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# THE SOCIAL ECONOMY. AN INTEGRATING APPROACH<sup>\*</sup>

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## Abstract

The first part of this article analyses the normative approach of the social economy. The social economy is developed in order to create an alternative economic and social space for the people excluded from life necessities and, furthermore, it is not a recent phenomenon; it relies on historical practices which have developed over several centuries in order to meet people's needs. The social economy institutions from Romania and Greece are then presented. The purpose is to show that clear regulations contribute to the acceptance of the social economy as an alternative and complementary form of producing social welfare. In order to accomplish the normative purposes of meeting life's necessities and of changing the existing social conditions, the social economy actors must start to think of themselves not as individual agents, but as belonging to a large movement acting within the continuum between the market and state intervention for welfare production.

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## **1. Introduction**

Reputed authors in this field consider that there is not a wide acceptance of the concept of social economy – *economic activity which is not directly controlled by the state or by the logic of the profit promoted by the market, activity which puts first the welfare of communities and of the marginalised people, before the partisan political directives or the individual profit* (McMurtry, 2010, p. 4) The forms of social economy differ from one country to the other, depending on their proportion within the national circuit and depending on the contribution they have to the economic and social development. Many social actors, which develop larger or smaller scale activities, are involved in the promotion of the social economy. Generally, one accepts the idea that the cooperatives, the non-profit organisations and the mutuals are specific forms of social economy. Besides them, there also are hybrid forms which meet partially the criteria allowing them to be included in the wider area of the social economy. In Romania, the protected units for the people with disabilities are a good example in this direction. The promotion of social economy is done at the national level by support policies and mechanisms aiming to develop this field. The largest number of social economy institutions activate at the community level, thus meeting the local needs which can be easily identified. The social economy institutions, placed between the market and the state, don't just cover necessary areas of interventions, but also support the solidarity and cooperation within the communities where they activate. The concept of social economy raises several questions, and in Romania, for instance, it is inexistent in the field literature (Arpinte et al, 2010). Several results can be inferred from the practice of the social economy, which can confirm its special role in the supply of social welfare. The theorization and conceptualization of the social economy is in full swing and tends to get ever closer to the practical significance and results obtained in terms of problematization and understanding. This article highlights part of the theoretical and practical elements which make of the social economy not just an interesting field for research, but an opportunity for higher social inclusion within the communities.

## **2. Social economy – concept and practice**

The theoretical construction of the social economy starts from the day-by-day practice. Many of the initiatives aiming to provide for the social welfare and for a higher quality of life, come from the field of the social economy, as long as they don't belong to the state or to the profit-seeking free market.

If the state contributes by redistribution to the provision of social equity, we may consider that its role is predominantly social. The market, however, by the production of goods and services, responds rather to an economic necessity. This didactic distinction shows what the social economy is not. Actually, the social economy responds largely to the social field, by social inclusion and higher social participation, and also to the economic field, by providing the incomes necessary for an optimal standard of living accepted by the society.

It is important, however, within this context, the manner in which the social economy institutions relate to the economic and social fields and the extent to which they combine these two fields. The economic significance of the results obtained by the social economy and its social impact are answers that we need in defining the concept.

Social economy still is a contested term. Thus, despite the variety of practices that can be conceived as belonging to it, different agents involved in the social economy and observers of the social economy do not agree as to the meaning of the concept. This problem needs further studies in two fields. First, the debate on the definition must be examined in the light of the observations about the nature of the economic and of the social, observing the manner in which the definition of the social economy can be refined in order to get passed this debate. Secondly, the very debate about the definition must be placed within the context of “how” and “should” with regard to the economy, as discussed above. The definitions of the social economy have been often coloured by the ideological beliefs of the actors and observers involved in the discussion. Ultimately, the debates on the definition of the social economy rely on the wider debate on economy. Hence, the conclusions about the debates regarding the definition bear implications for the economic and social possibilities which appeared in the social economy and in economy in general.

In some ways, the definition of a continuum from the social values towards market values is understood as an attempt to include as much as possible from the wide variety of social economy activities. This is a strength of the social economy sector, not a weakness. However, there is a fundamentally important difference between acknowledging the social economy practices as being diverse as result of the unique social and historical conditions of their development and the fact that the practice of the social economy includes the dominant economic practice that creates, to begin with, the need for social economy. Insisting on the inclusion of this latter form means to impose an economic “should” over the practice of the social economy, rather than allowing its unique form to be understood in its own terms. How can one discern the unique form of the social economy when the dominant economic practice is active everywhere, while the theory of the social economy is underdeveloped? This part will approach briefly this issue. Many authors have shown that there are two types of definitions that are applied to the social economy: one refers to taxonomy, a list of legal and institutional forms which the broad definition may include; the other one refers to the normative analysis which states the underlying values or principles. There are also definitions which are a mix of the first two (Clarence and Noya, 2007, p. 10; Westland, 2003, p. 1194).

Social economy organizations continue to hold a significant potential, particularly by providing open jobs for the people belonging to vulnerable groups: “goods and services that had to be provided at affordable cost to mainly vulnerable social groups were covered, at varying levels, by the social economy sector” (Cace *et al.*, 2010, p. 139).

However, this difference fails to acknowledge that the taxonomic approach relies on the idea of the normative, which is contested.

Therefore, in order to get to the essence of the concept, it is essential to examine the normative debate around the concept of social economy. In the case of the social economy, there is contesting not only in comparison with other economic theories, but also within its own tradition. In other words, not only do most of the social economy definitions refer to a continuum of organizations that have to be considered as belonging to the term, but there is also a continuum of normative positions within the social economy itself. The polarities of this continuum range from the “pragmatic/ reformist” tradition, which sees the social economy as a functional part of market capitalism, to the “utopian/social change” tradition, which sees the social economy as a part of the revolutionary socialist tradition (Fontan and Shragge, 2000, p. 3). Normatively, these positions identify a continuum between the ethical nature of the individual activity to one’s own interest, on the one hand, and the positions standing by the social idea of community welfare demanding the reform of even dismissal of the capitalist economic and social relations, on the other (Neamțu, 2009). The academic literature is full of examples of these positions. Some authors consider that social economy must be a term used to describe a socialist and anti-capitalist alternative centered on the state (Hill, 2002), while others consider that the social economy refers to a practice and ethic normative of “conservative capitalism” (Reisman, 1999). Other authors say that the term can be replaced with the term of “political economy” exposing the power relations within society (Bruyn, 1977), while others see it as a theory of the development of capitalism (Everling, 1997).

Normatively, it appears that there is “no single unifying definition of the social economy,” since the array of positions coexisting under its umbrella actually is what makes this theory of the economic activity to be unique (Uluorta, 2009, p. 11). This perception of a lack of normative agreement must itself be examined. The above framework, while being useful to understand the motivation of the various social economy actors, both past and present, does not identify the social economy as a separate field of study apart from other economic theories or political ideologies. Rather than seeing the practice in its own terms, other terms and concepts are imposed to the social economic activity in order to explain it. The social economy is – as political choice, an activity in which the social actors are interested, or as a subject of the academic study – interesting for its unique contribution to the economic and social practice. If this area of activity would just copy the existing activity of the market or of the socialist strategy of the state, while not being uninteresting in itself, this activity would not be unique. It is also clear from the debates on the definition and from the practice of the social economy organizations that this activity is not completely clear from the state and market influence. Both the state, by financing health care and education, and the logic of the profit used by the market, are strongly anchored in the social economy. How can we then present social economy activity

as a unique economic and social activity, explanatory at the normative level, when its practice is so complex?

The answer to this question is amazingly simple, what distinguishes social economy at the normative level is just the fact that it is normative. What makes the social economy a unique activity is the fact that it is an economic activity focused on normative behavior as a purpose, different from the seemingly law-like and eternal economics of Adam Smith and from the neoclassical economics. “Social economics must be normative”, while market economy must ignore the normative aspects in the normative issues in the apparently norm-free pursuit of profit (Hunt, 2005, p. 429). This necessity is the result of two key realities. First, social economy, as shown before, is developed in order to create an alternative economic and social space for those excluded from the necessities of life by the market capitalism. The main reason of its existence is to show that not all is going well within the dominant system. The social economy forms, from cooperatives to non-profits, appear as alternatives to the existing forms precisely because they are seen as being more ethical by both scientists, practitioners, students and by policy-makers. Secondly, social economy itself is not a recent phenomenon; rather, it relies on historical practices that have often developed along the centuries in response to human needs. Social economy is like an economic and social museum where the historical struggle of different societies in response to specific “economic problems” is available for anyone to see. Its forms reflect the normative answers which these societies formulated as a function of the specific conditions. Social economy is basically a normative concept, so that its practice should be defined as such, not by applying a taxonomic definition. Despite the fact that this normative character of the social economy agents has priority in any comprehensive and consistent understanding of the social economy, its organizational forms are not irrelevant and they must indeed reflect in their structure and basic mandate the normative content of the movement. Hence the problem of attributing “corporate social responsibility” endeavors to the social economy. As a result of this discovery we can say that it is not actually a matter of the practices financed by the state or by the market, which are of major importance for an observer of the social economy, but rather of how well do they serve their normative purposes.

We will now have to see how we can evaluate social economy in its particular practice from this normative perspective. We know that not all the normative practices fit readily the definition of the social economy, and this is further complicated by the fact that we also need to evaluate the efficiency of the economic practice undertaken in its name. Even though these are complex problems, there are ways to understand them. We must remember that social economy exists in order to meet the human needs of those excluded by the dominant system of the market capitalism.

The accomplishment of needs has two basic normative aspects. First, the human needs can be understood within the framework of the life-needs required for life-capacity development (McMurtry, 2002, p. 218). This is not a mere observation

or a list of basic human needs, such as Maslow's hierarchy of needs; rather, it is a normative statement that it is ethically wrong to deny or limit the access to these life needs. The efficiency of an economy can thus be judged by how well it provides for these life needs. Secondly, for the social economy to be efficient in accomplishing its normative purpose regarding life's needs, it has to become known not as isolated activities filling in the gaps of the existing economic system, but rather as a movement towards the economic and social change: "By opening up this alternative theoretical frame of life, we can start to liberate our practice and theory from the no-alternative dogma of the 'free market' with its 'iron laws' and productivist demands to the actually experienced life-needs of a membership or society at large" (McMurtry 2004, p. 876). Briefly, the definitory feature of the social economy is its ability to accomplish its normative claims both in practical actions to meet the life needs and in articulating these needs beyond the boundaries of a particular organization, as a movement for an ethical economic practice.

### **3. Social entrepreneurship**

We are at a critical point in the lifecycle of the "social entrepreneurship". The concept continues to gain recognition, even though it is neither widely nor well understood. The concept will have to adopt strategic positions in the construction of a strong community of practice and knowledge and strengthen the ecosystem which supports the practitioners, if the aim is to have a positive, long lasting social impact (Bushe, 2010).

But new concepts are introduced all the time. Some are not promoted at all. Others are very popular for a period, after which they decline and are seen as mere passing crazes. Some concepts have constant power and sustained impact. Rarely, a new concept becomes the basis for a whole new field of practice and knowledge. Social entrepreneurship has the potential to become one of these rare concepts which create concepts.

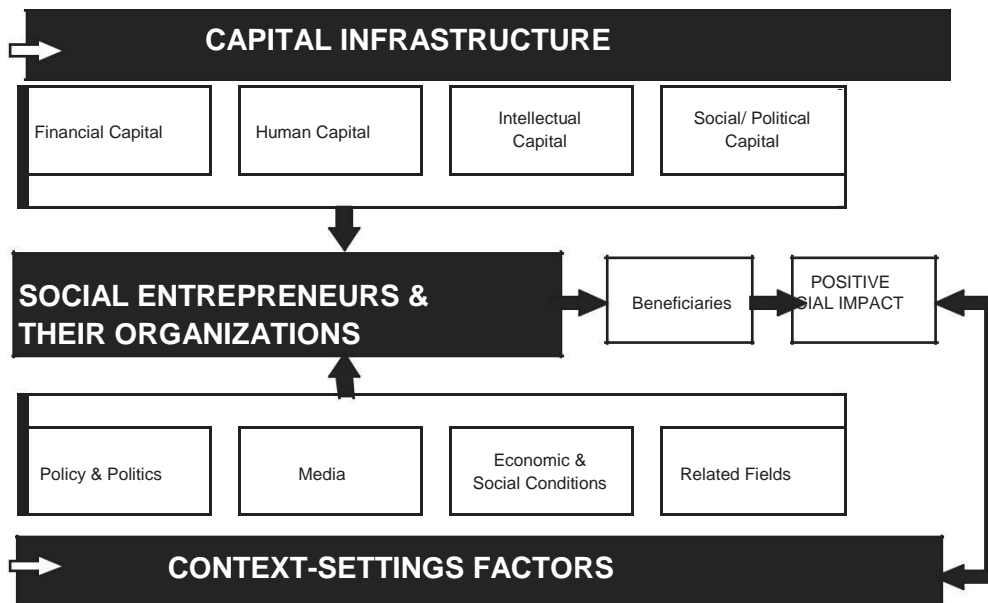
Based on the new university courses and programs initiated worldwide, on the references to social entrepreneurship in conferences and books, on the increasingly wider electronic and print coverage, on the support received from former or current public officials, one can certainly say that the concept gains importance, recognition and respect. This is encouraging for those of us who think that social entrepreneurship is a new important prism through which social change can be observed. However, many attentive observers, supporters included, are concerned that this impulse may pass off or be undermined before this emergent field acquires a solid foundation.

What do we mean when we speak of "building the field of social entrepreneurship"? When we speak about the "field," we are referring both to an arena of practice and to an arena of research, knowledge, and learning related to that practice. This is similar to the "fields" of law, medicine, or business entrepreneurship. "Building" the field refers to more profound knowledge on the field and to a better quality of the practice in this field. The analysis of several examples of good practices in Europe is a good

way to consolidate this type of knowledge. On the one hand, this thing refers to the legal context and to the financial mechanisms required for an effective functioning of the different forms of social economy.

Furthermore, we can say that the practice of the entrepreneurship does not happen in a vacuum, but rather within an ecosystem which can intensify or undermine the efficiency of the social entrepreneurs.

The improvement of the practice calls for changes in the ecosystem. The efforts to “build a field” must be designed having this ecosystem in mind. A framework was thus developed in order to describe the key elements of the social entrepreneurship ecosystem. The elements have been organized in two large categories. The first large category consists of the resources of types of “capital” on which the social entrepreneurs depend for their work, including financial, human, intellectual and socio-political capital. The second large category includes the external conditions that might affect the social entrepreneurs. These conditions consist of four categories: policy and politics, media, economic and social conditions, and related fields. Figure 1 shows this ecosystem, illustrating the richness and complexity of the environment in which the social entrepreneurs operate, as well as various determinants of their effectiveness.



**Figure 1:** Representation of the environment in which the social entrepreneurs operate and determinants of their effectiveness

Source: Created by the authors

#### 4. Social economy in Romania

The characteristics of the social economy in Romania are the following: there is no specific legal framework, just related regulations; there are not enough forms



of promotion and support of the social economy initiatives; there are a significant number of types of organizations that can also perform social economy activities; the field of social economy is insufficiently explored.

The studies approaching the field are not comprehensive enough (they only cover some types of organizations) and provide little concrete estimations on the social economy sector.

Social economy is the syntagma used to indicate those activities in which the obtained resources are directed to the accomplishment of a social purpose and to the support of the community of implementation.

The areas of activity of the social economy organizations are social protection, social services, health, insurances, crediting, agricultural production, education and formation, culture, sport, leisure activities.

Social economy organizations have some basic features: they are private, which means that they are not part of or controlled by the public sector, and their management is autonomous and independent from the public authorities; their mission has a deep social component; their economic activity is aimed at financially supporting the social projects; they adapt their activity according to the specific needs of the community where they operate; they are formally-organized, that is to say that they usually have legal identity, they have autonomy of decision; they are democratic organizations, with the participation of all members; they have freedom of membership; any distribution of profits or surpluses among the user members is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organization.

Applying these characteristics to the social economy from Romania, some organizations will have to be excluded due to their limited functions and to the insignificant social component (for instance, the pensioners' associations, the crediting cooperatives, the craftsmen cooperatives). The social component should be approached, however, not just from the perspective of the mission or of the social projects financed with the resources obtained from economic activities. The professional organizations, even if they do not implement social activities, may generate social impact by increasing the access of the vulnerable groups to the labor market. Significant effects may also be identified in the credit cooperatives, even if basically they are non-financial banking institutions, by facilitating the access to financing of some categories of people who do not meet the eligibility criteria for bank loans (the credit cooperatives grant credits not just to pensioners, but also to the beneficiaries of social aid etc.).

Thus, we can define the social economy entities, in an exhaustive meaning, as organizations owned and controlled democratically by a group of people, joined voluntarily, with the purpose to accomplish economic and social necessities and which generate a significant social impact for the disadvantaged groups (by job creation, by supporting local development etc.). In a narrow meaning, they are organizations with a deep social mission which conduct economic activities, and use the resources obtained, irrespective of source, to fund forms of social support for the disadvantaged groups.

#### **4.1. Typology of the social economy organizations**

The social economy in Romania includes the following forms<sup>1</sup>: NGOs; companies with special treatment (protected workshops); mutual aid organizations (of the employees or retired persons); cooperatives (of credit, consumption, craftsmen, of capitalization, agricultural, housing, fishery, transportation, forestry); pensioners' associations.

##### *NGOs*

They may run economic activities in agreement with the main purpose of the organization. The organizations of public utility can conduct economic activities only as long as the economic activities which are not related to the public utility activities<sup>2</sup> do not form the main activity of the public utility organization, and as long as they bring less than 50% of the total non-profit incomes.

The activities outside the purpose of the organization can be performed only via commercial companies which have the NGOs as single associate. The profit obtained (except for the reinvested profit) is used to accomplish the purposes of the NGO.

The main fiscal facility for the NGOs running economic activities is the exemption from the tax on profit for the incomes from economic activities up to the level of €15,000 in a fiscal year, but not more than 10% of the total incomes exempt from paying the tax on profit.

##### *Companies or organizations with special regulations (such as the protected workshops)*

The protected workshop is regulated by Law 448/2006 modified by GEO 86/2008, Order 60/2007. The protected units are defined as the public or private economic operator, with own administration, where at least 30% of the total number of employees with individual work contract are persons with disabilities. The protected workshops can be organized by NGOs, commercial companies or cooperatives.

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1 We excluded the mutuals active in the field of insurances. They acquire legal personality by decision of the court of law, not by simple registration in the registry of commerce. In the European states, the mutuals involved in insurances are owned by the policy holders, which are to say in the property of the customers, not of the share holders. There are several forms, particularly in the Mediterranean states: tontine, brotherhoods etc. In Romania, except for the special procedure of establishment, there is no other difference from the other companies involved in insurances.

2 Sport for the amateurs, arts, social services and social work, charity, humanitarian aid and, in case of disasters, defence against and prevention of disasters, medical care, social cohesion, social or economic development, social security, civil rights or human rights, consumer protection, culture, democracy, ecology and environmental protection, education and professional training, fight against discrimination, elimination of poverty, health and welfare, preservation of traditions and of the cultural patrimony, animal protection, science and technological innovation.

### *Mutual aid organizations (CAR)*

They are of two types: of the employees and of the retired persons. The mutual aid organizations of the employees are regulated by Law 135/2003 and their object of activity is to “draw deposits, as savings, and to grant loans with interest, which returns to the social fund of the members after deducting the statutory expenditures”. The loans are granted only to the members who have the status of employee.

The mutual aid organizations of the retired persons are regulated by Law no. 540/2002. Members of the mutual aid organizations of the retired persons can be: retired, irrespective of the system of social insurances to which they belong; beneficiaries of social aid; family members – husband, wife, major children unable to work, who are in care of the retired person or of the beneficiaries of social aid.

Unlike the mutual aid organizations of the employees, which only grant reimbursable loans, the mutual aid organizations of the retired also grant non-reimbursable loans, or aids, to cover the expenses with the funerals of the former members.

According to the law, the mutual aid organizations of the retired may also conduct activities, other than their main goal such as: organization of cultural, artistic, tourist and leisure activities; provide services, for a low fee, for the members of the mutual aid organizations of the retired and for the members who are in the care of the retired person or of the beneficiaries of social aid, using the work of its members; run stores selling food products at production prices, management of rest and treatment facilities, organization of repair shops for household appliances, clothing, footwear; supply undertaker services for the deceased members of the organization (making coffins and provide transportation); other actions and forms of social assistance.

### *Credit cooperatives – people’s banks*

These are autonomous associations, apolitical and nongovernmental, whose main purpose is to organize activities based on the principle of the mutual aid between their members.

There are several elements which distinguish the credit cooperatives from the other types of cooperatives: the number of members is minimum 100 for the credit cooperatives, compared to 15 for the consumption cooperatives; object of activity; activity runs to the benefit of the cooperative members; the members can withdraw from the cooperative only one year after they have paid back the last installment for their loan; the cooperative society is an economic agent with private capital, whose members are natural and/or legal persons; the membership is freely consented; the purpose is to promote the economic, social and cultural interests of the cooperative members; the cooperative is owned jointly and controlled democratically by its members in agreement with the cooperative principles. The credit cooperatives operate on the basis of the law for foundations and associations.

The areas of activity of the credit cooperatives are: granting loans and performing banking services; granting, with priority, loans under advantageous conditions, to the cooperative members, agricultural producers, to buy animal stock, forages,

machinery, equipment, agricultural tools, fertilizers and other goods necessary for the development of their agricultural production in own households, function of the refinancing resources; capitalize on the cash savings of the cooperative members and of other persons; take loans from banks; maintain the deposits of the cooperative members and of other natural or legal persons, in open accounts, upon demand, and perform account operations; currency exchange operations; financial-banking operations done by mandate.

### *Consumption cooperatives*

They are regulated by Law 1/2005<sup>3</sup> and they are autonomous, apolitical and non-governmental associations whose main purpose is to organize activities based on the principle of mutual help between the cooperative members.

They supply the cooperative members and the third parties with goods which they buy or manufacture, or they provide services to the cooperative members and to the third parties.

The minimal number of members is 15, and the minimal requirements for membership are: aged 18 or more (and possessing working capacity); Residence in the area of activity of the cooperative; consent to become cooperative member and payment of the admission fee, plus minimum 30% of the subscribed social capital; no conflicts of interests (unlawful competition etc.).

The areas of activity of the consumption cooperatives are: wholesales and retail; eating places, hotels, domestic and abroad tourism; industrial production and provision of services; buying goods from the population and from economic agents and processing them or selling them as such; sales of construction materials, agricultural machinery and equipment, oil products and household appliances, fertilizers, reproduction stock, forages, seeds, saplings, plantlets and other products specific to the agricultural activity; supply of agro-zoo-veterinary services for the owners of agricultural land and for the economic agents, including the rental of agricultural equipment; activities in crops culture, animal husbandry, fishery, apiculture, sericulture; export and import of goods, products and services and exchange of goods with foreign cooperative organizations, companies and firms; cooperation and association with other cooperative organizations, with natural or legal persons, domestic or foreign, participation at the social capital of commercial companies; investment works for own needs and for third parties; advertising and publicity; cultural-educative and sports activities, sponsoring cultural, scientific, technical and sports activities; training and upgrading the professional training of the staff<sup>4</sup>.

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<sup>3</sup> The following types of cooperatives are regulated by the same Law no. 1/2005. There are two types: first tier cooperative society – legal person consisting of natural persons, and second tier cooperative society – legal person consisting of first tier cooperative societies, in majority, plus other natural or legal persons.

<sup>4</sup> The consumption cooperative system has 8 school complexes.

The profit of the consumption cooperative is shared between the cooperative members, proportional with the individual participation in the social capital, in the form of dividends.

#### *Agricultural cooperative societies*

They are regulated by Law no. 566/2004 of the agricultural cooperatives. Their purpose is the joint exploitation of the agricultural land owned by the cooperative members, the joint land improvement, joint use of the machinery and equipment and joint selling of the agricultural products. They are organized by branches of activity (they may be agricultural cooperative societies, service providing cooperatives, processing cooperatives, manufacturing cooperatives etc.).

They are established and they function with a minimum number of five persons. One individual member cannot own more than 20% of the social capital of the agricultural cooperative society.

#### *Craftsmen cooperative societies*

They are associations of natural persons which conduct common activities of production, sales of goods, execution of works and provision of services, which contribute directly, or indirectly, to the development of the craftsmanship activities of the cooperative members.

The most important sectors of activity are those of manufacturing (textiles, leather, artisan work) and provision of services (repairs, maintenance), but also trading.

#### *Housing cooperatives*

Their purpose is to build, buy, preserve, renovate and administer dwellings for the cooperative members.

In Romania they function as real estate agencies. Their number is very small (in 2006 there were just two, in Bucharest and Sălaj, with a total of 46 cooperative members).

#### *Fishery cooperatives*

Their purpose is to establish fisheries and aquaculture farms, to produce, repair, maintain and buy equipment, instruments, installations, fishing boats, to fish, process and sell fish products.

#### *Transportations cooperatives*

Their purpose is to perform transportation activities and related activities for the cooperative members and for third parties, for the technical and economic improvement of the transportation activities performed by the cooperative members.

#### *Forestry cooperatives*

Their purpose is to care, exploit, regenerate and protect the forest land owned by the cooperative members, taking into consideration the regulations of the forestry legislation.

## 5. Social economy in Greece

In Greece, the insufficiency of the institutional and legislative frameworks and the lack of resources are the most important factors that prevent the development of the sector of “social economy” and the promotion of social entrepreneurship, under modern practices. The organizations of the “third sector” are traditionally surrounded by the legal status of associations, institutions, cooperatives, urban/non-profit companies and the legal forms of corporate formations of commercial Law, most of the times, with the legal form of a company of limited responsibility.

More specifically, the development of the institutional framework that concerns the social enterprises – under the notion of the economic activity for the achievement of social purposes – makes an important step forward with the establishment of the The Mental Health Act (Law no. 2716 of 1999). Up to then, the institutional regulation of the “third sector” concerned only the function of cooperatives, unions of persons and associations, without special prediction for other formations of enterprises.

The social cooperatives of limited responsibility [KoiSPE]<sup>7</sup> represent a pioneer legal and economic form of social enterprise in Europe that has been established in 1999, in the aftermaths of the Italian Law of 1991 (social cooperatives A, B) and the Belgian Law of 1995 (company of social expediency). As a legal form, KoiSPE could address many groups of the population and not focus on the socio-economic incorporation and the professional integration only of individuals with serious psychosocial problems. The adoption of this particular legislative policy derives from a) the hindrance of institutionalizing a unique regulating framework for the cooperatives, including provisions for any types of cooperatives, b) reinforcement of the regulative role of their statute and c) the particularity of a specific legal person that does not only constitutes a co-operative union of persons, but also a unit of mental health.

According to the Law (2716/1999, article 12), KoiSPE have as a purpose “the socio-economic incorporation and the professional integration of individuals with serious psychosocial problems and to contribute to their treatment and their economic self-sufficiency, as far as it is possible”.

The multi-partnership and heterogeneity that characterizes the constitution of KoiSPE, allows the attendance of individual with mental health problems in a percentage of 35%, individuals who work in the sector of mental hygiene in a percentage of 45%,

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5 Investigation and Recording of Expedient Legal Forms for the Development of Social Economy and Social Entrepreneurship, EQUAL CRESCENT, Sub-project II (action 4), 2006.

6 For more information with regard to the historical development and the constitutional/ legal consolidation of the function of the cooperatives and other formations of the “third sector” in Greece, during the last century, see the study of Mitrosyli (2007).

7 The Social Cooperative of Limited Responsibility can be considered as a social enterprise that belongs to the category of work integration social enterprise, with characteristics of multi-partnership, with heterogeneous partners and focuses on a concrete group of population with mental health problems.

legal persons of public and private law (i.e. institutions of local self-government) and other individuals in a percentage of 20%. The Law foresees the possibility of employment for the members of KoiSPE, provided that it is written in their statute, and it is determined in their internal regulation. The payment for working in the KoiSPE is proportional to their productivity and their time of work. The funds of KoiSPE come from governmental subsidies and also financing, bequests, the income of KoiSPE etc.

Women's cooperatives of agro-tourism constitute a very promising enterprising activity, mainly regarding the smooth development of rural and island regions, which could be developed and function more effectively, if Greece had a suitable legal framework, based on modern regulations for the social enterprise. Women's cooperatives of agro-tourism, even if their constitution and function fulfills all the social and economic criteria of a social enterprise, are regulated based on the existent legislation for the functioning of rural cooperatives (legal persons of private law, with commercial character), a legislation which does not have the specific characteristics of a social enterprise, but instead it has the characteristics of the social economy.

There is no specific legislation on the development of the new institution of Social Enterprises that would focus on the common utility/benefit and social interest. In the framework of the National Thematic Network for Social Economy, the establishment of a new, unique and legal formation/entity with social effectiveness has been proposed. Thanks to the latter, the organization and development of initiatives of collective character, that combine the exploitation of entrepreneurial methods, adapted in the particularities of the vulnerable groups of people and the local needs, by promoting social purposes, would be facilitated<sup>8</sup>.

By establishing a new legal form the following are sought: guarantee of the compatibility of both economic and social objectives; promotion of a social purpose i.e. creation of job opportunities in favor of specific groups of people; fight against poverty and enlargement of the income base; fight against discrimination and social exclusion.

## **6. Conclusions**

The introductory part of this study explained the concept and practice of economy (that is, the efficient production, distribution and consumption of goods otherwise in short supply) and the social (that is, the space of community where the individualism of the market and the alienation of the state bureaucracy are replaced with community voice and economic activity responding to community needs). It was argued that, in order for the definition of the social economy to develop as a useful tool for observers and practitioners, we must move away from a taxonomy approach, an approach that is

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<sup>8</sup> The basic concept of the National Thematic Network (ETHD) for social economy relies on the "Study of the institutional and legal framework of the social economy sector", during the implementation of the similar action "Social - Interdependent Economy and Entrepreneurship-Local Society: A total Support".

fixated on the institutional form of the practice, and instead more towards a normative understanding focused on the life-needs of the actors within it. In this sense the most important aspect of the definition provided above is its second section: prioritizing the social well-being of communities and marginalized individuals over partisan political directives or individual gain. This is, after all, why people participate in the social economy – not to be non-profit or non-state per se, but to actually make a difference in their own lives and in the lives of others, to build community of one sort or another. They do so because they feel that the existing options available in the capitalist market are not sufficient to their needs or to their community’s needs, however minor or major their understanding of this insufficiency. In order to achieve the normative goals of meeting life-needs and changing the social conditions within which they find themselves, social economy actors must begin to conceptualize themselves not as individual agents, but rather as constituting a part of a broader movement with higher proportions. As the examples of good practice show, what makes the social economy innovative in practice and in theory is the fact the organizations within it are focused on these normative goals rather than on the single-minded and inward-looking activities of for-profit or political power and control.

*Now it is a critical moment of the social entrepreneurship.* There is an overwhelming consensus of its promoters that this concept creates energy which can drive it ahead, but it is still frail and not well understood. Many social entrepreneurs do not identify themselves as such. Among those using the term there are significant differences regarding the successful definitions, values and visions. This aspect can fragment the community of individuals and organizations forming the “field” as it exists currently. The enthusiasm with which some early supporters promoted the social entrepreneurship started to generate a mixture of resistance, skepticism and unrealistic expectations. Furthermore, the ecosystem supporting the social entrepreneurs has major weaknesses that can undermine their efficiency, weakening thus the position of the field.

*The challenges present important opportunities to move the field forward.* Though our respondents were quick to identify problems and challenges, most of them saw these as creating opportunities to clarify and deepen understanding of the concept, forge a vibrant community of practice and knowledge around shared interests, build a knowledge base in which to ground our claims, and improve many of the inefficiencies in the ecosystem, inefficiencies that have hampered performance in the social sector for decades.

*The time is right to make a major leap forward.* Societies around the world are looking for new solutions to pressing social problems. They are particularly interested in approaches that mobilize private initiative, ingenuity, and resources. New questions are being raised that challenge existing knowledge, solutions and old sector boundaries. The window of opportunity is opened for proponents of social entrepreneurship to introduce new models, new ways of thinking, and new frameworks, provided a rigorous base can be established for this work.



*Success will require building a strong community of practice and knowledge, as well as improving the ecosystem that supports social entrepreneurs.* A healthy field depends on two things. One is a sufficient number of interested parties who engage with each other, identify themselves as part of the field, and build a foundation of knowledge for the field. We refer to this as a “community of practice and knowledge.” If this group is very small or highly fragmented, it cannot constitute a “field.” The current loose community formed around social entrepreneurship faces significant challenges if it is to have strength and stability to move forward. In section 1, we identified five challenges that reflect tensions in the community, as they now exist, and we offered potential responses to each. We make a plea for a community that combines rigor with openness and respect.

*Success will also require a healthy institutional and social environment to support the practice.* We refer to this as the “ecosystem of social entrepreneurship.” It includes the resources (financial, human, social-political, and intellectual capital) essential for the success of social entrepreneurs, and the environmental conditions (such as public policy and politics, media, economic and social conditions, and related fields) that could support or undermine the practice of social entrepreneurship.

We already know many of the inefficiencies and challenges in this ecosystem. Unless these are addressed, social entrepreneurs will struggle and their potential will not be fully recognized. More so, we identify challenges and opportunities for improving this ecosystem in order to strengthen the field. We identify five priorities for strengthening the ecosystem (related to financial markets, performance assessment, scale, talent, and business models) and note several other potentially valuable interventions. In the end, the ecosystem for social entrepreneurs should blend support with rigor and discipline.

Of course, the community and the ecosystem work together. A productive community of practice and knowledge will increase our chances of improving the ecosystem. Participants in this ecosystem are likely recruits for the community of practice and knowledge. Building the field of social entrepreneurship requires concerted efforts on both of these requirements.

To conclude, after having analyzed both the legal framework and financial instruments applied in the area of social economy as well as some examples of good practice around Europe, we believe that if the field is to thrive and the social enterprises to be sustainable, it is essential to create a supportive ecosystem for social entrepreneurs. This is so because there is an important difference between business entrepreneurship and social entrepreneurship that should not be neglected. Business entrepreneurs face significant market discipline from both customer markets and financial markets. Customers determine whether the good or service provided creates more value for them than it costs to produce. Investors determine if the venture is likely to provide sufficient returns to justify their investments. For social entrepreneurs, the ultimate test is social impact, and the fact that value is not guaranteed by market discipline. We need other mechanisms.

Thus, it should not be surprising that one important issue is related to the hurdles that entrepreneurs face which endanger not only the validity of their ideas but their own skills to execute the idea. Without some devices to filter out the under-performers, scarce forms of capital and other support will be spread among those who put it to good use and those who do not. When good people are tackling important social problems and often making sacrifices to do it, it is hard to deny them support. We think that they “deserve” it. If the ecosystem is to do its job of enhancing chances of success for the field as a whole, we must mimic this kind of discipline, using the best measures and judgments available at the time. We need to create a healthy, vibrant ecosystem that supports innovative social entrepreneurs, but with appropriate discipline.

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