
Social economy entities: a worldwide overview

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Abstract: *The third millennium strongly shook the classic economic models, which are no longer able to face social pressure and labor market challenges. Based on solidarity, social responsibility and sustainable growth, social economy is presented to be an alternative for solving the diverse problems of modern society, especially the work integration of vulnerable people. At the European level, the definition of social economy was first promoted in 2002 at the European Standing Conference of Cooperatives, Mutual Societies, Associations and Foundations and the term of “social enterprise” as actor of the social economy field was recognized in October 2011. But social enterprises’ history goes back hundreds of years ago and these organizations could be found all over the Globe. This paper aims to present the social economy models existing worldwide and their mechanism of operation, with a focus on European social economy models.*

Keywords: social economy, social economy entity, social enterprise, economy of solidarity.

JEL Codes: L30, L31

1. Social economy, social enterprise: history and definitions

The society’s evolution in the third millennium brought serious challenges for classic economic models that were forced to face environmental problems, social pressure, limited resources and people’s increasingly diverse needs. New, alternative models that successfully combine both economic and social goals started to be promoted, as to solve social, economic and cultural problems. Social economy, known also as the economy of solidarity or the third sector mixes economic profitability with social solidarity and puts people in the center of the economic activity.

Although the concepts of social economy and social enterprise have been officially recognized and promoted in recent decades, their history goes back hundreds of years ago. In early history, social

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economy is correlated with cooperatives and associations, which represent the “backbone” of the concept, but the latest decades, brought a new type of organization, the mutual society. These self-help organizations were created to respond to the needs of “the most vulnerable and defenseless social groups” in the industrial capitalism of 18th century. (Campos, Chaves Avila, 2012).

According to the European Economic and Social Committee, the term of social economy was first promoted in the economics European literature in the beginning of the 19th century by the French liberal economist Charles Dunoyer, who published in 1830 a Treaty on social economy. Other French authors belonging to different schools of thought treated the social economy theme in their works, such as: the economist, socialist theoretician and politician Charles Constantin Pecqueur with the work “New theories of social and political economy” - 1842 (*Théories nouvelles d'économie sociale et politique*) and the mathematical economist Léon Walras with “Studies of social economy theory of the distribution of social wealth” - 1896 (*Études d'économie sociale; Théorie de la répartition de la richesse sociale*). Moreover, in 1856, the engineer, sociologist and economist Pierre Guillaume Frédéric le Play founded the *International Society for Applied Studies of the social economy* (SIEPES) a research body on social economy and social policies with 490 members.

In England, in the early beginning of the 18th century, social economy took the form of cooperative movement, when people from communities shared their income to buy various goods at a smaller price. The article “The co-op began in Scotland”, shows that the first cooperative movement, called The Fenwick Weavers Society, began on March 14th, 1761, when 15 local weavers bought a sack of oatmeal and began selling the contents at a discount price. The 15 men signed to be “*honest and Faithfull to one another...and to make good & sufficient work and exact neither higher nor lower prices than are accustomed*” (Carrell, 2007). In 1813, Robert Owen, a pioneer of the cooperative movement, proposed a “*A New View of Society*”, based on a high ideal of communal life, a tenderness for vested rights, a conception of social service and social welfare wide enough to include honest citizens of all ranks (Potter, 1904). Another English promoter of the cooperative movement was Dr. William King, who founded The Co-operator Newspaper in 1828 and believed that workers should contribute with small, regular sums, for developing self-help shops that sell various goods to members.

In United States, social economy was promoted throughout credit unions and mutual banking institutions. In 1752, Benjamin Franklin together with the Philadelphia fire fighters founded The Philadelphia Contributionship, the nation’s oldest mutual insurance company. The company was modeled after the Amicable Contributionship of London and required equal sharing of risks for the policy holders. On October 6, 1845, was set up the first Working Men’s Protective Union, with the aim of purchasing goods, at reduce prices for its members. The union promoted the first sickness and old – age insurance and become a model for similar organizations (Foner, 1998). A social economy leading figure in US was George Henry Evans, a reformer, a leader in the Working Men's movement of 1829 and experience in trade union movements of the 1830s. Evans founded the National Reform Association and promoted a program of free public lands for homesteaders, with the slogan “Vote Yourself a Farm.”

The term of social enterprise has a more recent history and was first promoted by Freer Spreckley in a publication appeared in 1981 and called “Social Audit – A Management Tool for Co-operative Working” (Ridley-Duff and Southcombe, 2011). According to Spreckley, social enterprise or co-operative could be found for the first time in the England, in 1649, when a group of digger took over waste land and cultivating it in common. The diggers adopted the social economy principles like “*one person one vote, equal distribution of wealth and balanced social and commercial needs*”. Spreckley defines the social enterprise as “*an enterprise that is owned by those who work in it and perhaps reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively...Traditionally, ‘capital hires labor’ with an overriding emphasis on making a ‘profit’ over and above any benefits either to the business itself or the workforce. Contrasted to this is the social enterprise where ‘labor hires capital’ with the emphasis on personal and social ‘liberation’ from exploitation by capital.*”

Other authors consider that the term of social enterprise (*l’impresa sociale*), first appeared in the ’80s in Italy and began to be known only in mid-’90s (Defourny and Nyssens, 2001).

In the European Union, the definition of social economy was first officially promoted in 2002 at the European Standing Conference of Cooperatives, Mutual Societies, Associations and Foundations - “*the social economy organizations are economic and social actors active in all sectors. They are mainly characterized by their aim and by their distinctive form of entrepreneurship. Social economy includes organizations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in fields such as social protection, social services, health, banking, insurance, agricultural production, consumer affairs, associative work, craft trades, housing, supply, neighborhood services, education and training, and the area of culture, sport and leisure activities*” – and the term of “social enterprise” as actor of the social economy field was recognized in October 2011, within the Social Business Initiative Communication, issued by European Commission. The Communication emphasizes that “*a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative way and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.*”

Moreover, the EMES European Research Network defines the social enterprises as “*not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity*” (Defourny and Nyssens, 2001).

At the European level, social economy entities include associations and foundations, cooperatives, credit cooperatives, agricultural cooperatives, credit unions, protected units, mutual societies that share a set of common principles, like:

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- Solidarity, responsibility and individual involvement principles;
 - Limited profit distribution;
 - Reinvestment of the profit for achieving social objectives;
 - Democratic and participatory method of organization (one member, one vote);
 - Autonomy and independence regarding public institutions;

The EMES European Research Network draws four economic and five social criteria for social enterprises, as follows:

Economic criteria:

- a) A continuous activity producing goods and/or selling services
- b) A high degree of autonomy
- c) A significant level of economic risk
- d) A minimum amount of paid work

Social criteria:

- e) An explicit aim to benefit the community
- f) An initiative launched by a group of citizens
- g) A decision-making power not based on capital ownership
- h) A participatory nature, which involves various parties affected by the activity
- i) A limited profit distribution

2. Social economy organizations in the world

Whether we are talking about cooperatives, nonprofit-like associations and foundations, mutual societies or credit unions, social enterprises or social economy initiatives could be found worldwide.

2.1. United States

Social Enterprise Alliance (SEA) is the membership organization in North America that brings together over 900 social enterprises. Until its birth in 1998, the organization assumed different roles such as: an advocate for the field of social enterprises, a center of resources and a capacity builder. According to the SEA, *social enterprises are businesses whose primary purpose is the common good. This organization or venture (within an organization) advances a social mission through market-based strategies. These strategies include receiving earned income in direct exchange for a product, service or privilege.*

SEA believes that social enterprises represent an inflection point, the “*Missing Middle*” between public, business and nonprofit sector, being more efficiently than government, more sustainably and creatively than the nonprofit sector and more generously than business.

According to the study “*Social Enterprise – a portrait to the field*”, in US is a blurring line between nonprofit and for-profit entities. Nonprofits are becoming more interested in income generated activities,

while for-profits tend to integrate social and environmental causes in their businesses. The study, which gathered 740 respondent organizations, emphasizes that the number of social enterprises has grown steadily since the 1970s and almost half of the organizations in the survey reported having two or more social enterprises. The social enterprises in US are active in workforce development, housing, community and economic development, education and health (top five mission areas among respondents), employ between 1 and 5 employees (41.7 % of respondents), and are more likely to operate in Western US.

Moreover, the Great Social Enterprise Census realized by Pacific Community Ventures, shows that one third of the social enterprises respondent organizations are still registered as nonprofit organizations and organizations founded after 2005 are much more likely to register as for-profit entities, “C” Corporations (*any corporation that, under United States federal income tax law, is taxed separately from its owners*) or LLCs- limited liability company (flexible form of enterprise that blends elements of partnership and corporate structures). Only few organizations are registered as L3C, a social enterprise designed low-profit limited liability company that has a social goal, not an economic one.

Dennis R. Young (2001) in the article “*Social Enterprise in the United States: Alternate Identities and Forms*” identifies three types of social enterprises: Corporate Philanthropies – for profit businesses that use part of their profit or resources for common good, Social Purpose Organization – an organization with a social mission, which uses economic activities to support its mission and Hybrid – an organization with dual objectives - to make a profit for their owners and to contribute to the broader social good.

2.2. Latin America

Confronted with political and economic challenges, the Latin American countries have an early history regarding social enterprises. The first Latin social enterprise is assumed to be founded in the early '80s when Palmas del Espino started a win-win business for low income local coca leaves cultivators, encouraging them to plant oil palm and cocoa trees instead.

Latin American countries have an important cooperatives tradition. According to the International Cooperative Alliance, in Paraguay, 18% of the population is members of 1,047 co-operatives; in Uruguay, co-operatives are responsible for producing 90% of the total milk production, 340% of honey and 30% of wheat; in Colombia, the co-operative movement provides 137,888 jobs through direct employment and in Brazil health cooperatives provide medical and dental services to 17.7 million people, almost 10% of the population.

Within the Latin America Social Business Conference (*Conferencia Latinoamerica Negocios Sociales*), Bernardo Javalquinto, President at Centro de Innovación y Desarrollo Tecnológico Latinoamericano defines social enterprises as organizations designed to face a social problem, which uses the profit or the income to conduct the social mission or to improve products and/or services.

2.3. New Zealand and Australia

In New Zealand, social enterprises are seen as a hybrid space, which mixes social or environmental goals with commercial objectives. Moreover, New Zealand Department of Internal Affairs adopted the

Social Traders in Australia's definition of social enterprises and assigns them three characteristics: a social, cultural, or environmental mission; a substantial portion of its income derived from trade; and the majority of its profit/surplus reinvested in the fulfillment of its mission.

The survey "Mapping social enterprises in New Zealand", conducted by New Zealand Department of Internal Affairs in 2012 shows that over 40% of the social enterprises in New Zealand are actively involved in the education and training sector, 22% in social assistance, 17% in recreation and sports and 15% in arts and heritage. In terms of legal entities, 52% of respondents declared to be charitable trust followed by 37 % incorporated societies. More than 65% of social enterprises declared to be owned by a nonprofit organization that is trading and 18% by a for-profit organization focused on social, cultural or environmental goals.

In Australia, Social Traders Organization identifies the following types of social enterprises: Cooperatives, Associations and Mutual based on membership benefits; Fair Trade Organizations which offer fair prices for goods produced in developing countries; Charitable Business Ventures that reinvest the profit for the charity mission of the organization; Community Enterprise providing benefits to the community in which they are located; Australian Disability Enterprises that employ people with a disability that are unable to work in mainstream businesses; Community Development Finance Institutions providing products and services to individuals, organizations and communities who have difficulty accessing mainstream finance; Social Firms that undertake commercial work in order to create employment for people with a disability; Intermediate Labor Market Companies which train, support and employ disadvantaged job seekers and Hybrids which do not entirely fit in one category and mixes different characteristics.

The organization estimates that there are up to 20 000 Australian social enterprises and 29% of not-for-profit organizations have some kind of business venture.

2.4. Asia

Known as the birthplace of some of the most successful social enterprises, like Grameen Bank, and the most well-known representative of social businesses, Muhammad Yunus, Asia, is a place of paradigms for social enterprises as most of them have limited access to capital and low recognition of their work (Shahnaz, and Tan Shu Ming, 2009). The Social Enterprise Network Asia, a network of seven Asian countries (Indonesia, Japan, Malaysia, the Philippines, Singapore, Thailand and Vietnam) tries to counterbalance the Asian challenges and to promote the sustainable growth of the social enterprise sector in Asia especially in providing innovative and scalable solutions to the increasingly complex challenges in this region.

Jacques Defourny and Shin-Yang Kim in the paper "*Emerging models of social enterprise in Eastern Asia: a cross-country analysis*" present five different models of social enterprises:

- Model A: Trading Non-profit Organization – non-for-profits that developed and deliver services (social services, education, culture etc.) for assuring their sustainability.

- Model B: Work Integration Social Enterprise – a classical WISE which offers training, assistance and protected jobs for people with physical or mental disabilities, but also other vulnerable people.
- Model C: Non-profit Co-operative – cooperatives that offer different benefits to their members, such as childcare, elderly care, but also cooperatives that promote fair trade products.
- Model D: Social enterprise stemming from non-profit/for-profit partnerships – involvement of private companies in supporting social causes as part as their social responsibilities actions.
- Model E: Community Development Enterprise – enterprises that rely on local resources and involve multi stakeholders as to contribute to the development of a specific area or community.

2.5. European Union

In the European Union, social economy enjoys a wide recognition. According to the European Commission, the European social economy gathers 2 million enterprises (i.e. 10% of all European businesses) and employs over 11 million paid employees (the equivalent of 6% of the working population of the EU): out of these, 70% are employed in non-for-profit associations, 26% in cooperatives and 3% in mutual organizations. Social economy entities are present in almost every sector of the economy, such as banking, insurance, agriculture, craft, various commercial services, health and social services etc. The EU promoted social economy and social enterprises since December 1989 until today (Grigore, 2013).

December 1989	The Commission adopted a Communication on "business in Social economy sector"
1993	The Commission proposed three draft Regulations for a European Cooperative Society, a European Mutual Society and a European Association
2000	The autonomous European Standing Conference (Conférence Européenne Permanente - CEP) of Co-operatives, Mutual societies, Associations and Foundations (CEP-CMAF) was created
2008	The CEP-CMAF changed its name to Social Economy Europe
19 February 2009	The European Parliament Resolution on Social Economy which recognizes the role and importance of social economy as a part of the European economy and the European social model, contributing to stable and sustainable growth
April 2011	Social entrepreneurship is included in the Single Market Act I:Twelve levers to boost growth and strengthen confidence "Working together to create new growth"
October 2011	A new definition of social enterprises is promoted within the „Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation” communication
April 2013	The Social economy and social entrepreneurship - Social Europe guide was published, which describes the living world of social economy organizations (such as cooperatives, associations, mutual societies and foundations) and the phenomenon of social

Fig 1. The most relevant European initiatives regarding social economy sector

In the **United Kingdom** the most common social enterprises structures are: industrial and provident societies - co-operative societies which may distribute profit to members; companies limited by guarantee – preferred for many NGOs; companies limited by shares - equity-financed organizations that distribute profits to shareholders and limited liability partnerships – partnerships of different organizations (Department of Internal Affairs, 2013).

The State of Social Enterprise Survey 2013 conducted by Social Enterprise UK shows that UK's social enterprises are active in several fields such as business support / consultancy and education (each with 16%), employment and skills (14%), housing (13%), retail, culture and leisure, social care (each with 11%) and more than half of the respondents (52%) declared that they employ people with different disadvantages in labor market.

In **Italy**, social enterprises are mostly known throughout cooperatives or social cooperatives (Borzaga, 2001), due to the cooperative traditions and history of the country. A report elaborated by QUASAR – *Qualità per sistemi a rete di imprese sociali* in 2005 shows that Italy gathers over 240,000 social economy organizations – associations, social co-operatives, foundations and others – which have a turnover of €38 billion a year, employ 630,000 people and work with 3.3 million volunteers.

As no official definition of social enterprise is being recognized, in **France** is more common the term of social economy. The Study on practices and policies in the social enterprise sector in Europe deem that in France there are approximately 168,300 social enterprises (145,000 associations, 21,000 co-operatives, 2,000 mutual companies, 330 foundations) which employ 9 % of people.

The first **Romanian** social enterprise, the International Cooperative Alliance, was founded in 1895 and still exists today. But after 1990, the arts and crafts cooperative system has been confronted with a serious lack of image still needs to recover its prestige.

According to The Atlas of social economy (2012 Edition), in 2010, Romanian social economy included a total of over 31.000 organizations holding non-current assets, summing about 10 billion lei (equivalent to 2.5 billion euros), achieving annual incomes of 7.7 billion lei (approximately 2 billion euros) and employing over 100 thousand people, equivalent to 1.7% of wage-earning population and 1.1% of the employed population. (Constantinescu, 2012)

3. As a conclusion

Social economy and social enterprises exist all over the world in various forms of organizations and different legal statuses. But most of them follow the same principles of developing economic activities and generating income for sustaining a common good. Even if social enterprises are called NGOs, NPOs,

cooperatives, WISEs, social firms or hybrids, the most important aspect of them is the social mission that helps developing communities, hiring disadvantaged people, offering services for members or beneficiaries, and in the end creating a better, sustainable and inclusive society.

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