



THE SOCIAL ECONOMY

AN INTRODUCTION



What is 'The Social Economy'?

The social economy is the sector of activity that functions for social purposes. It seeks to achieve all or some of the following criteria:

- ⌘ sustainable and self financing activity
- ⌘ of benefit to those who are involved in it
- ⌘ to address the needs of those who are currently disadvantaged
- ⌘ to encourage the ethic of self help
- ⌘ to replace dependency with self reliance
- ⌘ to enhance the social fabric of a community

through activities such as:

- ⌘ job creation in new enterprises
- ⌘ business and job continuity or rescue through worker equity participation
- ⌘ provision of services, especially to marginalised sectors
- ⌘ local economic regeneration through recycling money in local communities
- ⌘ provision of training and employment for those disadvantaged or disabled
- ⌘ creation of collective facilities for micro-businesses to enable them to operate at a sustainable level.

Government policy has encouraged local authorities and other agencies to contract out service provision. A percentage of this provision can already be found in the voluntary and private sector. There is, however, a gap between demand and supply, especially at a local level, with nearly all large contracts in most fields going to franchised or large private companies. Often the ground level employees are local people, while the higher level jobs and a percentage of the profit is siphoned out of the local economy. The type of jobs offered to the local labour force by outside, national concerns tend to be those that require less upskilling than other trades, thereby putting a ceiling on the individuals' potential achievement. Development of locally based and locally controlled enterprises which as common ownership organisations with social purposes combine the voluntary sector strengths of being proof against profiteering, asset stripping or take over with the business strengths of market sensitivity, and value for money.

Co-operatives provide a model of sustainability in business start-up. When the Industrial Common Ownership act was passed twenty two years ago there were a handful of worker co-operatives. The last study (Co-operatives Research Unit, Open University 1994) identified some two thousand, most of them young (under five years old) employing over ten thousand people. Measures of survival rates revealed that new start co-operatives were twice as likely as other business structures to survive the first three years trading despite difficulties in sourcing capital - resulting in investment starvation even worse than typical for small businesses.

Investment sourcing for the co-operative sector is now more sophisticated and the expansion of common ownership specific investment funds, ethical investment institutions and self-help facilities such as Mutual Guarantee Societies is now addressing this last constraint.

The average co-operative start up involves four or five people. This immediately makes the new business one of the 10% of largest businesses in the UK with all the benefits of specialisation, mutual support and ability to take time off work for holidays and illness. Most business start-ups have none of these advantages and the enormous failure rate and resulting damage to careers, confidence, health, finances and family life are all too predictable.

A recent trend in worker co-op development has been business rescue, through worker ownership, of plants earmarked for closure by companies divesting non-core activities or exporting work (and jobs) to other, lower labour cost areas of the world.

Co-operatives can also be used as a means of addressing the problem of business succession. Where the expectation was once that businesses would be passed down through generations within a family, smaller families and greater diversity of career opportunity has now made this the exception rather than the rule. A business owner now has a limited number of choices available, limited to a fire sale of assets or selling of the business, usually to a rival most interested in the order book and customer list. Both options give small return and generally lead to the closure or "rationalisation" of the business with concomitant loss of employment. The obvious constituency of interest in the maintenance and development of the business is the work force and gradual transfer of ownership, leveraging in external investment, can provide a seamless service to customers whilst providing continuity of employment and proper recompense for the owner.

Worker Co-operatives

Worker Co-operatives are businesses that are owned and controlled by the people who work in them. The workers share the responsibilities and the rewards, and a co-operative often provides a safer environment than self employment. Setting up a co-operative can offer an alternative to redundancy or closure of a business, as well as a way to start a new venture.

Secondary Co-operatives

Secondary, Service and Marketing Co-operatives sell product and services and/or manage shared facilities, source raw material etc. on behalf of the members. This is a way small businesses work together to take on projects that they could not do alone. Examples include the provision of marketing and retailing services for craft producers, artists and homeworkers.

LETS

Local Exchange Trading Schemes (LETS) help their members to buy services and goods from each other, using a local currency or token instead of money. People can offer or request services, through a local LETS directory. It enables people to buy from each other without getting into debt.

One of the phenomena of the 90's has been the growth of LETS from none at the beginning of the decade to more than 300 and doubling annually at this point. Tens of thousands of people have become involved in establishing local currency and banking systems through which people can trade irrespective of their access to 'hard' currency. LETS encourages people to ask themselves what they can contribute to their local community and learn how to provide for themselves through collective organisation.

LETS are rapidly becoming a giant think tank of local economic regeneration. There are currently over three hundred and fifty LETS groups in the UK. None are yet large, membership varies between thirty and four hundred with an average of about 150 meaning that over 50,000 people are already involved.

Credit Unions

Credit Unions are savings and loan schemes that are operated by the people who use them, and offer affordable credit to their members. They are an alternative to expensive loans, and encourage people to save regularly, even if it is only a small amount.

The number of Credit Unions registered in the UK has risen from 150 to 600 in the last four years, and the rate of registration continues to rise. There are 200,000 members of credit unions in the UK and their assets have reached £110,000,000.

A report published by the Consumers Association in 1996 highlighted Credit Unions as the best strategy of long term defence against loan sharks. Evidence from areas that have had meaningful levels of development work introduced (Glasgow and Birmingham among others) has led to the support of CUs by local authority Anti-poverty Units, Trading Standards offices and Community Development Units across the country.

Care Co-operatives

Care Co-operatives are set up to provide care services to a community that has a need for it. Co-operatives have had a particularly high record of success in providing domiciliary care services, utilising local labour for management and service provision has enabled the creation of services which are organised flexibly to suit both workers and service users. Fifty domiciliary care co-ops have been established in the 1990s with staff levels of between three and eighty.

Another area of growth currently is child care co-operatives, set up and run either by the parents & guardians of the children who use it or by the people who work in it. The new disregard allowances for working parents in receipt of Family Credit or Disability Working Allowance plus the expected extension of the voucher scheme for working parents into tax breaks means the demand for child care provision is going to jump in the near future.

There are no statistics available yet as to how large the demand will be or how the provision could be met locally, but it is certainly an opportunity worth investigation.

Community Businesses

Community businesses are businesses that are owned and controlled by people in the community. They are normally set up to provide a facility or a service of benefit to the community. They aim to sustain themselves by generating income from the activities in which they are involved. This may be to improve the local environment, offer training or employment opportunities, or maybe to provide a service that is lacking in the area that the local people would like to have available. Any profits are used to strengthen the business or provide further services to the community.

An emerging trend in the last decade has been the concentration of facilities provided by profit-led organisations, with the ultimate expression being the out of town shopping centre. The corollary has been the closure of local facilities - the local shop to the village post office. Marginal communities, suffer degradation of local facilities. The housing estate with a row of boarded up shops where once there was a healthy arcade is commonplace, and affects those least able to run against the tide - the elderly and lone parents. During the same period there has been a growth in community led enterprises bringing these resources back into use and involving members of the community directly in their management and development.

There are now examples of community businesses managing their own grocery shops, bakeries, post offices, sports halls, leisure centres, venues, child care facilities and public houses.

Housing Co-operatives

Housing Co-operatives provide housing for their members, and are controlled by the people who live in them. They often provide housing for people who are low priority for local authority housing such as the single homeless or to provide an option for those who are not eligible for, or do not want a mortgage.

This becomes a valuable part of the housing offer in the area, and members are committed to managing the properties well because they benefit directly from doing so in terms of lower rents and better quality housing. There are over six hundred housing co-operatives in the UK providing over 20,000 units of accommodation.

Another avenue worth exploring is self-build schemes. Prospective tenants, who have various skills and are interested in learning on-the-job, work in partnership with training organisations and interested parties such as development trusts and Local Authorities build their own homes, usually as co-operatives. There are many projects that can be used as a model for this type of scheme which has the dual advantage of training and housing provision.

Social Firms

Social Firms are enterprises which include high proportions of people who for reasons of physical disability, learning difficulty or long term illness require a supportive environment and may not be able to work at high levels of productivity. This is a group of people who find it very difficult to obtain work or training opportunity and may be users of day care services.

Social firms can supply the supportive environment and training opportunity which enables them to become productive, providing a feeling of self-worth. Co-operatively organised social firms additionally provide access to influence and therefore a sense of ownership and responsibility for the enterprise enabling personal development away from the "permanent client" culture.

Through their independent status Social Firms are able to concentrate on trade. This brings benefits in terms of reduction of net cost of providing care but also provides a more "real world" environment including opportunity for social interaction and a half way house environment through which workers can become ready for open employment opportunity.

Increasingly social firms are seen as a useful strand of provision by social services throughout the country.

What can a Co-operative Development Service provide to assist in the development of a Social Economy Sector?

Promotion

The first job of a development service is to make it possible for people to join the sector and utilise its structures and resources through introducing the concepts and principles of co-operation, self help and self organisation. This requires a mix of publications, distribution, out-reach work to community groups and media liaison. It also requires promotion of these ideas and the services of a development agency to workers in economic development, community development, education and training, business advice agencies and professional advisers such as accountants and solicitors. All the above must be carried out to a high standard of professionalism and requires expertise in project planning, communication, public presentation, training.

Access

The awareness raising should lead to an easily identified point of contact at which the nature of the interest and needs of a potential client or professional collaborator can be readily received and understood so that an appropriate response can be made.

Information

When the interest of potential clients or potential collaborators has been incited the agency must be able to respond with relevant, up to date information varying from general introductory information through to specific responses on matters relating to individual forms of organisation, related initiatives, relevant contacts.

Initial counselling and feasibility assessment

Those bringing forward ideas require a rapid response from professional counselling staff who understand the nature of the project and can draw on related experience, either in house or from other agencies around the UK. Introduction to successful models can bridge the gap between idea and start-up project. Early identification of problems can save considerable time and energy.

Start-up development support

The start up of a successful co-operative or community enterprise is a complex exercise involving not only the development of a workable business plan but also team building and the development of systems of accountability and democratic management. This process is best facilitated by a development worker with the appropriate mix of skills and experience.

Registration services

Most forms of social economy organisation need to be properly and appropriately legally established. Neglect of this requirement or inappropriate formation can result in onerous personal liability for participants and completely unnecessary barriers to progress or function. This can often be a technically difficult and expensive exercise where there is no recourse to a specialist registration service.

Business development support

Co-operatives and community businesses have good records of survival and growth but this is generally associated with ongoing support work provided in the early years by a development agency. Development raises issues beyond the obvious business issues of market building and resource identification and allocation in social economy organisations with a complex of objectives amongst which profit maximisation is but one. While the greater part of the advice delivered in may be "commercial" in nature it has to be related to the objectives of the group concerned. An agency can work with other business support organisations and training organisations to ensure that the best mix of support is available to clients.

Networking

One of the major parts of the work of a development agency is "cultural transmission" ensuring that individual organisations do not suffer from isolation but are constantly receiving input on best practice developed elsewhere, availing themselves of opportunity to receive information and training and of opportunity to participate in regional, national and even transnational projects in their sector.

Training

A well developed agency, again working with other support organisations can provide training services to start-up and established social economy enterprises and their members. Examples include the Certificate in Co-operative Business Administration. (C- CBA). The C-CBA was designed by workers in co-operative and community development to provide the core skills to people writing a business plan and putting it into action. The course achieved accreditation from the Business and Technology Council (BTEC) seven years ago and has since evolved into a thorough introduction to running a business. It acts as a means of testing ideas and building the confidence of potential co-operative and community business entrepreneurs. The C-CBA is also a valuable spawning ground for co-ops and community enterprises, and as such consistently attracts European Social Funding. Recently a training programme (Training for Growth) has been piloted with financial support from the Department of Trade and Industry which addresses all aspects of the needs of social economy organisations which have become established and are ready to undergo an expansion phase in their development.

Resourcing

It is a major role of a co-operative development agency to lever in resources to the local community. Co-operative development agencies have been very successful in obtaining resources from sources such as:

Single Regeneration bids: project integration into SRB projects through providing the necessary balance of outputs in training and job creation, particularly addressing the reintegration of long term unemployed and other identified marginalised groups..

European finance: ESF objective 3 provides for measures which assist the unemployed to access employment opportunities or to establish new enterprises. A variety of special funds can support projects to enhance employment potential for disadvantaged groups. The co-op sector in particular has a long and successful record of developing programmes that deliver high quality and innovative projects on behalf of such groups. Within objective 3 the new priority funding will provide a means of subsidising the development of mutual support and expertise exchange organisations for the social economy

Charitable funds: Local development agencies have shown initiative in obtaining support for projects from the various national and local charities including the National Lottery Charities Board, and have secured funds for both in house projects and on behalf of community based organisations.

Other sources of funding that have been accessed include the Department of Trade and Industry, Ministry of Food and Fisheries, Department of Health and Social Security, National Health Trusts, Co-operative Societies and Trade and Enterprise Councils.

Synergy with government strategies

With it's unique combination of social responsibility and enterprise, the social economy increasingly finds favour within local, regional and national government. In particular the support of the Social Economy has been a strand focussed on by Regional Development Agencies in their infancy. The communities that will benefit most from such recognition will obviously be those where there is an infrastructure developed locally for these organisations to work with and through.

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