Social Economy and Cities

Values and competitiveness for inclusive and sustainable local development

THEMES AND SUBTHEMES
THE CENTRAL THEME

The Forum's central theme is: **Social Economy and Cities: Values and competitiveness for inclusive and sustainable local development.**

Besides incorporating the terms social economy and cities, which is GSEF's hallmark as an international association of local governments and civil society players committed to the development of the social and solidarity economy, this central theme is structured around three main ideas. These ideas are directly related to one of the current debates at European and global level regarding considering the social economy, in its various expressions, as a real and viable option for social and economic progress and development in a different way.

The current concern for the increase in inequality, even in countries and societies considered advanced, has much to do with the growing interest of the European Union and many local and national governments regarding the role that the social economy model can play in generating collective wealth. It is not a growth model that generates activity and wealth to promote its subsequent distribution, but rather, it represents a model that distributes the wealth from the very origin of the activity. At the same time, it allocates an essential part of its surpluses in favour of sustainable development objectives, minimising more restrictive policies or dysfunctions for the redistribution of surpluses.

In these years of severe economic crisis and significant loss of jobs, the social economy has shown a greater capacity to resist this loss, although it has not been entirely immune, mainly due to its more transparent, sustainable and responsible socio-business policies.

From the European perspective, where the city of Bilbao is located, the Forum aims to inform the world and discuss the capacity of the social economy to become a real alternative for the economic and social development of cities, to the extent that is able to adapt, where necessary, to the rules of the game established in the economic model. As well as proposing local development models needing to articulate sustainable, inclusive and viable sectors of activity that contribute a better future to their cities and their inhabitants.
THEMES AND SUBTHEMES

1. Co-creation of public policies

"Co-creation" can be roughly defined as a model for the development and (re) design of public services in which different types of players participate, not only public players, but private players (service users, indirect beneficiaries, etc.). These players transfer and share their experiences, capacities and resources (knowledge, information, etc.) to jointly improve processes (deliberative and decision-making) and public results (more effective, efficient and quality public services), and also to generate greater social value (integration and social cohesion).

We must take into account that in the collaborative processes each citizen contributes and shares values and resources that generate, not only a different result, but also a different environment (public space and power relations) from the one on which it is based. In this way, co-creation is also conceived as a model of social transformation and learning in democratic values, since it helps to strengthen the feeling of belonging, involvement and moral commitment to the community or the group in which they participate.

1.1. Collaboration strategies between local governments and social economy agents

More and more local governments are playing a key role in sustainable development and political innovation, and collaborations between public, private and community players are changing. Beyond the traditional financing/beneficiary relationship, collaborations are being developed between public players and territory players in all stages of the projects, in order to:

- Identify the territory’s needs
- Build shared solutions
- Truly involve the inhabitants of the area in question
- Manage projects on a shared basis
- Conduct a participatory evaluation

These collaborations can take different forms: participatory governance, co-construction of public policies, public-private-community associations, and shared management. They allow greater benefits, such as training and empowering the neighbourhood, while achieving greater ownership and sustainability of the project.
1.2. Public procurement and social clauses

Public procurement plays a very important role in the economy. In the European Union, public administrations spend more than a trillion Euros on procuring goods and services, representing (according to different studies) between 12% and 15% of the Gross Domestic Product, approximately 2000 Euros per inhabitant per year (Lesmes, 2006).

Taking into account this situation, we could think that the Public Administrations could use their ability to influence the market using administrative procurement as an instrument to support their public policies transversally. However, at present, public procurement continues to be based mainly on technical and economic criteria, in addition to the application of the principles of free competition and advertising. Not sufficiently taking into account other more important principles of an ethical, social and solidarity nature.

1.3. Social Economy in public policies

The progressive integration of the Social Economy in numerous public policies has led to the recognition of this sector’s positive role in achieving social interest objectives. This ability to generate collective benefits of the Social Economy has not been ignored by governments at different levels (local, regional, state and supra-state). Indeed, it has been the main rationale that has legitimised the involvement of Social Economy enterprises and institutions in a growing number of policies of differing natures and even the construction of public policies specifically aimed at promoting this social sector.

1.4. The Social Economy in community policy

Over the last three decades, the attention given to the SE by the different community institutions has increased over time, although it has done so intermittently and unevenly depending on the institutions. The important role of the SE in Europe’s social and economic development has gradually been recognised, as well as its nature as a fundamental part of the European Social Model.

The interest of community institutions in involving the SE in social and labour and social integration policies and local development and job creation policies represents essential progress; however, it reveals a narrow conception of the potential and the properties that it can generate in the European society and economy.
1.5. **The Social Economy in the objectives of the 2030 Agenda for Sustainable Development**

The United Nations recognises the important role that Social Economy cooperatives, enterprises and institutions play in the implementation of the 2030 Agenda as part of the private sector. Worldwide, the United Nations estimates that cooperatives have almost 1,000 million members and generate 100 million jobs, representing 20% more jobs than multinational firms. For their part, mutual societies offer health and social protection coverage to 230 million people around the world. Experts also consider that the Social Economy contributes to achieving the SDGs established by the United Nations, especially in the goals related to inclusive and sustainable growth, full employment or decent work for all, inclusive industrialisation and innovation. It is for these and other reasons that SE institutions can become key players in achieving the SDGs, noting also, in this context, the need to proactively favour this sector through the following channels:

- Increase recognition of the role of SE enterprises and organisations in sustainable development;
- Promote knowledge about SE and consolidate its networks.
- Support the establishment of a conducive institutional and regulatory environment for SE.
- Guarantee the coordination of international efforts and create and strengthen alliances that favour the sector.

1.6. **Behaviour of the social economy in critical contexts: economic crisis, institutional crises**

The enterprises and institutions of the Social Economy have suffered the effects of the crisis and the measures adopted to combat it. Jobs and enterprises have been lost and it was hard hit in terms of business results and development. But there is also an enormous strength that defines the responsiveness in comparison with the rest of the business figures and economic players with a strictly capitalist nature.

In general terms, Social Economy enterprises and institutions have maintained the employment and quality of their enterprises, notably surpassed the business morbidity rates of the whole business network and have maintained the creation of added value and wealth. The levels of job and company restoration are paradigmatic. In some specific cases, such as in the Basque Country, we can highlight the great business strength of the MONDRAGON group; which, despite intensely suffering the effects of the economic crisis, which even led to the bankruptcy of one of its cooperatives, has shown a level of resilience in the volume of re-employment in record time with the minimum possible loss for people. Another notable
example is the behaviour of a sub-sector that is particularly sensitive to the effects of the crisis, and which has been essential in maintaining jobs and social cover for the most disadvantaged people, that is, Social Enterprises (Special Employment Centres of social initiative and Insertion Enterprises).
2. The contribution of the Social Economy to the transformation of the territory

The territory, understood in a broad sense, is the main player par excellence of inclusive and sustainable development. A territory understood not only as a geographic area, as a physical space, but also as a set of players, of possibilities, of potentialities, both tangible and intangible, a space with a common cultural, historical, social, economic and environmental path, which leads to a specific reality and a particular endogenous potential for development, which conditions economic growth, in particular, and sustainable development, in general. Related to that territory there are certain factors and socioeconomic characteristics that give it a particular identity and which can promote an inclusive and sustainable development process. And among the different components of the territorial framework, the Social Economy progressively appears as complementary, in some cases, and alternative, in others, to the traditional Economy.

One of the inherent values of the social economy is the social responsibility and commitment of its agents, as the main players of their development and that of everyone.

Its contribution to employment, social inclusion, social innovation, internal and external commitment, knowledge of the territory where the activity is carried out, etc., promote the importance of its impact in the territorial area.

The social economy can also contribute to the European Union’s aspiration to turn Europe into the most competitive and dynamic knowledge-based economy in the world, capable of growing economically in a sustainable way, with more and better jobs and greater social cohesion, reinforcing territorial cohesion and advancing in new paradigms of governance.

2.1. Entrepreneurship and Social Innovation

In recent years, innovation and social entrepreneurship have achieved great relevance, showing the social implications of these initiatives on economic and social development. Currently, it is considered that the economic development and welfare of society involve the consolidation of hybrid organisations combining social and commercial practices interchangeably.

Globally, the search for disruptive processes to tackle the growing social problems has been accompanied by the recovery of collaborative work models, self-management and co-creation that incorporate the vision and contributions of the various players in society (State, private sector and civil society). Social entrepreneurship represents one of the processes through which social innovation is developed, characterised by its focus on generating solutions to social problems based on entrepreneurship under business models that guarantee its
economic and social sustainability, empowering communities who receive innovation as an active subject in the entrepreneurship development cycle.

2.2. Socially Responsible Territories.

According to the European Economic and Social Committee, "a territory can be defined as socially responsible when it focuses its own development towards sustainability issues; that is, when it integrates the economic, social and environmental dimension into its own development. A territory that manages to integrate social and environmental considerations into its economic decisions; share a model of values and a participatory method in decision-making processes; favour good practices and permanent interaction between stakeholders, in order to encourage innovation and competitiveness, can be considered as a socially responsible territory."

Current economic and technological development creates an enrichment that in many territories represents unequal growth, causing a risk of social and labour exclusion and environmental degradation. Creating Socially Responsible Territories involves developing policies that respond to the territory's specific problems, seeking the collaboration of the agents involved and taking into account not only the economic value but also the social, ethical and cultural wealth values.

2.3. Social innovation ecosystems.

Social innovation ecosystems are environments in which multiple initiatives are being created that stimulate social and competitiveness processes, productive development and innovation in different territories.

Currently, among the different players involved in the social innovation ecosystem, there is a growing interest in determining variables measuring the different initiatives and their potential social impact, in order to be able to back those that have a greater capacity to scale and cause a deep-rooted change. "The innovation ecosystem brings together a wide variety of players, from foundations, academic centres, private initiatives and civil society, to universities and public and financial institutions. Many of these entities focus on influencing the social innovation ecosystem by creating and revitalising networks, the connection between entrepreneurs and investors and other collaboration mechanisms between different players". (Source: COTEC report. Social innovation in Spain 2016).

2.4. SE and citizenship in cooperation: transformation binomial.

Social economy organisations as a whole make up the baseline "scaffolding" in the social construction of civic identity and in the daily exercise of citizen participation. They contribute
to extending general welfare through participative practice of individual, associative and collective subjects, they provide density to the social fabric and favour the integration of people and groups.

Research on the social economy coincides in highlighting the need to preserve the independence of organisations and reinforce their social and participatory side in the development of a fuller community life, based on citizen collaboration and consensus in the development of a more participatory and cooperative democracy among the different players involved in welfare. At present, access to the scope of public decisions by citizens requires the mediation of social organisations that take on strategies aimed at promoting the activation and transformation of so-called social capital into political capital.

2.5. **SE and its contribution to post-conflict processes.**

The post-conflict era means thinking, planning and executing actions for when the conflict is over. With this vision, in the conflict and post-conflict there are multiple factors and players requiring and demanding integrated and coordinated solutions, making the process to reach a post-conflict era and the long-awaited peace more complex and challenging.

Considering the situations of poverty and inequality that usually underlie conflict situations, organisations and civil society must manage economic initiatives, adequately understand the problems and propose solutions, learning and using new skills and knowledge. The role of social economy institutions, NGOs and the third sector acts as a bonding agent in social life, since after a conflict, society needs a network of institutions to bring together and bond citizens, and bring them closer to social life.

2.6. **The Basque System of Local Development.**

The Basque model of local development is conceived from the general perspective of Basque policy for territorial, social, economic and environmental cohesion. Just as enterprises need to innovate continuously in products and processes, the agents involved in territorial development also need to innovate continuously in the way in which the territorial players interact, because it is no longer sufficient to define a good interaction model, but rather, we need to develop the capacities to continually rethink that model. This is the idea of the Basque system of local development, the link between local economic development processes and the articulation of territorial players to define their future. For this it is advisable to have associated institutions among the different local social players, such as through local development agencies that act as the main mediating instrument in territorial economic development. The Local Development Agencies in the Basque Country respond to the territorial economic development approach, which is essentially based on the best use of the potential of endogenous resources, in order to increase the level of employment and sustainable economic growth at local level.
2.7. **MONDRAGON's Story**

MONDRAGON is one of the most emblematic and long-lived practical experiences in the world of Cooperativism and Social Economy in its various modalities and sectors. MONDRAGON has become the paradigm of industrial development in Spain thanks to an unconventional formula: cooperative worker ownership. Mondragon's cooperative movement, which always had the main purpose of a fairer and more solidarity-focused enterprise based on respect for the freedom, dignity and development of the individual and the community, is today an international benchmark of the Social Economy, willing to open and share its experience with the cities and agents that will take part in the Forum.
3. Challenges for the growth of SE institutions

Social economy institutions have important challenges related to their capacity for growth. This sub-theme focuses on discussing and sharing the factors that favour and inhibit growth, both internal or external factors. The European Commission has indicated that social economy enterprises show great potential for growth due to the increase in “the demand for social innovation and the increase in new technologies and collaboration platforms”. However, - the Commission highlights - that these enterprises still have difficulties in obtaining funding and support, especially due to the "lack of recognition and understanding of their economic potential and insufficient exploitation of new technologies" (Commission Communication: Leaders of tomorrow's Europe: Initiative on emerging and expanding enterprises”. 22.11.2016). The Forum wishes to share this European view of the challenges for the growth of SE institutions, with other regional perspectives, so that the interaction between different realities provides a shared view of the common challenges that must be overcome in order to promote the growth of the social economy.

3.1.- International view in Social Economy institutions: financing instruments, visibility and regulatory framework

The internationalisation of social economy institutions can be said to be a recently included "subject" in the context of the growth of social economy institutions. In general, with some exceptions, the size of the enterprises in the social economy inhibits their competitiveness. The majority are micro-enterprises, with an average of 15 workers where the professionalisation of management must be improved and the activity does not have international perspective, for which it is necessary to have financing that guarantees the expansion and development of the initiatives.

On the other hand, and as well reflected in the reports written by the European institutions in their work on promoting the social economy, there is still a significant lack of external visibility, some ignorance of the impact generated by the activities of social economy institutions, as well as a lack of regulatory frameworks at state level that would promote greater and better development of these entities.

3.2.- Experiences of alliances between Social Economy institutions

Taking this report as a reference: “The social economy in the European Union”, prepared by CIRIEC for the European Economic and Social Committee in 2012, the plural and multiform nature of the social economy requires the presence of strong representative organisations of the different groups of enterprises and organisations that comprise it. However, the identity shared by all of them and the core of common interests that unite the SE raise the need and convenience of making unconditional efforts for associative structuring of the whole SE, both nationally and internationally. The more visible and powerful the collective image projected by the SE, the more possibilities for development and effective action each of the groups of agents
that comprise it will have. In this sub-theme, the aim is to share experiences of alliances among social economy institutions that focus on consolidating activities and generating their greater visibility, both locally and at the level of interaction with policy makers.

3.3.- Generation of funds and other tools for the creation and support of Social Economy initiatives

The funding theme was included in the Montreal Forum as a key factor for the development of new social economy enterprises and to enable the growth of existing ones.

In this way, the Council of the European Union, in the conclusions document drawn up after the Council meeting on “Promotion of the social economy as a key driver of economic and social development in Europe” of December 2015, highlighted the need to analyse which financial instruments are the most appropriate and to promote their dissemination at all levels, in order to establish a global financial ecosystem and enable the development and growth of social economy enterprises. Also advocating to facilitate access to information on funding possibilities for social economy enterprises.

3.4.- Democratisation of governance models of SE institutions.

As indicated in the White Paper on Social Economy: “social economy enterprises are equipped with a democratic structure based on a participatory management model, and therefore democratic governance is one of the foundations of the Social Economy. In line with the “one person - one vote” principle, active participation in the decision-making is not dependent on capital ownership. This favours the involvement of all members and guarantees the independence and autonomy of Social Economy enterprises and organisations”

Elaborating on the democratisation mechanisms of governance models of social economy institutions requires backing the empowerment of the people who make up the organisations through training, information, transparency, strengthening of skills and abilities, etc. It is ultimately about sharing experiences and proposals regarding the governance models of the various expressions of the social economy.

3.5.- Monetisation of the social value of organisations. An interest group-based approach

“Social economy enterprises have a capacity to generate wealth which is not confined to financial capital but embraces also and mainly social capital”, states the White Paper drawn up by Social Economy Europe, the reason why the European Commission wants to measure the impact of social enterprises and expects this measurement to yield positive results in terms of investment and access to funding.

However, the Social Economy, in addition to taking advantage of the fair wind provided by this desire of the European institutions, must also follow its path and tackle the measurement of its social value from an inclusive approach, such as taking into account its stakeholders. It is from
the relationship and impact it generates with its interaction that an interesting field of work opens up to monetise the social value of social economy institutions and thus address, from the quantitative measurement perhaps, the social impact of the activities.
4. The future of work and employment: The role of the SE

Although trends such as demographic change, cultural diversity, the reconciliation of work and family life, changing work environments or the convergence of technologies are already quite clear developments, other disruptive events could transform the labour market in an unexpected way: reverse migration, changing values of employed staff or artificial intelligence and robots. According to estimates, 45%-60% of working people in Europe could be replaced by automation before 2030.

On the other hand, while some warn about the risks of technology, for other experts, this greater technological progress could lead to new job opportunities or even to a worldwide revival of creativity as long as people are freed from the need to work to live.

4.1. The value of work in society.

The financial crisis has become a social restructuring process that has devalued the value of work and citizens' rights. Reversing this process requires trying out new formulas or enhancing existing alternatives.

People who are forced into self-employment look for an alternative to the extreme precariousness involved in being a dependent self-employed worker. They can be grouped in a work cooperative.

Others, determined to create their own company, find a way to do this more in line with their values in the cooperative model. And, in addition, the social economy - cooperatives and public limited labour companies (SAL) - continues to be a way of restoring or perpetuating enterprises. The cooperative is also a way of gaining size without giving up the project of having their own company.

4.2. The productive/reproductive work binomial.

As an economy becomes commodified and family income increases, an increasing part of reproductive work becomes paid work. Some reproductive tasks are transferred from the domestic sphere to the market, such as day-care centres, laundries or the sale of food on the street or in restaurants. Many of these services operate almost exclusively with women, but in this case their work is paid and statistically visible, at least when it is part of the formal sector. However, it is still "reproductive" work since it contributes to maintaining the labour force and social reproduction.

Reconciliation between work and family life, care, informalisation of paid work or equal opportunities are key issues related to the role of the social economy in the productive and reproductive work binomial.
4.3. Irruption of technology and disappearance of jobs.

It is acknowledged that technological changes are a fundamental driver of growth and development. It is a dynamic process involving both the elimination and creation of jobs, and the transformation of existing ones (ILO, 2016). The "collaboration" economy or "virtual platform" economy, characterised by the exchange of goods and services between peers and tasks performed over virtual platforms or mobile applications, is distinguished by its participation and growth dynamics for the future of work (De Stefano, 2016).

For some people, the platform economy represents an economic opportunity; however, there is increasing evidence that they create unregulated markets with atypical forms of employment, undermining employment relationships and increasing self-employment, leading to greater insecurity for workers, deterioration of employment conditions, and the suppression of social protection rights (ILO, 2016a). A possible response to the deterioration of the employment relationship characteristic of the platform economy is the creation of social economy enterprises, since they strengthen the workers' voice and representation.

4.4. Education and young people, ensuring the future of the SE.

In order to address the issue of youth employability in the future and reduce the growing disparity between labour supply and demand, continuous inclusive education is identified as an appropriate strategy. This solution could also help with the issue of the much-needed adaptability to a rapidly changing world of work in which individuals must change jobs and accept short-term jobs. In addition, it would be advisable for everyone to acquire interpersonal skills in communication and professional networking, and that these skills are not only acquired during higher education.

Among other alternatives, it is considered that vocational training and learning in the workplace can create better links in the transition to employment. The quality of the learning is very important, since it can determine the path to enter the labour market. Therefore, a training experience and not a normal job should be guaranteed.

4.5. Social-labour inclusion and Social Economy.

Integration companies and Special Employment Centres of social initiative are created as an instrument to fight poverty and social exclusion the first and for the improvement of the social and labour inclusion of people with disabilities the second ones. They are business initiatives combining business logic with job placement methodologies. These companies are not outside the economy’s conventional processes, since they produce goods and services, improve the environment, enhance services to people and foster quality of life, whilst being profitable and competitive. Besides assessing their economic profitability, it is very important to highlight the
profitability in social aspects, since the beneficiaries cease to be passive and dependent and start to contribute to society everything that they had previously been denied.

Social Economy enterprises are characterised by a series of differential principles, among which we can highlight the enhancement of the human being and the generation of social value over economic and financial results. Thus, from equal opportunities and diversity, besides offering stable and quality employment, Social Economy enterprises can act as a way of standardising and disseminating the socio-labour integration of people at risk of exclusion and of people with disabilities.

4.6. Business transformation through the Social Economy.

The economic, financial and identity crisis, with serious social, political and cultural consequences among broad sectors of society, especially young people, women and the population at risk of social exclusion, is an opportunity for companies in the social economy in general and cooperatives in particular to be the agents of transformation. Social entrepreneurship is one of the ways of generating employment and achieving an alternative socio-economic development model that incorporates and improves social welfare especially for men and women excluded from the labour market. It is found that the solidarity-focused business sector has become the means to guarantee, to a large part of society, opportunities and new alternatives leading to an improvement in the quality of life.

In addition to the traditional start-up processes of Social Economy enterprises by collective entrepreneurs (e.g. cooperative worker ownerships and labour companies, in which the majority of the capital is owned by the workers), cases of transforming companies in crisis or on the verge of closure, which before closure, decide to become cooperatives or labour companies to maintain employment and productive activity are becoming more and more relevant.