



***SOCIAL ECONOMY AND SOCIAL ENTERPRISE. ON THE  
CHALLENGES BEHIND TWO LABELS***

Adalbert Evers (Justus-Liebig-Universität, Giessen)

*(key note speech at the International Conference on "Social Economy and the Third Sector – New Realities in the Context of globalisation", organized by REAPN, the Portuguese Section of the European Antipoverty Network in Porto/Portugal on the 26<sup>th</sup> of January 2006)*

## **Introduction**

The labels social economy and social enterprise have got increasing presence and attractiveness over the last ten years. Here in Europe, this has happened largely in the field of social and work integration by the emergence of what the EMES organisation, where i am a member, has called "work integration social enterprises", i.e. various sorts of organisations that combine the structuring of socially useful activities with the development of training and job offers for unemployed people. Yet the impression that social enterprises are only about combining job creation and services in the general interest is wrong. As organisations, that represent the social economy, they can be found in a wide number of fields, reaching from housing over to child care.

However, what can be called in technical terms "the third sector" is made up by far more than this. With my colleague Jean Louis Laville i have edited a book on the third sector in Europe, where the contributions from various european countries show, that in almost all countries the third sector has been constituted by at least two different streams and movements On the one hand there has been what Europe shares with the USA – reform movements, that concentrated on social purposes, mitigating poverty and pauperism by charities, voluntary organisations, foundations; on the other hand there has been a second stream that was much more about alternative ways of self organising of the poor and the working classes in key areas of production where they were concerned as consumers and producers - like commerce, housing, social security; the cooperatives, mutuels and self help organisations that constituted the historical social economy were a second line of tradition for what is analytically called nowadays the third sector in Europe.

As the contributions on the history of the voluntary sectors and the social economy in the respective countries showed, these two strands very much existed apart from each other. One of the many reasons for that may have been, that the voluntary and charity organisations were often bourgeois and church-based and that they concentrated on social issues without seeing themselves as having an economic reform dimension that might challenge the given social and political order. In contrast to that, many social economy organisations belonged to the camp of the left and the workers movement and they explicitly defined themselves as alternative ways to the capitalist order.

But besides this redetection of traditions in Europe a further reason for the new impact of the social economy and social enterprises comes from countries in the third world where, like in Brazil, the *economia solidaria* is about combining goals for social and work

integration and community building with the aim of strengthening the local economy of services.

Now obviously there are different ways to understand and analyze these features of a social economy and social enterprises. And i think that even those approaches that are seemingly neutral have an ideological and political dimension. This holds in my perspective true for those US - based concepts, which identify the third sector with voluntary non-profit organisations and which ignore or even exclude organisations like cooperatives.

However on other sides as well there are approaches which i personally do not share. First of all there is an approach which i found very strong on a journey in Brazil this summer; it is so much focussed on the *economia solidaria*, that the "rest" of third sector organisations and movements gets ignored or even seen as something imported by enemies and to be substituted and overtaken by the new government sponsored solidarity movement over time. But in Europe as well, there is a tendency to understand e. g. the cooperative movement not as a part of a pluralistic third sector but rather as a movement of its own, that ought in the first line to be busy in getting more profile against other organisations and streams in the third sector. And there is even something more that is linked with this: a certain traditionalism of the left that includes sometimes a global rejection of the market clings to the idea that social progress can be largely identified with the strengthening and widening of the social economy. As far as such a sectorial view is concerned, there is a parallel with those, who believe, that a strong civil society is more or less identical with a bigger number of third sector organisations like foundations and voluntary agencies.

The perspective wherein i want to argue in the following is different from all this.

First of all it is about seeing the social economy as a part of a rich and pluralistic heritage and presence, where the different parts should have more dialogue - about their differences but above all as well about the communalities and the challenges they are facing altogether.

Secondly i will argue, that in such a perspective, the social economy could contribute something to the search for a better self-understanding of all organisations in the third sector that produce services - making them more aware of the fact that they entail an economic dimension and that they have to make clear on this behalf, why they, being as well economic actors, should act and be treated different from other private for profit organisations in the field. Basically, the challenge of blending within an organisation

social, political and economic purposes is a shared one between voluntary agencies and cooperatives. However, dealing with such questions has a longer tradition and experience in the social economy stream, which could give messages and signals for the third sector as a whole.

It is therefore, that thirdly, i propose as well an understanding of social enterprises that does not limit this notion to old and new cooperatives but which sees all third sector organisations that produce services and goods, charities and voluntary agencies and even sometimes public service providers that dispose of some autonomy and are open to direct social participation and support as kind of social enterprises.

Fourth and finally i will argue against narrow and sectorial notions and for approaches that become aware, that the movements and values that have made third sector organisations so attractive in the first place, like solidarity and active citizenship, have a meaning as well for public policies, public services and even in the business sector that should not stay outside the field where civic values count. The project of strengthening the civil society has a meaning for the democratic welfare state and the market economy as well. It should not be reduced to the project of making the third sector larger and stronger

I will argue on these four purposes by the simple way of presenting a handful of essential labels and points of concern – kind of key issues when it comes to make the discourse on the social economy and social enterprises a part of a new discourse about the role of the third sector at large.

### **1. Mobilizing social capital: taking the various motives and aspirations for building third sector organisations seriously**

My first thesis is, that the notion of social capital is important. Why that? You should remember, that the different parts of the third sector are built around different notions about what makes people overcome passivity and indifference, what makes them join for social action. There are different reasons why people build associations

- in the social economy we find a prevalence of the word solidarity, which has even given the name to what is called in Europe and overseas the solidarity based economy
- for other people and organisations charity has been the central aspiration; we speak about charities and the biggest voluntary organisation in Germany is e. g. the Caritas.
- for many voluntary organisations the spirit of volunteering as a form of active citizenship is central

- for other organisations like community enterprises and community action groups, it has been the spirit of community, local or ethnic concerns, which is seen as foundational

Now my argument for seeing the social and solidaristic economy as a part of a plural third sector landscape is simply, that the different motives for acting together in various forms of associations should be respected altogether. And moreover, one should not forget that in practice very often these different parts join in networks for common action. Work integration social enterprises need workers solidarity, the cooperation with trade unions; but support organisations of committed local citizens are important as well and likewise a sense of community as well as the caritas and commitment of those who are better off, showing e.g. by donations.

So, instead of separating work integration social enterprises and the social and solidarity based economy from this plural world of motives and organisational forms, it should be seen as part of it. It is therefore that in my work i have chosen the notion of social capital as a kind of overarching label that spans over the various motives for becoming active and which points to all of them. In different ways, different associations contribute to the social capital of a civil society; social solidarity is one motive among others. As a central point of reference the word solidarity should not be excluded, like e.g. in the USA, where it is for many a kind of "dirty word". But on the other hand i can not see, why it should be the only or throughout dominating reference.

## **2. A plural economy, local economy, social embeddedness: there are different forms of economic action.**

Notions like charity and voluntary action have made it all too easy to forget about the economic dimension of all those third sector organisations that are as well providing services or common goods. All too long action in the civil society and acts of compassion have been seen as something free of economic traits or as something against economic rationality that became equated with the rationality of capitalism. And, once it has been noted that service provision by voluntary organisations can become big business it has been tempting before this background to bring in efficient forms of organisation by commercialising voluntary and not-for-profit action. To the degree, the special economy of many associations, charities and voluntary organisations has been a dark spot, it seemed natural to lend principles from the market economy, once one detected that in fact there is an economic dimension to cope with, be it in terms of efficient management or in terms of a balanced budget. What is needed therefore, are theories about the kind

of reform economies or alternative ways of economic functioning represented by third sector organisations. On the other hand, the theorizing of the economics of cooperative could well need more awareness of the social and political elements in their constituency. Looking back, it seems quite problematic, that the workers movement saw cooperatives and the social economy organisations simply as part of economic life and only to a far lesser degree as well as a part of the social and political life of a nation.

Yet i would argue, that the tradition of the social economy has to make a present for the whole of third sector organisations that offer goods and services – i.e. to become aware of the ways they are both part of social life and the economic sphere. In other words, that means, that there are different forms of economic action besides the core market- and state- economy, fields of action and rationality that are likewise shaped by economic, social and political concerns without mere economic rationality taking automatically the lead role.

There is a theoretical line of tradition dating back to Polanyi and Braudel and represented by sociologists like Granovetter, from which one can learn, that the economy is in various parts and to different degrees socially embedded. Shops in a neighbourhood as well as their keepers are not only ridden by economic laws ad purposes; the local spirit of community plays a role as well; small scale industries and regional economic networks are more sensible to their territorial linkages and to their obligations as corporate local citizens, than big and footloose industries. Compared to that, social economy organisations like cooperatives are a conscious way to build social concerns into economic action. Therefore it makes sense to speak of a plural economy, to differentiate between the moral economy of families, the economy of state institutions, various areas of a more or less localized market economy. And, last no least, third sector organisations that provide goods and services, should be seen as another feature of a plural economy. These key concepts just mentioned can however be related to the third sector as a whole. They tell voluntary organisations something about their economic dimension but they have to tell as well a story to the big banks and enterprises that sprang off the historical cooperative system; too often they forgot to learn about the impact of the social in their vision of economic action, e.g when they turned to big corporations without local embeddedness, roots and control.

Let us sum up this point: Renewed concepts of reform economies and third sector economies, for which concepts like the plural economy, the socially embedded economy and the local economy are starting points, are something that is needed for both parts of the third sector, the part of voluntary and charity organisations which is experiencing that it is part of economic life as well and that other part which, after the experience of

an assimilation of the historical social economy to standard economics must learn at new what kind of social and political links and forms of embeddedness are needed in order to be able to function differently.

### **3. Entrepreneurship and social entrepreneurs: taking up what is positive about the legacy of modern markets.**

However, while i have just before argued, that taking the economic dimension of third sector organisations seriously means, to make the difference clear to the sole market logic, this does not mean, that one should ignore the learning processes and positive contributions of markets. Especially the left has had it difficulties in acknowledging the positive issues and virtues that have taken shape alongside with market economies despite all their negative traits. One of these positive elements is embodied in the figure of the entrepreneur.

Its creative and responsible characteristics, the competences of responsible risk taking, of translating a sense for needs in economic action, management skills, creativity and openness to innovation count today as well in third sector organisations. Ironically sometimes social economy organisations have been more reluctant to acknowledge this than contemporary associations, foundations or charities; maybe that for cooperatives by tradition collective responsibility was put against individual responsibility and often the blueprints for management came from administrative role-models rather than from the business sector.

All this has to be seen in a wider framework; individualism as well as the notion of the consumer and of clever management have irreversibly shaped the culture of our market societies. The times are long gone, when public institutions and bureaucracies on the one and the management of private enterprises were two clearly separated worlds. This has consequences for the third sector and its organisations which will inevitably have to integrate elements from the entrepreneurial and consume culture. One should however realize, that they can profit as well from entrepreneurial perspectives. From my point of view the language and competence of entrepreneurship is an achievement to be integrated into third sector organisations, developing their notions of social entrepreneurship. Learning this way from the history of the business world is a task of modernising one's thought and language. Formulating it in a bit provocative way: the solidarity based economy needs as well an entrepreneurial spirit, entrepreneurs and the individual leadership that is entailed in that notion.

#### **4. The third sector as an intermediate area and social enterprises as multi-stakeholder organisations: permissive boundaries towards markets and state institutions**

In our societies the social fields and the public sphere are constantly put under tension by state and market forces. This can be described in negative terms, as e.g. by pressures on social economy organisations to assimilate to mere commercial goals or to become mere subcontractors that exercise tasks of the state; but this can as well be seen the other way around in positive terms of supportive influences from the state and the market side. Grants contracts and legal frameworks can represent such supportive relationships with public authorities in a democratic welfare state and sometimes as well partners from the market sector show some corporate responsibility or teach entrepreneurship. Therefore what is called the third sector should be seen as an intermediate area with quite open borders and grey zones of transition towards the market and the state. There can be municipal-based services and enterprises next to the third sector and social enterprises that belong both to the world of markets and the social world of the civil society. What contributes to this openness across sectorial borderlines is the fact that in the democracies of today the political game is rarely played anymore between fixed social and ideological camps. For third sector organisations the state is not anymore an enemy and the market forces adversaries. And additionally third sector organisations themselves do not belong almost naturally to this or that political and ideological camp, a view still cultivated in much of the *economia solidaria* talk. While historically behind almost all third sector organisations, cooperatives, charities or others there was one dominating force, a party of the left or the right, the church, a trade union, today we witness increasingly boards and networks, where various sides are present, have some influence on decision making and have to negotiate and cooperate. On the boards of many work integration social enterprises one will find simultaneously representatives of the municipality, the chambers of industry and commerce, trade unions churches and others. Such multi-stakeholder-arrangements and networked settings are putting into question as well the traditional concepts of conceiving actors in terms of single organisations and sectors. In programs for work integration, urban revitalizing or local development, it is foremost the nature of the respective network, partnership, pact or alliance that counts; these policy networks mostly build across sectors with different subparts contributing in different ways. And instead of thinking the state, the third sector and the market place always as kind of uniform entities, one should be aware of the fact that in many controversies about projects and programs representatives of state-institutions, the business community and the third sector itself can be found on both sides of the line of conflict.

Summing this up, one can say, that the third sector and its social economy part are both under way to learn a lesson of modernisation on behalf of politics: they are less about the fight between stable camps but more about conflicts and competition between precarious and time limited social projects, networks and alliances that crosscut sectorial lines; this is reflected in seeing the third sector as an "intermediary" area as well as by seeing the organisations there governed not by one but by a multitude of stakeholders.

### **5. Third sector organisations and social enterprises as hybrids**

After all what has been argued so far, it may be easier to understand, why i personally and other colleagues in the EMES network take the notion of "social enterprise" not so much for a special sort of organisations in the third sector but as a way to analyse the basic structure of all of them. This is what is happening when we argue that service providing organisations in the third sector, combining social and entrepreneurial elements have hybrid character. They entail elements of the world of market economies and competition, of the social and community life wherein they are embedded but as well from the state, its rules and resources. To the degree, elements of competition and of a search for a surplus, state goals and funding but as well solidaristic action and particular local social goals and needs play a role, the label "social enterprise" is to be understood as expressing this hybrid character of the organisations, intertwining elements that dominate in the area of the state, the market and society.

- with an eye on resources, hybridisation can e. g. mean, that at a time, state funds, income by sales of services but as well the social capital represented by volunteers, donations and supportive networks and trust relationships can play a role
- hybridisation can however be found as well on the level of goals: the particular social goals of a work integration social enterprise have to be balanced with the goals set by the respective state-program wherein one operates and furthermore there is the need to survive with ones goals and services on the particular social market one is acting in

From this perspective, the label social enterprise points at the integration of elements that are usually to be found separate from and opposite to each other. I would argue, that the need to act in an entrepreneurial way and in competition, to follow some state rules and use public funds and last not least to build one s autonomy on cultivating social capital resources through membership and volunteering is a shared challenge for most third sector organisations that provide as well services, be it that they run under the label of social economy or of association and voluntary organisation. This does not mean to ignore the differences between those organisations where the role as service provider

is marginal and those where it is central, or between those which are nearer and those that are farer to the realms of the state and the market. In each case the mix and relative impact of state- market based elements and social capital resources will be different and so will be the individual priorities and orientations. One thing however is shared: the difficulty in really connecting and outbalancing the different co-existing goals and resources. As the short history of work integration social enterprises has shown and a recently finished international project of EMES found out, this intermediary character of the sector and the hybrid character of the organisations can be an element that helps to get stability and relative autonomy. But hybridity can be as well a source of instability, to the degree, the tensions between different logics and influences can not anymore managed and balanced within the respective organisation, torn between its particular social goals, state-related priorities and market constraints.

#### **6. The impact and strength of civil society: not to be measured by the size of the third sector but by the overall impact of civic aspirations and principles**

From all that has been said and demonstrated so far, it follows that a strengthening of third sector organisations and of its social economy and social enterprises is very much dependent from their links with state and markets and the degree, the very principles of civic action, solidarity and active citizenship have a foundation in state public policies and find some respect in the ways, business leaders act and behave. Now what follows from this with an eye on the strengthening of the civil society which is something like the new mantra for most third sector movements and organisations? Well, civil society and its strengthening should not be equated with the third sector or with what some call the "civil society sector". Obviously for the survival of work integration social enterprises, a strong local network with other similar third sector organisations is without doubt important. But likewise important is the readiness of the public authorities for dialogue and support and the willingness of representatives from the business community to cooperate or at least to tolerate the setting up of new services and offers on a not for profit basis. This means, that the degree there is a supportive civil society can not be measured in terms of the size and solidity of the local third sector but depends as well from the impact of civic values and attitudes in the state institutions and the market places – i.e. across society as a whole. From this, it can be derived, that the third sector has no natural priority when it comes to strengthen the civil society nor should the two issues be confused. Bettering e.g. the quality of a school systems will not simply mean to have more free and alternative schools, but to open up public schools to society through schools that learn to interact with and build on the local community (the business community as well) and by giving various forces the chance to participate in the

governance of the local school system. This means that for a more civic society it is the impact of civic values across sectors that counts and not primarily the size and inner strength of a third sector. And this points as well back to our thesis about third sector organisations as hybrids; the inner-organisational hybridisation, i.e. the solid balancing and intertwining of imperatives from the market place, the state and the social sphere can only be achieved to the degree these spheres are open to each others values and at least able to communicate and settle their differences. A third sector organisation needs to raise funds and friends from various sectors. The more civic a society is throughout, the better are the chances that its third sector can flourish. The other way around: this means as well, that the degree third sector organisations can compensate for the blindness of an uncivil economy and the indifference of state authorities is fairly limited.

### **In conclusion**

Summing up what I wanted to demonstrate by the six points and the key notions I went through before, i can say that

First of all, the old and new elements of a countries' social economy, like cooperatives and solidarity initiatives should be seen as a part of the plurality of a third sector, rather than - as it is sometimes done - to be seen as the only part that really counts; plurality, mutual respect and dialogue will strengthen the third sector and not e.g. the substitution of concepts of voluntary and non-profit action by concepts of an *economia solidaria* or a take over of an all encompassing ideology of a new social economy.

Secondly this means, that the special strength and mission of social economy organisations like cooperatives and others is to make the whole third sector and the respective debates more sensible to the fact that they all as service providing organisations have an economic dimension, that they are challenged to give a convincing narrative about their distinctiveness, a tale, where the special ways of integrating social and economic concerns is central. Therefore, the goals of embedding services and their economy in the local community and to make this count against de-territorialized market forces and hierarchical state based designs of service supply is central.

Thirdly, together with other parts of the third sector, the traditional and more recent elements of the social economy have to catch up with new realities:

- one has not only to fight market forces but as well to learn from the entrepreneurial competences that have developed alongside with markets;

- today's third sector organisations are to a lesser degree fixed parts of a stable ideological or political camp but rather shifting in an intermediate area; as multi-stakeholder organisations they are often forced to rely on networks, pacts and alliances that crosscut sectorial boundaries and ideological cleavages

Furthermore and fourthly it has been suggested to use the label "social enterprise" not for numbering out a special part of third sector organisations but foremost to read it as an expression of the need for the hybridisation and inner -organisational balancing of principles that otherwise are opposite or even mutually exclusive: entrepreneurial dynamic and social commitment; an obligation to one's particular constituency and to the wider goals of public authorities and programs; the resort towards the various forms of social capital like volunteering, cooperative networking, trust-building and donations but at the same time towards legal and financial support from the state and towards the raising of some market income. It is then not the non-profit principle that makes the difference, but the fact that new values and a surplus is produced differently and in an institutional framework that should guarantee, that this surplus gets reinvested accurately

Finally it has been argued that with an eye to the broader goal of strengthening civil society, the growth of third sector organisations is not the prior and natural way for achieving this. Civic values and virtues such as active citizenship, a sense of community, and solidarity are items that have made third sector organisations so fascinating in the first place. But they do not belong to the third or any other sector but have to have an impact as well in state public policies and should even translate into more corporate responsibility and citizenship in the business sector – that makes a stronger civil society at large and a better environment for the flourishing of a wide and plural third sector.

It would finally be tempting to speak about political challenges that follow from this approach and its key words. But national situations in Europe are rather diverse and I know too little especially about the situation in Portugal.

Nevertheless there is one important point, where across member states of the EU joint action is of utmost importance: this is the limited notion that is prevailing in the EU administration of what the third sector and the social economy and social enterprises are.

Putting it in a nutshell one can say, that the EU is at the same time praising and marginalising the third sector and the social economy. Third sector organisations get praised as lobbies, NGOs, consumer organisations and social partners in political dialogues. But at the same time they get largely ignored as special types of socio-

economic actors and service providers. E.g. neither in the green nor in the white book of the EU on services in the general interest which besides services such as telecommunication and public transport are as well dealing with health and social services, third sector organisations as special providers of such services get any notice. Against reality, the EU only deals with state organisations or private enterprises, counting not for profits among them. From the EU point of view a third sector provider should be treated like any other commercial organisation. Its attempt to forbid largely any kind of extra support for these organisations in the name of perfect market competition is exempting only small scale organisations that work in limited trouble zones and market niches, like in work integration, poverty programs or urban regeneration. But are third sector organisations only beautiful as long as they are small precarious and limited to operations where no money can be gained? As long as the talk of a special European social model does not entail the acknowledgement of the central role, the various third sector organisations play in Europe by tradition and in case the often praised plurality in Europe which shows in the various third sectors should get ruled out by uniform EU-wide prescriptions about what is allowed in terms of state support, this EU-talk will not get a real credibility among the citizens of Europe.