

## SOCIAL ECONOMY: CONCEPTS AND CHALLENGES<sup>1</sup>

*Nancy Neamtan*\*

### **The social economy: definitional and conceptual questions**

The expression "social economy" is slowly making its way into the vocabulary of those concerned with sustainable development strategies. Over the past decade, the definition of the social economy on which civil society actors and government in Québec have based their idea of development is the following: a non-profit or cooperative enterprise that has emerged from the community and has a social and economic mission. Independent of the State and democratically run, it depends both on individual and collective participation. Capital and money are viewed as tools to benefit the community or its members.

In other words, the social economy includes a wide variety of enterprises and organisations that produce goods and services with the expressed goal of maximising social, environmental or cultural impact.

The social economy has historically played an important role in the context of economic crises and recovery. The first cooperatives and mutuals in Europe and North America emerged at the same time as the first labour organizations at the end of the 19th century to protect working people from the impact of industrialization on their daily lives. The present day context is no different. Over the past twenty years, from crisis to crisis, the social economy has grown into a global movement that not only is responding to the negative impacts of repetitive crises, but is proposing a broad vision of a pluralist and inclusive economy within a sustainable development framework.

This grass roots entrepreneurial movement is more than an accumulation of individual enterprises that are creating jobs and producing goods and services. The social economy is also emerging in many countries as an integrated system of social innovation, rooted in local and regional development and supported by new systems of governance based on new partnerships with government, labour and the private sector. This new reality is referred to under different terminologies depending on the continental or national context, including the solidarity economy, social enterprise, social innovation, community economic development, third sector, non-profit and cooperative sector and community enterprise.

A broad definition of the social economy also encompasses emergent financial institutions and investment vehicles as well as numerous innovative and collectively-owned economic instruments. In some countries, including Canada, labour unions, through pension funds or other means, are becoming investors in the social economy as

---

<sup>1</sup> This is a revised version of a paper presented at the Panel on Sustainable Enterprise, International Labour Conference, ILO, Geneva, 6 June 2009.

\* Nancy Neamtan is the President and General Director of the [Chantier de l'Économie Sociale](#), Montréal, Québec, Canada.

part of an overall strategy to create decent jobs and respond to a variety of community needs. National, regional, continental and inter-continental networks are building from the bottom up to promote and develop the social economy. Governments in many countries are implementing a variety of policy initiatives and international institutions, such as the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP), are increasingly documenting the growth of the social economy and policy innovation throughout the world.

The growing visibility of the social economy has raised certain questions within labour organisations as well as within traditional private sector institutions that sometimes perceive the social economy as a potential competitor with public or private enterprise. Let me take a few minutes to respond to these concerns. The social economy positions itself as a third form of enterprise within a pluralist economy. The concept of the pluralist economy recognises specific and complementary roles for public, private and collective enterprise. The social economy does not position itself in opposition to the public or private sector. It does not aim to replace public services; on the contrary, in most countries social economy actors work in close collaboration with the labour movement to defend public enterprise and public services. Nor does it position itself as the poor cousin of private enterprise or as a tool to clean up the social and environmental consequences of an unbridled and under-regulated market. Social economy enterprises contribute to job creation, to the creation of new services, to regional and local development strategies and to environmental concerns. They represent a form of enterprise development that places social, environmental or cultural missions at the center of the process of wealth creation. They extend the notion of collective interest beyond direct government intervention and reinforce the capacity of civil society to respond to collective needs, including the need for decent work, in a wide variety of economic sectors. They offer an opportunity to respond to new social or environment needs that should not be considered market commodities, by combining public, private and voluntary resources within an entrepreneurial approach to development.

In industrialised countries, social economy enterprises today also play a very active role in integrating the excluded who would otherwise be on social assistance and offering them hope and dignity while contributing to wealth creation. In the North and the South, they are also helping to recognise and structure occupations within the informal economy as a first step towards creating decent work.

In many ways, these collective enterprises set an example for the traditional private sector by demonstrating the possibility of reconciling economic and social objectives in the process of enterprise development. In many developing countries, where governments lack the necessary resources to offer basic health and education services and where private investment is cruelly absent, the social and solidarity economy represents one of the only available strategies to create new economic activity through citizen mobilisation and community empowerment.

For all these reasons, support for the social economy should be considered an important part of an economic recovery strategy. Far from being a risky investment, social economy enterprises have shown their resilience in the toughest economic times. Numerous studies have shown that the survival rate of cooperative and non-profit

enterprise is substantially higher than traditional small and medium enterprises (SMEs). Governments engaged in support for the social economy are witness to high rates of social and economic return. Even private investors, in the context of the financial crisis, are beginning to notice the potential for investment in social economy enterprises. In the last year, amid staggering losses in mainstream investment, mission-driven investment or social or solidarity finance are showing a modest but constant financial return on investment with a minimum of risk.

### **Beyond definitions and concepts, what are the prospects for the social economy today?**

In Quebec, since the crisis of the early 1980's, the social economy has gained new momentum. This has not always been a spontaneous process. In order to promote and assure that the social economy achieves its full potential, Quebec civil society, the Quebec government, and to a lesser extent the Canadian government, have worked hand in hand to support the creation of new social economy enterprises and the consolidation and development of existing ones. In 1996, Quebec social movements, including the two major labour federations, local development networks and cooperative and non-profit enterprises came together to create the *Chantier de l'économie sociale*, a civil society organisation that is now recognised both by government and other social movements as the central voice of the Quebec social economy. We work in partnership with sister organisations across Canada. Today, the social economy is a significant economic actor and is considered an important part of government strategy for regional and local enterprise development, for poverty alleviation, for job creation and for the creation of new services to respond to collective needs. In order to reach this stage of development, we have had to innovate in every aspect of enterprise development, from investment tools to public policy, from new approaches to unionisation to new legal structures, from new forms of research partnerships to new ways to develop markets. This has been achieved through citizen-based initiatives and innovative partnerships with the traditional private sector and the public sector.

This phenomenon is far from being an exclusively Canadian experience. In the United States, where there exists a long history of community economic development, community finance, worker ownership and non-profit sector involvement in community revitalisation, the new Obama administration has brought new hope and recognition. In the last months they announced the doubling of public investment in community financial development institutions and created an Office for Social Innovation which is examining different actions to support the sector. A US Solidarity Economy Network has recently been created and has begun to articulate proposals to reinforce the development of the social economy within an overall vision of sustainable development.

In the United Kingdom, social enterprise has been supported through the creation of a Social Enterprise Unit within government and through diverse policies in the field of promotion, investment and procurement. In France, the social and solidarity economy is firmly embedded in regional structures and diverse policies have emerged particularly at regional and municipal levels. In Belgium, public support for the social economy has focussed on its capacity for social inclusion through labour market integration but its practice is gradually broadening to assume a wider role. In Italy, social cooperatives have been supported through positive procurement policies with an accent on

community services and social inclusion. In Spain, the social economy has maintained a strong historic presence in certain regions (Catalonia, Andalusia) and is reflected in strong networks and in both national and regional policy.

During the past few years, we have witnessed major breakthroughs in Latin America. In several countries, the labour movement has invested resources to support what is being called the solidarity economy. In Brazil, in addition to a strong civil society network supported by the labour movement, the Brazilian government has created a Solidarity Economy Secretariat that coordinates inter-ministerial support, assures the involvement of a broad range of social movements and maintains links with regional and municipal policies in favour of the solidarity economy. In Bolivia, Argentina, Mexico and Venezuela, emerging civil society networks are taking root and we are witnessing the beginnings of new public policy initiatives. In Ecuador, the approach has gone one step further: the new constitution adopted by referendum in 2008 establishes the importance of the social and solidarity economy development model and recognises the plurality of the economy, based on public, social and private enterprise, as does the newly approved Bolivian constitution.

In Africa, we are witnessing the emergence of solidarity economy networks in several countries in West and North Africa. New policy initiatives are being implemented in countries such as Morocco and Mali and there is increased support from NGO's and international bodies (UNDP) for these initiatives.

In Asia, the inventory of these emerging practices has been more difficult to establish, partly because of the variety of terminologies. However the numerous microcredit initiatives are becoming, in several countries, a new base for more ambitious and comprehensive strategies to build a strong citizen-based social economy.

Based on the knowledge gained through research and through international exchanges, a pattern is emerging that allows us to identify the major elements that allow the social economy to maximise its contribution to sustainable development.

The first issue is governance. The social economy cannot be considered simply as enterprise development; it is also the manifestation of new relationships between the market, the public sector and civil society and requires innovation in governance and a commitment to social dialogue. In countries such as Brazil, Spain, or Canada, where the social or solidarity economy has gained the most recognition, new civil society institutions have emerged as recognised intermediaries between government and enterprises, as new spaces for dialogue between social economy actors and other social movements, including the labour movement. Several governments are offering active support to these networks, recognising their contribution to social innovation and to the development of more efficient public policy.

The second issue is the importance of a formal recognition of the existence and the legitimacy of the social economy, not as a by-product of the private sector or an extension of the public sector, but as an essential component of a pluralist economy. From this flows the need to adapt traditional public policy measures for enterprise development to take into account the specificities of the mission and legal structures of social economy enterprise. In fact, given the fundamental goal of social economy

enterprise to serve collective interests, it is basic common sense for governments to assure that these collective enterprises benefit minimally from a level playing field with traditional SME's in the definition of public policy. This includes support for training, for business services adapted to the social economy, procurement policy and the integration of the social economy into local and regional development strategies.

The third issue is the importance of adapting investment tools to take into account the triple bottom line and the collective ownership that characterises social economy enterprises. New financial streams are emerging through socially-responsible investment funds, mission related investment by philanthropic foundations, economically or socially targeted investment by pension funds and by public policy in the field of investment. In the wake of the financial crisis, these investment opportunities, which are demonstrating their reliability in the worst of times, are attracting more and more attention from potential investors. The challenge of creating our own international financial circuit, a secondary market for the social and solidarity economy, is being explored today in several countries in Europe, North America, Latin America and Africa.

The final issue is the need for more research in order to better understand the dynamics of the emerging social economy, to adapt traditional tools of evaluation to capture the depth and scope of these citizen-based initiatives and to draw lessons from the progress being made in different parts of the globe in order to evaluate their transferability on a broader scale and their integration into public policy. This work has begun but will require intense effort in the next few years.