The Social Dimension and Tendencies in the Social Economy Movement Today

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Abstract

Any economic phenomenon with a social dimension, and any social phenomenon with an economic dimension, could be considered part of Social Economy. The main and most important trend that can be observed in the recent evolution of Social Economy is its consolidation in European society as a pole of social utility, concerning the health care sector.

This paper focuses on recurrent, but necessary definitions, provides a short historical perspective and the dimensions of this European third sector between the private sector and the public one, explores the defining features of private organizations that compose the Social Economy sector, refers to the three main models that can be identified concerning the employment in the Social Economy and tries to elucidate the framework under which the social economy can provide social support as the primary determinant of health outcomes, today.

This framework centers on the distinction between three kinds of social relationships in which individuals are engaged, bonding, bridging, and linking forms of social capital. One necessary condition required, among others, for a "healthy society" would be a balanced distribution of a relatively rich endowment of all three of these forms of social capital.

Hence, we could think of the "care diamond"[1] *as the architecture through which a healthy society provides care for those with intense care needs. The institutions involved may be conceptualized in a stylized fashion as the care diamond, to include the family/household, markets, the public sector and the not-for-profit sector that would include voluntary and community provision.*

Keywords: *Social Economy Europe, Condition of Necessity, Democratic Control, Solidarity, Responsibility, "Bonding, Bridging, Linking", Societal Welfare*.

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[1] Shahra Razavi, *The political and social economy of care in a development context. United Nations Research Institute for Social Development Programme Paper*, 3 (2007): 21.

Recurrent, but necessary definitions of Social Economy

Any economic phenomenon with a social dimension, and any social phenomenon with an economic dimension, could be considered part of Social Economy.

The identification of the Social Economy as it is known today began in France in the late 1970s, when the organizations representing the cooperatives, mutual societies and associations created the *National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA)* re-introduced it after a long period in which the term "Social Economy" had fallen out of everyday use.

Coinciding with its 10th anniversary, in June 1980 the CNLAMCA published a document, the *Charte de l' économie sociale* or *Social Economy Charter*, which defines the Social Economy as:

"the set of organizations that do not belong to the public sector, operate democratically with the member having equal rights and duties and practice a particular regime of ownership and distributions of profits, employing the surpluses to expand the organizations and improve its services to its members and to society."[2]

These defining features have been widely disseminated in the economics literature and outline a Social Economy sphere that hinges on the three main components, co-operatives, mutual societies and associations, which have recently been joined by foundations.

In Belgium, the 1990 report of the *Walloon Social Economy Council (CWES)*,[3] saw the Social Economy sector as being the part of the economy sector that is made up of private organizations that share four characteristic features: "a) the objective is to serve members or the community, not to make a profit; b) autonomous management; c) a democratic decision-making process; and d) the pre-eminence of individuals and labor over capital in the distributions of income".

The most recent conceptual delimitation of the Social Economy, by its own organizations, is that of *the Charter of Principles of the Social Economy* promoted by the *European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF)*, the EU-level representative institutions for the aforementioned four families of Social Economy organizations,

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[2] J. L. Monzon, "La Economía Social en Espaňa," *Ciriec- Espaňa, revista de economía pública, social y cooperativa*, (1987): 19-29.

[3] Conseil Wallon de l' Économie Social, Rapport a l' Exécutif Régional Wallon sur le secteur de l' Économie Sociale (Liège, 1990).

which has recently changed its name to Social Economy Europe. The principles in question are:

1. The primacy of the individual and the social objective over capital
2. Voluntary and open membership
3. Democratic control by membership (does not concern foundations as they have no members)
4. The combination of the interests of member / users and / or the general interest
5. The defense and application of the principle of solidarity and responsibility
6. Autonomous management and independence from public authorities
7. Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.

A definition that fits in with the national accounts system needs to disregard legal and administrative criteria and to centre on analyzing the behavior of SE actors, identifying the resemblances and differences between them and between these and other economic agents. At the same time, it needs to combine the traditional principles and characteristic values of the Social Economy and the methodology of the national accounts systems in force into a single concept that constitutes an operative definition and enjoys wide political and scientific consensus, allowing the main aggregates of the entities in the Social Economy to be quantified and made visible in a homogeneous and internationally harmonized form.

Consequently, the working definition of the Social Economy is the following:

"The set of private, formally-organized enterprises, with autonomy of decisions and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distributions of profits or surpluses among the members are not directly linked to the capital of fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them".

This definition is absolutely consistent with the conceptual delimitation of the Social Economy reflected in the *CEP-CMAF'S Charter of Principles of the*

Social Economy. In national accounts terms, it comprises two major sub-sectors of the Social Economy: the market or business sub-sector and the non-market-producer sub-sector.

The shared features of these two sub-sectors of the Social Economy are:

1. They are private;
2. They are formally-organized,
3. They have autonomy of decision,
4. They have freedom of membership,
5. Any distributions of profits or surpluses among the user members, should it arise, is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organizations.
6. They work with capital and other non-monetary resources, but not for capital; *they are organizations of people, not of capital.*
7. They are democratic organizations.

A short historical perspective

The first thing that history teaches us about co-operatives, mutual societies and associations is that they are born of pressure resulting from significant unsatisfied needs and that they address acute problems. Put succinctly, they respond to a “condition of necessity”. The entire XIX century and the first half of the XX century are replete with similar examples: when people were jolted by the economic or socio-economic conditions, they demonstrated solidarity and set up enterprises in the social economy. Today, this condition of necessity still prevails, in the South as well as the North.

While the main forms of the modern social economy took shape during the IXX century, its history dates back to the oldest forms of human association.

Corporations and collectives relief funds already existed in the Egypt of the Pharaohs. The Greeks had their “religious brotherhood” to ensure that they got a burial and to organize the funeral ritual, while the Romans formed craft guilds and sodalitia, which were relatively politicized fellowship or brotherhoods. With the fall of the Roman Empire, monastic associations would become the refuge of primitive associations included convents, monasteries, abbeys, priories, commanderies (small military monasteries), charterhouses and retreats.

The first guilds appeared in Germanic and Anglo-Saxon countries in the IX century, while brotherhood first arose in the XI century. Guilds and corporate associations developed from the XIV century onward and, in the most highly skilled trades, gradually assumed a measure of control over their labor markets.

Associations flourished during the medieval period. They took various forms and had many names: brotherhood, guilds, charities, fraternities, merchant associations, trade associations, communities, master associations, guild masterships and others. Moreover, it seems that associative forms and practices existed everywhere. We mention here agricultural mutual aid societies in China during the Tang dynasty (VII and VIII centuries), associations in the food sector in medieval Constantinople, the post-medieval guilds of the Muslim world, the professional castes of India, and the craft brotherhoods and worker groups of pre-colonial Africa and pre-Columbian America.

Beginning in the XVIIIth century, England's Friendly Societies grew in number. Their goal was to provide their members with allowances in case of sickness or death. In return, members paid duel on a regular basis. These societies subsequently spread on the United States, Australia and New Zealand. It was the Age of Enlightenment, and civil society was gaining new life.

Through Europe, freemasonry proved to be very active, and numerous secret societies helped spread the new ideas that would find expression in the French Revolution of 1789.

In France, the Revolution of 1848 and the insurrection of the Commune of 1871 gave rise to brief periods of freedom of association, although a law passed in 1810 would forbid the creation of any association of more than twenty persons unless it obtained prior authorization from the State. Not until the end of XIXth century and the beginning of the XXth century would laws provide a legal framework for the organizational forms (co-operatives, mutual societies and non-profit organizations) that make up the modern social economy.

Nevertheless, freedom of association started to make breakthroughs in several European countries (England, Germany and the Netherlands), and above all in the United States.

The shared Principles

The rise of the Social Economy has also been recognized in political and legal circles, both national and European. France was the first country to award political and legal recognition to the modern concept of the Social Economy, through the December 1981 decree that created the Inter-Ministerial Delegation to the Social Economy. *(Délégation interministérielle à l' Économie Sociale – DIES).* In other European countries, such as Spain, "Social Economy" is a term that has entered the statute book.

At theEuropean level, in 1989 the European Commission published a Communication entitled *"Business in the «Economy Social sector»*: *Europe's frontier-free market"*. In that same year the Commission sponsored the 1st European Social Economy Conference (Paris) and created a Social Economy Unit within DG XXIII Enterprise policy, Distributive Trades, Tourism and the Social Economy.

In 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Rome, Lisbon, Brussels and Seville. In 1997, the Luxemburg summit recognized the role of Social Economy companies in local development and job creation and launched the *"Third System and Employment"* pilot action, taking the field of the Social Economy as its area of reference.

In the European Parliament too, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission *"to respect the Social Economy and to present a communication on this cornerstone of the European social model"*.

The European Economic and Social Committee (EESC), for its part, has published numerous reports and opinions on the Social Economy companies' contribution to achieving different public policy objectives.

The most recent conceptual delimitation of the Social Economy, by its own organizations, is that of the *Chapter of Principles of the Social Economy* promoted by the *European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF)*, the EU-level representative institution for the four families of Social Economy organizations (namely co-operatives, mutual societies, etc.), which has recently changed its name to *Social Economy Europe*. The principles in question are:

1. The primacy of the individual and the social objective over capital
2. Voluntary and open membership
3. Democratic control by membership
4. The combination of the interests of members / users and / or the general interest.
5. The defense and application of the principle of solidarity and responsibility
6. Autonomous management and independence from public authorities.
7. Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.

The dimensions of the European 3rd Sector

From a macroeconomic perspective, the Social Economy in Europe is very important in both human and economic terms. It employs over 11 million people, equivalent to 6.7% of the wage earning population of the EU. These aggregates underline the fact that this is a reality which cannot and should not be ignored by society and its institutions.

The family of associations, foundations and similar organizations, taken as a whole, is the majority component of the European Social Economy.

Statistical information provided has been drawn up from secondary data supplied by correspondents in each European country.[4] The reference period is 2002-2003. However, for reasons of availability and the quality of statistical reporting, the information for some countries is more recent (2004-2005) while for others it goes back to 1995-1997, particularly in the case of associations, foundations and similar organizations. The figures sought were the number of persons employed and, where possible, the full time equivalent, number of members, number of volunteers and number of organizations or companies. For purposes of comparability with the data of the previous study by CIRIEC (2000) on the situation of the Social Economy in the European Union, particular attention has been paid to the "employment" variable.

The 3 Main Models

In view of the data, three main models can be identified.[5]

First, a Northern European pattern, with high rates of employment in the Social Economy in relation to the wage-earning population in countries such as the Netherlands (10.7 %), Ireland (10.6%), France (8.7%), and the UK (7%), where the main component of the third sector is largely the family of associations, foundations and similar organizations, due to particular models of welfare states.

Second, a Latin-Scandinavian European pattern, with medium rates of employment in the Social Economy in relation to the wage earning population in countries such as Italy (7.5%), Spain (5.9%), Sweden (5.0%) and Finland (8.5%), where, because of the strong worker, consumer and agriculture cooperatives and active public policies towards cooperatives in these countries, the majority is that of co-operatives and similar enterprises.

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[4] J. L. Monzon and R. Chaves, "The European social economy: Concept and dimensions of the third sector," *Annals of Public and Cooperatives Economics*, 79:3/4 (2008): 549-577.
[5] *Ibidem*.

The third pattern is that of the new Eastern European members, where employment in the Social Economy accounts for 4.2% of the wage-earning population. Their cooperative branch is still relatively strong, having developed further in recent years, between their economic collapse and renewal. The other branch, composed of mutual societies, associations and foundations, is still an emerging sector, growing hand-in-hand with the development of civil society and social movements in these countries.

The Framework

A comprehensive but grounded theory of social capital develops a distinction between bonding, bridging, and linking social capital.[6] This framework helps to reconcile these three perspectives, incorporating a broader reading of history, politics, and the empirical evidence regarding the mechanisms connecting types of network structure and state – society relations to public health outcomes. It also highlights the social dimension of the social economy.

The empirical base of the general social capital story rests in no small part on applied research in the fields of public epidemiology. As such, the debates taking place within these fields deserve special attention, and are instructive for broader conceptual and policy deliberations. It is argued that while the current disagreements among the major protagonists in the field of social capital and public health manifest themselves as methodological differences regarding the efficacy of power, inequality, or social support networks as the primary determinant of health outcomes, they are in fact better understood as products of an ill-specified theory of a social capital.

Indeed, closer attention to the current theoretical developments reveals a conceptual framework that provides a basis for resolving the current debates, one that is also consistent with rich historical evidence regarding the emergence and resolution of major public health crises in 19th century in Britain.

This framework centers on an analytical distinction between three kinds of social relationships in which individuals are engaged, and, crucially, the nature of the state – society relations in which these individuals and their relationships are inherently embedded. It relies on the distinction between bonding, bridging, and linking forms of social capital. Of course many other things are also required for a

[6] S. Szreter and M. Woolcock, "Health by association? Social capital, social theory, and the political economy of public health," *International Journal of Epidemiology* (2004). Accessed August 31, 2012, http://ije.oxfordjournals.org/.

"healthy society" to be able to consistently use its material resources for the promotion of the population health of all its citizens.

The "bridging" and "bonding" distinction facilitates discrimination between different kinds of social capital. Bonding social capital refers to trusting and co-operative relations between members of a network who see themselves as being similar, in terms of their shared social identity.

Bridging social capital, by contrast, comprises relations of respect and mutuality, between people who know that they are not alike in some socio-demographic (or social identity) sense (differing by age, ethnic group, class, etc.). The precise nature of the social identity boundaries, and the political salience of bonding and bridging groups are thus highly context specific.

In recent years a further conceptual refinement has been introduced into the social capital literature, "linking" social capital. "Linking" social capital defines norms of respect and networks of trusting relationships between people who are interacting across explicit, formal or institutionalized power or authority gradients in society.

This refinement seeks to incorporate a distinction among all those social relationships that would otherwise be grouped together in the "bridging" social capital category, namely between those relationships that are indeed acting to "bridge" individuals that are otherwise more or less equal in terms of their status and power, e.g. ethnic traders seeking counterparts in overseas markets, participants in artistic activities, or professionals of different nationalities exchanging business cards at international conferences – and those that connect people across explicit "vertical" power differentials, particularly as it pertains to accessing public and private services that can only be delivered through on-going face-to-face interaction, such as classroom teaching, general practice medicine, and agricultural extension.

This latter distinction, called "linking" social capital, draws empirical support from a range of studies showing that, especially in poor communities, it is the nature and extent (or lack thereof) of respectful and trusting ties to representatives of formal institutions – e.g. bankers, law enforcement officers, social workers, health care providers – that has a major bearing on their welfare.

Linking social capital thus defined seeks to introduce a conceptual and empirical distinction as it pertains to individuals' overall portfolio of social relationships that is demonstrably central to shaping welfare and well-being (especially in poor communities).

Accordingly, just as health outcomes can be improved by expanding the quality and quantity of bonding social capital (among friends, family and neighbors) and bridging social capital (trusting relations between those from different demographic and spatial groups), so, too, it is crucial to facilitate the building of linking social capital across power differentials, especially to representatives of institutions responsible for delivering those key services that necessarily entail on-going discretionary face-to-face interaction.

Linking social capital, it should be added, like bonding and bridging, can also be put to unhappy purposes – e.g. nepotism, corruption and suppression.

In this view social capital must be the property of a group or a network. This is, however, far from clear if the empirical literature on social capital is scrutinized.

One necessary condition, should be a balanced distribution of a relatively rich endowment of all three of these forms of social capital. In these circumstances the polity will be constituted by a vigorous, open and politically conscious civic society of mutually respecting and highly varied (in terms of their social identities) citizens and their many associations.

In such societies, individuals and the wide range of associations that represent their interests are in active dialogue and negotiation with both their elected local governments and their central state. Without such a health-promoting, balanced development of all three forms of social capital, however, social capital, in any of its three forms may easily be used as a resource for exclusionary and sectional interests, which may have an ambivalent or even negative consequence for the overall health of population. It is then, an entirely contingent question of politics, public morality, ideology, and historical events whether or not the resources of social capital, which necessarily exist in the society, will take on health-promoting of health-degrading net effects.

The "Care Diamond"

The main and most important social trend that can be observed in the recent evolution of Social Economy is its consolidation in European society as a pole of social utility, concerning the health care sector.

Care (whether paid or unpaid) is crucial to human well-being and to the pattern of economic development. Some analysts emphasize the significance of care for economic dynamism and growth. Others see care in much larger terms, as part of the fabric of society and integral to social development. Citizenship rights, the latter argue, have omitted the need to receive and to give care. Furthermore, in order to overcome the gender bias that is deeply entrenched in systems of social protection and to make citizenship truly inclusive; care must become a dimension of citizenship with rights that are equal to those that are attached to employment.

A variety of terms have been used to refer to institutional arrangements that contribute to the sum total of societal welfare: welfare *regimes,* the welfare *triangle* (state, market, family), welfare *architecture* or the welfare *diamond*.[7] In all of these conceptualizations, which go beyond a notion simply of the welfare *state*, the focus is on the diversity of sites in which welfare is produced and the decisions taken by society to privilege some forms of provision over others. The liberal welfare regimes are described as market biased; others, especially the southern European or Japanese models, are seen as powerfully familistic; and still others (the Nordics) put the focus on state delivery of welfare.[8]

How problems of care are addressed by society has important implications on equality issues, e.g for the achievement of gender equality, by either broadening the capabilities and choices on women and men, or confining women to traditional roles associated with femininity and motherhood. How care is addressed is at the same time inextricably intertwined with other structures of inequality, especially race and social class.

Historically and across a diverse range of countries, women from disadvantaged racial and ethnic groups have tended to provide care services to meet the needs of the more powerful social groups, while their own needs for care have been downplayed and neglected. Analyses of care that falsely homogenize women's interests are thus deeply problematic.

We could think of the "care diamond"[9] as the architecture through which care is provided, especially for those with intense care needs such as children, the frail elderly, the chronically ill and people with physical and mental disabilities. The institution involved in the provision of care may be conceptualized in a stylized fashion as a "care diamond", to include the family/household, markets, the public sector and the not-for-profit sector that would include voluntary and community provision.

Typologies are always problematic and some forms of provision may fall through the cracks, as in the case of "voluntary" care work that is paid or family care provided by parents while on paid leave. Moreover, market provision is rarely

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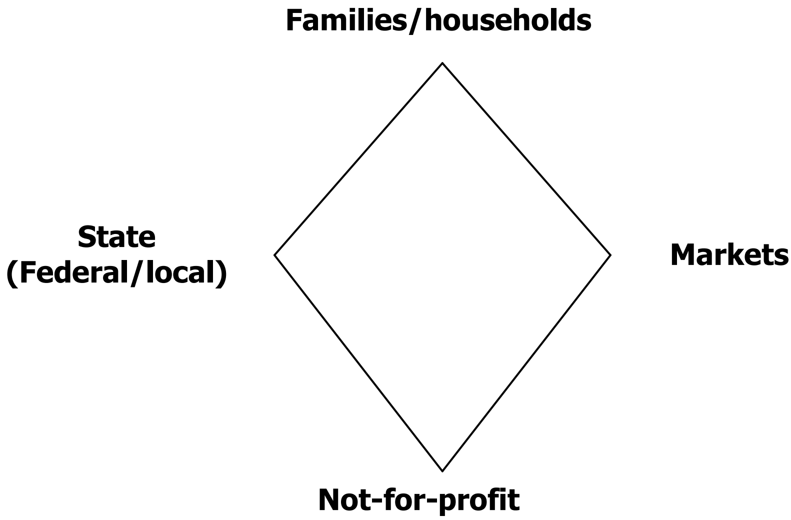
[7] Jane Jenson and Denis Saint-Martin, "New routes to social cohesion? Citizenship and the social investment state," *Canadian Journal of Sociology*, Vol. 28, No.1, (2003): 77-99.

[8] Gosta Esping-Adersen, *Social Foundation of Post Industrial Economies* (Oxford: Oxford University Press, 1999).

[9] Razavi, *The political and social economy*.

pure, as the state often subsidizes and regulates market providers. There are, nevertheless, important institutional differences across these diverse points of the diamond, the overlaps notwithstanding.



The "Care Diamond"

Even in developing countries where families assume a dominant caring role, other institutions such as the state, community organizations and markets play a part in the provision of care.

Paid forms of care by domestic workers, nannies and other women have been and continue to be important sources of employment for women in many developing countries. Non-familial care may be quite modest in many developing countries, but with the rise in women's labor force participation in many countries, the intense demand for care, issues of care are slowly emerging on the public agenda.

There is a need for a more systematic and institutionalized analysis of the care sector or "care diamond" in different countries, and their outcomes. This is necessary not just for a better "design" of care policies (in a technocratic sense: "evidence-based policy"), but also for more informed and effective advocacy by those who see an important link between how societies organize care and how they fare in terms of equality issues and women's economic and social security.

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