

Why is the Social Economy important?

[Presented to the Social Economy – Building on Success conference of the Social Economy Network NI, Armagh Tuesday 12 October 2004.]

In my presentation this morning I propose to explore why the Social Economy is important, in what ways it is different from other sectors of the economy. I wish to argue that a truly mixed national economy needs a strong Social Economy alongside the private and public sectors. I will examine some ways in which the Social Economy may be strengthened and conclude by posing some key questions to Government, national and local, to private enterprise and to those organisations and agencies which make up the Social Economy.

The Social Economy can be seen as a distinctive part of a mixed economy, a Third Sector which operates alongside and in collaboration with the Private and Public sectors. “System” is perhaps a better word than “sector” as it suggests, correctly, that different approaches and values underpin the way the different sectors function and behave. The Private sector is about private gain, the Public sector is about the State planning and delivering services, while the Third sector blends self-help with mutuality to work for the common good.

What distinguishes the Social Economy especially are the Values on which it is based. Some trans-national work across several European countries which I was involved in some years ago identified eleven key values which I believe act as a good starting point for defining the essential, qualitative difference of the Social Economy.

They are presented in alphabetical order but, as it happens, the first is perhaps the most fundamental.

a. Common Good

It is a founding principle that the Social Economy operates for the common good rather than exclusively for individual gain. Assets are held and profits used for the benefit of society. I prefer the concept of “common good” rather than the more usual term “social purpose” because it is more all-embracing.

b. Community

The Social Economy seeks to promote and support the concept of community, whether this be focused on geographic communities or on communities of interest.

c. Co-operation

People and organisations involved in the Social Economy work together for mutual benefit.

d. Decentralised

Within the Social Economy, the power to determine the policies and practices of organisations will rest with people at the lowest possible level. This is *subsidiarity* in action and implies a preference for small organisations which are appropriate to local conditions and which can be controlled by local communities.

e. Democracy

Social economy organisations should be democratic structures and each person involved in the governance of organisations in the Social Economy shares equal rights to participate in decision-making, usually on the basis of one person one vote.

f. Diversity

The Social Economy respects and seeks to safeguard human and ecological diversity to ensure the present and future well-being of society and of the planet on which we live.

g. Good Work

Organisations in the Social Economy will seek only to undertake work which is seen to be socially useful and which therefore enhances the quality of life and at the same time offers acceptable rewards and working conditions.

h. Holistic

The Social Economy adopts an integrated approach which embraces and respects economic, social, cultural and environmental aspects of life.

i. Inclusive

Organisations within the Social Economy ensure that all persons in society have an equal right and equal opportunity to participate in affairs without discrimination as to race, gender, sexual orientation, ability, religion, political belief or social and economic disadvantage.

j. People-centred

Addressing the needs and wishes of people is the primary task of Social Economy organisations rather than serving the interests of capital. Performance will therefore be measured in terms of impact on people and on society; the role of capital will be to serve the interests of people.

k. Sustainability

The Social Economy ensures that its work and practices will safeguard the resources of the planet for future generations.

It may be that these could be further refined but I would suggest that they represent a truly ethical approach to running the affairs of man and the planet and one which does not believe that the economy or economic development should be seen either as dominant or more important than other dimensions.

The Social Economy and the broader Third System, of which it is a part, embrace a wide range of bodies and organisations: a couple of years ago the Co-operative Movement at its annual congress positioned itself as part of the Social Economy; there are social and community enterprises of all types and sizes; voluntary and community organisations large and small; fair trade organisations; charities; credit unions and Community development Finance Institutions (CDFIs); Local Exchange Trading Systems (LETS) schemes. It is a broad continuum of economic activity by organisations large and small,

some 100% trading as part of the normal market-place, others only partly commercial, some employing many people some dependent on the input of volunteers – but all in their way about the exchange of goods and services and contributing to the local economy.

These are all structured bodies, but the Third System also embraces those informal groups, including families, which engage in various forms of collective activity in their homes, in their streets, in their communities. Much of this is hidden economic activity, based on barter or mutual exchange, building the social capital which allows society to function.

The Social Economy now is recognised as contributing significantly to our national and local economies by jobs created, services provided, income generated and distributed. Various attempts have been and are being made to calculate how big this contribution is. No one truly knows but the numbers are big and getting bigger. Add to it all the uncounted informal activity in the community and domestic economies and a picture emerges of a very substantial player in society.

I read in a Northern Ireland paper last night that it is estimated that the visible social economy here makes a contribution to GDP equal to that of tourism or the construction industry. A similar calculation was made in Scotland but that calculation excluded the housing associations and housing co-operatives, excluded credit unions, excluded the major charities and excluded the traditional co-operative sector. Add those in, to say nothing of the informal part of the sector, and it cannot be fanciful to talk of the Third Sector representing 20 to 25% of the economy and it may be bigger.

But so far the sector is a player which does not speak with a powerful voice, such as, for example, the world of business through the CBI or the IOD or the world of organised labour through the TUC, or local authorities through the AMA.

An Australian colleague recently asked a conference audience to imagine how quickly society could be brought to its knees if the Third Sector went on strike for a day with none of the services it provides – formally or informally – being available. How many of you would have been unable to be here today if the Third Sector had withdrawn its labour?

That Australian colleague is a banker – a community sector banker. Community Sector Banking is a most exciting initiative where social economy organisations in Australia have recognised the potential power of collecting together all the funds of the Third Sector into one bank – not someone else's bank but its own bank, owned and controlled by the sector itself. CSB is up and running, providing full banking services, making a profit and slowly building itself as a financial institution which can not only effectively serve the sector but can rival mainstream banks. Self-help and mutuality.

I would suggest that the idea of self help and mutuality can and should be applied also to how we support the Social Economy and help establish new social enterprises and strengthen and grow existing social enterprises. The development and support structures should surely themselves be part of the Social Economy, and use the skills and expertise which undoubtedly exist within the Third Sector to grow the Third Sector? Is it not inappropriate and unrealistic to consider agencies which are more suited to assisting private business or which are rooted in the values and practices of the private and public sectors to be competent to help the Social Economy develop?

So, I would argue that the Social Economy can and should be self-sufficient, helping itself and helping each other. That is not, however, to argue that social enterprises and the Third Sector more generally should not co-operate and collaborate with the other two sectors. A vibrant mixed economy requires all three sectors working together, respecting the roles each can play and developing partnerships of equality.

Examples of such partnership and collaboration can generally be seen more easily at local level than at national or global level. I recently visited the Isle of Mull and saw there how the Mull and Iona Community Trust (MICT) plays a key role in the social and economic and cultural affairs of the island, establishing initiatives which help small, private local enterprises to succeed, acting as the local agents for the local Council, bringing all sectors together to work for the common good.

MICT has established a community business butchers which serves as a retail outlet for local farmers and a co-operative slaughterhouse so that meat can be processed on the island rather than having to go to the mainland. They also run the annual food festival which acts as show case for the island's varied food producers. MICT has taken the lead in developing a zero waste programme geared at re-using, repairing and recycling as much as possible, thus reducing the waste stream. They are developing a small managed workspace, are exploring ways of creating affordable housing on the island and were instrumental in establishing winter ferries between Tobermory and two remote mainland communities so that residents there could avail themselves of Mull's facilities and services. Here we see synergy between the social economy, private business and public agencies: all recognising and respecting a role for each.

At UK level the Social Enterprise Coalition has the aspiration that within a generation it will be consulted routinely by Government in the same way as the CBI and the TUC. The aspiration is correct but the timescale should be much shorter. Moreover, the Coalition must, I believe, learn and be allowed to represent not only social enterprises but also all actors in that continuum which I earlier described as the Third System. Let us not forget that the small volunteer run community initiative might become the big social enterprise of the future – in the way the voluntary Rochdale pioneers in 1844 became first a thriving local enterprise and showed the way for what has become the global co-operative movement. I recall how the starting point for Govan Workspace

with which I was involved in Glasgow in the 1980s was a community group wondering how they could “do something” about unemployment. We tried all sorts of ideas including a quite unsuccessful Saturday market in a community centre before focussing on the managed workspace business which is now a thriving, profitable and established social enterprise which takes a lead locally on a range of development and social issues.

In my view it is so important that we foster the emergence of new social enterprises which mostly emerge from the energy and commitment of community and voluntary groups. I am fearful of the current tendency to focus on the existing success stories rather than nurturing the next generation of social and community enterprises.

I was part of an international conference recently which we boldly titled “Socialising the Global Economy”. A grand idea indeed, but by the end of the conference, although we still knew that was our aspiration – and essential for the future survival of our planet – we were not much clearer about how to do it. But it did seem to me that we had realised that an essential first step must be to **Globalise the Social Economy** in order to make it a greater force for good and for change in the world. That means making and using global links between networks and players of the Third System around the world, sharing information and experience and acting in concert.

To conclude I wish to pose some challenging questions to each of the Three Sectors.

To Government – at UK level and at national, regional and provincial level – I ask why are you supporting the Social Economy? Is it because you believe that we do need a powerful Third Force in our mixed economy, operating from a set of values and moral principles which are quite different from the other two sectors? Or is it because you see social economy organisations as just a convenient way of delivering public services?

To Government at local level I ask – why is it that you are so often fearful of social economy organisations? See them as a threat? And appear unwilling to let local people get on with controlling their own affairs?

To the large private sector bodies which straddle the globe I can only ask: What do you think you are doing? Why is it that under your economic stewardship global poverty continues to rise? That the environment continues to be under such threat? That profits benefit the few rather than the many? That scandals such as the collapse of Enron, the alleged corruption of the former proprietor of the Daily Telegraph, the fat-cat rewards to failed executives are so regular news items?

To small, local businesses I ask: how can we better strengthen the partnerships and the collaborations which already exist? and understand the supportive roles which can be played together by the three sectors of a mixed economy in the community?

To those who make up the Social Economy I ask: do we have the courage to promote and live the values rather than hide them for fear we shall not be taken seriously? The courage to say these are the values on which the future of our people and our place will depend? This of course is where the importance of social accounting and audit is most evident: not just to prove the value of what social economy organisations do, not just to help social economy organisations improve their performance but also to monitor that they do live the values and offer an alternative ethical framework which can be successful.

I also ask if we are able to do away with the schisms and tendencies within the Social Economy and the broader Third Sector, to focus on what unites rather than what separates and build that coalition which could and should become a powerful movement and take its rightful place as an essential part of social, economic and political life?

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