

## Redefining Social Policy Including Innovation

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**Abstract:** Innovation, which is a key concept for capitalist system, was defined by many researchers in many different ways. For many researchers it means new methods of production, new ways of marketing, new markets or new products. Sure term innovation includes something “new” but it is not as simple as it. Innovation can be defined as the way of continuation of capitalist system. New products mean monopoly power, high rates of profit. High rates of profit must guarantee R and D so to go on as a monopolist. Social policy has two effects on innovation. First social policy in a wide range definition- including all policies related to education or health- ensures skilled and healthy labor force which innovates, and an economy with effective demand which absorbs supply of new products. In countries- especially European Countries- which have widespread social policies the innovative capacity is higher than the other countries.

The traditional definition of social policy does not include something implicit or explicit about innovation. In the strict sense it means policies which are related to work peace, like social security, unemployment insurance, pension; labor legislation. In the broad sense it means all policies about social peace including health policies, education policies, housing policies. The aim of this study is to redefine social policy from a different point of view so it includes innovative capacity. In this manner social policy can be defined as the all policies which aim to ensure the continuation of capitalist system, by creating work peace and social peace, so by increasing innovative capacity of a country to secure high income levels which guarantee such a social peace. The study will try to demystify the relation between social policy and innovation, so it will be meaningful to define social policy including innovation.

### 1. Introduction

Social policies are key elements of governmental interventions. The traditional definition of social policy is about work peace and social peace. The aim of this study to redefine social policy in a different way so it will include innovation and competitive capacity of an economy. Also the traditional definition of social policy is static. This study will make it dynamic so it will tackle every new problem of system. First of all we will analyze the traditional definition of social policy and then the definition of innovation. After that we will try to define social policy so it will include innovation.

### 2. Traditional Definition of Social Policy

Social policy is a complex concept even it seems easy to understand and to recognize. Many

researchers from different areas- a wide range from politicians to leaders of civil society; from sociologists to economists- deal with it. That is why there are many definitions of social policy. According to Coffey [1] there are at least three different definitions for social policy:

- Set of policies to promote social welfare and well-being of people
- Policies of government at a wide range which have a social dimension
- An intellectual discipline emerged out of a particular history

Social policy as a systematic mechanism appeared after second World War, even we can find traces of it in the depths of history( for example poor laws of England or social security legislations of Bismarckian Germany and pre-first world war Europe). Before the Second World War social policy was about work peace and continuation of production so it dealt with problems of labour such as unemployment, sickness or aging. After war it became ‘a massive feature of European States because of some important developments [2]:

- The extension of social policy to all societal groups
- The development of an income- guarantee
- The growing role of the welfare state as employer
- The shrinking duration of employment over the life course

We can read these developments in a different way. After the World War II the economics of many countries were weak to create employment; the social peace was threatened with unemployment and poverty domestically and with a wind of revolution from abroad (from Eastern Block). At such a time a set of public policies which were based on Keynes’ thought of demand management emerged. These policies involves social policy, for example income guarantee, transfer payments which aimed to create demand for goods; tax deduction or payments for education and health or increasing public expenditures for them to reproduct labour force and to pave the way for declining production costs. After all explanations above we can define social policy as “set of non-market decisions, public or private, that determine the distribution of wealth to individuals and families and the degree of availability of human services to all members of society” [3] to ensure continuation of capitalist system by providing social peace and creating demand for goods and services.

### **2.1. The main challenge which enforce to redefine social policy**

The main challenge for traditional social policy is high level of globalization of economics which changes traditional industrial relations by shifts of production from developed countries to less developed ones; by converting traditional employment which is identified with social security, lower and standard hours of work, paid annual leave, etc. , into new type of employment which is identified with insecurity, lower wages, flexibility of labour. The main motive behind globalization is cost reducing and enlarging market. The underdeveloped countries have cost advantage because of lower wages, especially for labour-intensive commodities so they have competitive power. It is hard for developed countries that have a deep-scaled tradition of welfare and much legislation about social context to reduce wages or to take a step back from present regulations to compete. They must find a new way for competition. Also underdeveloped countries that have cost advantage don’t have limitless resources to keep their advantage; they also must find a new way. The only new way is open ended innovation. Because innovation provide competitive power, and in some cases an important monopoly power.

### **3. Concept of Innovation and its relation with social policy**

Concept of innovation can be defined in many ways. Baregheh and others [4] found 60 different definitions of innovation from the literature of different disciplines (from business and management

to organization studies; from economics to engineering). In economics literature one of the most famous definitions is Schumpeter's one. If we follow Schumpeter we can define innovation as a new commodity, an old commodity in a new way, new source of supply of materials, new outlet for products etc [5]. Schumpeter associates innovation with creative response: "An economy, an industry or some firms in an industry do something else, something that is outside of the range of existing practice" [6]. Schumpeter associates creative response to quality of personnel and especially to quality available to a particular field [6]. To create such a high qualified personnel an economy need a high qualified education system. We must keep in mind that a high quality education is, or must be one of the main aims of social policy.

On the other side the high qualified personnel cannot be created only by high qualified theoretical education in other words the degree of quality cannot be measured only by schooling years because education doesn't mean attending school for a long time. Students must have a chance to practice. For example there must be ateliers, factories, laboratories to practice or to use the theoretical knowledge. What is more important the economy must need qualified personnel and must have ability to employ such personnel? If not the people won't try to be qualified. This means that social policies which are related to employment must be more efficient. What is more the government must force the economy to evolve towards an innovative one from a traditional one. Also public employment office must be designed to match the personnel with proper jobs so the cost of finding a job and finding an employee will decrease. Innovation can also be helpful during the process of job seeking. Also reformation of communication will help both job seeking and usage of innovation. The only barrier for innovation is not education. There are more reasons which slow down the innovative capacity.

### **3.1. Barriers for innovation**

There are many reasons for inadequacy of innovative capacity. These reasons will determine the framework and efficiency of social policy. Some reasons originate from firm while other originates from structure of economy.

#### *3.1.1. Barriers within Firm*

Every firm doesn't pay attention to innovation. So they doesn't employ adequate personnel both in quantity and quality. They find innovation unnecessary. According to Hippel there are few barriers within the firm:

- Insist on not changing organizational structure
- Inefficiency of sales department ( inefficiency of analyzing needs of customers)
- Inefficiency of service department ( For example a service persons who repair a electronic device doesn't report a chronic malfunction of it)
- Inefficiency of R&D ( The worker of R&D pay less attention to develop new products because her share from increasing profit will remain same, also she has less knowledge about needs of consumers)[7]

#### *3.1.2. Barriers Out of Firm*

Even a firm pay attention to innovation and change its' organization, employment etc to be more innovative there will be barriers within economy which restrain firm's capacity of innovation

- The inadequacy of infrastructural investments ( transportation, communication, energy supply)
- Patents and copyrights
- Other laws and legislations

- Structure of labor market ( Wage rigidities, labor legislations, level of education of labour force etc)
- Other Social barriers (lack of culture of innovation, society is a traditional one)

### **3.2. The Dilemma of Job Creation and Job Destroy**

For some researchers the relation between innovation and employment is not clear because innovation can both create and destroy jobs. If we call a new technology an innovation than it can save labour so it can cause unemployment; or it can save capital so it can create jobs. " The evidence on the overall employment impact of innovation at the level of the firms tends to be positive; firms which innovate in products but also in process, grow faster and are more likely to expand their employment than non-innovative ones, regardless of industry, size, or other characteristics"[8]. This means government's policies must be designed to increase both employment and innovative capacity to protect labour.

### **4. Redefining Social Policy So It Includes Innovation**

Social policy doesn't mean measures for protecting work peace and social peace by providing income to elderly, ill, jobless; or by assuring minimum wage and social security. It is a more complex concept which is about maintaining the capitalist system. The all other definitions are romantic or utopic. There are two major problems which capitalist system faces: competition and lack of demand. Traditional social policy is about demand creation but the new definition must include competition so innovation.

Social policy is not something only political or social it is also economical. We must approach it beyond institutions and simple relations like employee-employer relation or government-individual relation. If we do not "we can create crime-making correction systems, sickness-making health systems, and stupid-making schools" as Mcknight notes [9]. First of all it must take realities of global world like changing production conditions, cutthroat competition, increasing need for technological progress into account. It must include the role of individual, which can not be controlled perfectly by any authority. The definition must pay attention to perpetual motion of capitalist system to find a way to survive.

The global economy brings many difficulties for every side of economy. "Since the mid-1970s a series of global transformations have impacted on contemporary capitalist development, as economic, political, social and cultural activities are said to have created a set of new conditions from the past" [10]. The welfare state and so social policy became hard up. The production shifts from developed countries to less developed ones, from industry to services; the technology generalized among all sectors. A wind of change carries away old days wealth and well-being. Unemployment, insecurity of labour, lower wages, outstated. The labour supply had difficulties matching demand for it. The education system needed to be revisited. These all mean traditional social policy is inadequate. We must redefine social policy so it will increase employment, wages, generally wealth of society and well being of individuals. It must not use traditional policies and measure or must not use new instruments by old ways. It must evolve continuously to tackle all problems. It is not about cost- benefit analysis, it is all about continuation of capitalist system. We must leave aside all memorized words about traditional definitions of social policy. It is related firmly with economic policies and so with innovation which can provide higher rates of profit. We must keep in mind that social policies are related tightly to economic policies, especially development and growth policies. "For many countries social policies were key in many succesful economic policies and growth models, perhaps particularly in cases of succesful integration into global markets. As highlighted by Chang(2004), East Asian countries used a wide range of social policies- broadly defined, including attempts to redress socail and political conflict- along side economic policies"[11]. For all these reasons we must redefined social policy.

Table1: Comparison of Old and New Social Policy

	<b>Old Social Policy</b>	<b>New Social Policy</b>
Based on	Traditional production (Industrialization)	New production (deindustrialization of west and industrialization of east)
Tackle	Lack of demand	Lack of demand and inadequacy to compete
Innovation	Doesn't keep in view	underlines
Education Policy	Aim to train personnel for traditional production	Aim to increase innovative capacity continually
Field of Application	Nation state	Global world
Main Unit (beneficiary)	Family- or working- man	Individual (working or not; man or woman)

Social policy can be defined as all policies which aim to ensure the continuation of capitalist system, by creating work peace through legislations about working hours, bargaining, unionization, social security etc which aim to provide power for workers; by creating demand and by providing reproduction of labour through transfer payments like unemployment benefits, child benefits, old age assistance, doles and housing and health policies; by creating and increasing competitive capacity of an economy through all measures for increasing innovative capacity continuously like education policies, health policies, job placement services, maybe related copyright laws and etc. It has social, cultural and economic dimensions. It must ensure a social peace, a cultural development and economic growth while it doesn't harm any member of society or it redistributes wealth among society as far as fair. It seems very hard, but it will be available with attention to continuously innovation which always will reduce costs, will increase added- value.

## 5. Conclusion

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Innovation, which is a key concept for capitalist system, was defined by many researchers in many different ways. For many researchers it means new methods of production, new ways of marketing, new markets or new products. Sure term innovation includes something "new" but it is not as simple as it. Innovation can be defined as the way of continuation of capitalist system. New products mean monopoly power, high rates of profit. High rates of profit must guarantee R and D so to go on as a monopolist. Social policy has two effects on innovation. First social policy in a wide

range definition- including all policies related to education or health- ensures skilled and healthy labor force which innovates, and an economy with effective demand which absorbs supply of new products. In countries- especially European Countries- which have widespread social policies the innovative capacity is higher than the other countries.

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