

# Governing the welfare state and beyond

Solutions for a complex world and uncertain future

**Eeva Hellström and Mikko Kosonen**

The Finnish Innovation Fund Sitra

## Governance is an essential instrument for both identifying the need for and actualising societal renewal.

In the welfare states of the industrial era, governance has been typically viewed as a way to find solutions that address existing problems within well-defined policy sectors - effectively and efficiently. Questions of interest may include, for example:

- How should the new unemployment scheme be financed?
- What structural reforms are needed in order to implement the new public health policy?
- Do we need a new division of responsibilities in the pension system?

These problems are expected to be solved, or at least eased, if only the right institutional structures, division of responsibilities, and financing mechanisms are installed.

However, answering these questions only will not help us to successfully address some of today's most burning welfare problems, such as youth unemployment, social inequality, and increasing refugee flows, which are not sector-specific.

In order to successfully address such problems, we need to ask:

- How can we better address complex and wicked problems cross-cutting the society?
- How can the welfare state be more resilient and better respond to new emerging needs?
- How can we better involve and address the needs of citizens and utilize the potentials of different societal actors?

Rather than aiming at final solutions of individual welfare problems within administrative silos, answering such questions increases the likelihood of timely and strategic cross-sectoral policy decisions.

In the increasingly independent and complex world we live in, any significant long-term socio-economic reforms cannot be made without profoundly reforming the governance approaches of our societies. Therefore, governance reform must be understood as a first-priority reform need, of equal importance to socio-economic policy reform.

In the following pages, five ambitions for future governance are presented, and 19 recommendations resulting from them are made. By following these ambitions and recommendations, the EU and its member states have the potential for becoming forerunners in modern governance, and thus, enhancing our competitiveness!

# Ambitions and recommendations



## **Ambition 1: Developing governance capacities for strategic and agile states**

Create governance capacity-building processes at EU and national levels to ensure that politicians, civil servants and other societal actors relevant to the welfare state have adequate understanding of the complexity and interdependency of social problems, and of the governance approaches and tools needed for addressing them in strategic and agile ways.

- Set governance reforms as a top priority area on the reform agendas of welfare states.
- Invest in research on next-generation governance practices, and establish international networks for collaboration and an exchange of views. Encourage welfare state leaders and experts to actively engage in dialogue with such networks.
- Strengthen the role of strategic and agile governance in international governance indicators.
- Initiate governance-related cross-sectoral societal training activities, in which welfare state leaders and actors can exchange knowledge and experiences with and learn from representatives of other sectors of society dealing with complex societal problems.
- Create incentives, mechanisms and processes within individual welfare state organisations for developing governance capabilities needed for understanding and dealing with complex societal problems (e.g. job rotation, professional leadership careers, personal goal-setting).

## **Ambition 2: Adopting phenomena-based and human-centric welfare policies**

Develop phenomena-based welfare policies to ensure long-term impacts and customer satisfaction when addressing strategic cross-sectoral challenges.

- Design and structure long-term welfare state policies (e.g. policy programmes, budgetary allocations, research programmes) across jurisdictions and according to real-life phenomena (e.g. ageing, youth unemployment, youth exclusion).
- Design local service provision in a human-centric manner by addressing people's real-life needs over their life cycle (e.g. services for people as they age and reflecting their various activities).
- Co-create public welfare services together with customers to increase engagement and empowerment.

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### **Ambition 3: Strengthening the democratic base of the welfare state**

Strengthen the democratic base of the welfare state by exploring democratic innovations that go beyond representative democracy and the interests of present generations.

- Broaden understanding of new and different forms of 'democracy', and how they could be applied in the context of the welfare state.
- Increase co-operation with local communities by involving people from different walks of life in local development, by transferring more power to the local level and by motivating citizens to take action themselves.
- Encourage and create incentives for public administrators to experiment with democratic innovations, including participatory and grass-root democracy, and to share, institutionalise and scale best practices.

### **Ambition 4: Renewing the role of the state in welfare provision**

Support the transition of the 'welfare state' towards a 'welfare society', with more shared responsibilities and coordinated activities by public, private and civil society actors for the best solutions as a whole.

- Strengthen collaborative network governance by strengthening the 'orchestration' role of the public sector in facilitating co-operation, coordination and co-evolution of various mutually reinforcing development efforts.
- Utilise community-based assets more efficiently by supporting initiatives that rely on learning from citizens' experiences while empowering individuals, families and communities.
- Evaluate the advantages and disadvantages of different forms of collaborative consumption for increasing sustainable well-being, and clarify societal regulation and create favourable conditions to scale up best practices.
- Explore potentials for social impact investing to enhance public-private partnerships in welfare creation.

### **Ambition 5: Governing the EU towards a legitimate social agenda**

Strengthen social adjustment functions in those policy mechanisms and policy areas where the EU already has legitimacy of action, while simultaneously preparing definitions of sustainable and legitimate long-term directions for social policy in the EU.

- Strengthen reflective capacities (e.g. foresight, sense-making and visioning) and processes to identify social impacts of other EU policies, and strengthen social adjustment functions within the present EU mandate in social policy.
- Apply the principles of social investing to the EU funds already available for social purposes, and engage civil society and private investors in social investment projects, instead of relying only on additional funding from the member states.
- Increase European-wide societal dialogue on the future role of the EU in social welfare policy. Encourage such dialogue and increase legitimization of future decisions by exploring democratic innovations.
- Strengthen the EU's role and encourage the participation of its leaders in international research and benchmarking networks aimed at developing the governance approaches needed to deal with increasingly complex social problems.

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## Governance capacities for strategic and agile states in a nutshell

A new, more strategic and more agile approach to the governance of welfare states needs to emerge, including the following six mutually reinforcing governance capacities:

**Strategic sensitivity** = Early awareness and acute perception of incipient trends, converging forces, risks of discontinuities, and the real-time sense-making of strategic situations as they develop and emerge.

**Collective learning** = Learning through interacting and collaborating with other people who have different but complementary knowledge.

**Resource fluidity** = Fluidity in fast mobilisation and (re) deployment of strategic resources or funds, people and competencies, providing the operational underpinning for strategic agility.

**Shared direction and commitment** = Ability to make and implement decisions that mobilise multiple subunits to sustain and integrate interdependent activities.

**Mutual adjustment** = Effective utilisation of dispersed knowledge and strengths of decentralised actors, while at that same time facilitating the efficient coordination of interdependent activities.

**Evolutionary development** = Policy development based on the evolutionary process of niche creation, variation, experimentation, selection and growth.

### Contacts

**Eeva Hellström**, Sitra Fellow,  
Finnish Innovation Fund Sitra

eeva.hellstrom@sitra.fi

**Mikko Kosonen**, President,  
Finnish Innovation Fund Sitra

mikko.kosonen@sitra.fi

**Finnish Innovation Fund Sitra**,  
Itämerenkatu 11-13, P.O. Box 160,  
FI-00181 Helsinki, Finland

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