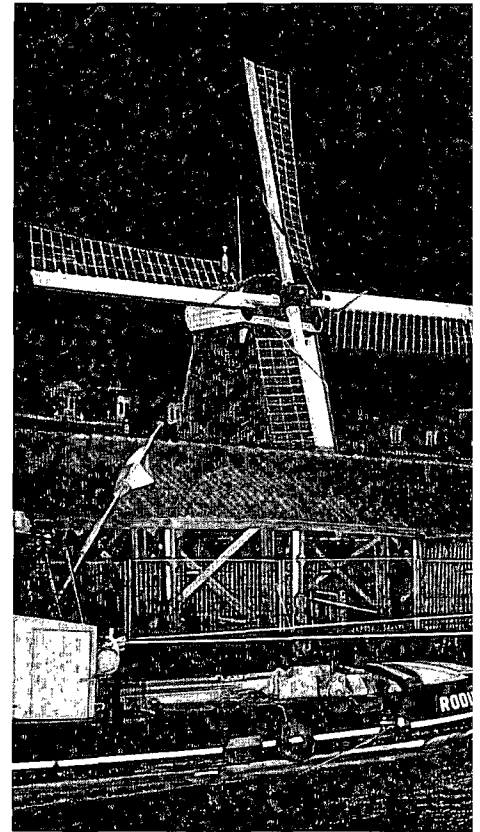


## Integrating Productivity, Innovation, Employment and Flexibility

# Social Innovation: The Dutch Experience

Continuous innovation and growth of productivity are required to realize sustainable growth and welfare in the European Union. However, innovations and growth cannot be achieved just by new technologies and by seeking competitive advantage through cutting costs. What is needed is optimum utilization of the potential workforce and flexible work organizations.

The latest development in the Netherlands concerning innovation and productivity is the movement of so-called Social Innovation. The authors report about the most important discussions and activities surrounding this emerging issue.



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Social innovation in the Dutch definition is a broader concept than organizational innovation. It includes dynamic management, flexible organization, working smarter, development of skills and competencies, and networking between organizations. Seen as complementary to technological innovation, Social Innovation is part of process innovation as well as product innovation, and it also includes the modernization of industrial relations and human resource management.

There are four main reasons for the emerging attention to social innovation in the Netherlands. First is the need to enhance labor productivity to maintain our level of welfare and social security in the near future with fewer people in the workforce because of the aging population. Productivity is – as in some oth-

Product or process innovation needs social innovation as a supportive precondition. Photo: The body of a Boeing 747 is shipped by boat through Dutch canals in Amsterdam to an aviation museum in Lelystad, Netherlands.

er countries – no longer a taboo in collective bargaining; the debate is on finding a balance between working harder, working more hours and working smarter.

The second reason is the need to develop and utilize the skills and competencies of the potential workforce to increase the added value as part of a competitive and knowledge-based economy. The EU draws attention to the need to foster high skills and high-quality jobs that are expected to contribute to the well-being of the employees, to high-quality products and services, and to enhanced productivity and innovation. Or – as it is called after the relaunch and refocus of the Lisbon strategy in 2005 – the two principle tasks of the EU are “delivering stronger, lasting growth and more and better jobs”.

Third, private and public work organizations can fully benefit from technological innovation only if it is embedded in social innovation (making technology work through proper organization, dynamic management, upskilling, commitment and involvement of employees, etc.). Technological innovation and research in the Netherlands have reached a high and sometimes excellent level. However, the utilization of new knowledge for product innovations and service and process innovation – sometimes due to the absorptive capacity of organizations – is rather weak; this phenomenon is called the innovation paradox (or technology transfer gap or the issue of implementation).

The fourth reason is that social innovation appears to be more important for innovation success than technological innovation. Research by the Erasmus University / Rotterdam School of Management in industrial sectors shows that technological innovation explains 25 percent of innovation success, while social innovation explains 75 percent (Volberda et al, 2005).

### **Netherlands Centre for Social Innovation**

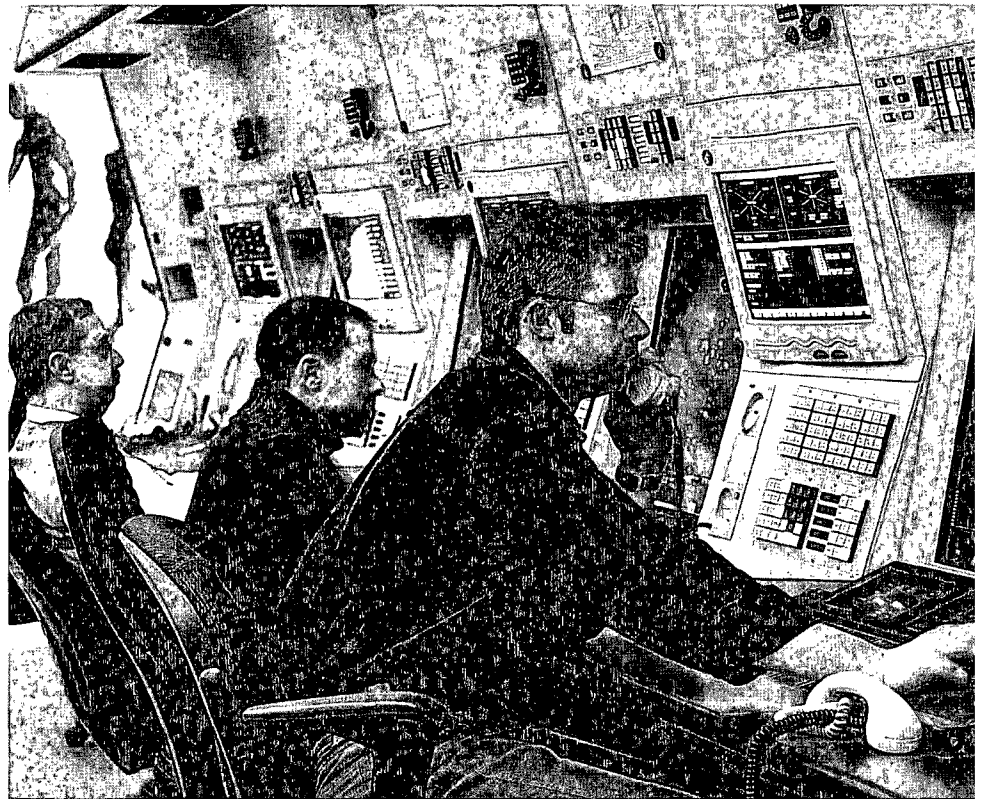
The Netherlands Centre for Social Innovation (NCSI) was established in 2006 by employer organizations, trade unions, universities and the Netherlands Organisation for Applied Scientific Research (TNO).<sup>1</sup> These founding organizations were brought together and supported by the National Innovation Platform that is chaired by the Prime Minister.

These organizations have seats on the board of the Centre. The chairperson does not belong to one of these organizations. The focus of the Centre is dissemination, action, field experiments, joint development and stimulating research. The Centre's staff consists of an 80 percent director, a management assistant, a communications expert and five 60 percent program managers of the founding organizations.

Companies and public organizations that support the Centre also financially (50 K Euro per year) have a seat in the program council; they decide on the activities. So far 12 big organizations are participants.<sup>2</sup>

In addition a knowledge platform is under construction, in which other universities, institutes of higher education and consultancy firms participate for a small sum (10 K Euro per year). Of course the idea of the knowledge platform is dissemination and sharing of knowledge and experience. Currently 11 institutes are participating. The activities of the Centre are politically and to some extent financially (1 m Euro per year) supported by project subsidies from three ministries (Economic Affairs; Social Affairs and Employment; Education, Culture and Science).

However, social innovation in the Netherlands is not a national program as in Finland and Germany, although there are similarities in activities and partners. An important difference is that in Finland the Ministry of Labor<sup>3</sup> is co-ordinator



of the Workplace Development Programme (TYKES)<sup>4</sup>; in Germany the Ministry of Education and Research is coordinator of the program Innovative Arbeitsgestaltung – Zukunft der Arbeit. In the Netherlands the government is intentionally not represented in the Centre. The political philosophy accepted by all parties is that the social partners can and should be leading. Another difference is that in the Netherlands there is no program for a specified number of years (e.g., 1996–2009 for TYKES) because subsidies and other financial means must be acquired every year or every two years. Of course this loose connection with the government and the limited and temporary financial resources make the Centre quite vulnerable in the beginning. In the Netherlands, we prefer to call Social Innovation a national movement rather than a national program.

#### Activities of the Centre

The dissemination of knowledge about NCSI is available through a website ([www.ncsi.nl](http://www.ncsi.nl)) where you can find best practices; 12 open seminars a year, where cases and political questions are dis-

cussed, an academic course for practitioners and an annual conference. A series of publications has been started. Furthermore there are workshops, for example, on conditions for trust-based management and learning networks for the solution of regional labor market problems. NCSI organizes excursions for company representatives and researchers to Sweden to learn about self-management in shift work. There is an NCSI trainee pool for young employees of the participating organizations.

To stimulate action and experiments, the Centre has started projects with the companies joining the program council. Examples are vision and trust, flexible working schedules, companies working together with self-employed, stand-alone entrepreneurs, employees 2.0 or "millennials" and bottom-up innovation.

To illustrate how these projects contribute to a national movement, we shall briefly focus on bottom-up innovation. The plan is to develop a so-called serious game for company teams that is downloadable from the NCSI website. The game is constructed to inspire, motivate and support these teams to take action to improve their own working situation, their workplace, work organiza-

Social innovation draws attention to the need to foster high skills and high-quality jobs that contribute to the well-being of employees and enhance productivity and innovation. Photo: Air traffic controllers monitor aircraft traffic at Amsterdam Schiphol Airport.

tion and / or how to cooperate with other teams, departments or clients. The NCSI organizes a national match for teams that have realized a successful innovation in their company. On the NCSI conference in 2009 the winning team will be chosen.

In 2007 the Centre organized a successful contest for the most innovative office. The stimulation of research on social innovation is realized via the knowledge platform where scientific debate is invited and in-depth discussions organized in so-called knowledge tables (round table discussions). Finally the Centre will participate in the advisory board of the top research institute named Social Innovation for Competitiveness and Organizational Performance and Human Excellence (SCOPE, in formation).

### **Healthy and Productive Work**

First of all health is a value in itself. Therefore prevention of occupational diseases, accidents and work-related complaints is important and the connected costs are justifiable. Furthermore, considering the global situation, "the health of workers is an essential prerequisite for productivity and economic development" (World Health Assembly 23 May 2007; see also the ILO policy on decent work). A third reason for health protection is to reduce the costs at the company and societal level that are caused by poor working conditions. A growing number of companies have experienced investments in prevention that pay off. At the moment there is a debate on the costs and benefits of back-to-work programs, in particular after the privatization of employment services a couple of years ago.

Some companies and public organizations have extended their policies to health promotion and vitality of the workforce as part of their corporate social responsibility. We go one step further and argue that many of the preventive measures also contribute to enhancing productivity and innovation if interventions for prevention and redesign for better performance are purposefully combined. This marriage is even more important as productivity and innovation are back on the political agenda of the EU countries, including Western Europe.

Working smarter and utilizing skills and competencies imply that work is not only productive but also safe and healthy. Individual and group performance are not directly the result of employee satisfaction or motivation, but of involvement and commitment through workers' representation and work organization. Involvement and commitment can be brought about by an organizational design that provides job autonomy, ability to control, possibilities of consulting others and learning opportunities – the same measures recommended to reduce psychological stress risks as a way of "prevention at the source" (Pot et al. 1994). This is about discrepancies for example between quantitative job demands and available time or staff, between qualitative job demands and education or training, between problems or disturbances and support from supervisor or colleagues, between complexity of the job and job autonomy. These preventive measures appear to be much more effective than courses in individual stress management, although there are circumstances in which such courses can help.

The same is true for ergonomic design of workplaces. Such design serves not only as the objective of health protection (better posture, less lifting) and health improvement (better movements) but also that of productivity (easier and faster handling and processing, better layout).

Psychological stress counts for 28.7 percent of absenteeism, musculoskeletal disorders for 32.7 percent. In the Netherlands 40 percent of the stress cases and 45 percent of the musculoskeletal disorders cases are estimated to be directly work-related (Koningsveld et al. 2004; accidents were not included because there is no separate registration of work-related and other accidents). Purposefully combined prevention and performance are in many cases two sides of the same coin. A growing number of case studies support this conclusion (Koningsveld et al. 2005; Ramstad 2005).

### **Healthy and Innovative Work**

Innovation is no longer understood as a linear process from laboratory to commercialization, mostly technology driven, nor is it

the result of innovation systems supported by the government. Today we speak about "innovation policy of the third generation", meaning innovation processes driven by societal issues and economic markets and involving all stakeholders. Innovation in this approach is not the outcome of some processes, but the starting point of all policies. Improving the work organization (job autonomy, etc.) and HRM (development, etc.) to reduce stress risks and prevent absenteeism caused by inadequate management styles also increases the learning opportunities of individuals and groups (Karasek / Theorell 1990). This condition is necessary for a learning organization and for workers' contribution to innovation.

But innovation of the work organization itself is also a source of productivity growth, leading among other things to more efficiency and cost reduction. In the memorandum "Productivity, the high road to wealth" (2005), the connection between productivity, innovation and health has been elaborated by the European Association of National Productivity Centres (EANPC).<sup>5</sup>

### Dilemma of Employees and Management

There are several dilemmas getting employees and their representatives involved and committed to social innovation. Three ways of employee participation are distinguished: 1. co-determination (workers' councils, collective bargaining), 2. direct participation through design of work organization (see "Healthy and Productive Work") and 3. self-steering by the employee 2.0, also called "millennials", who have been brought up with Internet and Web 2.0.

Employers and managers face dilemmas as well. Benefits of social innovation appear later than the results of short-term budget cuts; bonuses stimulate short-term thinking; social innovation is more complex than technological innovation; sharing knowledge and power is not easy. Of course a good starting point is that in a number of countries, such as Finland, Germany and the Netherlands, unions and employers' organizations have a tradition of mutual consulting cooperation (the so-called polder model in the Netherlands). Workshops on trust and how to translate trust in work organization and work procedures are part of the programs in these countries. Nevertheless the dilemmas lead to discussions not only between unions and employer organizations but also within these organizations. It is sometimes hard for the pioneers.

Social innovation is about organizing a framework that allows delivering sustainable growth and more and better jobs. Photo: Doc Morris, the Heerlen-based online pharmacy operation.



### Initiatives by Social Partners

The pioneers within unions and employer organizations took quite a number of initiatives together with the pioneers in private and public organizations. In the collaboration of employers and unions, we identified 65 projects in 2007 (mainly sectors in industry and commercial services) in the areas of industrial relations, flexible organization, health management, employability and results-oriented compensation.

In the category of industrial relations, the most interesting projects are about the development of trust and about initiatives by the works council to improve work procedures and enhance innovation. The initiatives go beyond traditional topics such as payment, time, health and safety. Flexible organization covers "working smarter" (division of labor, technology, ergonomics, layout, etc.), innovation of work-rest-schedules and self-management of work-rest-schedules.

Self-management of working schedules is one of the most popular topics in the field of social innovation. About 80 percent of the wishes of employees concerning working times can be met



and results in more productivity (more commitment, less absenteeism). Regarding health management the innovation is an extension of health protection to health promotion, paying not only attention to the vulnerable employees but also to the others.

Employability projects are in most cases directed at the older workers. The latest concept is a stage of life policy including all ages, which is connected to the management of diversity (health, age, sex, ethnic background). The number of projects is growing rapidly. In employability policy a rather new element is that there are more programs that are not primarily related to the present job, but to broader company competencies and skills and to the labor market in general.

Results-oriented compensation almost disappeared in the Netherlands after severe industrial conflicts in the 1960s. Although the unions are against it, generally speaking, elements of results-oriented compensation have been introduced during the last years. A rather new element is extra payment for newly acquired competencies, to be distinguished from payment on the basis of job evaluation.

Within the last two years, concepts of working smarter and social innovation have become part of collective agreements. In many cases this idea refers to commitment to studies to be made or procedures to be followed to develop initiatives for social innovation. Collective agreements are not very appropriate to settle disputes on some aspects of social innovation. What can be written on working smarter or

on the development of trust? Yes, that you are going to work on it and how, but not what should be the exact measures, solutions, output and outcome. The experience so far teaches that it takes much more time to develop a common strategy for social innovation than is available generally to negotiate a collective agreement. Of course some conclusions that can be quantified and do not change in the agreement period can be documented. Some pitfalls for social innovation are the top-down approach (either within the company or within the union or both), little patience, stopping after short-term partial results, not taking into account mutual interests and starting to talk about it as part of formal negotiations for new collective agreements.

### Supporting Policies on a National Level

**Industrial Policy** As we know from Frieder Naschold's best practice model for national workplace development, strategic justification should primarily arise from macro-level industrial policy issues rather than the industrial relations system or the research and development system (Naschold 1994). In the Netherlands there are good reasons to hope for a stimulating macro-level industrial policy to be developed by the national innovation platform.

**Employment Policy** Special attention is paid to the so-called vulnerable groups: immigrants, women, older workers and people with disabilities or chronic diseases. They are vulnerable regarding working conditions as well as re-organizations. More and more public and private organizations are learning how to manage diversity in the workforce related to sex, age, ethnicity, health and individual needs.

An active labor market policy with back-to-work programs and a social security system that attributes the right costs and incentives to the right parties is under construction in most European countries as part of the EU "flexicurity" policy (European Commission 2007). This system also includes policies on work-life balance and change of early retirement schemes. How can people be tempted to continue in paid jobs? And how can management be convinced that their prejudices toward older or disabled workers are wrong? In the Netherlands many women have part-time jobs. How can we extend these jobs and allow women to work more hours? These policies will affect national productivity positively, although there are many nuances for different groups (McGuckin / Van Ark 2005).

**The Health System** What is needed is consultation among occupational physicians and general practitioners and medical experts concerning the (potentially work-related) cause of ill health and absenteeism and concerning the (therapeutic) back-to-work strategy. In many countries this consultation is a blind spot in the health system. In the Netherlands some progress has been made.

Reduction of waiting times in health-care clinics and hospitals is another important issue. Improvement is also possible regarding the allocation of health-care costs of work-related problems to the individual, the employer, the insurance company or the state. These measures will reduce absenteeism and increase labor productivity per employee.

### New Enthusiasm, New Concept

Of course there is a tradition of workplace development of almost 100 years, from scientific management to industrial democracy, socio-technical design to humanization of work, innovative labor design to social innovation. Some of the present issues are the same, some are new. The circumstances are different today, increasing the urgency of social innovation. The new movement in the Netherlands is gaining importance slowly but with conviction.

Other countries already started national programs (Alasoini et al. 2005). In WORK-IN-NET<sup>6</sup> experiences in EU countries are being exchanged. The European Commission pays more attention to the non-technological aspects of innovation, such as organization, management, marketing, strategy and aesthetic product innovation. The innovation policy unit within the EU Commission (DG Enterprise and Industry) ordered research in this field, in particular organizational innovation. In the report the researchers recommend among other things to add indicators for organizational innovation to the European Innovation Scoreboard (Armbruster et al. 2006); this recommendation was implemented in 2007.<sup>7</sup> Topics of social innovation have been added to the topic of employment for subsidies from the European Social Fund. Belgium already uses this opportunity in several projects.<sup>8</sup>

What we conclude from these considerations is that the issues of occupational safety and health productivity, high-quality jobs and innovation are strongly related and so should be the policies to address these issues. We would advocate

a horizontal integration of policies concerning productivity, innovation, employment and occupational safety and health on the company and sector level as well as on a societal level. We also would suggest more vertical integration of policies, meaning policies on the levels of companies (social innovation), sectors and society (flexicurity). Too often public authorities, private businesses, social partners are pointing at each other regarding responsibilities and accountability. The new paradigm is developing a joint strategy and taking into account different interests, based on trust, recently called "reciprocal risk management".

### Zusammenfassung

**In den Niederlanden wurde mit der 2003 ins Leben gerufenen „Innovationsplattform“ eine Debatte über soziale Innovation angestoßen, die die Wettbewerbsfähigkeit des Landes in einer globalisierten Wirtschaft sichern soll. Soziale Innovation schließt dabei Aspekte ein, die in anderen Ländern noch immer häufig getrennt verhandelt werden: etwa dynamisches Management, flexible Organisationen, Kompetenzentwicklung, das Spannungsfeld von Flexibilität und Sicherheit, zeitgemäße Personalarbeit und vieles mehr. Letztlich geht es bei all den notwendigen Veränderungen darum, so die Autoren, eine Balance zwischen höherer Arbeitsbelastung, längeren (Lebens-)arbeitszeiten und intelligenter Arbeitsorganisation („working smarter“) zu finden. Vor dem Hintergrund ihrer Tätigkeit innerhalb des Netherlands Centre for Social Innovation (NCSI) sowie der Netherlands Organisation for Applied Scientific Research (TNO) skizzieren die Autoren bisherige Erfolge, Erfahrungen und weitere Aufgaben.**

### Endnotes

- 1 The founding employer organizations were AWWN FME-CVM, the trade unions CNV BedrijvenBond and FNV Bondgenoten, the universities Erasmus University RSM and the University of Amsterdam.
- 2 DSM (industry), Randstad (employment services), Vedioir (employment services),

- KPN (telecommunication), Arbo Unie (occupational health services), Achmea (financial services), SNS Reaal (financial services), NS (national railways), FNV Bondgenoten (trade union), CNV Bedrijvenbond (trade union), Ministry of the Interior / DG Management Public Sector, OMO (education)
- 3 Currently in a process of merging with the ministry of Employment and Economic Affairs
- 4 See [www.tykes.fi](http://www.tykes.fi)
- 5 See [www.eanpc.org](http://www.eanpc.org); the German partner is RKW Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft e.V.
- 6 [www.workinnet.org](http://www.workinnet.org); this network is coordinated by the German participant (Deutsches Zentrum für Luft- und Raumfahrt e.V.; Bundesministerium für Bildung und Forschung)
- 7 See [www.proinno-europe.eu](http://www.proinno-europe.eu); EU 34 %, Germany 53.2 %, only Luxembourg (58.4 %) and Denmark (57.1 %) higher.
- 8 See [www.flanderssynergy.esflive.eu](http://www.flanderssynergy.esflive.eu)

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