



**EASSH** European Alliance for Social Sciences and Humanities

# The Social Value of Innovation

A Global Comparative Advantage  
for Europe



**EASSH Position Paper**

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# The paper in a nutshell

European policy rhetoric promotes the need to maintain a balance between economic growth and the social value of innovation. But sometimes, perhaps too often, the good intentions captured in the rhetoric are not realised in the implementation of policies.

In this paper, we discuss the constraints on policy design and implementation created by existing rigid frameworks that include metrics focussing only on the economic benefits of policymaking, and in so doing prevent realisation of the full social value.

Therefore, it is of paramount importance that we revisit our metrics for innovation to grow European competitiveness globally. Drawn from recent research in the social sciences and humanities (SSH), this paper demands a human-centric approach to innovation in EU funding.

## 1. Reframing competitiveness

Competitiveness is at the core of the European Commission's strategic agenda. It is no longer defined solely in economic terms, but by Europe's capacity to innovate, encourage entrepreneurship, generate high-quality employment, and strengthen social cohesion. In March, the European Commission launched a plan to implement the Innovation Act in 2026. The Act aims "to create cross-sectoral legal framework conditions to remove barriers for bringing innovative ideas to market in all sectors".<sup>1</sup>

Yet, key highly innovative sectors driven by entrepreneurship are insufficiently recognised as contributors to competitiveness at EU level. This marginalisation rests on the assumption that some industries operate according to a different economic logic. In reality, while these sectors can be assessed in monetary terms, they also generate significant social and cultural value that remains invisible in conventional accounting systems. However, this is only part of the problem.

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1 [European Innovation Act](#), Research and Innovation, European Commission.

Innovation does not arise in isolation. It depends on a supportive ecosystem – one characterised by well-functioning institutions, access to capital, enabling regulation, and active citizen engagement. However, Europe continues to rely on innovation policy frameworks based on metrics developed in a different era, when innovation was largely local, industrial, and driven by manufacturing.

This paper argues for a recalibration of how innovation is valued, so that Europe’s most creative and socially embedded industries can be fully integrated into its competitiveness strategy.

## 2. The limits of GDP and financially centred measurement

Economic growth has been the dominant policy objective in Europe for 70 years. Although sustained economic growth creates wealthier societies, evidence increasingly shows that higher GDP levels can also be found alongside stagnating well-being, rising inequality, environmental degradation, and growing political populism. In other words, GDP tends to be a good indicator when inequalities in a region are limited.<sup>2</sup> Nevertheless, GDP remains the dominant measure of economic performance, and financial returns remain the primary benchmark for marking innovation a success indiscriminately.

GDP was institutionalised in the mid-twentieth century to measure industrial production and growth in economies dominated by manufacturing and tangible goods, when technological innovation was understood as the primary driver of prosperity. This bias continues in OECD countries, where GDP and financial returns shape both public research and innovation (R&I) programmes and private investment priorities.

Although corporate social responsibility frameworks have evolved, accounting systems have not kept pace with understanding the broader social value of businesses or social innovation. As a result, innovation and entrepreneurship are still judged predominantly by profit, venture capital flows, patents, start-ups, and market share. Such indicators matter, but they capture only part of the value.

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2 See the LSE Inequalities blog [The Easterlin Paradox revisited: New insights into money and happiness](#).

### 3. Why profit is an incomplete indicator of value

Profit and venture capital investment are partial signals of value. They reflect what markets can monetise, not the full spectrum of benefits (or harms) to society associated with innovation.

Many of the most important outcomes of innovation – improved public health, cleaner environments, stronger communities, dignified employment, and democratic participation – do not appear on balance sheets. At the same time, negative effects such as pollution, stress, job insecurity, and social fragmentation often remain invisible in financial accounts. Of course, rising GDP sustains tax revenues which in turn sustain the non-profit funding models. All of these outcomes must remain in balance with constant adjustments and valorisation of all the elements and what they contribute to overall society well-being.

This is not merely a philosophical concern. Empirical research shows that once basic material needs are satisfied, additional income produces diminishing returns in life satisfaction. Industrial decline, even when offset by growth elsewhere and the creation of new “well-paid” jobs, can lead to long-lasting reductions in well-being and diminished trust in institutions. If innovation is judged exclusively by profit and growth, it may reward models that ultimately weaken long-term social stability.

Traditional accounting systems also overlook externalities – costs or benefits imposed on society that are not reflected in market prices. Conversely, entrepreneurial innovation in care services, education, community development, or crime prevention can deliver substantial social benefits but struggle to attract investment because returns are difficult to monetise.

Across the EU, the Housing First Europe approach addresses the need to prioritise access to permanent housing as step one in tackling homelessness. Such an approach has proven to have a significant impact not only on homelessness, but also strong spillover effects on local health outcomes, crime rates, drug addiction, and community cohesion.<sup>3</sup> In Finland, estimates are that as much as €15k is saved in public service expenditure for every person re-housed as a result of the Housing First approach. Is this not a form of innovation?

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3 The [Housing First Europe Approach](#).

In the UK, research in behavioural sciences, psychology, and economics underpins changes to the way that tax authorities tackled low compliance and late payment under the personal self-assessment tax system. Research shows how simple changes at the level of the online self-assessment forms can significantly increase compliance and payment. Changes to the approach raised compliance and payment from 90% to a little over 98% in just a few years.<sup>4</sup>

In the Netherlands, ‘research informed’ entrepreneurship has transformed the organisation of nursing in health care. Buurtzorg Nederland was launched in 2007, as a patient-centred model of care, which emphasizes the autonomy of nurses, leaving decision-making on the delivery of care with them. Over the period 2007–2015, the costs of nursing were reduced and both patient and staff satisfaction levels rose when measured in surveys.<sup>5</sup>

There is also the importance of research in the arts, humanities and social sciences to the cultural tourist economy. The value of tourism in Europe is estimated to total more than a trillion euros a year. UNWTO estimates that around 40% of tourists are cultural tourists.<sup>6</sup> Those engaged in cultural tourism typically spend 30–40% more than other tourists. In countries like France and Austria where cultural tourism makes up more than 60% of all tourism it is clear how important cultural tourism is, all underpinned by SSH research. 131,000 jobs in Vienna depend on the 19 million overnight stays made by its tourists annually, boosted by the association to the Mozart ‘brand’ supported by scholarship which created archives with a collection of more than 6,000 pieces, the stories of which are drawn from SSH scholarship.

Europe’s current framework is structurally strong at measuring financial value, yet comparatively weak at recognising social value and the intangible benefits alongside it.

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4 Letters that Encourage Tax Payment, p.16, [Behavioural Insights Team | Annual update 2010–11](#).

5 See the Commonwealth Fund publication [Home Care by Self-Governing Nursing Teams: The Netherlands’ Buurtzorg Model](#).

6 World Tourism Organisation (2018), [Tourism and Culture Synergies](#).

## 4. Public policy and the need for broader metrics

If innovation policy is to fully benefit society rather than focus on economic growth alone, governments must adopt broader metrics capable of capturing social and environmental outcomes.

This agenda is not speculative. Existing approaches based on critical empirical research on accounting, management, and economics demonstrate that multidimensional evaluation is feasible. For example:

- Using the method of Social Return on Investment (SROI) which quantifies the social benefit your organisation does, in other words monetises social outcomes.<sup>7</sup>
- Using impact-weighted accounting incorporates environmental and social externalities into financial analysis.<sup>8</sup>
- Integrated reporting tracks multiple forms of capital – financial, human, social, and environmental.<sup>9</sup>
- The Impact Management Project assesses impact based on what changes, for whom, by how much, how significant the contribution is, and how likely it is to occur.<sup>10</sup>

While none of these frameworks is perfect, collectively they show that evaluation can move beyond narrow financial criteria. Given a higher place on the agenda, these and other alternative measures would no doubt benefit from investment driven innovation leading to significantly improved tools for valuing social innovation and entrepreneurship.

A paradox remains within European innovation policy. Programmes such as Horizon Europe explicitly link innovation to societal challenges and promote social innovation. In practice, however, funding criteria continue to prioritise conventional economic signals – patents, start-ups, investment levels, and market uptake. The European Innovation Council (EIC) illustrates this tension clearly. Although social value is acknowledged in principle, it rarely proves decisive in funding decisions. Success criteria remain anchored in a traditional, financially centred conception of value. EIC criteria need to be opened to include recognition of non-financial mechanisms for generating value.

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7 See the [LSE Business Review blog](#).

8 See the [International Foundation for Valuing Impacts](#).

9 See the paper [Integrated reporting: A structured literature review](#).

10 See the [LSE Impact blog](#).

Overcoming this gap does not require abandoning economic indicators. Rather, it requires embedding them within a broader framework that makes social objectives explicit from the outset, applies multidimensional evaluation criteria, accounts for long-term and intergenerational impacts, and incorporates participatory and place-based assessment.

We already have economic impact models which examine cultural capital and psychological income as well as community willingness to pay, which provide best practice for these multidimensional evaluation criteria. In other words, social value is context specific. What constitutes meaningful innovation in a deindustrialised region may differ from priorities in a thriving urban centre. Communities and local stakeholders should therefore be involved in defining what “value” means and how it is measured – particularly in areas marked by industrial decline and political vulnerability. This is human-centric innovation and a very European comparative advantage in international competition.

Such a transformation requires institutional change. Governments must invest in training civil servants, researchers, and entrepreneurs, and in data systems capable of tracking well-being, trust, inequality, and environmental sustainability. Measuring social value demands new skills, new expertise, and new forms of collaboration across disciplines.

## **5. Conclusion: Redefining value in European innovation policy**

Innovation and entrepreneurship shape not only economies but also communities, institutions, and political systems. Evaluating them primarily through profit and GDP growth overlooks much of what allows societies to flourish, or fail.

Research on well-being, inequality, and political discontent suggests that economic growth without social value does not guarantee social stability, which in turn weakens long-term economic performance. A narrow financial framing also undervalues social ventures and limits the democratisation of innovation,<sup>11</sup> restricting opportunities for entrepreneurs from diverse socio-economic backgrounds to develop solutions better suited to tackle real societal needs.

Recent debates at the World Economic Forum, including contributions from the co-founder of Mistral AI,<sup>12</sup> highlight a broader shift: innovation in fields such as artificial intelligence increasingly depends not only on infrastructure, but on adaptable systems designed around human needs.

Europe holds a comparative advantage in human-centric innovation, if it can move beyond narrow success criteria and reduce overreliance on externally defined technological models.

“Innovation and Society” in FP10 should therefore not mean abandoning economic or profit-based indicators. It should mean situating them within a richer, multidimensional understanding of value.<sup>13</sup> By redefining what counts as innovation success, European governments can steer investment toward outcomes that genuinely serve citizens, communities, and future generations.

A human-centric framework for innovation is not a departure from competitiveness. It is its necessary evolution.

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*EASSH is the largest umbrella organisation for SSH in Europe with over 70 members including universities, disciplinary associations, and corporate associate partners. Our mission is to promote learning and research in the social sciences and humanities (SSH) as a resource for Europe and the world, and to engage with policymakers and research funders in support of the social sciences and humanities.*

*Cover image by Vitaly Gariev / Unsplash*

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11 See the LSE Impact blog: [The next innovation revolution should be democratisation.](#)

12 [AI Mistral.](#)

13 [See EASSH Position Paper from September 2025.](#)