

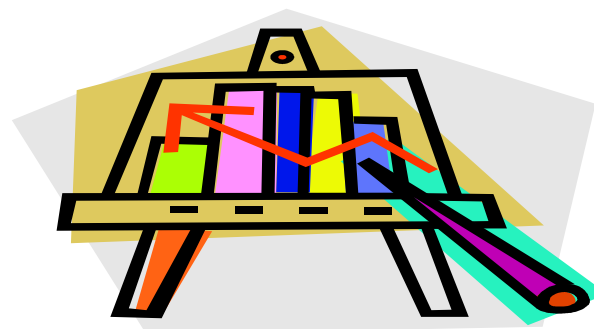
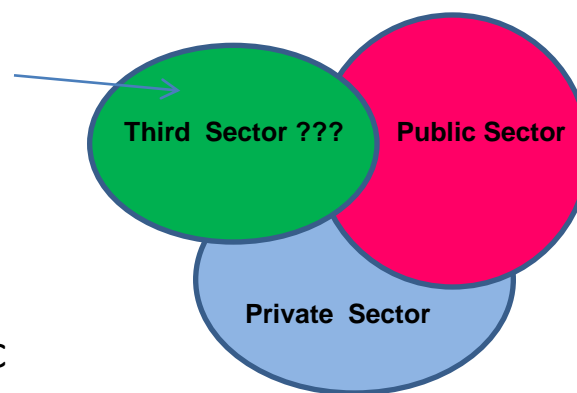
Social Enterprise and Community Resilience to the Downturn

Defining the Social Economy: Some current
international models

Dr Pauline McClenaghan

Presentation Content

- Social economy, social enterprise, social entrepreneurship, voluntary sector, community sector – 3rd sector bits?
- Three Models of the social economy
– US, UK, & mainland Europe
- Traditional & new forms of collective economic organisation - Japan & Sweden
- Scale of the sector
- Social Enterprise Survey Results 2009
- Social Economy Support Structures
- Conclusions



History



- Social (collective) forms of economic organisation go back to pre-history
- Modern era:
- Co-operation a response to the reform of the Poor Laws which distinguished between the 'deserving' & the 'undeserving poor'
 - Fenwick Weavers Society (Scotland) 1761
 - Robert Owen – Welsh social reformer (1771-1858) – New Lanark Scotland 1810
 - William Thompson – Anglo-Irish social reformer (1775-1833)
 - Dr William King – English social reformer – publisher of the Co-operator 1828
 - Tolpuddle Friendly Society of Agricultural Labourers Dorset 1832 (precursor of mutual aid societies for insurance, savings, pensions etc & trade unions)
 - Rochdale Society of Equitable Pioneers – 1844 – consumer co-operative movement
 - By end of 19th century 80% of British & 90% of Australian men of working age members of one or more friendly societies

(Re) Discovery of the 3rd Sector

- **Concept emerged 1970s with the rapid & explosive growth in new social movements, new voluntary organisations, community groups & other civil society bodies**
- **A distinct sector not primarily profit seeking & outside the public sector**
- **US & UK social economy defined as – ‘Not for profit’ or ‘Non profit’ sector – NPOs**
- **In mainland Europe the 3rd Sector – Social Economy or Social Solidarity Economy**
- **US John Hopkins study (1995) mapped the sector in 35 countries & defined it as a non-profit sector of the larger economy between the market & the state**
- **non-profit criterion excludes cooperative & mutual societies who distribute profit to members**
- **Understood as a response to market failures –**
 - low levels of economic activity in some communities
 - inadequate demand due to low incomes or small population densities
 - inadequate financial returns on investment
 - information asymmetries
 - other externalities
 - inability or inappropriateness of state intervention to fill market gaps



US model

- globalisation, welfare reform & diminishing traditional funding sources - the voluntary/charity sector in the US adopts the 'enterprise culture':
 - marketing itself to paying customers
 - expanding venture capital activity
 - increasing risk taking
 - developing new & diverse business partners
 - evolving new forms of entrepreneurial activity
 - developing new products & services



- some produced & sold by those they are aimed to benefit
- some as separate commercial activity to raise finance to deliver services & programmes for those who need them
- products & services developed & delivered through contractual relations with state & other partners
- a step beyond traditional philanthropy & community development
- bringing market sector problem-solving, innovation, creativity, risk taking & management skills to the non-profit sector
- capitalising the third sector through the development of social investment markets & new financial products

New form of entrepreneurship?

- Social or Civic Entrepreneurship aimed at :
- (1) achieving social goals
 - producing social returns to society
- (2) organisational effectiveness & sustainability :
 - applying entrepreneurial skills
 - generating income through enterprise/trading activities/contracting for service delivery
 - producing financial returns to investors (individual & institutional)
 - Community Development Venture Capital Funds
 - Venture Philanthropy
 - Charity Bonds
 - Community Development Finance Institutions
 - Community Business Share Issues
 - Social Enterprise Property Funds
 - Social Investment Funds
 - Social Impact Bonds



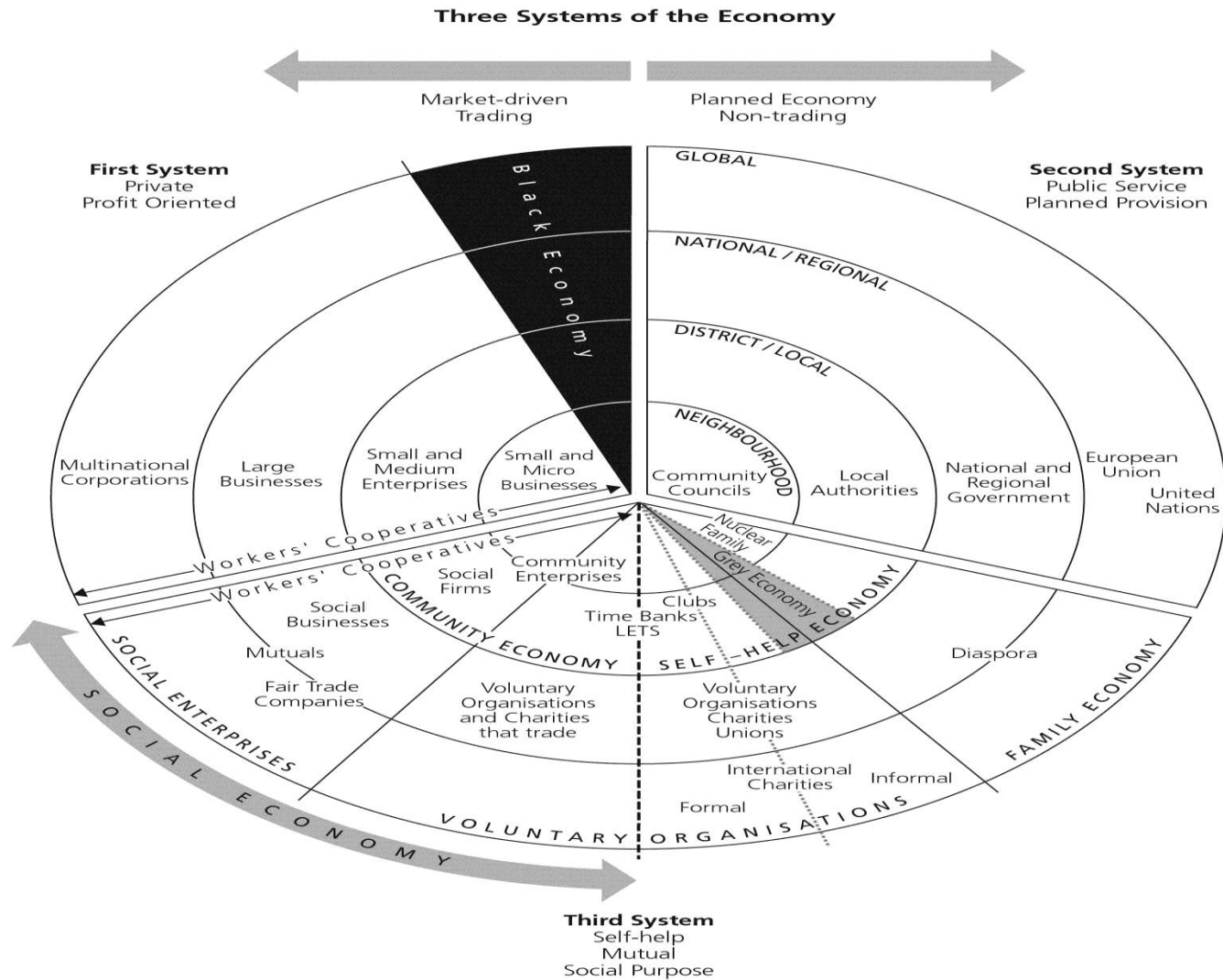
UK government definition



- 3 organisational characteristics:
 - must have a social, community or ethical purpose
 - must use an explicit, market-based business model
 - must have a legal form appropriate to a *'not-for-personal-profit'* status.
- Excludes cooperatives & a significant proportion of the community sector
- New UK legislation 2005 – the **Community Interest Company**
 - Subject to an asset lock to keep assets in community ownership but can make profits & can pay a return to private investors!
 - Close to US model where NPOs can raise finance from private sector financial markets through community development trusts, community development venture capital funds etc.
 - Second generation finance model – encouraging private sector social investment
 - No emphasis in UK definition or legislation on participation of users or members
 - Indicates a preference for private sector involvement rather than collective ownership & profit sharing
 - Currently piloting in 5 settings in England Social Impact Bonds to finance preventive social interventions
 - SIBs based on a return on social investment paid to investors out of government savings generated by successful interventions

Source : John Pearce

UK Definition



Mainland European model



- Paris 2005 EMES Research Network 'The Third Sector in Europe' vs International Society for Third Sector Research (representing US position)
- European critique centres on the exclusion of cooperatives & mutual aid societies from US definition
- European position - cooperatives & mutual aid societies not created to maximise a return on investment:
 - to meet a general or mutual interest
 - to address social need
 - to contribute to the common good
- Historically represented an attempt at a *different type* of economy based on solidarity rather than individual profit
- Deals differently with ownership & surpluses
 - Ownership by stakeholders rather than capitalist shareholders
 - Sets legal limits on private, individual acquisition of profits
 - Unlike capitalist enterprises the focus is on collective rather than individual wealth
 - Number of shares held does not increase voting power within enterprises
 - Use values over exchange values - *design for use* rather than *design for profit*
- A viable organisational alternative & local counterbalance to foreign-owned & footloose transnational businesses



- *Economie Solidaire* in France
- *Economía Solidaria* in Spain
- *Economia Solidária* in Portugal

- Mainland European definition includes long established & new forms of collective & socially orientated enterprises in which interests & wellbeing of community takes precedence over capital & where social economics & democratic engagement are central

- European definition of social economy sector includes:
 - Cooperatives & mutual aid societies
 - Charities & charitable trading arms
 - Voluntary & Community Development Organisations
 - Foundations & Associations
 - Community businesses & social enterprises
 - Financial cooperatives, credit unions, micro-financing bodies, community development finance initiatives, community investment trusts
 - Housing Associations
 - Work Integration Social Enterprises:
 - Intermediate Labour Market Companies - providing training and work experience for the long-term unemployed
 - Social Firms - providing employment and training to people with disabilities or to other disadvantaged groups

Japan – Land of Cooperatives

- 1 in every 3 households in Japan is a member of a cooperative
- 19th century agricultural co-ops
- Small number of pre-war retail co-ops
- Main expansion in post-war period
- New generation (multi-purpose) agricoops - 717 JAs (1,411 in 2000)
 - 10 million farmer-members (4 million associate members)
 - marketing, supply, credit , insurance, guidance. + ‘Cradle to Grave’ Services (including social welfare, elderly care, (home-care, home-helps, residential accommodation etc under public care insurance scheme) & tourism
- Growth in organic food production & distribution collectives
 - *Teikei* – community supported agriculture
 - 270,000 members
- 1,057 fishing co-ops (fishing, marketing & conservation)
 - 390,000 members
- 22 Housing Co-ops
 - 865,343 members
 - 614 employees



Japan contd.

- 1 in every 5 Japanese households belongs to a local retail/consumer co-op
- 158 retail cooperatives
 - 25 million individual members
 - 4 largest co-ops 1 million + members (Co-op Kobe 1.5 million)
 - 26,000 full-time employees
 - Annual turnover 3 Trillion Yen = £20 billion (39% through stores, 61% 'Han system')
 - 1,904 Han groups (home delivery based on local people ordering as a collective)
- 228 University Co-ops
 - bookstores, convenience stores, cafeterias & other campus services
- 222 insurance co-ops
 - 13.9 million members
 - 3,701 employees
- 115 Health Co-ops – hospitals & clinics
 - 3 million individual members
 - 25,676 employees



Japan contd.

- In response to economic stagnation after the collapse of the speculative boom in the 1990s
- 56 worker cooperatives
 - 33,740 members
 - Welfare services, recycling, maintenance, food processing.
- 42 school teacher cooperatives
- 580 worker collectives
 - 16,149 members
 - personal social services, childcare etc
 - 200 community welfare centres providing home-care, day-care, transport, collective housing, house cleaning, repair, gardening & other community care services businesses & other welfare services.
- Non-member social economy forms:
 - Earned income non-profits (35,000)
 - Non-profit social cooperatives (health & social care)
 - Social businesses - regeneration projects, tourism, environmental businesses, employment training & placement & welfare services & social inclusion projects
- ‘New Public Commons’ legislation

御案内

Japanese co-operators providing aid and messages of solidarity to communities devastated by the recent earthquake



Sweden

- Traditional social economy in Sweden linked to class-based social movements :
 - Agricultural cooperatives
 - Consumer cooperatives
 - Building & Tenant cooperatives
 - Trade Unions (unemployment benefits etc administered by TUs)
 - Adult Education (Folk Schools)
- 1990s consumer & agricultural co-operatives transformed into capitalist corporate businesses
- New Social Economy in Sweden:
 - Housing cooperatives retain democratic & collective structures & businesses expanding
 - New organisations :
 - based on new popular movements associated with identity politics & unmet social needs (women, disabled , immigrant communities etc).
 - New opportunities - changing 'welfare mix' (drift towards privatisation & marketisation of welfare state)
 - Cooperatisation of many social services to address unmet need & improve quality & user involvement
 - Aim to empower citizens as co-producers of publicly financed services – libraries, child care, schooling, elderly care, health care , cultural activities, leisure activities, sports
 - Parent organised child care cooperatives
 - Development Partnership for Promoting the Social Economy Stockholm County (grant aided by EU 2002)
 - Elder care cooperatives (non-nationals)
 - Women's Education cooperatives (non-nationals)
 - National Action Plan for Social Enterprise (2010)

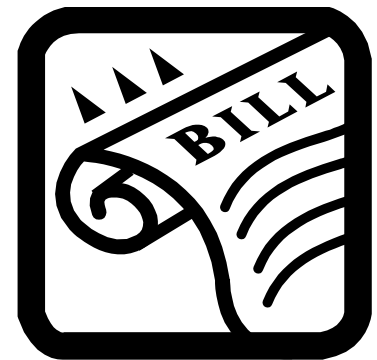


- **Other examples of new social economy organisations include:**
 - New generation agricultural cooperatives in the US & elsewhere
 - Social cooperatives in Mediterranean countries providing local services
 - Socially orientated cooperatives in Spain providing educational, health care & work integration services
 - Italian social cooperatives
 - Social Solidarity Cooperatives in Portugal & Poland
 - Cooperative societies of Collective Interest in France
 - Self-organised service providers in Germany, France & Belgium
 - Multi-stakeholder cooperatives engaged in food retailing in Spain
 - Food cooperatives, rural development & tourism co-operatives in Ireland & Scotland

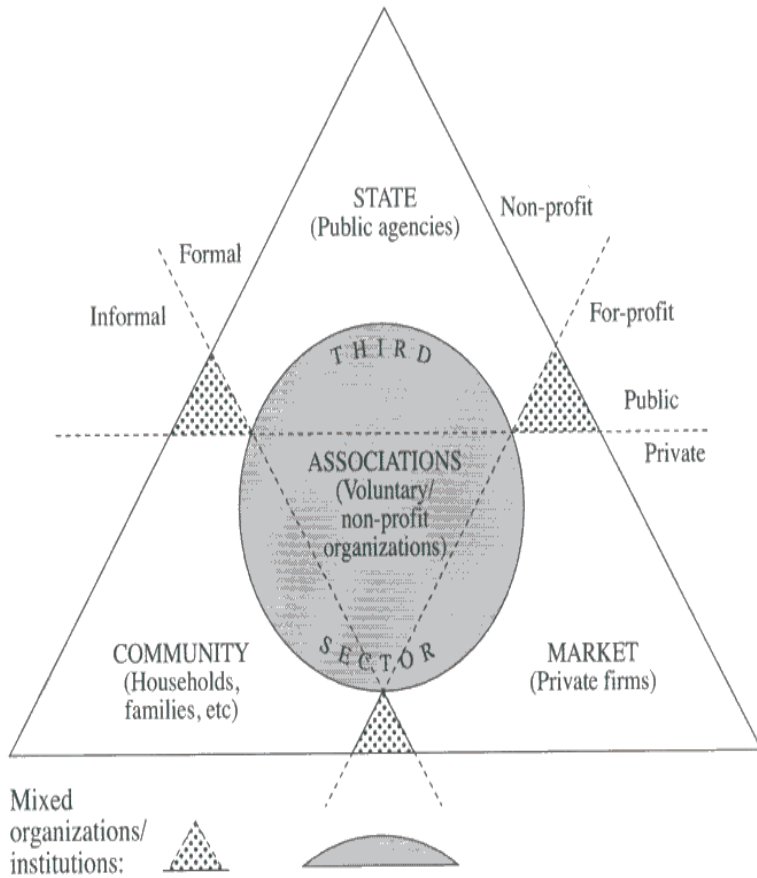


- Early childhood services in Austria, the *Crèches Parentales* in France, Community & Cooperative childcare facilities - UK & Ireland
- Solidarity credit associations & banks in Italy, France & Poland
- The Opholdssteder (Social Residences) in Denmark & CERCI cooperatives in Portugal meeting the needs of atypical children
- Work integration social enterprises in Belgium, Italy, Germany, Spain, Finland, the UK & Ireland
- Home care & community care cooperatives in Ireland & the UK
- Community development enterprises, community businesses & social enterprises in the UK, Ireland, Greece, the Netherlands, & elsewhere providing proximity services aimed at local development

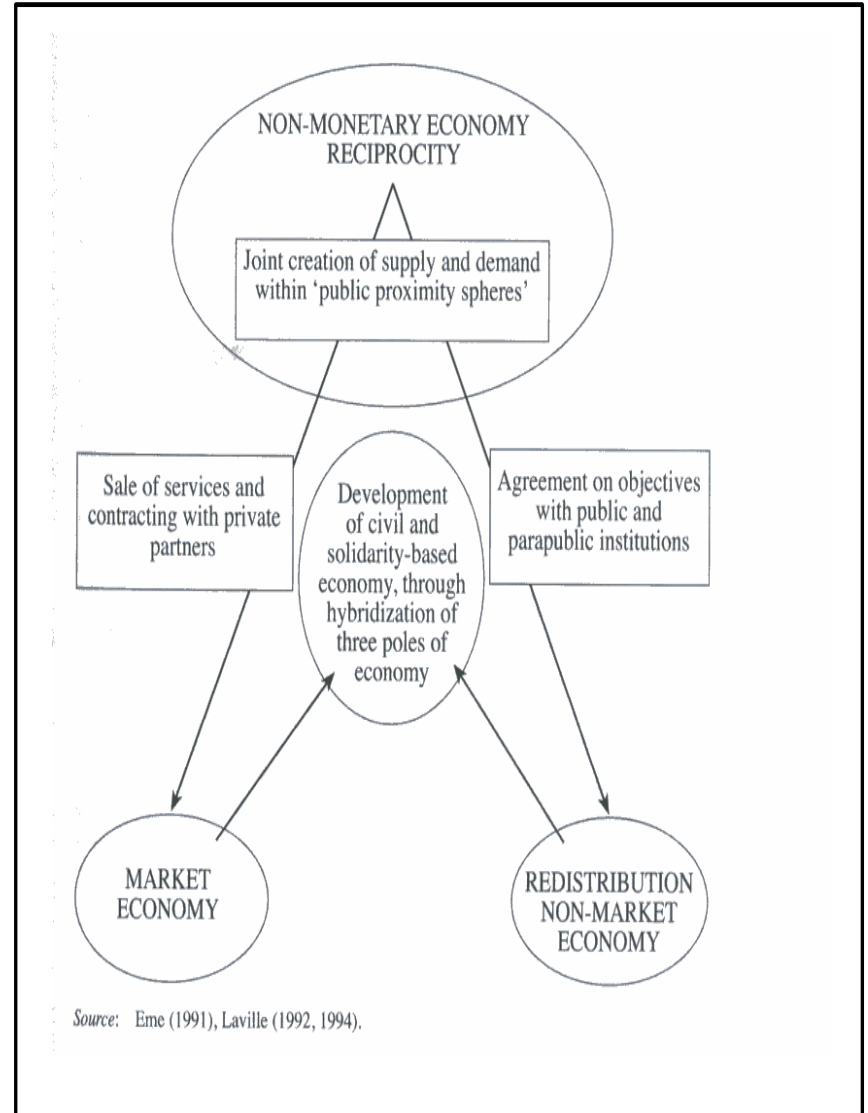
- **New legal forms**
 - Social Cooperatives (Italy) & (Spain)
 - Social Solidarity Cooperatives (Portugal)
 - the Cooperative Society of Collective Interest (France)
 - Social Purpose Companies (Belgium & Japan)
 - Community Interest Companies (UK)

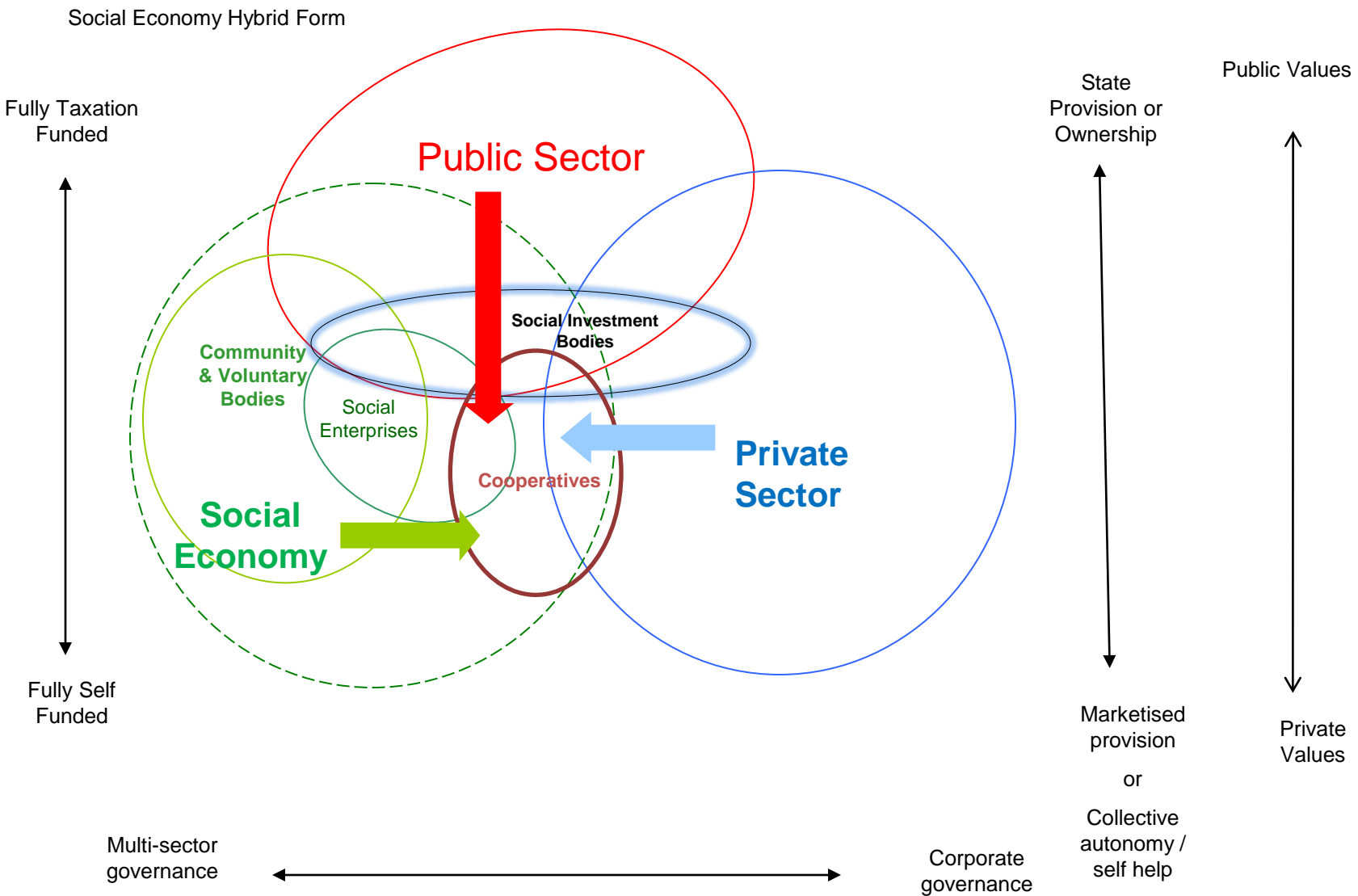


- Like older cooperative forms new forms share:
 - important proximity to daily life & the social & economic needs of people, social groups, households & families
 - aspirations to simultaneously achieve social, economic & (increasingly) environmental goals
- Distinguishing features:
 - Often set up through co-operation among various stakeholders & categories of partners rather than homogeneous social groups
 - Combine different kinds of resources & production factors including paid & unpaid labour , community, social, public & private investment
- Occupy an **intermediate space** - a **tension field** in which different poles of the economy combine
 - Combination of different types of agents (collective & private businesses, the state, voluntary sector & households)
 - Combination of different principles & methods by which exchange is regulated (the market, public redistribution & reciprocity)
 - Combination of different types of resources – volunteers, paid workers, contributions in kind, members, community, institutional & private investors
- Social Economy= the **civil solidarity-based economy** created through the **hybridisation** within organisations of these different economic poles



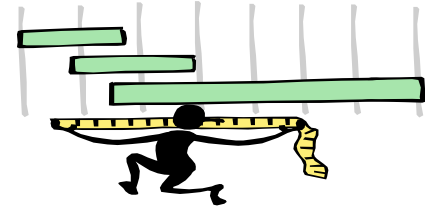
Source: Modified from Pestoff (1992).





Adapted from an original model by the New Economics Foundation (original source and date unknown)

Social Economy – Scale of the Sector



- Over 1 billion people world wide are members of a cooperative
- The livelihoods of 3 billion people – almost half the world’s population – are to a significant extent made secure by cooperatives & other social enterprises
- An estimated 725 million people are members of the cooperatives affiliated to the International Cooperative Alliance
- UK Cooperative sector 900+ co-ops, £33.5 billion turnover, 237,800 jobs (Co-ops UK 2010)
- 15,000 social enterprises in UK (1.2% of all enterprises) (SBS 2005)
 - Income = £18 billion
 - Employ 500,000 workers (2/3rd FT)
 - 50% in areas of high deprivation
 - health & social care, community & accommodation services, real estate, workspace, wholesale/retail & educational/training services

Ireland

- **NI** (pop 1.7 million) 1000 Ses
 - 5% of economic activity (tourism 5.6% , construction 5.1%) (DETI 2007)
 - 400 sample – employ 6,000, 5,000 volunteers, £355 m annual turnover
 - 4,700 community & voluntary organisations (NICVA 2009)
 - 26,737 employees (60.5% FT) + 87,723 volunteers
 - Assets £737.5 m ; income £570.1 m
 - 50.8% of income derived from trade (82.5% disability sub-sector, 20% community development sub-sector)
 - 35% of organisations surveyed are in *transition* evolving from charitable bodies into social economy enterprises
- **ROI** (pop 6.2 million)
- FORFAS (public advisory board for enterprise & science) Report Nov 2007
 - 2006: 1,040 co-ops registered Registrar of Friendly Societies (30% Group Water Schemes)
 - 2005: €3.8bn sales/income
 - 270,000 members 6% population
- ICOS – cos associated with co-ops
 - 2005: €7.8bn turnover
 - 83 largest co-ops = 38,000 employees
- ILCU 2006
 - 525 credit unions
 - 3,050,000 members



ROI Community Services Programme (2008)

- 363 projects; employing 2,252 people from target groups + 306 managers
- Grants package: contribution to wages
 - €19,350 per FTE - minimum wage rate
 - €32,000 Manager
 - non-wage (€4,500) now gone.
- Total Programme budget €47,465,466 (2008)
- Programme Manual, samples templates, tool kit.

- **Main finding UK Social Enterprise Survey 2009**

- Social enterprises are recession-busters: Since the start of the recession, 56% have increased their turnover whilst less than 20% have seen it go down. (other UK SMEs - 28% increased their turnover, 43% saw it go down)
- Social enterprises are nearly twice as confident of future growth as SMEs (48% of social enterprises responding positively as opposed to just 24% of SMEs.
- Social enterprises are profitable: Two thirds of social enterprises are making a profit, a further 16% are breaking even – at the height of a significant economic downturn



Social Enterprise Survey contd.

- Social enterprises are different from the voluntary sector: the profile of social enterprise turnover has much more in common with that of the UK's small businesses, rather than with the voluntary/charity sector with which it is often confused or conflated.
- Social enterprises vary widely in scale: some social enterprises are very large, with turnovers in excess of £100m, the majority operate at small-business scales, with a median turnover of £175,000.
- Scale is important: Social enterprises appear to be more profitable, less grant dependent and faster growing once they reach a £1m turnover. But there are numerous examples of social enterprises that have found a profitable, sustainable business model at lower turnovers
- Profit reinvestment for social goals is a reality: 70% of respondents reinvested profits into development activities - expanding services or providing new services to their beneficiaries.
- The scope of operations is mainly, but not universally local: Two-fifths work in their local authority area or in only one or two local authority areas (42%). Slightly more than one in ten operate on a national scale.
- The public sector is a key customer: As the economic and social benefits of contracting with social enterprises grow apparent, 39% of social enterprises are reporting that over half their income comes from business with local and central government.
- Finance is vital, but not impossible to raise
- Business support isn't fully meeting social enterprise needs



Support Structures

- UK
 - Co-operatives UK
 - Social Enterprise Coalition
 - Community Business Scotland Network
 - NI Social Economy Network
 - School for Social Entrepreneurs UU
- ROI
 - Registrar of Friendly Societies (RFS)
 - Irish Co-operative Society Ltd
 - National Association of Building Co-ops
 - ILCU
 - Forum for Co-operative Movement (2006)
 - UCC Co-operative Studies Unit
 - Society for Co-operative Studies Ireland



Social Investment (1)



UnLtd	Established with funding from the Millennium Fund to provide grant support to social entrepreneurs.	Grants
Impetus	Venture philanthropic organisation – combines strategic funding and expertise for charities and social enterprises.	Grants
Private Equity Foundation	Provides funding and pro bono private equity advice to portfolio of youth-focused charities.	Grants
Breakthrough	Joint venture between CAN and Permira. Provides funding and management support to help established social enterprises grow.	Grants
CAF Venturesome	Capital for charities and social enterprises.	Patient capital
Futurebuilders, Communitybuilders and Social Enterprise Investment Fund (Social Investment Business)	Government funded-providers of loans, grants and professional support to third sector organisations delivering public services.	Loans
Charity Bank	Bank providing affordable loan finance and advice to enable third sector organisations to develop.	Loans
Investing for Good	Provider of impact investment advice to investors.	Investment advice

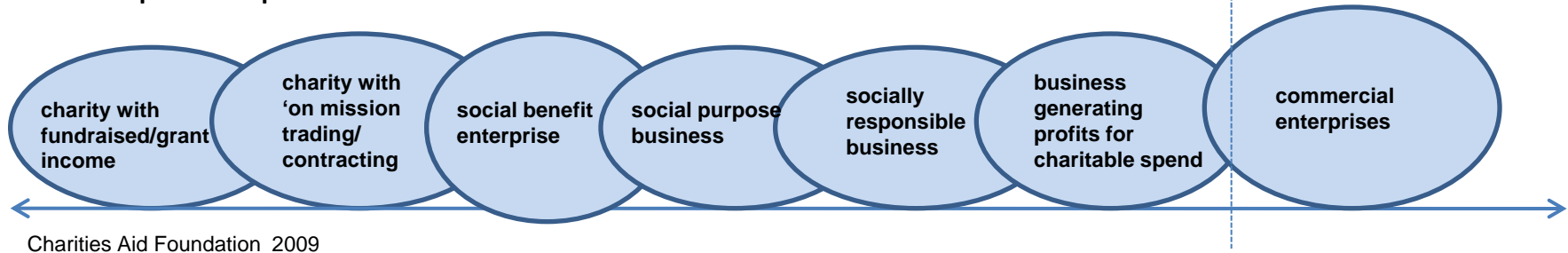
Social Investment (2)



Social Finance	Social investment banking firm enabling social organisations to access capital markets effectively.	Structuring advice/ intermediary
ClearlySo	Adviser and on-line hub for social enterprise and investment.	Hub for sector
Bridges Social Entrepreneurs Fund	Fund for investment in scalable social enterprises delivering high social impact and operating sustainable business models.	Risk capital
Big Issue Invest	Provider of specialist finance to social enterprises and trading arms of charities.	Risk capital
Triodos Social Enterprise Fund	Fund to invest in high-impact commercially sustainable social enterprises.	Risk capital
WHEB Ventures	Venture Fund investing in high-growth clean tech as well as social and health care companies.	Venture capital
Bridges Ventures	Investment funds providing commercial expertise to deliver both financial returns and social benefits.	Venture capital/private equity and property investment

Conclusions

- How we define social economy is important
- Specific points on a market continuum ?



Charities Aid Foundation 2009

- Or
- a different form of economic organisation based on a different understanding of value (use/exchange) ?
- that makes capital the servant rather than the master of economic activity?
- a better , more egalitarian & environmentally sound way of doing business?
- a local counterbalance to the power (and local impact) of international capital?
- a more inclusive, socially responsible & egalitarian alternative to the privatisation of public service delivery?



The end
28