

Regional social economy strategies: common challenges and avenues for development

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Key messages

- The social economy represents a significant share of employment in OECD countries. In the EU, approximately 6.2% of the workforce is employed in the social economy.
- Regional governments can best design and implement strategies to develop, local social economy ecosystems by engaging and involving stakeholders.
- By recognising and leveraging their specific social or environmental impacts, regional governments can help attract public and private investment to social enterprises.
- Different impact evaluation methods highlight the field's social impact, economic benefits and potential cost-saving for subnational governments.

What's the issue?

Across the OECD, the social economy – typically composed of associations, cooperatives, foundations, mutual societies and social enterprises – is drawing increasing policy attention, both for its social and economic impacts. Although estimates are influenced by varying national and local definitions of the social economy, the OECD estimates the social economy represents between 2% and 10% of national GDP in OECD Member countries (OECD, 2022^[1]).

Traditionally, the social economy has been seen as primarily a means to “repair” social problems (such as homelessness, labour market exclusion and other forms of social exclusion experienced by vulnerable groups) (OECD, 2020^[2]). However, the social economy can, and in many places already does, play a much larger role in supporting local development, including the transformation to more inclusive and sustainable economies and societies. **The social economy can support broader local development in a number of ways:**

- Supporting quality local job creation, which in some cases, evidence suggests may be more resilient during downturns
- Promoting inclusion and employability of disadvantaged groups
- Furthering the green transition and more sustainable business models
- Improving local service provision, the built environment and quality of life
- Building local social capital and civic engagement
- Supporting a broader strategy of community wealth-building, a place-based local economic development approach which promotes techniques such as social procurement, fair work standards and community banking initiatives to maintain wealth produced within communities (CLES, 2019^[3])

A number of local and regional governments have put in place strategies to further the development of the social economy and better leverage its contributions to local development. In France and Spain, for example, subnational governments have designed social economy strategies and action plans leveraging tailored national policies for the social economy as a way to integrate vulnerable individuals into work, create jobs with impact, deliver complementary social services or support local circular economy activities. In countries where national frameworks offer less recognition, regions can drive policy through institutions and strategy, depending on their competencies. The Province of Québec, Canada, for example, adopted the Social Economy Act in 2013, recognising the many contributions of the social economy to local development. The *Chantier de l'économie sociale* which gathers networks of social economy actors as an intermediary helped co-construct social economy policy (Mendell et al., 2010^[3]).

How does it work in practice?

Regional strategies to better leverage the social economy to advance local development depend on a number of factors. Differing national institutional and administrative frameworks influence the shape and scope of regional strategies for the social economy and how these feed into wider socio-economic objectives. Regionally, the priorities, size and shape of the regional social economy ecosystem sets the potential and perimeters of tailored strategies. Regional government priorities will also help determine how a potential strategy takes shape.

Based on the OECD Council Recommendation on the Social and Solidarity Economy and Social Innovation, there are a number of actions for practitioners to create regional social economy strategies that act as levers of local development.

- **Foster a social economy culture**
 - Consider creating dedicated task forces for the social economy to dialogue with the sector during the development of regional social economy strategies in order to make these best adapted to the financial, legal and social conditions and priorities of the local ecosystem.
- **Create supportive institutional frameworks and design enabling legal and regulatory frameworks**
 - Encourage and support the creation of regional chambers and hold regular meetings for the social economy to gather data, dialogue with the organisations and entities and support implementation of regional strategies on the social economy.
 - Considering, when possible, the establishment of a “one-stop shop” that serves as a single point of reference for social economy actors to access information, resources and support services within regional government.
 - Include the social economy’s role in different regional government policy domains, such as organisations’ roles in local employment policies, policies to fight poverty or the green transition as leading actors of social and environmental innovation (OECD/European Commission, 2022^[4]).
- **Support access to finance and funding and enable access to public and private markets**
 - Develop dedicated regional funding mechanisms for the social economy, such as the Fonds d’innovation sociale (FISO) set up by the French public investment bank, BPI, which is funded by both French regions and the State (OECD, 2020^[5]).
 - Grow the role of social economy organisations as bidders for regional and local government public procurement, for example through the use of social and/or environmental considerations and clauses.
 - Develop skills, knowledge, networks and capacity of procurement officials across regional government relating to social economy organisations, including through dedicated training.
 - Include social economy organisations in conventional SME and start-up financing efforts through social or environmental criteria in the selection process, such as for seed capital or favourable credit schemes, to attract patient capital or financing mechanisms that take into account their social mission (OECD, 2021^[6]).
 - Encourage social economy organisations to use private markets as a source of financial sustainability through the development of partnerships with the wider regional business community.
 - Develop support materials, such as training programmes and technical guides, which help social economy organisations learn more about how to access public and private markets.
- **Strengthen skills and business development support within the social economy**
 - Build the skills of social entrepreneurs to apply for funds and bid for projects through dedicated training and intermediary bodies who can provide financial coaching.

- Mobilise urban-rural and cross-border networks to support partnerships and collaborations amongst and between social economy organisations and conventional companies to apply for funding jointly (OECD, 2022^[7]).
- **Encourage impact measurement and support the production of data**
 - Promoting methodologies and guidelines for data collection and production.
 - Support efforts to assess the contribution of social economy organisations in the regional economy and map their activities in order to find synergies and complementarities with regional priorities in other fields, such as employment, health, environment and transportation.

What does the evidence say?

Evidence is growing on the benefits of the social economy in local development. The social economy is growing as a provider of work. In the European Union, paid employment in the social economy accounted for 6.3% of the workforce in 2016, according to latest available estimates (CIRIEC, 2017^[8]). Outside of western Europe, in Japan, there are an estimated 205 000 social enterprises, accounting for over 5.7 million jobs (ILO, n.d.^[10]). In Colombia, the social economy represents about 4% of national GDP and nearly 7 million Colombians are members of social economy organisations such as cooperatives, savings unions, and mutual funds (OECD, 2022^[10]). The social economy is a particularly strong driver of employment for women. In Belgium and France, for example, 70% and 67% of the social economy’s workforce respectively is composed of women (European Commission, 2021^[9]).

Social economy organisations can raise the quality of jobs. In Cleveland, Ohio, for instance, the cooperative movement includes a strong emphasis on the generation of fair wage jobs. A 2018 Eurofound study found the majority of social economy workers interviewed in selected EU countries work more favourable and flexible hours than organisations outside the social economy (Eurofund, 2019^[10]).

Beyond their role in the world of work, social economy organisations also contribute to objectives across policy areas. In the Brussels-Capital Region, Belgium, the social economy is an integral part of the region’s green transition strategy through its role in the circular economy. Poland requires regional governments to mainstream the role of the social economy into policy domains such as rural development and tourism. In the Italian textile sectors, the social economy organisation *Quid* transforms used fabrics into fashion items, contributing to economic activity in the sector as well as social aims such as women’s empowerment and reuse of fabrics (OECD, 2022^[11]).

Crises have also revealed the role of the social economy for resilience during downturns. In Spain, for instance, the social economy gained prominence as a job creation alternative after the 2009 crisis generated unprecedented rates of unemployment in the country. During the height of the COVID-19 pandemic, social economy organisations confirmed their multifaceted role by providing health and social services. In the UK, for example, social enterprises provided over 30% of community nursing services early in the crisis (OECD, 2020^[2]). In Québec, Canada, *La Cantine pour tous* expanded its meal delivery services to vulnerable people during lockdown. Across the OECD, anecdotal evidence has grown during the COVID-19 of the social economy’s potential to fill unmet social needs.

The social economy can improve social impact while generating cost savings for government. In Trento, Italy, for example, work integration social enterprises (WISE) were surveyed using cost-benefit analysis for government stakeholders. Using short and long-term outcomes, the

metrics revealed WISE to integrate people onto the labour market were a cost-efficient solution for public administration.

Evidence also reveals the extent to which social economy organisations generate social impact outside the economy. Evidence highlights the strong role of social enterprises in the green transition. In Europe and the United States, for example, the RREUSE network of social enterprises diverted over 1 million tonnes of reusable or recyclable materials from landfills in 2019, extending the use of 214 500 tonnes of goods (OECD/European Commission, 2022^[4]). The RREUSE network generates a turnover EUR 1.1 billion. Revenue is used to provide jobs or training to over 100 000 people.

Different approaches exist to measure the impact of the social economy, reflecting organisations' different missions and local context. A common measurement approach involves utilising different metrics to capture the differences among social enterprises, such as purpose, activity timeframe and orientation (Noya, 2015^[12]). Counterfactual frameworks also offer a rigorous form of impact evaluation. Community-led evaluations of social impact are another promising avenue for evaluation. The social audit framework is process-driven, based on a consultation of community stakeholders, who provide specific outcomes and indicators by activity. Measurement frameworks are most successful when integrating the social economy's local objectives.

What should policymakers do?

Potential pitfalls include:

- **Legal obstacles that impede the social economy's growth**
 - Lack of legal recognition for social economy organisations' social or environmental mission can limit their access to public and private opportunities.
 - Legal restrictions placed on social economy organisations regarding sales, creation of subsidiaries or other business operations can limit social economy development.
 - Limited emphasis on social and/or environmental considerations and clauses in public procurement can contribute to social economy organisations missing opportunities.
- **Financial sustainability of social economy organisations can limit paths to scale up activity**
 - Social economy organisations may have limited capacity or knowledge to apply to public and private forms of financing as well as traditional business development services.
 - Reliance on project-based funding can complicate plans to scale up due to lack of long-term funding security.
- **Missed opportunities to utilise the social economy as a lever of local development**
 - Lack of consultation of the social economy prevents actors from articulating their potential for both supporting social inclusion and wealth creation.
 - Limited awareness among public, private and supranational actors of the social economy's potential.
 - Lack of impact measurement and monitoring can prevent policymakers and potential financiers from evaluating the impact of investment and support.

Strategies to avoid them:

- **Develop strategies or mechanisms for public support and private market access for the social economy** (European Commission, 2021^[9])
 - Develop a public funding strategy for social economy organisations in the region in compliance with regulations regarding aid to enterprises.
 - Provide long-term financial opportunities for social economy organisations, such as specific tax incentives which can encourage longer-term investment.
- **Integrate the social economy into regional development strategies, including impact measurement**
 - Include the role of the social economy into regional policy strategies in areas such as well-being, health, labour market integration and social inclusion.
 - Engage stakeholders such as academia and representatives of social economy organisations in co-constructing regional strategies.
 - Develop indicators and criteria at the regional level to measure the impact of social economy activity based on a focused set of objectives set out in regional strategies.
 - Communicate social economy benefits and functioning to local and regional actors.
- **Include skills development in a regional approach to social economy development**
 - Provide favourable access to capacity building opportunities for social entrepreneurs through local or regional VET, adult learning or tertiary education institutions.

- Invest in training for social economy members to boost their financial competences and knowledge of alternative financing mechanisms, such as credit unions, savings banks or crowdfunding.
- Develop tailored coaching or mentoring programmes to accompany social economy organisations through development and scale-up of activity.
- **Build a legal or institutional framework that is sensitive to the social economy's unique potential and specific needs**
 - Recognise the specific social objectives of social economy organisations.
 - Integrate tailored financing conditions to social economy organisations legal frameworks in compliance with local legislation on aid to enterprises.
 - Reflect on how subnational government can best utilise and complement existing national legal frameworks given legal, political and administrative tools available.

Related resources

European Commission (2021), Commission Staff Working Document accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Building an economy that works for people: an action plan for the social economy, SWD(2021) 373 final, <https://ec.europa.eu/social/BlobServlet?docId=24989&langId=en>.

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