

The Measurement of Social Economies in Europe

A first step towards an understanding of social innovation

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TEPSIE

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1. Executive Summary

The European Union has recognised social innovation as an important way of tackling social challenges and obstacles. Yet, there are several steps that have to be taken to get a resilient, internationally comparable understanding of central questions, based on empirical research. These questions are: who are social innovators? What are the main problems that should be solved by social innovation? What are the main areas, in which social innovation takes place? Are there patterns that support or hinder the emergence of social innovation?

Basically, social innovations unite three characteristics: 1) They include new aspects 2) They meet social needs 3) They are good for society in the sense that they enhance its capacity to act.

In this paper we hypothesise that the social economy is an important (but not the only) incubator for the support of social innovations.

Understanding social economies from an internationally comparable perspective is a first step towards analysing the organisational landscapes that best support social innovation. Currently research regarding this issue is facing huge data gaps. For a valid comparison of national social economies, we suggest the establishment of a comprehensive social economy information system, suitable for long-term observations, under the leadership of Eurostat.

To achieve this goal we suggest the following steps:

- 1) Merging different schools of thought on the social economy
- 2) Facilitating information flows between policy makers and academics
- 3) Developing and testing a set of indicators
- 4) Designing and compiling the information system under the leadership of Eurostat

2. Introduction

The European Union is a global leader when it comes to innovation and the production of high quality goods and services. However, other regions of the world are catching up. The EU's Seventh Framework Programme¹ aims to strengthen the European Union's innovation performance and enhance its position as a world leader. To date, in most cases, innovation is strongly connected to the technological field. The Framework Programme goes a step beyond this and adds the social sphere as a potential and highly relevant field of innovation. As a result, 'social innovation' has emerged as a new and important field of investigation.

In this paper we focus on one of the main environments for social innovation: the social economy. It seems important to develop an EU wide understanding of what the "social economy" means, which organisations belong to it, how its social and economic value can be estimated, what kind of data exists in different member states and how this data can be combined.

3. What is social innovation and what are its characteristics?

TEPSIE defines "social innovation" as follows:

"Social innovations are new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new or improved capabilities and relationships and/or better use of assets and resources. In other words, social innovations are both good for society and enhance society's capacity to act."²

Thus, three main characteristics of social innovation are:

- First, it is obvious that an innovation has to include new aspects in a broader sense. However, this characteristic suits every kind of innovation, independent from the innovations' focus (technological, social...).
- Second, an innovation has to meet a social need to become the eponymous social innovation. However, this is a necessary and not a sufficient condition.
- Third, to qualify as an innovation in the sense of the TEPSIE core definition it has to "[...] enhance society's capacity to act", i.e. be good for society.

Starting from this understanding, a consortium of six partners³ across the European Union was established to investigate social innovation and identify policies to support its development in Europe.

¹ For further information see http://cordis.europa.eu/fp7/home_en.html Accessed: 11.07.12

² J, Caulier-Grice, A, Davies, R, Patrick, W, Norman, 'Defining Social Innovation. A deliverable of the project: The theoretical, empirical and policy foundations for building social innovation in Europe (TEPSIE)', European Commission – 7th Framework Programme, European Commission, DG Research, Brussels, 2012, 18

³ Denmark: Teknologisk Institut (DTI)

Germany: Ruprecht-Karls-Universität Heidelberg (UHEI)

Greece: Atlantis Symvoulefteki Anonymi Etaireia Atlantis Consulting SA (ATL)

Poland: Wroclawskie Centrum Badan EIT+ Sp z o.o (WRC)

Portugal: Universidade Catolica Portuguesa (UCP)

United Kingdom: The Young Foundation (YF)

In order to understand and promote social innovation it is first important to identify what it is, and this includes gathering statistical data. This is why investigating approaches to the statistical measurement of the field of social innovation is an important topic. On an (inter-)national level, policymakers have recognised the need for measurement to fully understand innovation and its effects on the economy⁴. Some of the main questions that could be answered using statistics on the national level include: “are we as a society spending too much or too little on innovation? Is the investment in innovation yielding expected results? And what can we do to improve innovative activities in the future?”⁵ But the construction of such a statistical macro overview contains serious challenges. When looking at the status quo with respect to existing systems of innovation indicators, it is clear that the entire field is still a ‘work in progress’ and at very early stages of development.

Whilst scholars of technological innovation can look back on a plurality of research, the measurement of social innovation is a comparably new task on the academic and political agenda. Comprehensive information systems are not yet available, most of the existing work is concentrated on discussions at a theoretical level, the derived indicators are not precise enough to be used without further add-ons, and furthermore they do not make full use of existing statistical data, i.e. existing data collection is limited.

To make a first step beyond theoretical discussions about potential quantitative data gathering, we decided to shed more light on one of the main actors involved in social innovation and use the statistical information which is already partly available. We have comprehensive data on the public and the private sector in the EU member states. But when it comes to the social economy there is a huge gap. Therefore, in this paper, we attempt to close this gap and focus on the social economies of the TEPSIE member states.

4. What is the social economy and why is it important for social innovation?

First, we have to recall that social innovation is social both in its ends and its means. It shares this property with organisations belonging to the social economy, namely, mission driven organisations. These organisations are mission driven in the sense that they try to achieve a social mission (i.e. to meet a social need or tackle a social problem) which is different from profit-maximisation. Apart from this social end orientation, they often use social means to accomplish these ends. We will see whether this similarity is just superficial or whether there is a deeper connection between social innovation and the social economy.

Borzoga and Tortia argue that social economy organisations display the following four characteristics:⁶

- Founded out of an emerging need in society – social goal orientation.
- Allocation principles are based on solidarity and reciprocity – social means orientation.

4 The Advisory Committee on Measuring Innovation in the 21st Century Economy, ‘Innovation Measurement. Tracking the State of Innovation in the American Economy’, US Department of Commerce: ix, Washington, 2008, retrieved 15 May 2012, <http://www.esa.doc.gov/sites/default/files/reports/documents/innovation_measurement_01-08.pdf>.

5 The Advisory Committee on Measuring Innovation in the 21st Century Economy, ‘Innovation Measurement. Tracking the State of Innovation in the American Economy’, US Department of Commerce: ix, Washington, 2008, retrieved 15 May 2012, <http://www.esa.doc.gov/sites/default/files/reports/documents/innovation_measurement_01-08.pdf>.

6 C, Borzoga, E, Tortia, ‘Social Economy Organisations in the Theory of the Firm’, A, Noya (Ed.), Paris, 2007, 34ff.

- High degree of participation and democratic decision-making processes within the organisational structure – legitimacy dimension.
- Using a plurality of resources – social means orientation and legitimacy dimension.

It should be noted that legitimacy dimensions are not covered explicitly by the TEPsIE definition of social innovation – yet, we believe that a link can be identified. We have to be aware that at first glance social innovations are value neutral. Unforeseen consequences with negative effects can occur. They can foster a positive change for a specific user basis, ignoring the rest of society. Indeed, some groups might support a social innovation in order to consolidate or secure their own position even if the innovation does not increase the wellbeing of the broader community. Thus, whether a social innovation is good or bad is determined by a political and social framing process.⁷

However, according to the TEPsIE consortium's core definition, a social innovation has to fulfil the requirement of being good for society to be labelled a social innovation. This opens up the following question: how can value neutral social innovations be good for society? To answer this question one could start with the understanding of social economy as proposed by Borzoga and Tortia. The legitimacy aspect of social economy organisations, i.e. democratic decision-making and an organisational culture of participation, can be interpreted as a factor increasing the likelihood of a social innovation being good for society. This is because a democratic decision-making process can be seen as a tool for making sure that an innovation is only carried out when it is perceived as good by the majority of stakeholders.

On an empirical basis we see that these four requirements are being fulfilled by four different types of organisations:

1. Tax exempted organisations (charities) as they achieve their charitable status by contributing to charitable goals, i.e. by following a mission distinct from profit-maximisation.
2. Other organisations that do not solely seek profit-maximisation, due to their legal configuration. The most important feature of these organisations is their participatory nature. This participatory and democratic impetus prevents these organisations from pursuing a private interest. Although they can distribute profit to their members, these types of organisations work towards a collective or mutual goal.⁸ Examples include cooperatives and mutuals.
3. In recent years, the idea of social enterprise, social business and other mission-related hybrid forms of organisation, has led to the implementation of new legal forms which prevent the full distribution of profits in some countries. In contrast to (2) organisations in this category (3) are prevented from distributing their profits in full by law. Organisations in the second category voluntarily choose not to distribute their profits in full (i.e. they are not compelled to do so by legislation)⁹

⁷ For an extensive discussion of the characteristics of social innovations see Young Foundations' Deliverable 1.1.

⁸ A, Evers, JL, Laville, 'Defining the third sector in Europe', A. Evers, JL, Laville (Eds.), Edward Elgar, Cheltenham, Northampton, 2004, 11–42

⁹ One example is the Community Interest Company (CIC) in the UK. Companies that register as a CIC retain their traditional form (as co-ops, or companies limited by guarantees or ordinary limited companies). They have an "asset lock" to prevent the assets and profits being distributed and they have to file a report every year to demonstrate their impact on the relevant community 'of interest'. Another example is the 'Social Purpose Company' created in Belgium in 1995. This status explicitly stipulates that the organisation's mission is to create social profit and not the accumulation of wealth by its associates. Other examples include the French "Collective Interest Cooperative Society", the Portuguese "Social Solidarity Co-operative" and the Spanish "Social Initiative Co-operative". These organisations are perceived as

Finally, there are for-profit organisations that have a clear social mission, i.e. social businesses. Often these organisations have participatory and democratic governance structures that go far beyond the minimum requirements set by legislation. Often legislation does not allow for these organisations to be tax-exempted or to use a legal form as described in (2) or (3). A prominent example is the German fair-trade company GEPA¹⁰ which works under a for-profit legal form. GEPA is highly active in the provision of fair-trade goods, while simultaneously trying to act in a way that is environmentally responsible and sustainable. Of course, we regard this type of organisation as a constituent part of the social economy. But unfortunately it could not be covered by the following research approach, since it would have to be checked on a single case basis whether a for-profit organisation is mission driven or not. That is, there is no reliable data on the number of for profit organisations which are also mission driven.

Figure 4-1 – The range of mission-driven organisations in the social economy

Mission-Driven Organisations				
Type	Tax-exempted status	Mission driven legal forms	Inherent legal characteristics	For-Profit Social Goal Organisations
Description	Organisation is proven to be mission driven due to the tax-exempted status which is given for organizations fulfilling or aiming at a social and/or ecological purpose	Organisation is proven to be mission driven due a legal form that is only accessible for organisations fulfilling or aiming at a social and/or ecological purpose	Organisation is proven to be mission driven due a legal form that shows characteristics that either give hints to mission driven operations or democratic governance	Organisation has a for-profit legal status, but is strongly committed to a social mission. Often a tax-exempted status is not possible due to legal constraints
Example	Non-Profit Organisation, Charity	CIC, L3C	Co-operatives	GEPA
Data access	Easy or less difficult	Easy	Easy to less difficult depending on national data	Only accessible on a case to case analysis

There is some debate about the organisational forms that might be best suited for social innovations to emerge. While it is clear that social innovations can emerge from all sectors, some sectors, and some of the organisational forms in that sector, might be better placed to innovate because of their

mission driven, even though they operate in the market, and therefore belong to the social economy. But the emergence of such legal forms is not detectable in every country in Europe.

¹⁰ GEPA – The Fair Trade Company is Europe’s largest fair trade Company, promoting the obvious fair trade idea and environmental friendly acting. Although the organisations mission is strictly social respectively environmental, its legal form is for-profit. This is because German law does not allow for a trading company to gain a tax-exempted legal non-profit form. For further information in regard to GEPA see: <http://www.gepa.de/p/index.php/mID/1/lan/en> Accessed: 11.07.12

specific features and/or characteristics. We argue that the social economy should be seen as a fertile ground for social innovation and a major contributor to solving social problems. The concept of the 'social economy' can be regarded as a highly prominent topic in academic and political discourses. However, there are many definitions and understandings of the term.

5. Research approach and main findings

Based on this understanding of the ties between the social economy and social innovation, we conducted research into the monetary and structural variables of the social economy. These variables and their scope were well established and covered as part of the “Johns Hopkins Comparative Nonprofit sector Project”¹¹ (JHCNP), where organisations in the social economy were grouped according to their fields of activity using the “International Classification of non-profit Organizations” (ICNPO)¹².

In this report, we have used a two-step grouping procedure for the assessment of the social economy. First, we identified the organisational forms that fit our understanding of mission driven organisations, i.e. (1) being tax exempted (2) having a legal form that indicates goals other than profit-maximisation (3) having an asset lock. The organisations that fitted into one of these categories formed the population we used for our analysis. However, the patchy data situation led to different grades of consistency across the different countries and reduced the possibility of unrestricted comparability between the figures. This approach only offered information regarding the absolute size of the sector and its configuration by legal form. To provide a sense of the different activities conducted by these organisations we enriched the data where possible by grouping the organisations according to ICNPO-Groups, i.e. their fields of activity.

The link between the social economy and social problems is clear; social needs can be classified into different categories (e.g. health, education, and environment) that are parallel to the 11 ICNPO categories (plus one residual group “others”). To give an example, a fundamental social need in the field of “Education and Research” is to promote greater equality of opportunity in education systems. A heavy involvement of the social economy might suggest more efforts to address this or to compensate a lack of public involvement. To give another example, social innovations in the field of the “Environment” might be more feasible, when a high number of social economy organisations (e.g. Greenpeace) draw attention to ecological problems within the civil and political debate. The data used in this report were drawn from work published by official statistics agencies, other institutions with established information systems like umbrella associations for specific types of organisation and from academic publications. The approach described so far eventually led to the following table.

The criteria to select the six countries for the study was pragmatic as the selected countries are represented by the participating partners within the TEPSIE project. In addition, within the countries a wide range of national welfare regimes is covered. The following table provides an overview of the key statistical findings. The remarks, added in the footnotes, consider the limitations and specifications of the national statistical sources and provide necessary information to avoid misinterpretations.

11 UN, ‘Handbook of Non-Profit Institutions in the System of National Accounts’, 2003, retrieved 2 July 2012, <http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf>.

12 The groups are: “Culture and Recreation”, “Education and Research”, “Health”, “Social Services”, “Environment”, “Development and Housing”, “ Law, Advocacy and Politics”, “Philanthropic intermediaries and voluntarism promotion”, “International”, “Religion” and “Business and professional associations and union”.

Table 5-1 : The social economy in selected European countries, key statistical information

Variable	Denmark (2003)	Germany (2007-2011)	Greece (2012)	Poland (2008)	Portugal (2006)	UK (2009/2010)
Structural variables						
Entities total	100,200 ¹⁾	620,944 ¹⁾	57,937 ¹⁾	82,600 ¹⁾	50,288 ¹⁾	300,000 ¹⁾
Organisation density (one organisation covers ... inhabitants, population 2009)	55	132	195	462	211	203
Employees total (headcount)	200,342 ¹⁾	2,203,428 ²⁾	.	.	194,207 ²⁾	2,041,000 ¹⁾
Employees (headcount) per entity (average)	2	4	.	.	4	7
Employees total (FTE)	140,620 ¹⁾	.	.	96,500 ¹⁾	159,950 ³⁾	.
Employees (FTE) per entity (average)	1	.	.	1	3	.
Members total	15,088,000 ²⁾	41,200,000 ³⁾	.	9,950,000 ²⁾	.	91,163,355 ¹⁾³⁾
Members per entity (average)	151	66	.	120	.	304
Volunteers total (headcount)	1,477,000 ¹⁾	25,761,000 ⁴⁾	.	.	.	20,000,000 ⁴⁾
Volunteers per entity (average)	15	41	.	.	.	67
Monetary variables						
Income total in €	12,960,000,000 ¹⁾	.	.	3,130,000,000 ³⁾	.	46,200,000,000 ²⁾
Income per entity in € (average)	129,341	.	.	42,877 ³⁾	.	282,115 ²⁾
Expenditure total in €	12,490,000,000 ¹⁾	89,170,000,000 ⁵⁾	.	2,900,000,000 ³⁾⁴⁾	7,300,000,000 ²⁾	45,700,000,000 ²⁾
Expenditure per entity in € (average)	124,651	143,604 ⁵⁾⁶⁾	.	40,960 ³⁾	160,288 ²⁾	279,062 ²⁾
Share of expenditure in GDP (GDP in 2010 at current prices and current PPPs), inflation-adjusted	7.9%	3.7%	.	0.5%	3.5%	2.5%
	¹⁾ data refers to associations, independent (self-governing) institutions and public utility funds/charitable foundations; data based on the Johns Hopkins Study 2006 (not all organisations of the social economy are included; e.g. cooperatives) ²⁾ 2004	¹⁾ data refers to associations, foundations, gGmbH, cooperatives, mutuals ²⁾ without associations, gAG, VVaG; estimated number of foundations ³⁾ data from 1997 ⁴⁾ estimation ⁵⁾ contribution to gross value added by Third Sector (not all social economy organisations included) ⁶⁾ calculated by social economy entities (underestimated value)	¹⁾ estimation; data refers to associations, foundations, cooperatives and mutuals	¹⁾ data refers to associations, foundations, other social organisations and religious institutions, cooperatives (number of employees does not consider cooperatives) ²⁾ some studies show a higher number of members ³⁾ data refers to associations and similar community organisations and foundations ⁴⁾ in terms of costs	¹⁾ estimation; refers to foundations, associations, cooperatives, baldios, organisations under Catholic Canon Law, religious organisations with legal personality, ZIFs ²⁾ calculation excludes cooperatives and mutuals (except social solidarity and housing cooperatives since they can't distribute earnings) ³⁾ data from 2002; refers to associations, mutuals foundations, cooperatives, LDOs, Holy Houses of Mercy, museums, development NGO, religious worship	¹⁾ data based on the civil society concept (some organisations within this concept do not fit our understanding of "mission-driven"); 600,000 informal, unregistered organisations are not included in the data ²⁾ data based on the voluntary sector (not all social economy organisations are included) ³⁾ estimation ⁴⁾ estimation 2010

Which tendencies can be identified based on the research done so far?

This table is an aggregated version of the findings that resulted from the research completed by the TEPSIE members. Some rough tendencies can be derived from these figures, such as:

- The comparatively high social economy share of GDP in Denmark (7.9 %).
- The small share of GDP in Poland (0.5 %).
- A high organisation density with regard to citizens served per organisation in Denmark (55 citizens per organisation).
- A low density in Poland (462 citizens per organisation).

Some additional tendencies are discussed in the comparative report:

- From a monetary point of view, clusters can be identified in the groups: “Culture and Recreation”, “Education and Research”, “Health” and “Social Services”. Across the TEPSIE members, the organisations in these fields of activity have a higher budget than other fields.
- In terms of the number of entities, there is clustering in the groups “Culture and recreation” and “Social Services”. The same is true for the number of employees. Thus, across the TEPSIE member countries these areas show a comparably high number of organisations with a comparably high amount of manpower working within these organisations.

Yet, although these findings are highly important, this should not detract from the fact that there are severe data gaps from a national (e.g. Greece) and international (e.g. “Volunteers per entity”) perspective. The available data also has to be interpreted with caution as the set of organisations forming the basis for calculation differs from country to country. This can be demonstrated by the UK example.

Table 5-2: Comparison of the total average budget of social economy organisations by voluntary sector and civil society in the UK (2009/2010)

	UK Voluntary Sector ¹³	UK Civil Society ¹⁴
Number of entities total	163,763	300,000
Income total in €	46,200,000,000	217,500,000,000
Expenditure total in €	45,700,000,000	210,000,000,000
Share of expenditures in GDP (GDP in 2010 at current prices and current PPPs)	2.5 %	11.7 %

Table 2 illustrates the huge variation in figures (number of entities, income, etc.) depending on the concepts used and studied. In the UK, data is not collected in terms of the ‘social economy’. Instead, the data collected focuses on the ‘voluntary sector’ (largely charities) and ‘civil society’ (which is very broad and includes universities, housing associations and a range of quasi-non-governmental bodies). Trying to calculate the expenditure of the social economy as a share of GDP using data for the voluntary sector, one gets 2.5%. However, using the data for civil society to

13 The NCVO applies a 'general charities' definition for the UK voluntary sector. This definition, which was developed by the Office for National Statistics, excludes organisations that: are inactive or are duplicates or subsidiaries of other organisations; belong elsewhere in civil society such as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations; have charitable status, but are not independent of government such as NHS charities and quasi-non-governmental organisations such as the British Council

14 Data includes some organisations that might not be considered mission driven in the way that we define it (e.g. universities) and we removed 600,000 informal, unregistered organisations

calculate the expenditure of the social economy as a share of GDP, one gets a significantly higher figure of 11.7%. Neither concept is a good proxy for the social economy; the concept of the voluntary sector is too restrictive and omits many of the organisations that we see as integral to the social economy, while the concept of civil society is far too broad and includes many organisations that we would not describe as social economy organisations. As such, the true figure for the expenditure of the social economy as a share of GDP lies somewhere between the two figures of 2.5% and 11.7%.

In the UK, the total revenue of civil society was approximately €65.6bn in 1995¹⁵ and € 217.5bn in 2009/2010. These two figures are not easily comparable because different organisational populations have been used – the figure for 2009/2010 represents a wider organisational framework. But generally, the figures indicate a trend towards an increase in the economic importance of the social economy.

6. What are the reasons for the inconsistent data situation?

Assessing the social economy statistically across different countries requires dealing with several conceptual and practical problems.

6.1 Conceptual level

Although the social economy is a prominent and frequently discussed topic among scholars, politicians and practitioners, there is no widely agreed definition at an international or national level. In some countries, such as Belgium, Spain and France, the concept is widely accepted. In other countries, such as Denmark, Greece, Portugal and the United Kingdom, the concept is becoming increasingly common. And there are countries, including Luxembourg and Germany, where the diffusion of the concept is weak.¹⁶ The concept of the social economy is often a mixture of more established concepts like the non-profit sector or the voluntary sector. However, a clear distinction between the concept of the non-profit sector and the social economy must be drawn. The non-profit concept lays an emphasis on the profit distribution constraint. This excludes numerous legal forms that we consider to be highly important for the social economy like cooperatives, mutual aid societies, i.e. organisations that combine a social mission with the possibility of profit distribution.

Yet, it is not only observations on the international level that show inconsistencies with regard to the characteristics of social economy organisations. Current approaches to measuring the social economy in the United Kingdom illustrate this point nicely. There are numerous databases offering information on the scope of the social economy (or closely related concepts) like the “NCVO Civil Society Almanac and Guidestar Data Services”, the “2005 IFF Survey of Social enterprises across the

15 This data includes trade and professional associations, charitable organisations, organisations involved in religious worship, NGOs, higher educations institutions, hospitals, organised social movements

16 Ciriec (Centre international de recherches et d'information sur l'économie publique, sociale et coopérative), 'THE ENTERPRISES AND ORGANIZATIONS OF THE THIRD SYSTEM:A STRATEGIC CHALLENGE FOR EMPLOYMENT', Action pilote “Troisième système et employ” de la Commission européenne, year unknown, retrieved 2 July 2012, <http://www.ciriec.ulg.ac.be/fr/telechargements/RESEARCH_REPORTS/dgv_ciriec_fulltext_english.pdf>.

UK” or the “National Survey of Third sector Organisations”. However, even though one can identify more information systems that try to assess the scope of the social economy than in any other TEPSIE member countries, collecting comparable data remains challenging. This is because there is still ambiguity about the definition of the social economy, which leads to narrower or wider definitions than ours being used and that the concepts of the civil society and the voluntary sector are still more important. This translates into statistical figures that differ significantly from study to study. Table 2 illustrates this situation. To give another example, the NCVO Almanac gives a figure of 232,000 social enterprises which is around 15 times higher than the figure given by the IFF study (15,000 organisations)¹⁷. Indeed, it is also the case in Denmark that the general acceptance of a concept does not necessarily lead to a rich and valid database. Here we can find an overall acceptance of the concept, but the most valid data derives from a JHCNP study, which excludes all organisations that might distribute profit to their members (even partially).

Even though many actors have a clear understanding of what the social economy is and what it consists of, one aspect remains unclear; when breaking down the concept of the social economy in order to conduct empirical research a shared understanding of what legal forms to include has to be developed. A good starting point will inevitably be organisations that pursue a goal which is different from profit maximisation and distribution. But is it possible to pin down this orientation? Relevant topics to discuss include the following: can a for-profit organisation belong to the social economy? Or does it require a cap limiting the possible profit distribution? Does the organisation need to produce self-generated income, i.e. income generated in the market by selling goods and services (in addition to traditional non-profit related income sources like public grants and subsidies or private philanthropy)? If this is a requirement, how much of the income sources must be self-generated: 25% or 50%? Is it necessary that democratic decision-making processes are somehow highlighted in the organisation’s governance documents? These questions and challenges highlight the need for a shared definition of the social economy and the development of comparable national data sets on the social economy. This will be discussed further in Chapter 6 “Recommendations”.

The questions above cannot be answered without being familiar with national legal forms. ‘Cooperatives’ and ‘associations’ for example are legal forms that can be found across the European Union. Both forms could be considered part of the social economy. The aspect of a democratic decision making process is fulfilled in most national contexts, as these legal forms follow the principle of ‘one member, one vote’. However, if an emphasis is put on either the term ‘social’ or the term ‘economy’, this can lead to the exclusion of either the association or the cooperative. A stress on the term ‘social’ would include associations, as they are more commonly engaged in areas that would be more easily accepted as ‘social’ areas, e.g. culture and recreation or environment. Yet, if the ‘economic’ dimension is stressed, some associations are not allowed to pursue economic activities depending on the legal configuration. And even if they are allowed to do so the extent to which this is realised is debateable. Fulfilling the ‘economic’ requirement is no problem for a cooperative, as it is a legal form that can easily be located in the private sector. However, cooperatives are driven by the aim of achieving a mutual goal set by the members. But is this idea of mutuality enough to qualify as ‘social’? This is especially critical when taking into account that

17 F, Lyon, S, Teasdale, R, Baldock, ‘Approaches to measuring the scale of the social enterprise sector in the UK’, TSRC (Third Sector Research Centre), Working Paper 43, 2010, retrieved 2 July 2012, <<http://www.tsrc.ac.uk/LinkClick.aspx?fileticket=Rcd7/7PK0CE=>>.

the members' goal might be to foster their monetary earnings. It was not until 2006 that the legal regulations for cooperatives in Germany were revised in order to include the purpose of fostering the members' cultural or social interests as an addition to commercial or earning-related goals.

6.2 The state and the social economy

Achieving an internationally shared understanding of the term "social economy" is difficult because what counts as "social" is highly dependent on a set of basic conditions which in turn are conditioned by the national context.

The concept of the welfare state is closely related to the question of how social goods are provided. This can be done by public authorities or by the social economy. It is obvious that there is a tension between the production of social goods by the state and social goods produced by the social economy. There is a certain competition between the actors of the state and social economy. When analysing national social economies, one has to keep in mind that the fields in which the respective organisations are active are likely to differ depending on the national welfare state regime. In a more corporatist regime, the organisations are likely to collaborate closely with the state. In social-democratic regimes it is possible that the relative importance of the social economy is reduced, as the welfare state is well developed, reducing the need for other actors to contribute to the production of social goods. While in neo-liberal countries it is possible that a welfare state with a more limited service capability leads to a stimulation of the social economy. These examples show the influence of a nationally dependent variable (welfare state regime) that can have a significant impact on the perception and the scope of the social economy.

6.3 Practical level

Although we have seen that the concepts under discussion may differ slightly or significantly with regard to the organisations constituting the population, one must not neglect that even if the concepts differ from each other, the data deriving from them might be valuable for an integrated concept. To get an overview of the available data we will present a schematic overview of four possible data sources.

1. **Official data published by statistical offices:** Generally this data has a very high quality, i.e. the data is reliable. But in most cases it is not focussed on the concept of the social economy. Due to the fact that the data shows a high level of aggregation it cannot be used for estimates focused on the concept of the social economy. One option would be to gain primary data access which would allow more focussed calculations. However, several limitations have to be taken into account. This kind of access is, in most cases, only granted for a limited period of time and is therefore suitable for project based research, i.e. not for a permanent information system that is co-ordinated by a scientific institution without a mandate from a political institution. Other limitations are the requirements that must be met to gain access. These requirements are necessary to guarantee the privacy protection of the entities surveyed. A sample which is used for calculations has to contain a minimum number of entities to guarantee that it is not possible to trace back statistical observations to the entities surveyed. Depending on the sample size available, this can pose a serious obstacle. If a legal form based approach is chosen, our research experience tells us that some legal forms do only occur in comparably small numbers. This limits the possibility of gaining a comprehensive picture of the social economy.

+ Data quality
- Access to data
- Data available does not fit social economy concept

2. **Official data located at bureaus responsible for specific legal forms:** Although this data source is one of the most complete, the collection process contains severe obstacles. First, the data is not gathered centrally (a court in a town can be responsible for a specific legal form in that town leading to a plurality of courts that have to be contacted) making it necessary to negotiate with numerous actors to gain a comprehensive picture of the social economy. Second, in many cases the information available only covers a limited number of dimensions such as the name of the organisation, founding date, founding member etc. Although this makes it possible to get a picture of the absolute number of entities of a specific legal form, it is, in most cases, not possible to group this type of information along fields of activity or to cover economic dimensions. Third, in most cases the information is collected for administrative reasons and not for statistical purposes. This makes copious editing necessary.

+ Data quality
+/- Mostly concentrated on specific legal form
- Access to data

3. **Non-official data from private institutions:** Several publications can be identified that are published on a regular basis (a German example is the federal register of foundations published by the federal union of foundations). Although this can be a promising data source, the data has to be checked in terms of quality, especially if the presented data is based on secondary data. Furthermore, these private institutions focus on specific legal forms in most cases. Thus, this kind of source is only suitable to enrich an existing data source if information with regard to a specific legal form is needed.

+ Access to data (computed figures – not primary data)
+/- Data quality

4. **Scientific publications:** These generally possess good data quality based on detailed research. Nevertheless, this source of data has two major restrictions. First, this kind of work is generally not focused on interval based, long-term observations – in contrast to official statistics. Long-term observations are urgently needed to identify trends and assess the impact of political decisions and programmes on the social economy. Second, the academic community is an area where different competing social economy concepts are identifiable. Therefore it is possible that the population on which the estimations are based is not suitable for one's own estimations.

+ Data quality + Access to data
+/- – Data available represents different sets of organisations
- Not suitable for long-term observations

7. Recommendations

How can the discussed obstacles in measuring the social economy on a comparative basis be tackled, so that the data will provide useful information for political decision makers? First, we describe the targeted objective, and then we explain the major steps that have to be taken to achieve this objective.

We want to make perfectly clear that the following propositions are not focussed on the approach we used for our research. Although we think our approach is promising, we are aware that there is still room for improvement. But nevertheless, the research conducted allows us to identify the gaps and necessary steps that have to be taken to formulate resilient policy recommendations.

Goal 1: Develop a comprehensive social economy information system, suitable for long-term observations (i.e. publishing actualised data on an annual basis), under the leadership of Eurostat

Why does the European Union need a comprehensive information system?

Our research has identified that the social economy makes a significant contribution to national GDP (from 3 % up to around 11% in the UK) with only Poland as an exception and missing data in Greece. Although we recognise its importance as an economic force, the data available only allows us to get a rough idea of the constitution of the social economy. However, we argue that a reliable information system is necessary to pursue a sustainable policy that is oriented towards fostering the development of the social economy. We perceive the social economy as an important contributor to the labour market, on the national and international level, and politicians must be able to detect trends and to react.

It might be true that some social economy organisations are already covered by existing statistics that focus on the for-profit sector (e.g. commercial statistics can include mission driven fair-trade organisations) or specific fields of activity like “social services” (e.g. statistics focused on nursing homes). Yet, these statistics are not fine grained enough to identify the specific organisations that constitute the social economy. We argue that identifying social economy organisations (rather than using proxies such as the voluntary sector and for profit sector) is essential in order to make decisions about the social economy. For-profit organisations and mission driven organisations have to meet different requirements to secure their survival. For example, a stagnation of the for-profit sector offers no information as to whether the same is true for the social economy. Such patterns can only be identified if there is an information system focussed on the social economy.

Furthermore, robust data is necessary to justify that the social economy is placed on the political agenda, i.e. that it is not a topic that can be marginalised. When the social economy becomes accepted as an economic force (and a significant contributor to solving social problems), data can be used to increase the effectiveness of investments by improving understanding of the investees and their needs. However, it is not sufficient to assess the social economy at a single point in time. Policy decisions take time to show an identifiable impact and the European Union is steadily evolving. To understand the interactions between the national social economies and their changing environments, on-going monitoring is necessary.

Merging different schools of thought

There are scholars belonging to different schools of thought, teaching different concepts of the social economy. This is not inherently negative - taking different points of view into account can

lead to a deeper understanding of the concept. However, when it comes to research programmes on a larger scale, such as international comparisons that need to open up new data sources, a shared concept of the social economy is necessary.

As a first step we suggest organising workshops to bring together scholars of different schools of thought to work on a shared concept. However, this concept is not meant as an end in itself but as a concept that will allow the creation of a set of statistical indicators to be used to build an information system. We want to stress that these workshops must be understood as a free space for discourse, yet a goal driven discourse, without a single dominant theory. We suggest this approach for three reasons. First, establishing an information system is a huge effort that needs support from different actors to be successful; with support from the academic community and political decision makers in particular. The organisation of a multi-theory workshop with academics cooperating as equal partners can secure academic support on a broader basis. Second, recent research indicates that the organisations that are the object of our investigation are increasingly becoming hybrids in the way they blend their social mission with economic requirements. This is also true for organisational forms covered by the non-profit concept. Increasing scarcity with regard to public funding has forced traditional non-profit organisations to adopt an economic logic in order to be able to deal with decreasing subsidies and to compete with organisations from the private sector. We believe that this trend can only be taken into account to a satisfying degree, when the different schools of thought are brought together to enrich each other. Third, the different schools of thought have specific strengths and weaknesses which can create synergies when brought together. For example, scholars representing the non-profit concept can resort to a well developed and tested UN supported measuring approach. This approach covers a wide set of variables including monetary and structural dimensions. It is a valuable and promising starting point for the composition of a social economy centred set of variables. In return this set can be reconfigured by scholars of the social economy concept to cover organisational and legal forms that are not yet taken into account by the narrow non-profit concept, i.e. organisations that are mission driven while being able to distribute a part of their profit to their members. We would suggest establishing a concept that consists of different modules, similar to our approach that identifies four organisational types which make up the social economy. The flexibility of including or excluding modules allows adaption to specific national contexts while still being able to deliver international comparative data. This allows politicians on a national level to get an in-depth look into the national state of the social economy while the overlapping active modules allow international comparison on the EU level.

Tying together loose ends

The European Union is offering significant support in terms of promoting the concept of the social economy. The advancement of project driven work seems especially promising. Examples include:

- “TEPSIE – The theoretical, empirical and policy foundations for building social innovation in Europe”
- “Innoserv – Social platform for innovative social services”
- “WILCO – Welfare innovations at the local level in favour of cohesion”

However, there still seems to be space for closer collaboration and greater information sharing between different projects that are conducted at the same time. This process of intensified information distribution has to be achieved in two areas. First, the European Union's decision makers responsible for specific topics within the different bureaus have to be aware of the projects

that could be relevant to their areas of interest. This is necessary for mutual information sharing which could enable researchers to get access to the most recent developments taking place within the European Union and the most reliable data that has been collected, while politicians can easily access the recent findings that derive from the research.

Second, researchers engaged in different projects with specific goals in common need to be aware of each other. We are convinced that there is unused potential that can be accessed if communication and sharing of findings is improved.

Although we welcome the possibility of developing interpersonal networks via participation at conferences or workshops organised by the European Union, the information sharing process does not necessarily require such organisation-intensive events. The Internet and Web 2.0 technologies provide many opportunities for communication and the dissemination of information. It is a standard procedure to create websites for the different projects (like <http://www.siresearch.eu/> as a TEPSIE deliverable), yet these websites remain project bound. A website containing information about other social innovation projects and offering two way communication via forums or wikis would be more than welcome. However, to establish such a website as a research platform we suggest restricting it to specific areas and granting access to the researchers who are working on the specific projects in order to guarantee topic related discussions of high quality.

Testing the created indicators

Research with high quality standards takes time. In the development of a comprehensive information system, time has to be scheduled for feedback loops such as testing the indicators on a sample after adapting them to national contexts. Again, much expertise can be drawn from the work done by civil society and non-profit researchers. The Johns Hopkins framework has been tested and adapted to national configurations in many cases while remaining internationally comparable. When focussing on indicators, help can be requested from “CIVICUS: World alliance”. This organisation has extensive expertise in the creation of internationally comparable indicators.

Setting this information system up as a long-term observation tool

Much work has been done with regard to assessing the social economy at a set point in time, but due to the inconsistent data situation the number of points of reference is rather limited. Although we appreciate these efforts as they give us a rough idea of how the social economy is shaped and the way it is developing, we are convinced that an information system updated on a regular basis is fundamental to get a comprehensive picture of the social economy.

During the course of our research, one of the obstacles we faced was the inability to draw valid and reliable comparisons of the social economy before and after 2000 because of the lack of suitable institutionalised data sources.

Since we are convinced that the social economy should not be perceived as a transitory topic, these limitations need to be overcome. A consistent and up to date information system would allow us to answer questions such as:

- Is the social economy expanding across the European Union in monetary and structural terms?
- Is there a correlation between the GDP and the development of the social economy?
- Is the social economy able to compensate for jobs that are lost in other economic areas?

- What are the patterns that are influencing its shape and its development?
- What correlation can be identified between political programmes and the social economy?

Designing and compiling the information system under the leadership of Eurostat

We are convinced that collaborating with Eurostat, as an institution connected to the European Union, is the most promising and (cost) effective way of establishing such an information system. The participation of Eurostat would have a signalling effect because such a step would require a clear political commitment to this topic. Therefore it could be used to raise awareness of this concept beyond the borders of the political and academic communities. This would simultaneously lead to an increased awareness and use of the data offered by Eurostat. The other reason is a pragmatic one: an information system of this size comes with three obstacles that must be tackled. These obstacles are:

1. Access to data: much of the data that is necessary for this information system is already being collected by statistical bureaus and other public agencies across Europe. However, the data is strictly protected for good reasons. Eurostat working under the political mandate of the EU has the ability and the necessary networks to gain access to existing data, which would decrease the potential cost of this project.
2. A long term information system of this scope requires a relatively large body of staff including skilled statisticians to develop tools, adapt them to national contexts and test the findings for validity, reliability and representativeness. Eurostat has the experience to do this with large macroeconomic and structural datasets.
3. To ensure a consistent level of quality, long term financing of the project must be secured. This requirement would be fulfilled if the information system was integrated into Eurostat's existing data base.

Solving these issues will enable us to have a better understanding of social innovation. Nevertheless, in regard to the analysis of capacity for social innovation, further steps, regarding measurement and definitions, need to be taken:

1. It is necessary to detect structural data on an organisational level to make any statements regarding an organisation's capacity for social innovation. Here it might be useful to know about indicators like employee diversity, income mix, existence of a research and development department, an active innovation management strategy or a policy for multiple stakeholder inclusion. The most useful structural data that gives information regarding the social innovativeness of an organisation can be derived from a comparison between successful and unsuccessful social innovators.
2. We assume that some regions are more successful in coming up with social innovations than others. But we do not know how or why this is the case. We believe that specific preconditions and external factors need to be available for organisations to come up with new and good social innovations. We need to learn more about these preconditions, but they could include factors such as specific mind-sets, the pressure of social problems in a specific region or the income structures within a region. If we can identify these preconditions, we could tailor social innovation support in a more appropriate and targeted way.
3. When measuring the 'social innovativeness' of organisations it is necessary to understand the social problems that exist in different regions first. Social innovators will inevitably

develop solutions that are related to the specific challenges they face in their regions. Understanding the social challenges that exist at a regional level could give us a good indication of the fields in which social innovations are more or less likely to emerge, e.g. in the fields of health services or elderly care. Data on social economy organisations need to be set into and complemented by information about the regional context.

4. A snapshot analysis will give us a first indicator regarding the connection between the structural features of the social economy and the capacity of the social economy to come up with social innovations. However, it will still be necessary to have a continuous monitoring system in place in order to better understand this connection and to refine approaches to measurement over time. Having this in place would dramatically enhance the capacity of policy makers to support social innovations in a more targeted way.

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