

Executive Summary

The social economy, whilst in no way a new phenomena, has been reinvigorated in recent decades. While the decline of the welfare state has been an important trigger in stimulating the growth and development of the social economy, other factors including changes to local economies, the exclusion of some vulnerable groups and a gradual move away from traditional conceptions of civil society organisations towards more dynamic, issue oriented organisations have also contributed to the reinvigoration of the sector. Social economy organisations have moved to fill the gaps left by the market and the state, and have shown themselves to be innovative, adaptable and responsive to local needs when provided with the opportunity and environment which enables them to fill their potential.

In Central and South East Europe, social economy organisations have played an important role in addressing the complex issues which the post-1989 transition period raised for both communities and for individuals. However, as in other states, social economy organisations confront important issues around their development, role and sustainability. Exploring issues such as the role of the social economy in economy theory, the contribution it can make to local development and examining how a supportive and enabling environment can be created for the social economy and social economy organisations, this book highlights the fundamental role the social economy has in improving the lives of not only society's most vulnerable, but also communities as a whole. The challenge is to ensure that the social economy is able to play that role to best effect.

What is the social economy?

Given the critical role of the social economy, it is clearly important to develop a sound understanding of what the social economy is. However, defining the social economy is not unproblematic, with different interpretations being utilised in different regions of the world. Broadly, a distinction can be drawn between the United States's conception of the "non-profit sector" and the mode adopted in parts of Europe of the "third system", and now, the social economy. The John Hopkins University

Comparative Nonprofit Sector Project¹ has developed a clear definition of the non-profit sector which focuses on voluntary entities which do not distribute profits (including social clubs, professional organisations, universities and hospitals, etc.). Arguably, this can be considered to be too narrow to be useful in a European context with its different historical traditions. In particular, it is the exclusion of co-operatives, long a feature of many European countries, from the non-profit sector, which makes its use problematic in a European setting.

Indeed, the term “third system”, derived from the European Commission’s 1997 pilot action “Third System and Employment”, has subsequently been broadened out to include all organisations that place a limit on profit distribution. This highlights the important distinction between the US and Europe, and the divergent paths they have taken. The label “social economy” has maintained this distinction. Emerging initially in France in the 19th century, since then the idea of the social economy has responded and altered so as to reflect the historical dimensions and developments of a range of different organisational types which have come to be identified with it.

Attempts to define the social economy have drawn on two main approaches. The first seeks to identify those legal and institutional forms which are part of the social economy, namely associations, mutual benefit societies and co-operatives. The second focuses on the common principles which inform those organisations, notably the primacy of individuals and communities over profit, although without completely limiting the distribution of profit (as the U.S. non-profit approach does).

What is critical about the idea of the social economy is that it seeks to capture both the social element as well as the economic element, inherent in those organisations which inhabit the space between the market and the state. It is important to recognise that not all social economy organisations may be focused on economic activity, indeed the social economy includes advocacy organisations and also those, such as foundations, who redistribute resources. However, the term is a useful one because of its inclusiveness, and ability to incorporate new organisational forms, such as social enterprises which have emerged. Ultimately, however, it is not uncommon to find that terms such as “third sector”, “third system”, and “social economy”, are used interchangeably without any strong delineation of the distinctions, and indeed throughout this book the terms are found without, unless specifically articulated, any difference in meaning.

Exploring the social economy: from economy theory to an enabling environment

The chapters in this book explore the social economy from a myriad of perspectives – both theoretical and practical. What binds them is their acknowledgement of the importance of social economy organisations and the requirement to recognise their diverse roles in addressing the needs of people, accompanied by their wider role within local communities, and at the regional and the national levels. By seeking to highlight how, for example, economic theory needs to develop an understanding that the social economy is more than an adjunct to the state and market, to examining the need for an effective enabling environment for the social economy in Central and South East Europe, this book emphasises that the social economy is a vital component of contemporary society. Recognising this is the first step towards ensuring that the social economy is able to fulfil its potential – a potential with profound implications for the communities in which we live.

Economy theory: inserting the social economy

The social economy is in no way a new phenomenon, it has been poorly served by economic theory, compared to other economic sectors. This has contributed to the view that social economy organisations exist only where there are market failures, rather than as inherently important actors within society. As Carlo Borzaga and Ermanno Tortia explore in the opening chapter, economic theory has, until recent decades, considered social economy organisations to have only a marginal role in market economies. However, given the evidence of their growing importance, it is clear that such perceptions have been misplaced. Therefore, it is necessary for economic theory to more fully engage with those organisations whose primary focus is not upon making, and maximising, profit. Arguing that it was the failure to recognise the importance of such factors as: the role of social economy organisations in addressing and managing market failure; the desire of individuals to behave in ways that are not always self-interested; and, the role of enterprises to act as co-ordinators of different actors, which has hindered the inclusion of the social economy into economy theory, Borzaga and Tortia highlight the importance of developing a new approach which recognises and incorporates the important contribution of the social economy.

Developing such an approach must be rooted in an understanding of those enterprises which do not seek to maximise profit and, crucially, the social element of such enterprises, and must also be able to accommodate the creation and the development of social economy organisations.

Furthermore, there is a need to acknowledge that not all economically productive social economy organisations, such as co-operatives, emerge from market failures. The ideals which inform the desire to address social issues are something which economic theory has been unable to convincingly incorporate, founded as so much of it is on the assumption that individuals are self-regarding. Only by recognising that this is not always so, will economic theory be able to include social economy organisations. Borzaga and Tortia suggest that by viewing the firm as an *incentive structure* a more rigorous approach can be developed. Their view of the firm incorporates both monetary and non-monetary incentives, such as greater levels of job satisfaction, and highlights the importance of intrinsic motivations not only for individuals, but also for the firm, as individuals are shown to exert greater effort where intrinsic motivations are acknowledged and fostered. What this chapter demonstrates is that ways of understanding the economy have to be changed if the role of the social economy is to be fully recognised and its potential fully exploited.

The role of the social economy

Highlighting and reviewing the role of the social economy within the context of contemporary socio-political events and processes is the focus of the chapter by Peter Lloyd. With greater levels of uncertainty, as a result of economic, geo-political and social forces, the social economy has the potential to address the needs of local communities as they respond to these forces. Within the European Union, the key issues of slow economic growth, unemployment, inequalities within and between countries, the impact of enlargement and migration, and the implications of an aging population, are identified by Lloyd as important in our understanding of the possible role and contribution of the social economy. However, there is no single approach to be pursued. Rather, Lloyd emphasises the importance of focusing on culture, geography and history as forces which cannot, and should not, be overlooked. As later chapters demonstrate, it is only by recognising the importance of historical events that the very real problems which co-operatives confront in gaining support and credibility in Central and South East Europe can be understood.

Whether the social economy should be seen as a real alternative to the hegemony of economic neo-liberalism, or rather as a ‘fix’ to the problems associated with neo-liberalism, is briefly explored. Whilst acknowledging these debates, Lloyd suggests that the social economy is usually perceived, in policy terms at least, as an instrumental device for addressing problems. Nevertheless, this is not their only role. Rather social economy organisations can act as a conduit for greater participation. It is such potential that provides succour to the perception that the social economy can act as an

alternative to economic neo-liberalism. There are resonances with the discussion in a subsequent chapter by Gonzales who explores the way in which social economy organisations have the potential to act as vehicles for empowerment.

The latter part of Lloyd's chapter examines the role social economy organisations play in work activation, particularly for people from vulnerable groups who may lack the requisite skills to directly enter the workforce. Whilst acknowledging the important role of social economy organisations in this field, and others, Lloyd cautions against overestimating how much social economy organisations can do; they are not, and should not be viewed as, a panacea for all ills. At the same time, the impact upon social economy organisations of ever greater involvement with the state and the market, and the threats and opportunities presented by this, are examined. There is the very real potential for social economy organisations to lose their innovativeness and dynamism, as they face pressures to behave in a more business-like way. This is not to belittle or denigrate social economy organisations, rather it is only by recognising the limitations upon social economy organisations that it is possible to adequately assess the potential for them to meet the challenges which exist in contemporary societies.

The social economy: enhancing local development

The following chapter, by Xavier Greffe, examines the contribution the social economy can make to local development. The ability of social economy organisations to meet local needs has long been highlighted, however it is also that it is their capacity to adapt and respond flexibly to changes at the local level which makes such organisations so important to local development. This is more than simply the benefits of operating at the local level, but is a result of the intrinsic features of social economy organisations. Local development, if it is to be effective, requires, Greffe argues, positive links between the various dimensions (economic, social and environmental) of local development, a positive relationship between all of the actors involved, social capital, and an agreement on the long-term approach to be taken. It is these very points which give social economy organisations such a valuable role in the local development process.

The ability of social economy organisations to make linkages to, and across, the various dimensions of local development is important because it enables an over-arching vision to be developed. The focus is not upon one dimension, or one type of activity only, but on the conjunctions between dimensions and activities and the potential positive, and negative, outcomes. This not only aids the development and implementation of effective policies

and programmes for local development, but also assists in generating other results, such as building greater levels of social capital within communities and fostering social inclusion.

Social economy organisations: effectively empowering users?

The debates on the extent to which the social economy can act as vehicles for empowerment, briefly outlined in Lloyd's chapter, are the subject of the chapter by Vanna Gonzales. It is generally accepted that the social economy aims to address market failures and to meet many complex social and economic needs of individuals, and arguably this is at the core of much government and institutional support. However, advocates for the social economy have also emphasised the potential for social economy organisations to act as a conduit for greater participation and democratic engagement. This is more than simply fostering social inclusion; rather it is a way of empowering individuals who, for a variety of reasons, have been excluded and marginalised. Gonzales explores the potential for social economy organisations to act as conduits for alternative voices from amongst the socially excluded, and highlights two types of empowerment: consumer and civic. Consumer empowerment focuses on the development and provision of services tailored to individual needs. Such empowerment, however, is rooted in the ability, and desire, of social economy organisations to move beyond simply addressing the needs of individuals to enhancing the personal autonomy of individuals. Civic empowerment differs from consumer empowerment by focusing not only upon meeting the service needs of users, but on mobilising them as marginalised groups to encourage greater engagement with political and civic structures rather than withdrawing from them. With its wider demands upon social economy organisations, civic empowerment requires them to promote advocacy.

Italy, with its early introduction of a supportive legal framework for the social economy, offers a valuable opportunity to assess the ability and success of social economy organisations in acting as a tool to empower users. Two Italian regions, Lombardia and Emilia-Romagna, with high levels of economic development and long traditions of co-operatives, are, Gonzales suggests, the most likely to have developed social economy organisations who act to empower users. However, as Gonzales demonstrates despite these traditions, social economy organisations are, in the majority of cases, failing to behave in a way which actively promotes empowerment. Gonzales argues that this is linked to the failure to include users in decision making processes. Developing a culture which values and promotes the inclusion of users in decision making processes, rather than viewing them as passive recipients, is a difficult, but important step if social

economy organisations are to move beyond merely filling a gap in service provision towards enabling users to participate fully in society.

Gonzales' chapter seeks to explain why social economy organisations fail to foster civic empowerment and it raises a number of important points not only for all social economy organisations, but also for those institutions which seek to promote the role and activities of social economy organisations within society. Rejecting the suggestion that it is a failure on the part of social economy organisations to understand the needs and concerns of users, Gonzales instead highlights the impact of external factors, notably financing. This, accompanied by the emphasis on managerial approaches to funding and a focus upon economies of scale, quality control measures, etc., leaves little space for funders to explore the difficult to measure ideas of empowerment. Rather than seeing social economy organisations as a way of controlling costs, there is a need to shift the focus to social economy organisations as tools for investing in people. Without public officials who are sensitive to the direct and indirect problems associated with social marginalisation, and without adequate private funding, the focus upon managerial and organisational efficiency in public spending/contracting requirements can effectively weaken and crowd-out the ability of social economy organisations to foster consumer empowerment. This raises important questions about sustainability, a theme taken up in the last chapter of the book. Gonzales concludes with five key ways in which user consumer and civic empowerment can be facilitated.

Sharing experiences: the Canadian example

Although the United States has followed a divergent path in its understanding of the social economy, with its focus on the non-profit element, Canada, with its strong historical linkages to both France and the United Kingdom, offers a valuable opportunity to explore the similarities and dissimilarities in the way in which the social economy has evolved and developed, with particular reference to Quebec. As Laville, Lévesque and Mendell demonstrate, the social economy has long been established in Canada, even if, until relatively recently, it was only Quebec deploying the term whilst the rest of Canada utilised the idea of community economic development. This changed in 2004 when the Canadian government established a Secretariat for the Social Economy with financial resources available to support the social economy, and social economy organisations and their development more specifically. Although this commitment has not been continued, the support offered in 2004 was important because it provided a stimuli to the further development of the social economy and actually helped create links between social economy actors which have, despite the withdrawal of resources, continued.

Highlighting the difficulties associated with developing a definition of the social economy, the approach in Canada has been to utilise a range of criteria as a way of identifying social economy organisations. These criteria include the legal status of the organisation and its values. However, there has also been significant emphasis placed on democratic procedures and a management autonomous from the public or private sector, with these being as important as a non-profit criterion. Ultimately such attempts to identify social economy organisations are a process of negotiation, and in Canada this has not been uncontentious.

Whilst some groups sought to emphasise the wide-ranging nature of the idea of social economy, one that includes economically productive entities through to community action groups, others were wary of the emphasis on the “economy” in social economy and the threat of commercialisation that such an emphasis may carry with it. The authors argue that it is possible to recognise the diversity of organisations by situating those organisations which produce goods and services towards the economy part of the social economy, and those that are predominantly political actors (such as advocacy groups) in the social/political part. This enables the potential interconnections and interlinkages between the social and economic to be recognised, whilst also acknowledging the diversity which exists within the social economy. As Laville, Lévesque and Mendell note, this is not merely an academic debate, but one that has important ramifications for social economy organisations. How states define the social economy may have important consequences for the way in which social economy organisations function and the resources which are made available to them.

The final section of their chapter incorporates a discussion of the different theoretical approaches to the social economy. Having briefly outlined the organisational approach, which focuses on and emphasises the type of organisation and the actors within the social economy, Laville, Lévesque and Mendell highlight a relatively new approach – the solidarity economy. This approach rejects the neo-classical approach to economic theory and instead seeks to emphasise, drawing upon the work of Polanyi, the way in which the market, redistribution, and reciprocity are integrated. Finally, having explored the relationships between the social economy, social enterprises and social innovations, Laville, Lévesque and Mendell emphasise the importance of conducting research which examines both organisations and the wider role of the social economy. Only by doing this, and in a partnership between researchers and social economy actors, will it be possible to develop the necessary tools with which to evaluate the social economy and to assist its development.

The social economy: developments since transition in Central and South East Europe

The transition period played a critical role in the reinvigoration of the social economy across Central and South East Europe. Initially seen as a vital part of the re-establishment of civil society, the consequences of the transition period on individuals and communities led to an increasing role in the provision of a wide range of goods and services by social economy organisations. The opening section of the chapter by Eva Leś and Maria Jeliaskova outlines the historical development of the social economy and its re-emergence during the transition period. The development and evolution of the sector has not, however, been easy, and, as Leś and Jeliaskova highlight, co-operatives, a vital part of the social economy in western Europe, North America and Australasia, confront significant hostility in Central and South East Europe and remain underdeveloped. This is a result of the use of the co-operative form during the Communist era as quasi-autonomous state bodies, which served to bring the form into disrepute, hindering its development in the post-Communist era. Rather, it has fallen to other organisational forms, such as associations and foundations, to emerge as important entities within the society economy, something which is reflected in the framework laws which have been passed across Central and South East Europe.

The second half of the chapter explores the development of the social economy in Central and South East Europe, notably its institutionalisation, by focusing on the legal frameworks which have been implemented and considering how they have evolved over time. Central issues such as how the social economy can be enabled to play a greater role in the provision of social services, the way in which linkages between social economy organisations and other actors (such as local authorities, the central state, etc.) can be improved, and the role of social economy organisations in addressing the needs of vulnerable groups, as well as contributing to meeting a wider European agenda (the European Inclusion Process) are considered. Leś and Jeliaskova highlight the way in which social economy organisations have grown from reactive organisations responding to the impact of the transition process into increasingly stable organisations with greater levels of specialisation, something which enables them to expand their role within society.

Like Lloyd, Leś and Jeliaskova highlight the importance of not overlooking cultural and historical factors which influence the way in which social economy organisations function within a territory. There is no single, “one size fits all” approach which can ensure the viability of the social economy and any attempt to import an approach without considering

national, regional and local specificities is unlikely to meet the needs of the social economy. Rather, just as social economy organisations are lauded for the ability to respond and adapt to local needs, so it is important for support mechanisms for the social economy and social economy organisations to respond and adapt to the specific needs of the sector, a point which is echoed in the final chapter by Katerina Hadzi-Miceva.

Sustaining and supporting the social economy in Central and South East Europe

Despite the importance of the social economy, it should not be assumed that the social economy is given adequate support, whether it be structural, legal or financial, to fulfil its potential. As Hadzi-Miceva outlines, social economy organisations have been critical to the transformations which took place in Central and South East Europe after 1989 and have made an important contribution to the relative success and stability of the transition process. Indeed, as Leš and Jeliaskova noted, economic transition came at a very high price for many people in the countries of these areas, and social economy organisations have played, and continue to play, an important role in addressing the immediate needs of vulnerable individuals and groups. At the same time, as Hadzi-Miceva outlines, social economy organisations have been able to provide a voice for groups within society who would struggle to be heard. These important roles have been widely recognised, and most governments in the region have established legislative frameworks for the operation of social economy organisations. However, such frameworks do not always function effectively, and despite the many successes of social economy organisations, it remains that there are many challenges to confront also.

An important element of support for social economy organisations in Central and South East Europe is the idea of public benefit status which has been implemented in countries including Bulgaria, Romania, Poland, Latvia, Hungary and Lithuania. Whilst the form may be different, and the status may be awarded in framework legislation or other, specific legislation, the purpose of granting social economy organisations such status is to provide them with greater benefits than other organisations and to assist them to fulfil their contribution to wider society. It is therefore only granted to those organisations who make a specific contribution to local communities and society generally, and who meet needs which neither the market nor the state are able, or willing, to meet. Benefits which accrue to organisations with public benefit status include tax breaks (such as exemptions, reductions, etc.) and preferential treatment (such as for the awarding of government contracts or the use of the government property). Indeed, some

international organisations/donors also use the status as a criterion for funding.

As Hadzi-Miceva notes, an appropriate legal framework not only has important consequences for the foundation and running of social economy organisations, but also on their governance structures, and, crucially, their ability to engage in economic activities. Three main sources of funding are available to social economy organisations:

1. Public funding.
2. Activities which generate income, including membership fees, the sales of goods and services, etc.
3. Philanthropy.

There is no simple solution to the question of how social economy organisations can find the most appropriate source of funding for them and each has potential costs, and benefits, associated with it. Local circumstances must always be taken into account, although it should also be acknowledged that increasing only one source is not an adequate response to the long-term financial viability of the sector. Whilst some social economy organisations may benefit more from income-generating activities, particularly those who provide goods and services, it may not be an appropriate approach for all social economy organisations. Furthermore, it should also be remembered that stimulating one source of income may have unintended consequences, as the introduction of the percentage mechanism demonstrates.

Conclusions and recommendations for action

Whilst the social economy is clearly already making a significant contribution to the lives of individuals and is helping to improve the communities in which we live, as all the authors have emphasised the social economy still has enormous, untapped potential. Fulfilling that potential is of the utmost importance, not only for countries in Central and South East Europe, but in all countries. Effective strategies are needed to provide the institutional and practical support which social economy organisations require if they are to be able to meet the needs of individuals and communities. Such strategies include:

- *Building an enabling environment and implementing supportive policies.* This is more than simply ensuring that the necessary legal frameworks exist which enable social economy organisations to be formed and develop, although these are important in themselves, but also incorporates a meaningful recognition of the role of social

economy organisations by other actors from both the public and private sector. Policies which help foster and support social economy organisations are also important. For example, start-ups and innovation in the social economy need to be encouraged, financial instruments (either public or private) need to be available to meet the short, medium and long-term sustainability needs of social economy organisations. However, such tools must be appropriate, no-one approach fits all and it is important to recognise the historical, cultural and political features which have to be taken into account when deciding which tools and mechanisms to use.

- *Developing mechanisms for financial sustainability.* It is necessary to recognise that there is no simple solution to how social economy organisations can achieve financial sustainability, although it is evident that social economy organisations need the opportunity to exploit the full range of potential resources, including selling goods and service. Furthermore, in the same way that historical, cultural and political features cannot be overlooked in the development of an enabling environment, so it is with the development of mechanisms for financial sustainability.
- *Including social economy actors in the decision making process.* Social economy organisations, with their links to local communities and their ability to harness resources (such as volunteers) from those communities, have been given a critical role to play in fostering social inclusion. Whether they be directly or indirectly utilised by government to deliver goods and services, it is critical that they be incorporated into the decision making process, bringing with them knowledge, experience and contacts with communities which can assist in the development of more effective policies and programmes.

The social economy is not an abstract concept. With its myriad of organisational forms and activities, the social economy is having a profound impact upon the lives of individuals and communities, with the potential to make an even greater contribution. This potential will only be harnessed if appropriate strategies are adopted and mechanisms are put in place which enable the social economy to function at its best. There are important issues for consideration by policy-makers, social economy organisations, and other actors. Social economy organisations themselves confront difficult questions about how they perceive their role, the answers to which will inform their future activities. Whilst there are great opportunities to share knowledge, experiences and good practices across countries, it is necessary to ensure that local factors are not overlooked. The debates and discussion which the

chapters in this book have explored must continue if social economy organisations are to make the critical contribution they can do to the lives of people.

Notes

1. The long-running project can be found at: www.jhu.edu/~cnp

Notes on Contributors

Carlo Borzaga

Carlo Borzaga is the Dean of the Faculty of Economics at the University of Trento, where he is also a Professor of Economics. Since 1997, he has served as President of the *Istituto Studi Sviluppo Aziende Non-Profit* (ISSAN), a research and training institute of the University of Trento that focuses on non-profit research and, since 2002, he has been the Vice-President of the EMES (The Emergence of Social Enterprise in Europe) Network. He is currently the scientific co-ordinator of the OECD LEED Centre for Local Development on social economy research. Professor Borzaga has worked with the European Commission (DGV), as a member of the Capitalisation Committee and also as an advisor to the Italian government in the development of a number of bills focusing on the non-profit sector. Professor Borzaga has authored and co-edited numerous works on the theory of non-profit enterprises and social enterprises.

Nilda Bullain

Nilda Bullain is Executive Director of the European Center for Not-for-Profit Law (ECNL). ECNL previously operated as the Budapest branch office of the International Center for Not-for-Profit Law (ICNL), an international organisation headquartered in Washington, DC, where Ms. Bullain has been serving as Senior Legal Advisor. She has been working in CSO legal reform in several Central European countries joining the EU. Ms. Bullain has expertise in legal and fiscal areas concerning CSO and civil society development, especially the CSO-government cooperation framework, CSO taxation, philanthropy, public benefit status, volunteering, and delivery of social services.

Prior to joining ICNL, Ms. Bullain was Executive Director of the Civil Society Development Foundation Hungary (CSDF), a leading resource and support centre for CSOs in Hungary and Central and Eastern Europe. Before her involvement with CSDF, Ms. Bullain worked as a parliamentary aide in

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Emma Clarence

Emma Clarence is a policy analyst with the OECD LEED Programme based at the Trento Centre in Italy, where she started working in 2007, focused on social inclusion and the social economy. Prior to joining the OECD, Dr Clarence had worked as a research associate in various universities in the United Kingdom and had been a lecturer in politics at the University of Aberdeen (Scotland), as well as doing part-time consultancy work. She has published widely in the field of public policy.

Vanna Gonzales

Vanna Gonzales obtained her Ph.D. in political science from the University of California Berkeley (2006). She is currently an Assistant Professor at the School of Justice and Social Inquiry at Arizona State University (USA). Her teaching and research interests include the welfare state, community and non-profit organisations, and social and economic justice. Currently, she is working on projects related to social exclusion and the impact of governance on social capital formation. Her latest work is “Globalization, Welfare Reform and the Social Economy: Developing an Alternative Approach to Analyzing Social Welfare Systems in the Post-Industrial Era,” *Journal of Sociology and Social Welfare*, Vol. 34, No. 2, 2007.

Xavier Greffe

Xavier Greffe is Professor of Economics at the University Paris I - Sorbonne where he manages the doctoral program in Economics, having taught in Algiers, Los Angeles (UCLA), Poitiers and Orléans where he was Rector. For twelve years he worked with the French administration, where he was Director of New Technologies in the Department of National Education, and Director of Training and Apprenticeship in the Department of Labour and Employment. He is a consultant for the European Union Commission, where he managed the Local Employment Development Action Program (LEDA) between 1995 and 1999, and the OECD, where he is currently serving on the Trento Scientific Committee on Local

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Katerina Hadzi-Miceva

Katerina Hadzi-Miceva is working as a Legal Advisor of the European Center for Not-for-Profit Law (ECNL) in Budapest. She implements programs on legal reform affecting civil society organisations (CSOs) in Europe and particularly the Balkan region since 2000. She provides assistance in development of policies affecting the sustainability of CSOs and public participation by working closely with government officials, CSOs, judges, lawyers, and international donors. She provides legislative assistance and is building the capacity of local stakeholders on legal issues affecting CSOs, such as public benefit status, public funding, cross-sectoral partnerships, public participation in policy-making, self-regulation mechanisms, taxation of CSOs, corporate and individual philanthropy and the legal framework for volunteering. She has been developing multi-country comparative analysis in the areas of sustainability of CSOs. She has experience in fundraising, planning and implementing projects within the frameworks of various project management models.

Prior joining ECNL she co-founded and managed the Human Rights Students' Organisation at the Central European University in Budapest, when she initiated courses to supplement the curriculum of the Human Rights Program of the University and developed human rights awareness raising and capacity building projects. Also, she volunteered for the Civil Society Resource Center in Macedonia, during which time she worked on projects aiming to raise awareness about the rights of pre-trial detainees and refugees, and has conducted comparative legal analysis in these fields.

Maria Jeliaskova

Maria Jeliaskova is a sociologist and Research Associate at the Institute of Sociology, Bulgarian Academy of Sciences. She is an Affiliate Lecturer on Social Policy and Social Work at Sofia University and Associate Professor on European Projects at the University for National and World Economy, Sofia. She has more than 10 years of experience in the activities of non-governmental activities in the field of poverty eradication and social economy and is Executive Director of the Anti-Poverty Information Centre, the co-ordination unit for the European Anti-Poverty Network (EAPN) in Bulgaria. She is a member of EAPN Task Force on Social Inclusion and consultant on national preparation processes for EU integration at the

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Jean-Louis Laville

Jean-Louis Laville is a professor at CNAM (*Conservatoire National des Arts et Métiers*) in Paris, he is also the co-director of LISE (*Laboratoire Interdisciplinaire pour la Sociologie Économique*) and at the French department of research of (CNAM-CNRS). Recent publications include: *Action Publique et Économie Solidaire*, Toulouse, Erès, 2005 (avec P. Magnen, G.C. de França Filho, A. Medeiros); *The Third Sector In Europe*, Cheltenham, Edward Elgar, 2004 (with A. Evers) and *Sociologie des Services*, Toulouse, Erès, 2005.

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Ewa Leś is currently a Professor at the Polish Academy and Institute of Science and Political Studies and also serves as the Chair of the Research Centre on Non-Profit Organizations at the Institute of Political Studies, as well as Director of the Post-Graduate Programme on Non-Profit Management. Professor Leś was a recently elected member of the advisory group to the Executive Committee of the Polish Association of Social Workers, where she has also held positions as Co-founder and President. Her experience in co-ordinating major research projects includes, most recently, a Non-Profit Sector Project in Poland, funded by the Polish Committee for Scientific Research (2000-2002) and a Comparative Non-Profit Sector Project funded by the John Hopkins University (1997-2001)

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Peter Lloyd

Professor Peter Lloyd is an Emeritus Professor and former Dean of Social Sciences at the University of Liverpool. He is a recognised European authority on regional and local economic development. He left the academic world in 2001 to pursue a career in private consultancy after 40 years as an academic Geographer. He is currently a part-time Technical Director at Ecotec Research and Consulting Ltd and works part-time in an independent capacity.

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Glossary

Civil society

Civil society may be defined as a space or arena between households and the state, which affords possibilities of concerted action and social organisation. Thus, it encompasses all voluntary associations of citizens, whether politically motivated or active or not (although the term carries an implication of political consciousness and activity): business, labour, non-governmental organisations, churches, special interest or purpose groups. These elements are the constituents of civil society, but none can individually be representative of it. Business is often excluded, although the OECD does include it, given that channels of communication between traditional organised business and labour and government are generally well established. Most frequently the term is used interchangeably with “NGOs” where the term “NGO” refers specifically to activist groups, although these are simply one category of civil society as a whole.

Co-operative

A co-operative is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Examples of co-operatives in Europe can be traced back to the 19th century. The International Labour Organisation has recently (2003) suggested that co-operatives should be based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity and share the principles of: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and, concern for the community, which were identified by the International Co-operative Alliance in 1995. A co-operative includes one or more kinds of users or stakeholders: 1) consumers who use the enterprise to acquire products or services (such as a retail co-operative, housing, healthcare or day-care co-operative); 2) producers (such as independent entrepreneurs, artisans, or

farmers) who use the enterprise to process and market the goods or services they produced, or to buy products or services necessary to their professional activities; and 3) workers who use the enterprise to secure their employment and control their working conditions. Co-operatives operate democratically (one person, one vote) through two bodies (general meeting of the members or delegates, and the board of directors, which is composed of members elected at a general meeting). The delegate structure may be required to reflect the size of the organisation or the distance covered by the co-operative. The co-operative's start-up capital usually comes from co-op shares purchased by members. Since 1980, special co-operatives, known as social co-operatives, have become more widespread in OECD member countries.

Foundation(s)

Foundations are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds, the earnings of which are used for the long-term benefit of a defined geographical community or non-profit sector activity. Foundations operate as grant-making institutions, and also as providers of social, health and cultural services. It thus provides a significant link between the private and non-profit sectors, acting as a recipient of private capital and a funder of non-profit organisations. Foundations are tax-exempt, incorporated, not-for-profit, organisationally autonomous, and cannot be controlled directly or indirectly by government at any level, corporations, associations and their members, or individuals). Because they occupy a unique and central place in the non-profit sector, the development of foundations will strongly affect the future of the sector as a whole.

Mutual organisations/societies

A mutual organisation is an organisation owned and managed by its members and that serves the interests of its members. Mutual organisations can take the form of self-help groups, friendly societies and co-operatives. Mutual organisations exclude shareholding as they bring together members who seek to provide a shared service from which they all benefit. They are widely represented in the insurance sector.

Non-profit sector

The best known definition, while not commonly shared, particularly in European countries, is undoubtedly that supplied by the Johns Hopkins University in Baltimore (www.jhu.edu/~cnp/). According to this definition,

the sector includes organisations which are voluntary, formal, private, self-governing and which do not distribute profits, such as hospitals, universities, social clubs, professional organisations, day-care centres, environmental groups, family counselling agencies, sports clubs, job training centres, human rights organisations and others. In fact, entities belonging to the non-profit sector can vary from country to country according to national history and tradition. The term non-profit, born in the USA, refers mainly to the absence of profit distribution. This is substantially different to the European approach of “social economy”, which includes co-operatives. However, this difference is less significant when investigated through empirical research. C. Borzaga and J. Defourny (*The Emergence of Social Enterprise*, 2001, Routledge, London) argue that the distribution of profits is in any case limited by internal and external regulations in co-operatives and mutual organisations in European countries.

Social economy

The term “social economy” first appeared at the beginning of the 19th century in France. It was, nevertheless, only at the beginning of the 20th century that it began to be employed to indicate various entities aimed at improving collective working conditions and individual lives. This concept is now also used by Anglo-Saxon countries to refer to the production of goods and services provided not solely by the non-profit sector, but also, in some cases, by private enterprises with shareholder agreements that force the majority of shareholders to agree to social objectives undertaken by the firm. Among the organisations belonging to the social economy, one can find associations, co-operatives, mutual organisations and foundations. This type of economy is essentially regulated by the stakeholder principle, which stands in stark contrast to the notion of shareholder capitalism. The “social economy” is a broader concept than the non-profit sector, as it is less strictly bound to the non-distributional constraint, according to which organisations cannot legally redistribute their surplus to their owners (see also “Third sector”).

Social enterprise

An organisation form which has flourished in recent years, many definitions of social enterprise exist. Apart from academic definitions, and those elaborated by international organisations, which are built around general criteria, definitions used within countries are specific to the national understanding of the phenomenon of social enterprises. Increasingly countries are developing legal definition of social enterprises. Generally, this concept refers to any private activity conducted in the public interest,

organised with an entrepreneurial strategy and whose main purpose is not the maximisation of profit, but the attainment of certain economic and social goals, and which, through the production of goods and services, brings innovative solutions to problems such as social exclusion and unemployment (see *Social Enterprises*, OECD, 1999). In this way, social enterprises combine the entrepreneurial skills of the private sector with a strong social mission that is characteristic of the social economy as a whole. Social enterprises are part of the thriving and growing collection of organisations that exist between the private and public sectors. They come in a variety of forms including employee owned businesses, credit unions, co-operatives, social co-operatives, development trusts, social firms, intermediate labour market organisations, community businesses, or charities' trading arms. They mainly operate in two fields of activity: the training and integration into employment of persons excluded from the labour market, and the delivery of personal and welfare services.

Solidarity economy (économie solidaire)

The idea of the solidarity economy is mainly used in France and Canada (Quebec), and is also widespread in Latin America. It has different meanings according to the geographical context in which it is used: in the South American context, it mainly refers to fair trade and the popular economy, in Quebec it is linked to cooperatives, non-profit enterprises as well as to community economic development (*mouvement économique communautaire*) and in Europe to solidarity initiatives, mainly, but not exclusively, in the proximity services. Sometimes the term is used in association with the term social economy (as in Quebec) and sometimes in opposition to it, notably where the social economy is seen as composed of established organisations, while the solidarity economy mainly refers to non-established citizens' initiatives aimed at experimenting with new paths of economic development. In the European context, examples such as the fair trade movement are developing inside the sector, together with innovative forms of financial/non monetary-exchanges based on reciprocity.

Third sector

The concept of “third sector” is often used as a synonym to the non-profit sector and, more recently, also to “social economy”, particularly in European literature. The term was chosen to reflect the idea that the sector assembles these otherwise disjointed entities, and that it sits between the public and private sectors and follows unique social goals and internal organisational rules. Its mode of financing is mixed, as it can seek both private and public funding. The idea of establishing a distinct “third sector”

has given rise to many hefty debates, which have centred upon the danger of using the third sector as a residual sphere or “dumping ground” for those individuals excluded from the private and public sectors. To avoid the danger of social polarisation, the third sector should not merely be seen as an alternative route or juxtaposition to the public and private sectors, but as an interactive and reflexive component of economy and society. Others have argued that the boundaries of the third sector cannot be established with certainty, and for this controversial reason the European Commission preferred the use of the term “Third System”.

Third system

The term “Third System” was first utilised by the European Commission in 1997 and refers to the economic and social fields represented by co-operatives, mutual companies, associations and foundations, as well as all local job creation initiatives intended to respond, through the provision of goods and services, to needs for which neither the market nor the public sector appear able to make adequate provision. On the initiative of the European Parliament, in 1997 the European Commission introduced a new pilot action entitled “Third System and Employment”. The aim of the action was to explore and enhance the employment potential of the “Third System” with an emphasis on the areas of social and neighbourhood services, the environment and the arts (http://ec.europa.eu/employment_social/publications/2002/ke4502555_en.html).

Table of Contents

Foreword	3
Executive Summary	9
Chapter 1. Social Economy Organisations in the Theory of the Firm.....	23
Introduction.....	25
A definition of the field.....	27
Roles and evolution of social economy organisations	31
The functioning of social economy organisations	34
The social economy and the evolution of the economic theory of the firm.....	36
Social economy organisations and the relevance of not-self interested motivations	42
Toward a new explanation of social economy organisations.....	44
Social economy organisations and economic development	49
Conclusion	50
Annex 1. A brief resumé of the Hansmann model.....	52
Bibliography	53
Chapter 2. The Social Economy in the New Political Economic Context	61
Introduction: The “new political economic context”	62
Some markers for conditions in contemporary Europe.....	63
Neo-Liberalism and growing pressures on the European social model	66
Where stands the social economy?	67
The social economy: an identifiable source of value-added for new times	72
The social economy as a provider of insertion jobs.....	75
The social economy as service gap-filler and a device to “prospect for new jobs”.....	77
Conclusion: seeking a sustainable future for the social economy.....	80
Bibliography	86
Chapter 3. The Role of the Social Economy in Local Development.....	91
Introduction.....	92
Internalising external effects.....	97
Eliminating asymmetrical information	104

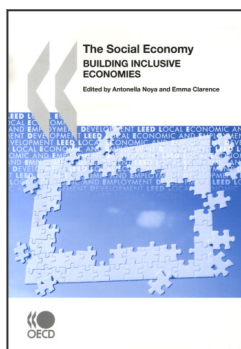
Preventing moral hazard: social capital as an endogenous resource.....	111
Conclusion: scaling up the social economy for local development	114
Bibliography	116
Chapter 4. Social Enterprises, Institutional Capacity and Social Inclusion.	119
Introduction.....	120
Social enterprises, welfare networks, and social inclusion:	122
Evaluating empowerment among Italian social co-operatives in Lombardia and Emilia Romagna	130
Conclusion: can empowerment be promoted?	143
Annex 4. Summary of key measures for social efficacy.....	147
Bibliography	148
Chapter 5. The Social Economy: Diverse Approaches and Practices in Europe and Canada.....	155
Introduction.....	156
Economy and solidarity: a European history	157
The variety of socio-economic experimentation in Canada.....	165
Diversity of theoretical approaches.....	172
Conclusion	179
Bibliography	182
Chapter 6. The Social Economy in Central East and South East Europe	189
Introduction.....	190
Social economy in Central East and South East Europe prior to the Second World War	190
Long-term impact of communism on the social economy.....	191
The re-emergence of the social economy in Central East and South East Europe: the impact of transition	194
The evolving legal frameworks.....	198
General overview of the social economy in the region.....	203
Conclusion	206
Bibliography	209
Chapter 7. A Supportive Financing Framework for Social Economy Organisations	211
Introduction.....	212
Framework laws as a basic factor for sustainability	213
Conclusion	235
Bibliography	236
Notes on Contributors	239
Glossary	245

Tables

Table 3.1.	The evolution of local development	93
Table 4.1.	Typology of social co-operatives based on level of social efficacy	131
Table 4.2.	Frequency of formal advocacy activity among social co-operatives.....	133
Table 4.3.	Involvement of service users in distinctive levels of decision-making	134
Table 4.4.	Distribution of services and user types	138
Table A.1.	Summary of key measures for social efficacy	147
Table 5.1.	Four major categories of social economy organisations and enterprises.....	167
Table 7.1.	Sources of income and types of activities.....	219
Table 7.2.	Taxation of economic activities of social economy organisations in CEE	229

Figures

Figure 1.1.	Classification of social economy organisations	34
Figure 3.1.	Utility of social economy organisations	97
Figure 4.1.	Conceptual diagram of social enterprises' capacity to foster social inclusion	124
Figure 4.2.	Typology of institution capacity to fostering social inclusion .	130
Figure 4.3.	Property space defined by social efficiency: distribution of social co-operatives by region	132
Figure 5.1.	Quadrilateral of actors in a social economy enterprise	173
Figure 5.2.	The two dimensions of the solidarity economy	175
Figure 7.1.	Contribution of each source subject to volunteering.....	234



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