

SOCIAL ECONOMY: CONCEPTS AND CHALLENGES¹

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The social economy: [definition]

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

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

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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.

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