

SOCIAL ECONOMY ENTREPRENEURSHIP AND LOCAL DEVELOPMENT

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Why should a development agency be involved in fostering social economy?

Should an RDA be involved in this field? Why?

There are some aspects of a general nature which must be taken into account when answering this question. These aspects are part of the global dimension and the local dimension.

The general level

We must firstly consider that the global economic system has some critical features which are by now evident both on a world and a local scale. The concept of economic growth is only one of the aspects occurring in a process of economic development, with the lack of tools furthering the goal of improving integration, pure economic growth produces imbalances which become unsustainable in time. The issue is not a new one and solutions or attempts at solution have produced different forms of intervention which may range from charities to the public welfare system. The background elements we must take into consideration, in synthetic and incomplete terms, are the following.

The globalisation process, which affects the international division of labour, on the opportunities for trade, the mobility of people, etc.. Pure market economy does not make it possible to reach goals of generalised, lasting stability: some populations benefit more than others. The advantage factors may lie in geographic position, in owning technology, professional skills, in handling exchange mechanisms at international level, and the level of cultural development.

A second phenomenon, partially linked to the first, is the need for national states, driven by the lack of resources, to decrease intervention in the social field and more generally in welfare. Lesser state commitment to this field is not exclusively dictated by a lack of resources, because cultural and political approach also determines a greater or lesser presence of the state in services to people and the weaker groups. The various differences in policy in European countries arise from both these phenomena. The general trend of states is however is to play an increasingly smaller role to allow the market, with its more efficient mechanisms, to compete for the supply of services at lower costs than those the

state itself would have. This phenomenon, however, also creates gaps between the services offered by the market and those offered by the public sector. If the market does not consider the production and supply of a service profitable (and meanwhile the state has left the supply of this service completely in the hands of private initiative), gaps in services are very often created within the local community. The state does not deal, or has ceased to deal with the provision of certain services, the market does not offer them because they are unprofitable, and citizens can no longer benefit from these services.

Another element which must rightly be taken into account is the role which the new technologies have taken on in labour organization. In Western countries, the role of the new technologies, not only those of information (Internet, etc.), has grown considerably and products and services are increasingly more "capital intensive" and less and less "labour intensive": This does not mean that in Western countries services with a high labour content no longer exist. These kinds of jobs are increasingly costly and it is becoming more and more difficult to find people to perform these services (e.g. services to persons). The Third System acts particularly in this field in that it usually supplies services or produces goods with a high labour content.

Local level

It must however be underlined that, at local level, the goals of RDAs are to increase the competitiveness and attractiveness of the areas they are responsible for. This means improving the quality of life of the people who live in the area. But the community's quality of life also depends on the level of integration and belonging of the socially-disadvantaged population. This answers to a criterion of equity, but also to the aim of decreasing local conflict and increasing safety. A further aspect is related to the fact that, by improving the level of inclusion, the local government has the chance to divert resources to other projects, which in the opposite case ought to be devoted to welfare in general or to improving the living conditions of certain disadvantaged groups in the community.

Sustainable Development and Social Economy

A further reason for RDAs to concern themselves with social economy is the concept of sustainable development. Apart from the various definitions given to "sustainability", this takes concrete shape, at least in ASNM's experience, in the following points:

Economic sustainability

The French translation of the term perhaps makes the concept of economic sustainability clearer, when they talk about "development durable", i.e. which lasts in time. What kind of economy lasts in time, or in other words, what are the economic aspects which may be managed with local or national interventions? On which factors should development be based to enable the area and local public institutions to intervene or guide it, and above all for it to be durable in time? We consider it is development which is strongly rooted in the local context, which expresses a local vocation, in which mechanisms exist which keep enterprises in the place where they operate. We must also bear in mind that competition between companies is however globalised. In our experience this is very close to the aim of strengthening "the local system", of SMEs in particular, and of services. The large multinationals decide on investment, allocation of resources, production sites, according to a few essential variables, such as labour costs and the tax system. Both these factors lie outside the scope of the decisions of RDAs, and only in very few cases does local government have the power, and hence could possibly delegate it to an RDA, to intervene on the taxation system. Labour costs are determined by variables which demand agreements at international level, and are not fully controlled even by these organizations. For this reason, economic sustainability, in our view, takes a concrete form in support for the creation, growth and development of SMEs in the area and in particular in sectors which are linked to "resources" (by resources we mean all the potential which the area has, both in terms of human capacities, skills, services, needs,...)

Environmental sustainability

A second aspect of sustainability is related to the environment. Environmental sustainability is perhaps more immediately understandable: the culture of the environment and its protection, although difficult, is today today a widespread phenomenon, even at local level. The setting up of new business enterprises or the support of economic growth must take the impact of production activity into account, both in terms of the pollution produced and resources consumed. It is therefore not only a question of identifying non-polluting productions, but also those which are energy-saving, or rather resource-saving. These resources also include the area, or rather area consumption as one of the limited

resources which do not have an economic enhancement corresponding to its true value. Environmental sustainability may today make use of certain operating tools which are also spreading at local level. Agenda 21 is one of these tools which, apart from "photographing" the environmental situation of an area, also decides on the paths to follow and the projects which should be carried out to improve the environment of community life.

Social sustainability

On this issue we consider that RDAs also have the task of acting on the level of a greater social integration and inclusion. Social sustainability is also obviously linked to economic sustainability. The goal of equality and equal opportunities for access to resources and work for the various social groups, even those most socially disadvantaged or with skills which are have less market demand, is a goal of a "political" nature, and as such should be defined and carried out differently in each country. Some phenomena however seem, at least tendentially, to be common to all countries. We are witnessing a downsizing of public services, largely, but not wholly, due to a lack of resources. The phenomenon has already been indicated as one of the factors behind the development of social economy. It seems important, however, to underline the advantage for an RDA to further greater social integration and inclusion in its area. In brief, leaving aside motivations of an ethical nature, although they are fundamental to principles of equity, we must emphasise that a local community with a high level of social inclusion enables a more harmonious growth of its components, lowering the level of internal conflict and hence improving the quality of life of its citizens and the attractiveness of the area.

Institutional sustainability

The development process is a complex one and involves the participation of diversified actors. The actors' roles increasingly tend to draw closer and merge. Public-private partnerships are an example of this. Large investment, but today even small interventions, for example in urban regeneration, demand the joint role of public and private bodies. The regulating element of the public sector must match the economic capacity of the private to achieve works and services which meet both the political need of the public body to give a response to a need of society and the need of the private sector to have a return of an

economic nature to their investment. The issue is being debated throughout Europe and experiences in the different countries are very varied. In the Anglo Saxon world, public-private partnerships are much more advanced than in Mediterranean countries. Without going into the merits of overall effectiveness, for the entire community and in perspective, of some operations like the privatization of entire sectors such as health, culture, education, in this context it is important to underscore that in some countries the practice of public-private partnerships is today quite frequent, while in others it remains, for the time being, in an almost experimental stage.

Institutional sustainability also has other aspects, such as the need to have an integrated approach between the different institutional levels: European Commission, national states, Regions, Provinces, Municipalities. Each of these bodies plays an active role in development processes and the approaches which each one adopts in its own field of competence are often contradictory. Coordination of policies on the various levels and an **institutional sustainability of a "vertical" nature** are therefore necessary.

Another aspect of institutional sustainability relates to coordination at local level of specialist interventions. Staff training, guidance, the supply of services, the business world, and public services are usually managed by specialized structures and often the work and action programmes lack coherence or, in the best of hypotheses, are coordinated but consequently lose potential in efficiency. This field includes aspects which concern governance, local networks, bottom up processes. The development of social economy demands the application of the concept of networking, discussion and the socialization of the processes from below. In these cases we may speak of **institutional sustainability of a horizontal nature**. Institutional sustainability is very close to what is called "Governance"

What we mean by "Social Economy"

Defining social economy is therefore not a simple matter, since this expression is used to define a complex world and a system of relationships which governs the life of the Third System and non-profit enterprises: the creation of flexible employment, active citizenship, services to people, decentered welfare, safeguarding of human rights, strong local development policies, and social cooperation. It is an economy in which the most varied

actors take part, from Cooperatives to mutual aid associations, foundations and voluntary associations, and other bodies whose common demoninator is non profit.

The Third System refers to a diverse array of organisations, outside the public and traditional private sectors, encompassing co-operatives, mutuals, associations, foundations, charities, voluntary and non-profit organisations.

The John Hopkins Comparative Non Profit Sector Project¹ provides the established foundation for the outlining of the 'Third System'.

They identify 5 common features which together define what they call the 'non profit' sector:

- ✓ The organisation is formally constituted, it has an 'institutional reality'.
This does not necessarily imply legal incorporation but does imply a degree of organisational permanence.
- ✓ It is organisationally separate from government and has the legal form of a private institution.
- ✓ It is non profit distributing (this was originally defined as non profit 'seeking'). Profits can be made but are not distributed to its 'owners' or board. The organisation is in that sense non commercial in purpose, but rather seeks a wider 'public' purpose.
- ✓ It is self governing.
- ✓ It involves a degree of voluntary participation in its conduct or management.

However such a definition is not problem-free, especially in a European context. Its key 'exclusions' from what we may think of in the European Union as the Third System, is the 'social economy' of co-operatives and mutual organisations. Yet they are excluded by virtue of their commercial orientation. On the other hand the criteria tend to 'include' some organisations that many in the European Union see as being outside the Third System.

The Third System is a complex phenomenon which is situated between economy, society and social needs. The definitions of this phenomenon are not outlined in a rigorous manner. According to the approach considered, some aspects are highlighted, while others are overshadowed.

In order to define social economy we may start from the role which the Third System has taken on in the last few years in development processes. It is in fact a crossroads between

the different factors which are involved within a strategy which aims at joining development policies with employment policies.

The Third System offers job opportunities for those social groups which are excluded from market activities, such as the disabled, unemployed young people, immigrants. With the decreasing role of the welfare state and the growth of new social problems, Third System activities offer a fundamental contribution for social cohesion. The Third System may also be a place where non-market relations are established, founded on the concept of solidarity and on a new idea of active citizenship. All this is essential in European countries to combat social exclusion.

Four criteria may also be used to define the Third System: legal definition, economic and statistical definition, functional definition and structural definition.

Legal definition

This is definitely the most rigorous method to identify the organizations which make up the Third System. Each country, however, has a different legal system and consequently a different definition of the service sector.

Economic and statistical definition

This definition is based on income sources; according to this definition the entire economic structure is classified according to 5 macro sectors: families, non-financial companies, financial companies, public institutions and non-profit organizations which offer services to families. The relationship between social public and social and the relationship of the social private with the market remain outside the definition

Functional definition

This definition is based in the objectives and functions of an organization. In this sense the organisation of the Third System is one which works "for a social state" and activities of public interest. This definition makes it possible to make a comparison between the various countries, but it excludes some categories which are not strictly speaking social, but linked to welfare (culture and sport...) and is not a rigorous definition.

Structural-operaing definition

¹ Salamon and Anheier 1996

This definition considers the structure of organizations. According to this definition the Third System is a set of bodies which are:

Formal: the organization must be formally set up, with a statute and deed of incorporation.

Private: it must be separate from public bodies

Self-governing: the organization must be able to control its activities through its internal procedures.

Without profit distribution: it does not distribute dividends to members.

With a certain presence of voluntary work:

Undenominational with no political bias: This definition has the advantage of defining boundaries, but also has the disadvantage of not including some of the most important bodies in the Third System.

These criteria make univocal definition impossible, but social economy has a market and development role that necessitates on-going research with the effort of integrating the various definitions to investigate the economic and social capacities of the Third System.

Figures of social economy

Some data on social economy are reported below. Unfortunately the data are not homogeneous and are not comparable. The greatest difficulty in research and in data processing is found in the lack of homogeneity in the derivatives from the different definitions given to the of "Third System" concept.

The Third System and Employment in 8 EU Countries

Pays et types d'organisations	Nombre total d'emplois	% de l'emploi civil	% de l'emploi civil salarié
Allemagne			
➤ Cooperatives	495 000		
➤ Mutuelles	143 000		
➤ Associations	1 603 530		
<i>Total provisoire</i>	2 241 530	6,29%	7,04%
Belgique			
➤ Cooperatives	33 500		
➤ Mutuelles	11 230		
➤ Associations	226 280		
<i>Total</i>	271 010	7,15%	8,72%
Espagne			
➤ Cooperatives	410 700		
➤ Mutuelles	21 234		
➤ Associations	439 322		
<i>Total</i>	871 256	7,06%	9,44%
Finlande			
➤ Cooperatives	80 000		
➤ Mutuelles	?		
➤ Associations	70 000		
<i>Total</i>	150 000	7,35%	8,82%
France			
➤ Cooperatives	325 627		
➤ Mutuelles	85 000		
➤ Associations	1 300 000		
<i>Total</i>	1 710 627	7,71%	8,88%
Portugal			
➤ Cooperatives	45 082		
➤ Mutuelles	1 078		
➤ Associations	59 735		
<i>Total</i>	105 895	2,39%	3,34%
Royaume-Uni			
➤ Cooperatives	181 000		
➤ Mutuelles	27 500		
➤ Associations	1 473 000		
<i>Total</i>	1 681 500	6,59%	7,62%
Suede			
➤ Cooperatives	100 000		
➤ Mutuelles	8 000		
➤ Associations	75 000		
<i>Total</i>	183 000	4,59%	7,21%
TOTAL 8 PAYS	7 214 818	6,56%	7,69%

Source: CIRIEC, Provisional Results (April 1999)

Germany: from a 1997 research study²:

Year	1980	1990
Number of associations registered	189,000	286,000
Number of foundations		7,000
Number of employees	925,000	1,017,945
Percentage of total employed		3.74%
Percentage of GDP		3.9%

² Anheier, Helmut K. (1997): Der Dritte Sektor in Zahlen: Ein sozial – konomisches Portr, in Anheier, Helmut K., Priller, eckhard, Seibel Wolfgang, and Zimmer, Annette, Der Dritte sector in Deutschland. Organisationen zwischen Staat und Markt im gesellschaftlinchen wandel, Edition Sigma, Berlin p.29 –74.

Spain: 1996 data of the Ministry of the Interior*Economic dimensions:*

Percentage of GDP 0.59%

Staff employed 100.000 persons, corresponding to 1.41 % of total

300,000 volunteers

Income comes mainly from public funding, with 33% from private financing

Organisation sizes

The organisations are now taking on specialised managers and are growing in number (in 1980 there were 5,223 organisations in the third system, and 13,064 in 1995).

France

According to a national estimate, the number of associations in France (with at least one member of staff) was 227,600 in 1992.

The non profit sector accounts for 3.3% of GDP.

From 1981 to 1991 the number of workers increased by 39.6%.

United Kingdom³

Organisations in the Third System rose from 3,355 in 1980 to 10,800 in 1992.

In 1994 they employed 945,883 people, corresponding to 4% of the total.

The non profit sector accounts for 4.8% of GNP.

³ Analyses by Salamon e Anheier 1994

ITALY (ISTAT data 1999)**Institutions according to legal status and area 1999**

	LEGAL STATUS						Total
	Recognised association	Foundation	Unrecognised association	Board	Social cooperative	Other form	
ITALIA	61,313	3,008	140,746	3,833	4,651	7,861	221,412
NORTH	28,579	1,737	74,294	2,196	2,286	4,081	113,173
CENTRE	13,149	699	29,649	941	792	1,736	46,966
SOUTH	19,585	572	36,803	696	1,573	2,044	61,273

ITALY (ISTAT data 1999)**Institutions according to legal status and main field of activity**

MAIN FIELDS OF ACTIVITY	LEGAL STATUS						Total
	Recognised association	Foundation	Unrecognised association	Board	Social cooperative	Other form	
Culture, sport e recreation	37,102	827	97,444	2,327	476	1,557	139,733
Education and research	2,620	707	5,667	202	135	2,206	11,537
Health	5,338	167	3,483	64	362	262	9,676
Social care	6,557	768	8,056	321	2,396	1,136	19,234
Environment	1,274	15	1,738	155	66	29	3277
Eco. devel. & social cohesion	963	82	2,281	204	692	116	4,338
Defence of rights & politc. Act.	1,582	21	4,948	171	-	120	6,842
Charity and promotion of voluntary work	380	147	635	59	-	25	1,246
Cooperationinternational solidarity	420	36	847	90	10	30	1,433
Religion	1,250	207	3,090	117	-	2.138	6,802
Trade union relations and representation of interest							
Groups	3,605	-	11,850	75	-	104	15,634
Other activities	222	31	707	48	514	138	1,660
TOTAL	61,313	3,008	140,746	3,833	4.651	7,861	221,412

Total institutions	243,001
Number employed	3,974,433
Total amount	72,891,031

Following the Policy Research Institute⁴, in Europe more than 7 million jobs⁵ in the Third System are equivalent to:

- ✓ 39% of the total numbers of the unemployed in the EU.
- ✓ More than the total of people employed in agriculture in the EU.
- ✓ One third of the numbers of people who are self-employed in the EU.
- ✓ Nearly 3 times the numbers employed in the food and drink industries, and 4 times the numbers employed in printing and publishing in the EU.

The cooperatives are the main protagonists of social economy and sustainable development. This statement is backed up by the declaration of the United Nations Secretary, in his message for the eighth international day of cooperatives: "Cooperatives support social cohesions and stability and bring alive the concepts of social responsibility in business enterprise and the community. In an age when commitment to the community and partnerships with civic society are increasingly seen as indispensable, there is a growing potential for cooperative development and its renewal at world level."

⁴ "The Third System Employment and Local Development", Policy Research Institute, Leeds Metropolitan University. Leeds, 1999

⁵ The data are not comparable with the previously reported tables.

Roles of the Third System in local development processes⁶

The Third System intervenes in local development processes in different ways.

The European Employment Strategy

EU employment guidelines are based on 4 'pillars':

- ✓ improving employability
- ✓ developing entrepreneurship
- ✓ encouraging adaptability
- ✓ strengthening equal opportunities

The 1999 National Action Plans have now been produced and are now based on 22 guidelines which, taken together, provide a clear policy framework for action on employment matters.

The reformed structural funds, which will operate in the period 2000-2006, are also closely linked to the employment strategy framework. In particular, the European Social Fund will operate as its key financial lever through the 5 policy fields in the ESF regulations:

- ✓ Active labour market policies to combat and prevent unemployment.
- ✓ Promotion of equal opportunities and labour market inclusion.
- ✓ Lifelong learning.
- ✓ Adaptability and entrepreneurship.
- ✓ Improving the position of women in the labour market.

It is in this context that the role of the Third System in employment and local development has to be located.

Besides the NAP, during the year 2001, National Plans for social inclusion have been defined. According to the European guidelines, every country has prepared a national plan for inclusion, where policies and resources to assign to the new welfare system and then to Social Economy sector have been outlined.

What role can the Third System play here and in the European Employment Strategy?

Mechanisms of job creation, when undertaken through the Third System, make it likely to be characterised by 2 features. **First**, most local service provision to meet needs is **labour**

⁶ This part has been taken, revised and adapted, from "The Third System Employment and Local Development" Policy Recherche Institute Leeds Metropolitan University. Leeds UK, 1999

intensive and, all else being equal, can tackle the low 'employment intensity of growth' problem that exists in many communities when local development takes the form of capital intensive projects, technologically sophisticated manufacturing plants or distribution centres which employ relatively few people. **Second**, local services to meet local needs offers a form of development which tends to **reduce 'leakages'** from the local economy and so 'internalise' it thereby reducing dependence on events outside the locality and maximising the local

impact of the expansion of the Third System. This is because jobs tend to be accessed by local people who spend their wages largely locally and the goods/services can also often be purchased locally.

This is in marked contrast to the 'weak' local effects of some major local developments because of their weak local supply chains and strong linkage into the global economy.

Furthermore because the needs being met and the jobs being created are generally in disadvantaged communities, Third System developments are likely to operate so as to reduce local variations in service provision, access to goods/services and job opportunities, and thus will build cohesion within geographical areas which currently exhibit high degrees of inter community inequality as, for example, in most large cities and many rural areas.

Access to employment for individuals and groups may well also be enhanced as a direct result of many of the Third System's activities. For example, child care provision will improve labour market opportunities for many, including single parents and those whose hours of work are currently restricted; and improved local transport will make it easier for people in distressed communities to access employment opportunities in areas where jobs are available.

Labour market exclusion will also be diminished to the extent that a proportion of those people employed in the Third System enterprises will be from communities and social groups who are currently unemployed and face difficulties in labour market integration.

This 'insertion' element is complimented by their development of 'employability' skills and subsequent enhanced labour market prospects for the people who work in them.

Taken together these elements enhance the prospects for social inclusion and cohesion.

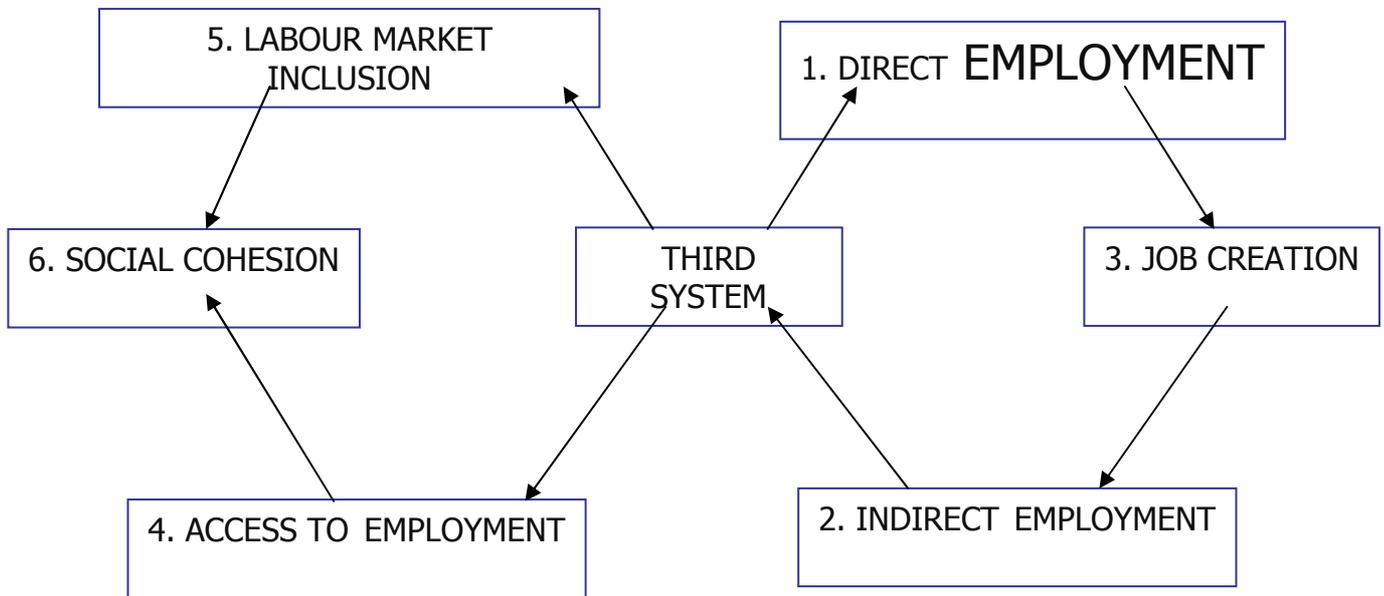
Moreover the Third System, per se, potentially offers a series of additional advantages over other institutions in terms of its contribution to employment and local employment development. These are summarised as follows:

The Advantages of the Third System in Local Employment Development

- ✓ Multiple Objectives
- ✓ New Form of Work Organisation
- ✓ Community Confidence/Involvement
- ✓ Closeness to Community
- ✓ Innovation
- ✓ A New Approach to Local Development

Third System organisations are characterised by seeking to achieve multiple objectives. Unlike private organisations whose sole/primary objective is to make a profit and whose prime stakeholder is the shareholder or owner(s), Third System organisations may or may not include profitability as an objective. If they do, they will be concerned to retain it. They also will have a stated commitment to meet the needs of their users/customers most of whom will be disadvantaged in some way and to tackle it through the provision of goods/services to targeted groups.

The Potential Contribution of the Third System to Employment and Local Development



From: Policy Research Institute

Meeting New Needs : Creating New Markets and New Jobs

Third System organisations also tend to be 'close' to the target groups they seek to serve in terms of geographical proximity, understanding of their needs, representation or even accountability.

This greater accessibility should lead to goods and services being provided which are more relevant to their needs than would be possible with private organisations, because of their focus on profit, or public organisations, because of their bureaucratic or standardised approach to service delivery. Innovation is often a feature of third sector organisations. Their **flexibility** combined with their **knowledge of local needs**, enables them to test new ideas, methods, products and forms of service delivery. In particular, in relation to welfare related services, they may be able to offer a more bespoke/targeted service than traditional public agencies and so help to 'modernise' the welfare system.

More generally, it could be argued that the Third System offers an approach to local development, which provides potential for a new vision and additional elements compared to traditional approaches. It widens the structure of a local economy and labour market by addressing unmet needs and producing new/different goods and services, but **it also develops the focus of the local development process** in 2 important ways. **First, it 'adds value'** by ensuring that equity and other ethical considerations enter the local development process. Issues around the objectives of enterprises, work organisation, the translation of needs into effective demand, tackling barriers to demand creation and availability of supply, and the service and labour market needs of disadvantaged groups and communities, all have the effect of 'rebalancing' perspectives on the local development process. **Second**, it raises the larger question of what a 'post industrial' local employment development policy and strategy would, could or should look like. **It raises issues of the objectives and priorities of local development**, the nature of decision making, the extent of local participation in local development, the nature of a "bottom up" approach and the role of local services in local development.

Increasing Employability and Enhancing Integration

The Third System plays a critical role in **seeking to integrate** those at a **disadvantage in the labour market**, most particularly the long term unemployed, those from distressed communities, those suffering from health problems, disabilities and so on. Many Third System organisations employ those who otherwise actually are, or are at risk of, labour market exclusion.

Through this employment their future 'employability' is enhanced and their future prospects for (re) integration into the labour market enhanced.

Indeed, many Third System organisations see the integration and employability agenda as their key purpose.

Third System organisations produce a 'merit good' in so doing – they produce services to meet needs but **they also produce people who are more 'employable'** and whose lives have been enhanced by their employment experience in the organisation. They therefore produce benefits which should be identified and measured, not only to the individual in terms of their improved probability of employment but also to society by reducing the real economic costs associated with unemployment – public expenditure on services for the unemployed, on unemployment compensation, on health care, on crime, on social services and so on – costs which are reduced as a result of improved employability. Furthermore such improved employability reduces the costs to individual future employers of recruitment and training of their labour force. In such, they 'internalise' many of the social costs of unemployment and social exclusion.

However integration goes beyond these instrumental benefits of working in the Third System. Their very involvement in the Third System itself, the economic benefits it provides for them, the social contacts, the personal development, the enhanced self confidence and sense of worth are also valuable.

Some Third System organisations exclusively operate on the basis of 'temporary' employment for those disadvantaged in the labour market and may be considered as 'integration' enterprises whose job it is to actually 'create' employability, others 'reserve' a proportion of long term stable jobs in their organisations, for those suffering labour market disadvantages, but whose prime focus is the 'market' in which they operate.

The most crucial aspect of their various operations is that they almost always operate as 'normal' companies. Employees are paid wages; there are contracts of employment; there

may be union; they produce goods/services which are sold on the market; and work disciplines are as in a private or public company.

However, employment is often for a 'temporary' period, usually up to one year (usually because of regulations on the duration of certain employment subsidies) and a range of actions other than the actual work experience are undertaken so as to enhance employability further and maximise their chances of subsequent employment including training, counselling and confidence building. However some work in different ways.

It is also important to point out that ICT developments can offer one powerful means by which employability can be enhanced. Skill requirements in this arena are changing rapidly and several organisations have a strong ICT component within them. Their importance lies, in part, in the increasing flexibility it can offer in employment terms, for example in relation to remote working, teleworking and part-time working, and the enormous scope and potential for enhancing ICT literacy – increasing familiarity and use of ICTs, using ICTs as central to innovative learning methods, and developing it so as to more effectively access and use information. In all those respects there is potential to bring the excluded 'back in'.

Overall then, the Third System can offer new skills training, work experience and social engagement for those who most need it in a supportive and focused environment which can enhance peoples' future job prospects whilst at the same time developing their confidence, attitudes and sense of worth.

Building Local Social Capital

The 'knitting together' by the Third System of unmet needs, unemployed people and distressed communities offers the prospect of needs being met, people employed and communities developed. It offers the prospect of a more inclusive community where those 'outside the loop' of current development patterns can have access to more services, job prospects and a more vibrant community. This can have **important** wider **consequences on fostering local identity** in two ways.

First, it can help build trust in communities – between, if you like, the 'the haves and have nots' and between local administrators and governance systems and the 'have nots'. This contributes to a sense of social cohesion and solidarity.

Second, the increased 'civic engagement' often associated with the Third System, for example volunteering, participation, networking (including through ICT use) and the

development of informal organisations (often as a prelude to their future development) like clubs and societies, **enhances local 'social capital'**.

Moreover the participatory organisational form of many Third System organisations, for example boards on which users, community members' and/or staff participate; worker co-operatives; and strong user consultations or forums, further develop a sense of community belonging. Several also have a particular focus on making citizens aware of their civil rights and obligations.

These invisible, but highly valuable, resources are not only important in themselves – through the creation of communities more at ease with themselves – but have been shown to be important to local economic success and political progress (Gittell 1998).

Just as importantly the resultant reduction in isolation and distrust builds a stronger sense of community, a greater sense of local loyalty, a more responsible community...all things that make a community 'worth living in'. Thus the Third System can make a contribution to building the capacity of a locality, to building its social as well as human capital.

Tackling the Informal Economy

The informal economy, which is prevalent in many local economies and local services, poses many problems. It poses problems for the public exchequer in terms of tax revenue foregone, it poses problems for the purchaser of services in terms of lack of regulation of service quality and it poses problems for those employed in terms of illegality, lack of contacts and social security benefits, and lack of support. **The Third System offers a means by which these activities could be converted and legalised**, with benefits to taxpayers, service users and workers. Individuals benefit through training, access to support services and systems, social security contributions and social contacts. Considerable information, publicity and campaigning needs to be devoted to this task which, if successful, would not only tackle the problems posed by the existence of the large informal economy in many EU member states but would benefit government finances. There would be benefits to consumers too, having resource to organisations should quality standards not be met, to improved information in the market place, and to insurance.

Partnerships

The Third System offers a 'corrective' to private and/or public provision, so how can its relationship to them be articulated? It may simply, of course, fill a gap in provision where there is no real private or public provision and where no real market currently exists. However, in other cases, it may be seeking to change 'or add to' the nature of current public provision and/or to compete with private sector provision.

Relations with the public sector are generally collaborative though they do take several forms;

- ✓ quasi markets, sometimes with the use of vouchers
- ✓ contracting out of services
- ✓ collaboration on specific activities
- ✓ planning of service supply

Third System organisations often tender for contracts from local authorities, This specifies the demand and, through statutory means and policy decision, turns need into effective demand.

The development of these relations is critical to Third System success and development. Building a client base, through effective promotion and marketing to public agencies; sub contracting services; establishing and developing networks with other providers and the public authorities; and establishing collaborative partnerships with these organisations, are all important.

Whilst such relations have generally led to the development of the Third System, **contracting can reduce the degree of autonomy of the Third System organisations** and may lead to less innovation in service provision, as the choices are defined by the public sector and price may be an overriding factor in contractor selection. The relations are also often asymmetric, and may not fully recognise the specific characteristics of the Third System, thus 'encouraging' them to behave incoherently. In general, the development of relations at the local level is best achieved through a more symmetrical 'start to finish' partnership approach. In such a partnership of equals the Third System can make an important contribution to the needs assessment , policy and project development, and planning of services to meet needs, as well as operational delivery. This encourages the development of diversification of services, allowing them to adapt to the growing complexity of demand.

Relations with the private sector may be collaborative when the Third System is developing the employability of its employees as a 'preparation' for employment in the private sector. Here they are providing a service for enterprises which benefit both organisations. There are also examples where the Third System provides specialist services as with nursery provision for others with a high 'relational' content. However, they are often seen to be in conflict/competition as the Third System engages in activities which the private sector already do so, yet with the benefit of subsidies.

What are the main critical points?

The main critical points for the development of the Third System may be summarised as follows:

- ✓ difficulty of access to credit. Organisations in the Third System also need to access credit, just like companies in the profit sector. Traditional access to credit through the banking system is much more difficult for companies in the Third System than for profit-making small and medium-sized enterprises. Banks assess the profit-making capacities of the enterprise as one of the essential points for checking its solidity and making loans. Organisations in the Third System do not generally have large capital available, occupy a niche area in the market, depend on the work of their employees and have an almost exclusively local reference. All these factors make it very difficult to obtain funding from banks. Financing thus becomes one of the elements which hinder the chance for development of organizations in the Third System. In order to overcome these difficulties, a network of financial organizations is being developed, the first nucleus of a new financing system called "Ethical Finance". Ethical Banks are structures gathering savings with the aim of financing social development projects and making loans to organizations in the Third System. The ethical financing system has points of excellence but is not yet sufficiently developed to support rapid development in the sector. Some experimentation at European level has also been started on "Microcredit" and is on-going. ASNM is a partner in the " " project funded with.... The main difficulties encountered relate to the small amount of resources available (both in terms of general project, and in resources allotted to enterprises) and the need to organize a financial structure which operates in the social field but has to respect the rules and limits of the traditional banking system.

- ✓ The Third System also has some internal critical points, in particular the weakness arising from conflict between the various organizations which compose it. This conflict is not only seen in "competitiveness" between enterprises, but also in their political roots. Many organizations are set up and develop within a "political" frame, which also determines their forms of intervention and action. We may think, for example, of the organizations which are concerned with the rehabilitation of drug addicts. The intervention approach regarding the rehabilitation and re-inclusion of drug addicts includes work plans, activities, partnerships, etc. But the intervention philosophy may, for example, be radically different if the organization has a Catholic or non-religious frame. This different approach leads to a conflict between the structures operating in the field. A second element of internal fragility stems from the organisations' strong link with local political representatives. When the latter change, the organizations providing services for the public bodies also change.
- ✓ The third critical point relates to the dominating role of partnerships with the public sector. This becomes weak when the public sector decreases resources. This is the case of the organizations which are essentially "single client", e.g. the municipality, and characterizes the early stages of life of organizations. As in the traditional or profit market, the risk of "single clients" is also very high for social economy. This phenomenon is encountered above all in Southern European countries.

The main subjects of Social Economy in Italy

The main subjects in political economy in Italy are cooperatives, social cooperatives, associations, foundations and Onlus organisations.

Cooperatives

The setting up of a cooperative arises with the identification of a common need and the determination to meet it through the self-management and optimal use of the members' economic and personal resources. The diversity of the settings in which mutual aid goals are formed makes it possible to divide cooperatives into sectors or areas of activity, although it is not easy to categorise such a varied phenomenon into pre-established schemata. We may attempt to do so by using the approach adopted by the Italian Ministry of Labour, which divides the cooperatives existing in Italy into eight sections.

Consumer Cooperatives

A group of consumers joins together to form a cooperative to acquire the products for its needs. Mutual aid may be expressed in varying ways: offering products to members at a lower price, giving credit to members for acquisitions, providing extra services (education in consumer spending, etc.), guaranteeing a particular product quality to protect consumers.

Production and work Cooperatives

These mainly answer needs for work and self-achievement which are a particular feature of the younger generations. The activities undertaken range from craftwork to building, from the service sector to industry. In recent years tens of thousands of jobs have been created with this formula and a widespread bottom-up entrepreneurship has been developed, often in wholly innovative sectors for cooperation.

Agricultural Cooperatives

Numerous types of cooperatives operate in the agricultural sector with their farming members. Fruit and vegetable cooperatives preserve and market produce coming from their member producers (30% of Italian production); social dairy cooperatives carry out the collection, processing and transformation of milk into dairy products and their marketing (40% of milk produced in Italy); cooperatives of chicken and cattle farmers deal with the husbandry, processing and marketing of meat; floricultural cooperatives generally market the flowers and plants of their flower-growing members; wine-growing cooperatives transform the grapes collected from their producing partners into wines and sparkling wines, which are then marketed; lastly, service cooperatives supply means of technical assistance to their farmer members.

Housing Cooperatives

Housing is a fundamental need, and cooperatives have always enabled many families to acquire a home, by participating in its construction at a cost which is on average 20-30% less than the market price. Housing cooperatives look for an area which interests their members, commission the building plan, and contract the building firm it considers most reliable.

Transport Cooperatives

They deal with the transport of goods for third parties with vehicles owned by their members or by the cooperative. The cooperative acts as a general contractor, acquiring and distributing work among its members.

Fishing Cooperatives

They are groups of fishermen or fishing enterprises which join together to coordinate their work or catch, in order to increase competitiveness or place their products on the market at optimal conditions.

Mixed Cooperatives

This category (section VII in the Prefectorial Register) includes all cooperatives whose activity is not easily classifiable in the afore-mentioned sectors or which have a mixed activity. These may include school cooperatives (whose members are parents), tourism (their members are travel agencies carrying out services for the acquisition of goods and/or the sale of package tours), business service cooperatives (credit guarantee, for the marketing abroad of artisan products, cultural cooperatives, etc.).

Social Cooperatives

Although they are the last category of cooperatives to be legally regulated, they are increasing sharply. Law 381/91 identified the peculiar nature of this type of enterprise aimed at pursuing the general interest of the community to promote the human needs and social inclusion of citizens.

The so-called "outside assistance" of social cooperatives does not, however, neglect internal assistance, which is the goal of every cooperative, and consists in supplying goods, services or jobs to the members of the organization at more advantageous conditions than those offered by the market.

The social cooperative is therefore a particular form of cooperative, whose social aim is clearly expressed; it is an alternative to normal enterprise and complementary to the "normal" cooperative.

Art. 1 of Law 381/91 outlines two ways for the social cooperative to operate:

- a) the management of social-health-training services
- b) undertaking various activities - agricultural, industrial, commercial activities or services - aimed at creating employment for disadvantaged persons.

Associations

Associations are based on the sharing of a goal which its members pursue, and they arise from an agreement between persons with the aim of reaching a financial goal which has a different legal form. It is a contract which is open to membership of third parties. Associations may be recognized (juridical persons) or unrecognised (non juridical subjects).

Foundations

Foundations are generally seen as a set of assets for the pursuance of a goal. A foundation must pursue goals of public utility. A synthesis of the definition of a foundation might be "heritage for a goal".

Onlus

Onlus (**Organizzazione non lucrativa di utilità sociale - non-profit organizations for social aims**) were introduced in Italy by Law 460/97. Onlus organisations are a category of non-business bodies, a fiscal entity which has not yet been defined in civil law. Legal Onlus are: social cooperatives (Law of 08.11.1991, n. 381); volunteering organizations (Law of 11.08.2002, n. 266), NGOs (Art, 28, Law of 26.02.1987), n. 49). Bodies undertaking activities in the following sectors may also be considered Onlus organizations: social-health care, health care, educational charity, training, amateur sports, protection, promotion and enhancement of wild life and the environment (excluding the collection and recycling of urban, special and dangerous urban waste), promotion of culture and art, defence of civil rights, scientific research of a particular social interest carried out directly by foundations or assigned to universities, research bodies, or other foundations.

Most significant projects managed by the North Milan Development Agency

Since 1997 ASNM has been concerned with accompanying local development in the fight against exclusion, in the development of local social enterprise and the definition of new services in the area.

The main projects carried out by ASNM are as follows:

30-31 May 1997 **Conference: Fight against social exclusion, local development, social enterprise: comparison of pilot strategies**. The meeting dealt with the themes relating to the role of a Development Agency in the fight against social exclusion and the development of Social Entrepreneurship in the North Milan area. Two projects arose from this meeting:

Social Enterprise Charter

The Social Enterprise Charter is a document with which the local governments in the North Milan area recognise the determining role of social enterprises in local development and commit themselves to supporting the projects started by social enterprises, and to involving social enterprises in training schemes, job promotion, support to business creation, development of urban quality, regeneration of services to persons.

Resource Centre for Social Enterprise (CRIS)

The Resource Centre for Social Enterprise was set up in 1998 on the initiative of ASNM, the European Centre for Initiative and the Milan Lavorint Consorzio for Social Enterprises (now CS&L Consorzio Sociale) with the support of the Municipality of Cinisello Balsamo and the Province of Milan. The Resource Centre for Social Enterprise is a tool for the support and development of the **Third System**, a reference point for active work policies, a service and activity centre for the relaunch of a joint economy. To this end the CRIS centre develops actions aimed at:

- ✓ promoting the non-profit sector, its activities, its services, the range of its proposals with local government and the community;
- ✓ strengthening the fabric of existing social enterprise through training, consultancy activities and the channelling of resources;
- ✓ fostering the creation and development of social enterprises able to create new employment, support integration phases of weaker groups into the job market, supply a wide range of social-health services and actions in the environmental, cultural and aggregate field;
- ✓ supporting planning activities of local government bodies in area interventions for integration actions for the weaker groups in the labour market:
- ✓ contributing to the Third System development, collaborating on active job training policies in the North Milan area, and acting as a centre for activities and strategic activities for the relaunch of the entire area;
- ✓ becoming a promoter of innovation in social policies, based on the experience which social enterprise has gained in the field of personal services.

In order to activate Social Economy development, ASNM has taken part and continues to be an active leader in several community initiatives.

ADAPT Community Initiative: "**Interventions for the development of employment and start up of new business activity in crisis areas**",. The goal of this project, led by ASNM, was to achieve new forms of addressing and managing area development, to start up new business services, involve the area training system to establish guidelines on training activities, and to focus attention on social enterprises as generators of new types of work.

Horizon community initiative: "**Multimedia Network: Job Opportunities for Disabled People**". The project leader was the Training Consortium. ASNM has played a fundamental role in the creation of social enterprise for disabled people. This project led to a social cooperative (Adelante) for work opportunities for disabled people, which was incubated at CRIS.

NOW Community Initiative: "**Donne e servizi in rete**" (**Women and Web services**). The Municipality of Sesto San Giovanni was the project leader. The role of ASNM was to accompany and create social enterprise for the women taking part in the project.

Integra community initiative: "**Immigrati creano la propria impresa**" (**Immigrants create their own enterprise**). The Province of Milan led this project and the role of ASNM was to accompany and start up enterprises for immigrants.

Equal Community Initiative "**Luoghi della qualità sociale**" (**Places of social equality**).

The project was led by the Association for Work and Integration, and its partners included the town councils of Sesto San Giovanni, Cinisello Balsamo and Cologno Monzese. The project's aim was to upgrade certain council areas in social terms, by experimenting with innovative approaches.

In order at developing social enterprises economical role, ASNM has created a partnership with a company working in the ethic finance field, aiming at starting a **Microcredito** activity. This activity should facilitate economically disadvantage enterprises to gain access to credits.

Alongside the projects proposed in the community initiatives, ASNM has developed and continues to develop activities for area animation and the creation of new services for Cinisello Balsamo, in particular for the elderly and for children. These include:

The **Cinisello Balsamo District Contract** (Contratto di Quartiere), and **Urban Italia** scheme, which organise area animation activities and the creation of new services in Cinisello Balsamo, regarding the elderly and children in particular.

We may lastly mention the significant role played by ASNM in the promotion of training schemes, through a **permanent training table**, made up of local governments, training bodies and business associations. The aim of this table is to make interventions for training, guidance and job finding more efficient in the North Milan area.

One of its first actions was to integrate the structures operating in the field of human resources, through a process which takes three fundamental elements into account:

strategies for area growth (identification of an efficient strategy in the fight against social exclusion and in area development);

the shared objectives and single missions of the bodies taking part in the table;

the use of new work methodologies able to develop satisfactory and efficient relational dynamics between the structures involved, in terms of results.

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