

SOCIAL ECONOMY IN EUROPE BETWEEN THE CONCENTRATION AND THE MICRO-BUSINESSES

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ABSTRACT

In this study we will consider European social economy organizations as an alternative to conventional public and private production, stepping in as the state gradually withdraws from many activities to favor others which increase the competitiveness of the country. Although the concept of a social economy or third sector is a very broad one and in each European country comprises different social forms, authorities within the E.U. now generally consider these organizations to consist of co-operatives, mutual societies and associations, each of which hold a different legal status, but whose common characteristics more than commend them to the task of taking over certain social services from the state and of mobilizing groups who are searching to satisfy a need and/or defend their identity as a collective. Also examined are the effects of economic globalization which have led to the establishment of two opposing movements: on one hand a tendency towards demutualization on the part of certain traditional forms of social economy such as the large mutual and cooperative societies, and on the other, a tendency on a local scale towards the formation of micro-businesses.

THE THIRD SECTOR IN EUROPE: CONCEPTUAL DELIMITATION

The third sector or social economy organizations play an increasingly important role in a Europe which, as an example of an emergent society, demands the development of socially responsible initiatives in the field of economics. European and national institutions are conscious of the growing interest sparked by these organizations and of the role they could play in a changing Europe (Conclusions of the Birmingham Conference. <http://www.poptel.org.uk>). The principals shared by these organizations are what have made them a deserving alternative to a public and private capitalist economy.

There is widespread unanimity in European regarding organizations within the third sector, nevertheless the classification of these organizations given by certain member states is broader than others so that these new social forms may be encompassed. It was, more specifically, in France in the 1970s where the initiative to delimit social economy organizations, including cooperatives, mutual societies and associations first arose. Moreover, this process which had originated in France broke through national boundaries and was consolidated by its recognition on the part of the European authorities as a Social Economic Unit within the DG Enterprise (www.europa.eu.int/comm/enterprise/entrepreneurship/coop/index.htm).

No unanimously accepted conceptual delimitation of these organizations yet exists as associations, mutual societies and co-operatives have differing legal statuses and, by the same token, organizations operating in different member states of the European Union each have their own singularities. However, the Social Economy Charter signed in 1980 which formally recognized this third sector, outlines the principals which should govern the tasks of these organizations (Archambault, 1993): the direct participation of members and solidarity with them, an autonomous, democratic organization independent

of government, goodwill on the part of management, an understanding that maximum profit should not be the ultimate aim governing the actions of the organization and that capital cannot be distributed.

It is indisputable that globalization and the intensification of competition on one hand, and the restructuring of the social welfare services on the other, are responsible for the formation of two opposing movements in Europe. A consequence of the first is the demutualization of many social economy organizations and the second is the emergence of self-help groups which have opened the way for numerous initiatives within the third sector.

CONTRADICTIONARY TENDENCIES FOR THE SOCIAL ECONOMY IN EUROPE.

Traditionally, each of the social economy organizations has possessed its own features making each one particularly suitable for carrying out specific activities. In this way these non-profit making organizations have largely taken on cultural or social service activities (good examples include the German welfare associations, private Dutch organizations dedicated to work in public services and the associations of suppliers to social services in Austria); on the other hand, mutual societies, which specialize in the area of assistance, have traditionally concentrated on social and health insurance (as demonstrated by many experiences across Europe, for example, Mafre in Spain, Macif in France, Unipol in Italy and Folksam in Sweden); and, finally, the co-operative societies are those which are most highly developed with respect to production and distribution of all kinds of goods and services in any branch of economic activity (credit, agricultural activity, transport, accommodation, etc.) Hence, their recognition as economic agents with a status and conditions equal to those of any other (it suffices to mention Mondragón Corporación Cooperativa and ANECOOP in Spain, Rabobank in Holland; Cop-Bank in the United Kingdom or the KF group in Sweden).

In spite of the many experiences and successes harvested by the social economy in its traditional fields of activity, it nevertheless has been perceived that there are two completely distinct tendencies emerging in Europe which, as stated above, are the response to the process of economic globalization and the restructuring of the social welfare services which have been taking place since the end of the last century.

On one hand, “demutualization”, i.e. the tendency of large co-operative or mutual societies either to slide towards capitalist forms of society, to create instrumental mercantile societies as a flexible form of growth or to find themselves immersed in large-scale mergers with companies not belonging to the social economy, has been the response of many organizations¹ when faced with the effects of globalization. In the case of co-operative societies, this process has been fostered through legislation which has allowed the distortion of cooperative principals.

At the other end of the scale are micro-businesses which, in various ways, aim to encourage development at a more local level. These have opted for network structures as a logical way of expanding, formal and/or informal inter-cooperation relationships allow for adaptation strategies which are both dynamic and flexible but which are also firmly rooted in their particular fields and are a response to new business initiatives and to the abandonment, on the part of large businesses, community and national institutions, of the underprivileged. This tendency coincides with one of the three hypotheses on development and social economy in the European Union put forward by Westlund and

¹ Practical cases can be found in: Barea *et al.* (1999) and Bager (1994)

Westerdahl (1996) and confirms some of the cases analyzed: the hypothesis of a local identity based on a growing need to find a regional identity as a reaction to the phenomenon of globalization.

At the present time the scope for social economy activities has widened in order to encompass new functions² taken on by associative movements leading to the formation of initiatives for social reintegration (special employment centers, occupational workshops, partnerships etc.), responsible consumerism (consumer organizations, fair trade, etc.) and the protection of the environment and rural development (ecological agriculture, bioclimatic architecture, recycling).

CONCLUSIONS

The first barrier anyone wishing to study the situation of the European third sector will come across is the fact that no agreement exists as to exactly which organizations constitute it. In Anglo-Saxon countries there is a tendency to identify the third sector with the non-profit making organizations, while in Spain a consensus has been reached which includes associations, co-operatives, mutuals and, more recently, foundations. Their legal statuses, recently drawn up by the European Commission, differ, but they do share certain characteristics, the mainstay being the democratic participation of members who have voluntarily joined an organization which is autonomous and independent of government.

The ambit of these third sector organizations is ever widening and now covers a multitude of economic activities. Their most surprising feature, however, is their capacity for innovation and adaptation to circumstances. From here emerge groups of citizens who organize themselves with the aim of developing experiences to fight against social exclusion, as well as others who, in order to find work for themselves set up self-employment schemes.

At completely the other end of the scale are the recent processes of expansion (as in the case of certain mutuals and insurance companies), internationalization (the case of certain co-operative societies), mergers, the creation of groups and even the use of conventional mercantile businesses as instrumental societies (the case of certain foundations) all of which reveals that the demutualization phenomenon, generated in many cases by the merger of assets, is the result of the adaptation of many social economy organizations to current economic globalization.

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²Various cases within the European Union are found in the European Commission project (2001): "Co-operatives in Enterprise Europe" and in Westlund and Westerdahl (1998).