged populations that cannot achieve these benefits on their own (Martin & Osberg, 2007). These enterprises do not preclude income generation, but profits are not the overarching goal. They may be structured as either not-for-profits or for-profits.

4.2 New corporate models
4.2.1 Corporate Social Responsibility (CSR)
Without being a social enterprise, a socially responsible business may create and achieve positive social change indirectly through corporate social responsibility (CSR). CSR is defined as the way businesses integrate social, environmental and economic concerns into their values and operations in a transparent and accountable manner. Government recognizes the importance of CSR to business success and the sustainable development of communities (Foreign Affairs and International Trade Canada, retrieved 2012). CSR practices include shared value activities such as creating a charitable foundation, paying fair wages, reducing environmental footprints, raising money for social causes and providing volunteers for community projects.

4.2.2 B Corporations
An emerging social innovation model aims to combine profits and social benefits. B Corps are for-profit companies incorporated under specific laws that recognize a social purpose beyond the financial gain of the shareholders. B Corps must publicly report on their social and environmental performances using established third party standards. Their actions must also show benefits to stakeholders, such as employees, suppliers, customers, community and the environment (B Lab, retrieved September, 2012). One Canadian example is Bullfrog Power. (Bullfrog Power, retrieved September 2012). Developed in the US, benefit corporations, or “B Corps”, are gaining ground in Canada (Mendelson, 2012). The MaRS Centre for Impact Investing has partnered with the U.S.-based B Lab, to act as the Canadian Certified B Corporation Hub, and grow the B Corp community in Canada. B Lab, a not-for-profit organization, certifies B Corporations in the same way TransFair certifies Fair Trade coffee.

4.3 Social Intrapreneurship
Intrapreneurs are similar to entrepreneurs, but work within established corporations, organizations and institutions where organizational practices and management styles integrate risk-taking, innovative approaches, and the reward and motivational techniques more traditionally associated with entrepreneurship (Social Innovation Generation, retrieved 2012, p. 4). 3M and Google use intrapreneurship as a management practice. In many enterprises, intrapreneurs are the individuals who, without being asked, undertake something new, focus on innovation and creativity and transform an idea into a profitable undertaking, while operating within the organizational environment (De Jong & Wennekers, 2008). Social intrapreneurs resemble entrepreneurs; however, they also differ in important ways. For example, while they act independently to incubate their innovations, they also value teamwork, “understanding the critical need to engage others to ultimately push ownership of new concepts through their organization” (SustainAbility, 2008, p.13).

4.4 Social Enterprise
There is no common definition of a “social enterprise”. Some descriptions limit it to not-for-profit organizations with business operations that generate sustainable revenue, while others point to for-profit organizations that have a social or environmental purpose. The OECD has an inclusive definition that suggests it can be either – “the social enterprise concept does not seek to replace concepts of the non-profit sector or social economy. Rather, it is intended to bridge these two concepts, by focusing on new entrepreneurial dynamics of civic initiatives that pursue social aims” (OECD, 2006).

In Canada, social enterprises are generally associated with business operations owned by third sector organizations (Social Innovation Generation, retrieved 2012, p. 5). These organizations aim to generate revenue through market-based transactions recognizing the need to diversify funding and rely less on governments and foundations. To be a social enterprise, a third sector organization has to integrate and align business approaches, practices and operations that generate sustainable revenue in a way consistent with the mission and mandate of the organization. Income-generating activities have to tie directly into and work to address the social improvement mission of the organization (Canadian Centre for Community Renewal & Centre for Community Enterprise, 2008). An excellent example is seen in Stella’s Circle in St. John’s, Newfoundland. In 2008, Stella’s Circle opened the Hungry Heart Café, with the mission to transform the lives of individuals in ways that engage the entire community. The Café achieved this by providing
culinary arts training to under-skilled vulnerable individuals while delivering great food using locally-sourced ingredients (McLennan, R., 2012).

4.5 Social Finance - Investments Based on Outcomes

"Social finance" refers to financial investments that deliver social and/or environmental benefits, and in most cases, an economic return. It is an alternative financial model that encourages positive social or environmental solutions that are neither purely supported by philanthropic nor by financial investment (MaRS Centre for Impact Investing, retrieved 2012). The term generally refers to activities such as community investing, microfinance, and social impact bonds, as well as sustainable business and social enterprise lending. Funding mechanisms are explicitly tied to performance-based measures or outcomes.

In the past, the social sector was often viewed one-dimensionally as a philanthropic activity and a field for the "public good". Returns on investment were rarely considered and outcomes were generally demonstrated through personal narratives rather than quantifiable measures. A broader definition and understanding are erasing the traditional walls between social activities and for-profit activities. New forms of organizations, non-profit or for-profit, combine elements and practices from financial institutions, start-up operations, technology companies and grass root social innovations to create new forms of enterprises that may be more sustainable financially, socially and environmentally (Social Innovation Generation, retrieved September, 2012). While most forms of social finance include some type of traditional financial return on investment (ROI), outcome-based grant making and social impact bonds (SIBs) are different.

4.5.1 Outcome-based grants

Outcome-based grant making is driven by investors’ efforts to increase accountability, achieve greater impact and produce greater social return on investments (SROI). This approach uses research and data from past investments to increase both accountability and effectiveness of the intended outcome.

4.5.2 Social Impact Bonds

The concept of social impact bonds (SIBs) was developed to help enhance social benefits through investments in preventative as well as early intervention services, and to facilitate innovation through cross-sectoral partnerships that generate savings for government (Langford, 2011). They offer incentives to improve outcomes while transferring some or all financial risk from governments and taxpayers to private investors. SIBs work by identifying potential government savings through a restructuring of traditional relationships between government agencies, third sector organizations and the private sector. Capital can then be raised from private investors to pay for action to address social problems before they arise or become unmanageable.

Three elements of Social Impact Bonds:

- Start-up investments are made by commercial investors, foundations and trusts, and high-net-worth individuals in interventions that prevent future problems.
- Outcomes, rather than means, are the focus. These outcomes are clearly defined in a set of targets. Providers are free to develop the most effective means to meet their targets.
- If the programs are successful, payments by the government cover the costs of the interventions and enable investors to make a return; if the outcomes are not achieved, investors are unrewarded (Moynagh, 2010, p. 11).

SIBs operate more like an equity investment than a bond in that investors are paid based on outcomes achieved rather than automatically. Payments depend on tangible improvements in people’s lives. Investors initially buy into an equity fund that is scheduled to be wound up on a pre-determined date. Returns then depend on how the bond is structured and how the program performs based on the pre-established targets (Moynagh, 2010).
The New York City Social Impact Bond: Its structure and financial returns

NYC Social Impact Bond Structure

Goldman Sachs Provides Loans

MDRC Manages Program and Investments

Osborne Associations Deliver Services

Vera Institute of Justice Measures Impact

Youth on Rikers Island Receives Services

NYC Dept. of Correction Realizes Savings

Bloomberg Philanthropies Guarantees Loan

Initial Investment $96M

Loan Principal and Interest Payments ($7.29M-$11.7M)

Success Payments Based on Savings ($0 - $11.7M)

Decrease in Recidivism

CBT Intervention

$9.6M Senior Loan

$7.2M Grant

5. CAN SOCIAL INNOVATION HELP LES PROGRAMS ACHIEVE GREATER IMPACTS?

A critical characteristic of a number of important social innovations that have been able to solve specific social or community problems, is a shared and exhaustive understanding of the problem and a collective will to do things differently to achieve the best possible solution. In the endeavour to raise literacy and essential skills levels in Canada, numerous studies have documented the financial and social costs associated with poor LES levels. However, few social innovations are likely for LES until we have developed a common understanding of what we are trying to achieve and for whom. Raising LES levels may not be an outcome in terms of results that achieve social impacts. These impacts will normally be measured through indicators such as better labour market outcomes, improved health, and reductions in poverty. Solutions to these complex social problems usually extend beyond the sole problem of raising low LES levels and may require different combinations of interventions, partners and model designs.

There is also a growing consensus in policy circles, social services, and the fields of education and skills development, that place and context matter. Innovation leading to positive outcomes generally occurs in a policy context of decentralization, deregulation, and greater levels of autonomy, competition and choice. Experience has shown that one cannot create a truly innovative environment when too many top down administrative requirements make the system more rigid, take up a significant amount of resources and emphasize outputs and metrics often disconnected from achieving better outcomes.

Beyond the challenges of funding and administrative requirements, current approaches to LES are limited. In many jurisdictions, specifically in the United States, innovative adult basic education programs such as I-BEST (Washington State), Shifting Gears (Illinois), and RISE (Wisconsin) are being purposefully designed to address specific challenges (Foster, Straw & Duke-Benfield, 2011). These initiatives first identified the primary challenges of the adult basic education system and then worked to resolve them. They focused on learner persistence, program duration, appropriate client characteristics, positive learner outcomes and impacts on earnings. They also waited until they had evidence of effectiveness before exploring alternative funding models. In Canada, the field of LES has yet to identify and develop a common understanding of the nature and scope of the challenges it faces.

From an idea first tested in 2010 in Peterborough, England’s city prisons, SIBs have garnered much international interest and become a buzzword in social policy. In 2012, Goldman Sachs announced that it would create the first SIB in America to help fund a New York City prison program that aims to lower the 50% recidivism rate among youth offenders jailed at the Rikers Island Correctional Facility. The four-year program is providing education, intensive training and counselling to at-risk incarcerated youths through private, non-profit agencies. It will have to reduce the recidivism rate by at least 10% for Goldman Sachs to recoup its investment. If the recidivism rate drops further, Goldman could profit by up to $2.1 million beyond its original investment while it stands to lose up to $2.4 million if the program fails to meet its targets (Francescani, 2012).

As with most investments, there are inherent risks to SIBs. While it is too early to draw solid conclusions, it is understood that SIBs are a new financial instrument with the potential to harness innovation in the social service sector and address intractable social issues. As the field of social finance evolves, we will develop a better understanding of how and which financial instruments, investments and incentives work best for whom and under what conditions.
5.1 Creating the conditions for social innovation in LES

To create the conditions for innovative solutions to complex problems, we must ask the right questions to identify the exact nature of the problem and distinguish whether the problem is solely a matter of low LES levels or of complex social issues (unemployment, social assistance and family sustaining wages) where LES is only one component. Only by answering such questions can the LES field arrive at agreement about what we are trying to achieve and create the necessary conditions for social innovation to produce results that matter.

Once we know what we are trying to address, the next step is to agree on what LES programming can achieve in terms of actual student outcomes and social impacts. Beyond that, to cultivate an environment for social innovation, we might consider “innovations” in existing program design. Among the most important would be a more integrated systems approach which, as noted by Leadbeater about innovations in education, is less likely to be unique and more likely to combine elements of existing approaches in our current employment and training system. Numerous examples of successful alternatives borrow elements from several approaches and have persuasive data about potential effectiveness. These innovations in program and system design use substantive participant data to determine effectiveness and inform program improvement. We need to look at borrowing from the best (i.e. most demonstrably successful) to create the “new”.

LES stakeholders should perhaps consider what changes we need to make to ensure the effectiveness of our work – without predetermining those changes on what others (i.e. governments and business) must do first (Levin, 2004). While it is true that any new approach will require someone else to take a risk, it is more important that the LES field acknowledge the need to take some risks, to leave behind the comforts of conformity, and boldly address the many needs which call for social innovation.

6. TO CONSIDER: A CHALLENGE TO THE FIELD

Charles Leadbeater, an observer of systems and innovation across sectors, often suggests that what distinguishes social innovations that work for people from those that do not, is the degree of empathy. He notes that many large scale innovations lead to systematic efficiencies but are coldly functional. Conversely, he also notes many small innovations that are highly compassionate but may not be efficient or systematically scalable. Leadbeater formulated a question for the non-profit sector: “How can we achieve systems that are of ‘high empathy’ and which still have a modicum of efficiency?” (2011).

To follow his line of inquiry, we may consider the following questions about applying social innovation to the field of LES:

- Have we defined and understood LES problems correctly?
- Do the three sectors (public, private and third) define the problem in a similar way or do they overlap?
- What type(s) of social innovation might work to address LES problems?
  - What is the literacy and essential skills problem for which a particular social innovation is the solution?
  - What is the evidence of this problem?
  - What does this specific innovation seek to address that has not been addressed in some other way?
  - What is the evidence that suggests that a particular social innovation is the right or necessary approach?
- How will we know if we have succeeded?
  - What is the evidence that will tell us that it was (or was not) the right approach?
- Finally, can we use social innovation to marry efficiency with an intimate knowledge of the problem and a thoughtful series of intensive supports that all quality services require?
  - Is the social innovation replicable and scalable?
  - And if so, can the social innovation outmanoeuvre the constant pressures in favour of the status quo?
REFERENCES


