

# SOCIAL ECONOMY

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# STRUCTURE OF THE PRESENTATION

- ◉ Social Economy definition
- ◉ Brief history of development
- ◉ Outline of three competing definitions
- ◉ Moving forward

# SOCIAL ECONOMY DEFINITION

- Social Economy is the way of conducting economic activity combining both social and economic goals

# THE FORMAL EU DEFINITION

- ◉ Since 1989 the social economy has been the responsibility of the Commission's Employment and Social Affairs DG which defines it as including:
  - ◉ Cooperatives
  - ◉ Mutuels
  - ◉ Associations
  - ◉ Foundations

# THE FORMAL EU DEFINITION

## Commission description of social enterprise (SBI):

*“The Commission uses the term 'social enterprise' to cover the following types of business:*

- *those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,*
  - *those where profits are mainly reinvested with a view to achieving this social objective,*
  - *and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.*
  - *Thus:*
  - *Are businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or*
  - *Are businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services.“*
- **Commission definition of social economy** based on legal forms: associations, foundations, cooperatives and mutuels → interest to define based on shares values and principles

# VAGUELY ANALAGOUS ALTERNATIVE TERMS FOR THE SOCIAL ECONOMY:

- ◉ Non-profit sector: cannot make profits
- ◉ Not-for-profit sector: can make profits but not primary motivation
- ◉ Solidarity economy: in support of the poor, e.g. fair trade
- ◉ Alternative economy: motivated by, e.g. concern for the environment
- ◉ Third system [otherwise: third sector]

# TERMS FOR THE SOCIAL ECONOMY:

- ◉ A variety of terminologies to describe the new reality:
  - social economy
  - solidarity economy
  - social enterprise
  - social innovation
  - community economic development
  - third sector
  - non-profit and cooperative sector
  - community enterprise
  - social entrepreneurship
  - collective entrepreneurship
  - sustainable development

# HISTORY AND BACKGROUND OF THE TERM

- ◉ French term ‘*économie sociale*’ first used by Charles Dunoyer in 1830 in his paper called ‘*Nouveau traité d’économie sociale*’.
- ◉ This was a paternalistic notion based in a Catholic attempt to counteract class conflict
  - ◉ (Westlund, 2003).



# WHAT

- The social economy is used in some countries to describe the 'old' or institutional cooperative, mutual and non-profit sector
- The solidarity economy is used by the emerging social economy often in conflict with the established sector
- A variety of relationships exist between the emerging and institutional components depending on the historical context (Latin America, Europe, North America, Africa)

# EVOLUTION OF SOCIAL ECONOMY IN THREE STAGES

1. Network-based associations with various functions arising to solve specific problems, with both an economic and a political identity.
2. Integration into a modernization project that favoured the market-state synergy: marginalization.
3. A revitalization following the crisis of the market-state relationship

- The social/solidarity economy is emerging as a global movement
- National, regional, continental and inter-continental networks are building from the bottom up
- Governments in many countries are developing policy initiatives
- International institutions are tracking this growing phenomenon (OECD, ILO, PNUD)

# THE FUTURE? SOCIAL ENTERPRISE OR AN ECONOMY OF SOLIDARITY?

- ◉ Social enterprise originated in the US
- ◉ A form of mutual activity acceptable within a market economy?
- ◉ A useful tool for politicians wishing to reduce the role of the state? E.g. 'social' housing

# SOCIAL ENTERPRISE

*referring to market-oriented economic activities serving a social goal. The social enterprise is then viewed as an innovative response to the funding problems of non-profit organizations, which are finding it increasingly difficult to solicit private donations and government and foundation grants. (Defourney and Nyssens, 2006).*

# CRITERIA FOR A 'SOCIAL ENTERPRISE' *PACE WISE*

- A continuous activity, producing and selling goods and/or services
- A high degree of autonomy
- A significant level of economic risk
- A minimum amount of paid work
- An explicit aim to benefit the community
- An initiative launched by a group of citizens
- Decision-making power not based on capital ownership
- A participatory nature, which involves the various parties affected by the activity
- Limited profit distribution

# CRITERIA

## Social:

- ◉ Orientation on socially useful goals
- ◉ Grasroot initiative
- ◉ Specific, democratic management style
- ◉ Participatory activity
- ◉ Limited profits distribution

# CRITERIA

**Economic:**

Regular activity based on  
economic instruments

Independence from public  
institutions

Economic risk

Some paid staff



# WHY

- The models emerging are rooted in the need for sustainable development: social and environmental concerns are embedded in the process of wealth creation
- Governments are increasingly interested because of their growing incapacity to progress within traditional frameworks of market or direct government intervention

# MICRO AND MACRO PERSPECTIVE

## **Micro Perspective**

- The enterprises: integration of social, economic, environmental objectives  
wealth creation (production of goods and services); job creation, poverty reduction; local/community development; social profitability (social utility)

## **Macro Perspective**

- The social economy as a partner in social and economic development  
not only as a sector based in civil society; recognizes the social and economic value of citizen-based initiatives

# COMPARATIVE ADVANTAGES

Capacity to identify emerging needs  
(environment, personal services, culture,  
social services)

Capacity to respond to aspirations (youth,  
minorities, social movements)

Durability: higher survival rate than  
traditional SME

Financial and social return on investment

Wealth redistribution embedded in the  
process of wealth creation

# PRACTICAL ADVANTAGES

- For individuals- a chance to change a status of a client, dependent on others
- For organizations: a chance to obtain funds for statutory activity
- For communities: a chance to learn how to formulate development strategies based on own resources

## Europe:

- **United Kingdom:** New Conservative government focuses on social enterprise to reduce the public sector, Social enterprise coalition, Social enterprise Unit within government, diverse policies (promotion, investment, procurement)
- **France:** social and solidarity economy embedded in regional structures, diverse policies (investment, procurement, networking, promotion)

Europe:

In EU almost 900 000 SE entities responsible for 10% of Europe GDP, creating 11 mln. work places (approx. 6 % of labor market).

ES - important instrument of state Social Policy

## Mondragon:

- A federation of worker cooperatives in the Basque region of Spain
- First cooperative created in 1956 (paraffin factory, technical college)
- 2008 93,000 member-workers, 256 cooperatives, 4 sectors: industry, finance, retail, knowledge
- Innovative system that creates growth from within and responds to individual and collective needs

# POLAND

Hotel „U Pana Cogito”

Baltow „Jurassic Park”

Sokolowo village Development Association  
(school financed by a shop)

„Flandria” Association (health care and  
nursing services)

Slawek Foundation (ex-prisoners social  
integration)

Synapsis Pracownia Rzeczy Roznych (autism)



# WHAT SOCIAL ECONOMY NEEDS

## Policy innovation

- . Shift from understanding social cohesion exclusively as a desirable output to its role as an input in socio-economic transformation
- . Enabling legislation: new legislation for NPO's, cooperatives, access to private capital, etc.)
- . Knowledge mobilization including collaboration with international organizations

# WHAT SKILLS ARE NEEDED FOR SOCIAL ECONOMY ENTITIES

Leadership and organization skills

Management

Marketing

Basic finance and accounting

Fuundraising

Reports and submissions writing

Communication

# WHAT SOCIAL ECONOMY NEEDS

Access to profesional services and advice:  
eg.

- ◉ Legal
- ◉ Financial
- ◉ Accounting
- ◉ Marketing
- ◉ Strategy and plans formulation
  
- ◉ Pro Bono
- ◉ CSR
- ◉ Financed by state and EU funds

# BUSSINES EDUCATION RESOURCES

Specialized NGOs (train the trainers, workshops, incubators, etc)

Contacts with business communities (CSR programs)

International assistance

Retired business people

Peer learning

# WHAT SOCIAL ECONOMY NEEDS-EU

## An action plan for support social enterprise in Europe

- **Improving access to funding**
  - ✓ Facilitating access to **private funding**
  - ✓ Mobilisation of **EU funds**
  
- **Increasing the visibility of social entrepreneurship**
  - ✓ Developing tools to gain a better understanding of the sector and increase the **visibility** of social entrepreneurship
  - ✓ Reinforcing the managerial **capacities, professionalism and networking** of social businesses
  
- **Improving the legal environment**
  - ✓ Developing appropriate **European legal forms** which could be used in European social entrepreneurship
  - ✓ **Public procurement**
  - ✓ **State aid**

THANK YOU

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