
What is the social and solidarity economy?

A review of concepts

OECD Global Action Promoting
Social & Solidarity Economy Ecosystems



OECD
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Promoting
Social & Solidarity
Economy Ecosystems



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What is the social and solidarity economy? A review of concepts

Produced as part of the OECD Global Action on Promoting Social and Solidarity Economy Ecosystems, funded by the European Union's Foreign Partnership Instrument, this paper provides a framework to clarify the core notions of the social and solidarity economy, along with social economy, social enterprise, social innovation and other related notions. The objective is to explain what they are and understand how these notions have evolved in recent decades. It also aims to capture and document the great diversity within social and solidarity economy organisations in terms of purposes, legal entities, business models and practices to help better characterise the "population" of social and solidarity economy entities.

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Executive summary

Global crises combined with growing calls for sustainable and inclusive development have increased awareness and importance of a set of economic actors, neither public nor for-profit, that implement alternative business models: the social and solidarity economy (SSE). The SSE is among several terms used to designate these types of models, such as the third sector, the social economy, the solidarity economy and the non-profit sector. However, while partially overlapping, they do not always coincide, reflecting in large part the different social, economic, legal and cultural contexts in which they have developed.

The models can be traced back to antiquity and even prehistoric times, long before the term SSE (or related) was even used. Initial forms of community-based and risk-sharing emerged to provide some degree of collective security, as in the case of Egyptian collective relief funds, Greek mutual societies that funded burial services and Roman craft-based guilds. In some regions, such as North America, contemporary SSE initiatives align with Indigenous values such as sovereignty, transparent consensus building and environmental stewardship, which have been shaped and transmitted for millennia. Over time, many other initiatives have been developed to provide innovative and alternative approaches with a social purpose to address societal needs as well as to fill gaps left by the market and the state.

Today, the SSE (or related notions) makes a significant contribution to social and economic development across the world. In the European Union, the social economy employs over 13.6 million people, namely 6.3% of the total working age population. In Colombia, the solidarity economy represents about 4% of gross domestic product (GDP), and in Mexico, the social economy accounts for 3.2% of overall employment and 1.2% of GDP. At the same time, growing political interest in the SSE has increased the number of supportive policies and legislations on the SSE (or related fields) in many countries, not least as it plays an important role in spurring social innovation by devising place-based solutions to social and environmental challenges often through the mobilisation of local actors, such as citizens, policy makers, researchers and businesses.

The SSE encompasses a rich array of entities, diverse in terms of purposes pursued, legal entities, size, outreach and sectors. The concept of the SSE developed from the merging of two notions: the social economy and the solidarity economy. Historically consisting of associations, cooperatives and mutual societies, the social economy has recently extended to include foundations and social enterprises, while the solidarity economy also includes more spontaneous community-based initiatives emerging at the grassroots level. The resulting plurality of organisations, purposes, practices, business models and legal entities that have emerged across OECD member states and beyond makes it challenging to develop a common definition of the SSE and clear delineation of its scope. Among the diverse notions, the SSE is the most encompassing term and is increasingly used by practitioners and academics, as well as at the international level.

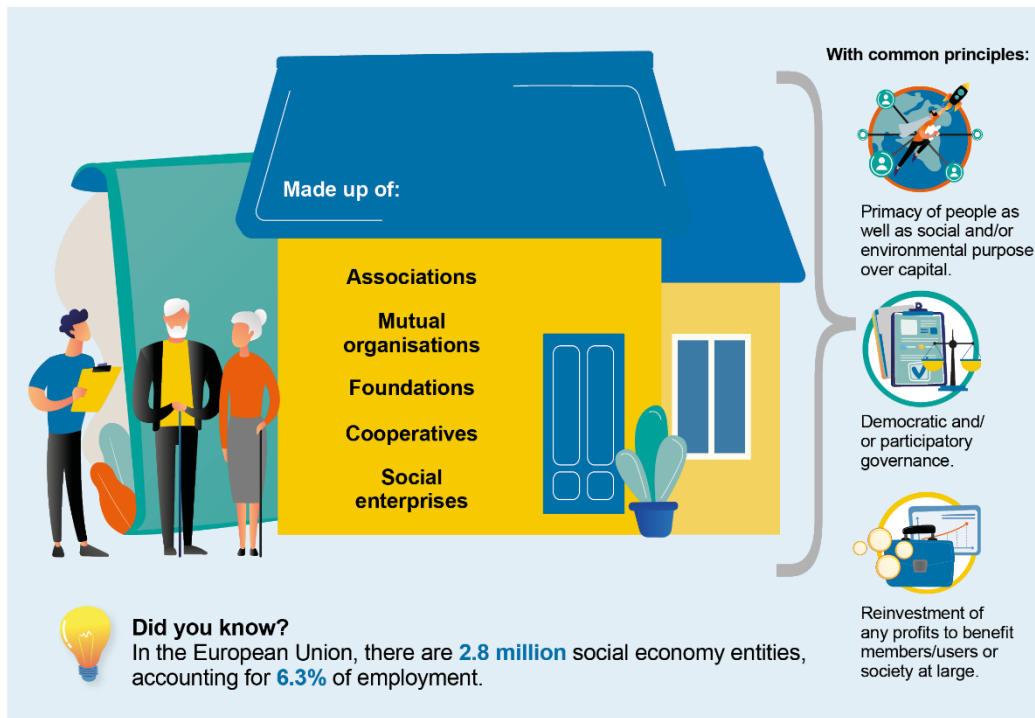
Despite its great diversity, SSE actors share common principles and practices. SSE entities pursue social goals and operate, often at the local level, in a manner that prioritises social impact over profit maximisation for personal enrichment. SSE entities can be characterised as non-profit or not-for-profit,¹ which also includes entities such as social enterprises where profits are generated, albeit to favour social goals and the positive benefits for individuals and communities rather than the remuneration of capital owners. They allocate ownership rights and organise decision-making processes differently (e.g. collective

ownership and democratically informed decision-making), enabling the mobilisation of a diverse set of market and non-market resources. Collaboration and co-operation are core values of SSE organisations, enabling them to develop partnerships with other SSE entities as well as public and private actors to achieve social objectives and access resources.

Growing political attention and efforts to recognise and support the SSE (or related notions) call for clarity about what it is and is not. Definitions will not only allow for comparability across countries on the role played by the SSE. They also provide the basis for better policy support, not least in determining which entities can access public support, such as programmes, grants, tax incentives and other benefits, and help foster the emergence of coherent best practices that take into account the diversity of challenges and differences across countries. Definitions can also help reinforce broader societal engagement with SSE actors, and, in turn, strengthen the development of conducive ecosystems.

Infographic 1. What is the social and solidarity economy?

The social and solidarity economy is...



Note: The social and solidarity economy also includes country-specific entities in addition to the list above.
Source: Authors' elaboration

1 Setting the scene

Recent global crises coupled with growing calls for more social and environmental accountability have strengthened interest in the social and solidarity economy (SSE). The SSE is already an important source of employment and economic development in many OECD countries. In the European Union, there are an estimated 2.8 million social economy organisations that employ over 13.6 million people, which accounts for 6.3% of the total working population (CIRIEC, 2017^[1]). In Colombia, the solidarity economy contributes about 4% to gross domestic product (GDP) (OECD, 2022^[2]), while in Mexico, the social economy represents 3.2% of overall employment and 1.2% of GDP (Instituto Nacional de la Economía Social, 2018^[3]).

The SSE is playing an increasingly important role in many communities, regions and countries, mitigating the negative effects of crises as observed during the COVID-19 pandemic but also building back better to improve the resilience of our economies and societies (OECD, 2020^[4]; OECD, 2018^[5]). It is recognised as an important lever for driving inclusive and fair green and digital transitions, bolstering social innovation, reinforcing local development and creating jobs, also for vulnerable groups. It is active across many sectors and through a diversity of legal entities and business models that share common principles and features. Reinforcing clarity about what the SSE (or related notions) is and is not, and how its entities² operate, would help policy makers and other actors, such as financiers, capacity-building initiatives, business partners and even citizens, better leverage its potential.

Various notions co-exist to designate a diverse set of initiatives

Diverse notions are used to capture the set of initiatives that are neither public, nor for-profit, and propose alternative models for providing goods and services. These initiatives have emerged throughout history around the globe under diverse social, economic and cultural conditions (Caire and Tadjudje, 2019^[6]), resulting in a mosaic, coloured with different traditions that also reflect the ways they are designated in different contexts and by different actors. The most-used notions include the third sector, the social economy, the solidarity economy, the social and solidarity economy, and the non-profit sector.

Most notions developed after the entities actually emerged. A common characteristic is the pursuit of social goals, prioritising social impact over profit maximisation per se. At the same time, they also reflect considerable diversity in terms of specific goals (mutual versus general interest), legal forms and entities, business models, size, outreach, and sectors. These characteristics imply specific challenges and needs, also in terms of policy support, for each type of entity.

The importance of clarity

The definition of the field and the entities that comprise it have material consequences that could be anticipated by policy makers and practitioners. Determining which types of entities are part of the SSE (or other fields) may enable some to access public and private support, such as grants, tax incentives, and impact investment or even business incubation services, but exclude others. Similarly, the way it is defined may affect how its size is determined as well as how its impact is measured. Clarifying these notions can influence the way it is recognised, especially which entities are considered as part of it, and therefore the ability of these entities to access different types of resources, thereby influencing their capacity to emerge and expand.

Policy makers would benefit from further clarity on the SSE, the related notions and the entities being seen as part of the field. Understanding the boundaries of the field as well as clearly defining the common and specific features of its components can help in the design of efficient policies to support its development. These efforts for clarification could ideally involve SSE entities and other stakeholders, such as networks and researchers, to better understand and assess the concrete implications of defining, positive and negative, on the field, its entities, and their capacity to emerge and develop. Clarity is important to design legal frameworks for the SSE (or related notions) and its entities (OECD, 2022^[7]; OECD, 2022^[8]) and develop targeted support measures, including through fiscal incentives or socially and environmentally responsible public procurement (OECD, 2023 forthcoming^[9]). It is also critical to collect data and produce statistics (OECD, 2023 forthcoming^[10]), which can also inform policy making and improves overall recognition of the field. Clarity and a shared understanding can also help countries to benchmark their progress, compare trends and increase collaboration, using the SSE as a lever for international co-operation.

Diverse understandings of these notions prevail in different contexts

Different perspectives – policy, research and practice – have contributed to efforts to capture and define these various notions. Academic works have typically sought to elaborate theoretical concepts that explain the *raison d'être*, drivers and *modus operandi* of SSE entities, and their distinct features compared with other market, civil society and public entities. These works build on diverse disciplines, including economics, sociology and management sciences but also political sciences, history, anthropology and psychology (Galera and Chiomento, 2022^[11]). Policy makers and practitioners tend to pursue pragmatic approaches to clarify conceptual boundaries. Discussions, especially among practitioners and researchers, have not yet reached a consensus to elaborate universal definitions of these notions (Fonteneau and Pollet, 2019^[12]). This can be also explained by specific local contexts.

Various concepts are used to capture these initiatives, many of which are not perfectly aligned from a conceptual perspective. The most-used notions include the third sector, the social economy, the solidarity economy, the social and solidarity economy, and the non-profit sector. While these notions overlap on some aspects, they encompass different, albeit intersecting, sets of realities. Just as it is important to acknowledge the inherent diversity of the field as a whole, it is important to appreciate the nuance and specific uses among these concepts. The notion “solidarity economy” for example is understood differently in Latin America and in Europe. Likewise, the term “social economy” does not include the same entities in Belgium and in Quebec, Canada, where foundations are not included in the scope. In addition, entities that are often included in one notion may not necessarily recognise themselves as such (Fonteneau and Pollet, 2019^[12]).

A degree of international consensus on certain concepts as well as the recognition of the importance of local contexts have emerged. A degree of consensus exists on some concepts (e.g. the social economy), but others are less “stabilised” (e.g. the solidarity economy) or remain contested (e.g. the social enterprise). At the international level, there is an emerging consensus around some notions and principles, thanks to academic efforts and recent European, International Labour Organization (ILO) and OECD initiatives (International Labour Organization, 2022^[13]; OECD, 2022^[14]; European Commission, 2021^[15]; Caire and Tadjudje, 2019^[6]). Even if common definitions are taking shape at the international level, diversity in how these notions are understood still remains, reflecting the need to translate them into specific contexts, where the SSE (or related notions) and its entities may have evolved differently.

Countries are increasingly adopting “legal” definitions for the SSE (or related notions) and its entities, either in legal frameworks or in national strategies. These legal definitions reflect a different logic, derived from political choices, and result from the translation of theoretical concepts into specific national or regional contexts, which explains variations among countries in the application of same notions. Legal frameworks and national strategies can clarify core notions related to the SSE (or other terms), which can help to enhance its visibility, boost public awareness and reinforce co-ordination across ministries and departments, among other benefits. Legal definitions also carry direct material consequences by determining which entities qualify as part of the SSE (or other fields), which could constrain its overall development if improperly designed.

Objectives and contributions of the paper

This paper aims to equip policy makers and practitioners with the necessary knowledge to understand the complexities of the SSE (or related fields). It provides a basis of understanding to clarify what the SSE is and is not, especially compared with the public and for-profit sectors. It also explains the links with related concepts that have emerged in different contexts and encompass diverse sets of initiatives with the objective to help make sense of the diversity and facilitate constructive dialogue and co-operation among policy makers and stakeholders.

Additionally, this paper concretely explains why the SSE emerges and how it operates. It outlines the historical and economic origins of the SSE to explain how it evolved over time and identifies the conditions from which SSE initiatives typically emerge. This paper also documents the great diversity within SSE in terms of legal entities, business models and practices to help better characterise the SSE “population” while highlighting the common operational features. It can be challenging to differentiate SSE entities from other types of actors from the private or public sectors, especially as socially and environmentally conscious business practices become more commonplace. The paper also discusses business practices that share some common features with the SSE but ultimately cannot be considered as part of it.

Box 1.1. Some words of caution

Many notions have emerged to capture the set of initiatives, neither strictly public nor for-profit, that propose alternative models, such as the third sector, the social economy, the solidarity economy, or the social and solidarity economy. Among these, the term “social and solidarity economy” is the most encompassing.

While acknowledging that these designations do not exactly coincide from a conceptual perspective, for the sake of simplicity, the term “social and solidarity economy” is used throughout this paper when there is a need to refer to the field as a whole, except when the reference to specific notions is strictly necessary. Similarly, the term “SSE entities” refers to the set of entities comprised in the field, without specifying exactly which entities are included or excluded. As well, the paper relies on literature about the SSE but also about the other notions, such as social economy, solidarity economy and third sector, to support the arguments.

Likewise, while recognising country variations in how these concepts are understood and applied, this paper does not provide a comparative analysis of the notions used predominantly in each country, including by policy makers, and the entities that would be included in the field. Yet the text is illustrated by many examples across OECD countries, and Annex A provides a list of the terms used in different countries with the associated definitions.

Notes

¹ The term “not-for-profit” can be used for entities that generate profits but prioritise social goals and the interests of their members and communities over the remuneration of capital owners in the way they use and distribute surplus. These entities typically set a cap on profit distribution to capital owners or investors.

² In this paper, the terms “entities”, “organisations” and “actors” are used interchangeably to designate the organisational structures being part of the social and solidarity economy (or related fields). The term “initiatives” can also refer more broadly to projects conducted within the SSE.

2 Understanding the social and solidarity economy

There is no one way to conceptualise the set of entities, situated between the public and for-profit sectors, which propose alternative models to fulfil economic and social missions. The OECD describes the social and solidarity economy (SSE) as a set of entities such as associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the SSE in addition to non-profit organisations. The activity of these entities is typically driven by social (and sometimes environmental) objectives, values of solidarity, the primacy of people over capital, and in most cases, by democratic and participative governance (OECD, 2022^[14]). Over time, various notions have emerged: non-profit sector, third sector, social economy, solidarity economy, and more recently, social and solidarity economy.

Origins and evolution of the SSE

Initiatives that can be referred to as SSE entities today have emerged throughout history to enable individuals to share risks, engage in mutual support, or address social needs and aspirations, among other objectives. These organisations formed long before terms such as the social economy or the SSE came into use. Indigenous communities, for example based in North America for 40 000 years, have been shaping and transmitting similar values to the SSE, such as sovereignty, transparent consensus building and environmental stewardship, which align with contemporary SSE initiatives. Some authors (Defourny and Develtere, 1999^[16]) trace the social economy to Egyptian collective relief funds, Greek mutual societies that funded burial services and Roman craft-based guilds. Much like their contemporary counterparts, these initial forms of risk-sharing emerged to provide some degree of collective security (Van Leeuwen, 2016^[17]). These forms of mutual insurance represent one of the fundamental and most ancient means of risk sharing that have emerged throughout history (Vriens, Buskens and de Moor, 2019^[18]).

Later, similar community, charitable and risk-sharing entities emerged across Europe from the ninth century onwards with the formation of guilds across Germanic and Anglo-Saxon regions (Moulaert and Ailenei, 2005^[19]). Associations in particular thrived across Europe during the Middle Ages in the form of guilds, charities and trade associations (Defourny and Develtere, 1999^[16]). Later forms of risk sharing emerged from 19th-century workers' movements that helped establish the first member-based unemployment and disability insurance systems (Epstein and Prak, 2008^[20]; De Moor, 2015^[21]). This tradition expanded to the Americas as well. Tocqueville famously noted the abundance of associations in the 19th-century United States, remarking that Americans not only have "commercial and industrial associations in which all take part, but they also have a thousand other kinds ... to give fêtes, to found seminaries, to build inns, to raise churches, to distribute books, to send missionaries to the antipodes; in this manner they create hospitals, prisons, schools" (Tocqueville, 2000^[22]). Foundations also rank among the oldest SSE entities (Anheier and Leat, 2013^[23]). While charitable organisations have existed throughout history in the form of religious and goodwill societies, they became institutionalised in Europe during the Enlightenment period and, more recently, in the United States during the rapid industrialisation of the early 20th century (Gautier, 2019^[24]).

The 19th century sparked the expansion of the field as well as the formation of a number of new types of entities. Mutual societies grew in popularity during this period to become the primary provider of insurance in most countries (Vriens, Buskens and de Moor, 2019^[18]). Cooperatives emerged in 19th century England through notable movements such as the Rochdale Pioneers, among others, before spreading across Europe, North America and beyond (Martin, 2016^[25]). Consumer cooperatives, insurance cooperatives and producer cooperatives became particularly prevalent among geographically or socially isolated communities to provide insurance against fire or natural disasters, enable access to cheaper products, or secure better prices for their produce (Mook et al., 2015^[26]). In the United States, cooperatives have also provided African American communities with opportunities to overcome the effects of discrimination and economic exclusion through collective action and self-sufficiency (Nembhard, 2004^[27]). In Spain, the cooperative Mondragon Corporation helped restore employment and drive economic development in the Basque region following the Spanish Civil War (OECD, 2020^[4]). Cooperatives gained prominence in countries such as India and Korea, initially emerging as large-scale agricultural producer cooperatives before adopting more diverse forms. Cooperatives first emerged in India in the early 20th century and have since grown to account for over 850 000 cooperatives with 290 million members, namely almost 22% of population, across a variety of sectors such as housing, dairy, credit, worker and consumer cooperatives (International Cooperative Alliance, 2021^[28]).

Social enterprises emerged through distinct processes in Europe and the United States in the 1990s and have rapidly become an important element of the SSE (Defourny and Nyssens, 2010^[29]; OECD, 1999^[30]). Developing from widespread attempts to create social and environmental benefits through entrepreneurial activity, the notion of a social enterprise remained somewhat “fuzzy” and varies among countries and regions (Mair and Martí, 2006^[31]). Whereas European social enterprises emerged from the third sector with close links to the cooperative movement, social enterprises in the United States resulted from non-profit organisations using commercial activities to support their social missions, blurring the boundaries between the non-profit and conventional business sectors (Dees and Anderson, 2003^[32]; Defourny and Nyssens, 2010^[29]). Consequently, although certain types of initiatives exist in both Europe and the United States, social enterprises are defined differently, meaning that an initiative that is considered to be a social enterprise in the United States may not be considered as such in Europe.

There has been a revival of certain SSE entities, particularly mutual societies and cooperatives, in recent decades. With welfare systems in many OECD countries facing challenges related to ageing populations and strained public budgets, among other issues, many groups have had less access to insurance. This has contributed to the re-emergence of mutual organisations in Germany, the Netherlands and the United States in response to certain shortcomings in both public and private insurance markets (De Moor, 2015^[21]; Vriens and De Moor, 2020^[33]). Following in the tradition of their 19th-century predecessors, this new generation of mutual organisations promotes values of innovation, fairness, solidarity and transparency by engaging policyholders in decision-making and managerial processes (Vriens, Buskens and de Moor, 2019^[18]). Likewise, cooperatives have also proliferated in many countries in response to weakening welfare systems or to address emerging societal needs through collective action (Gijssels, Develtere and Raymackers, 2007^[34]). In contrast to earlier cooperatives, which typically promoted the mutual interest of members that shared the same profession or background, new cooperative movements attract stakeholders of greater diversity and focus more on promoting the general interest (De Moore, 2021^[35]). This evolution is particularly evident in the emergence of cooperatives that pursue explicit social aims, which were pioneered in Italy (social cooperatives) before gaining traction in countries such as France (*société coopérative d'intérêt collectif*); Korea (social cooperatives); Quebec, Canada (solidarity cooperatives); and Spain (cooperative of social initiative), among others (Richez-Battesti and Defourny, 2017^[36]).

Defining the SSE and related concepts

Different actors have contributed to define the set of alternative initiatives between public and private for-profit sectors

Various approaches have emerged over decades and even centuries to capture the set of initiatives, neither public nor private for-profit, that propose alternative models for providing goods and services. These concepts have evolved at different moments and within specific cultural, economic and social conditions (Caire and Tadjudje, 2019^[6]) informed by the needs and viewpoints of distinct groups of stakeholders, such as academics, practitioners and policy makers (Galera and Chiomento, 2022^[11]). While academics may have developed definitions to clarify their object of study and explain the *raison d'être* of SSE actors compared with other market, civil society and public entities, policy makers adopt pragmatic approaches to precisely distinguish SSE entities (or related) from others, possibly to implement targeted policy measures.

Academic works have typically sought to differentiate the SSE and related notions as well as to explain the *raison d'être*, enabling conditions and ways of operating of SSE entities. Scholars tend to elaborate theoretical concepts to capture and analyse emerging phenomena, usually beyond national specificities. The notion of social economy emerged in the early 19th century in France but only began to be used at the beginning of the 20th century to “indicate various entities aimed at improving collective working conditions and individual lives” (Noya and Clarence, 2007^[37]). The term “social economy” was initially used by academics such as Léon Walras to underline its specific social and economic objectives and normative world view, as well as to differentiate it from other areas of academic research, namely pure economics and the political economy (Demoustier and Rousselière, 2004^[38]). More recently, academics developed the concept of the third sector that emerged in Europe and the United States during the 1980s to describe the behaviour of organisations operating between the public and private sectors (Alexander, 2010^[39]) – even if third-sector initiatives were not new and already operating. The concept of the third sector was developed as a more neutral term to facilitate comparisons of the SSE among countries despite their differences and national specificities (Galera and Chiomento, 2022^[11]). This concept evolved differently in European and North American countries. In Europe, definitions of the third sector emphasised the limit on the distribution of profits for personal enrichment and included cooperatives and mutual societies, whereas North American definitions focused on non-profit organisations while excluding cooperatives and mutual aid societies (Evers and Laville, 2004^[40]).

Policy makers may develop definitions for the SSE (or related fields) for different reasons, including to recognise, regulate and possibly support it through specific measures. The political motivation is to promote the SSE development (or related notions) while ensuring fair policy support for entities that would be included in or excluded from the scope. Legal definitions result from policy objectives pursued by legislators and typically reflect country- or region-specific economic, social and cultural conditions. This can explain variations in the way the same theoretical notions are applied across countries and why specific entities are recognised in some countries while not found in others (OECD, 2022^[8]). For example, the 2011 Law on Social Economy in Spain excludes non-economic entities; the 2016 Reform of the Third Sector in Italy includes only entities pursuing the general interest; the 2011 Law on Popular and Solidarity Economy in Ecuador includes informal entities; the 2012 Law on Social and Solidarity Economy in Mexico includes specific entities such as *ejidos*.¹ These definitions may be embedded into legal frameworks defining the SSE (or an associated term) and/or specific legal entities, such as (social) cooperatives or social enterprises.

Legal approaches to define concepts of the SSE vary among countries. Two broad approaches can be identified to defining the SSE (OECD, 2022^[8]; Hiez, 2021^[41]). Countries and regions that adopt a “statutory” approach identify the specific legal forms that are part of the SSE. Those that follow a “substantial” approach define the SSE by identifying its overarching set of principles, meaning any entity that upholds them could qualify as part of the SSE. Countries such as Luxembourg and Greece have developed legal definitions based on this “substantial” approach. On the other hand, countries such as France, Mexico, Portugal and Spain have developed lists of legal forms that qualify as part of the SSE (or the social economy), which relates more closely to a statutory approach. Notably, no country pursues a purely statutory approach as their legal texts also identify common values and principles of the SSE. These hybrid approaches recognise the common characteristics of the SSE and the diversity of its actors while providing an opportunity for other types of entities that uphold these principles to eventually be recognised as part of the SSE (OECD, 2022^[8]). In Spain, the 2011 Law on the Social Economy identifies both the guiding principles of the field and the specific entities determined to be part of it. France and Portugal follow a similar approach by recognising a range of entities that respect specific guiding principles of the SSE or the social economy respectively, with the specificity for France that the law also regulates and provides for specific support measures for the entities that are regarded as part of the SSE. The legal framework in Italy² primarily refers to the third sector rather than the SSE or the social economy. 0 provides an overview of the notions used across different countries and their definitions included in legal frameworks.

International organisations such as the OECD have also sought to describe the SSE. There has been a degree of convergence among international organisations towards the term SSE, with for example the OECD, International Labour Organization and United Nations having opted to use the term (Box 2.1). This term enables a broader approach that accommodates more grassroots initiatives as well as locally specific realities.

Box 2.1. Definitions of the SSE (and related notions) at the international level

A range of organisations have launched initiatives to promote the development of the SSE or the social economy at the international level in recent years. These initiatives have helped to raise awareness, promote high-level dialogue around the world and even drive co-ordinated action to promote the field. To support these activities, many of the organisations that have engaged with the SSE (or the social economy) at the international level have developed an underlying definition to help target activities and facilitate dialogue. This box outlines some variations in these definitions, including different uses of the terms “social economy” or “social and solidarity economy”, which underscore the diversity of approaches and the challenge of capturing this field with a single definition.

European Commission

In December 2021, the European Commission adopted its **Social Economy Action Plan**, which proposes concrete steps to promote the development of the social economy within the European Union. The European Commission defines the social economy based on its overarching principles and features, namely “the primacy of people as well as social and/or environmental purpose over profit, the reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users (‘collective interest’) or society at large (‘general interest’) and democratic and/or participatory governance.” It also identifies the main types of entities of the social economy: cooperatives, mutual benefit societies, associations (including charities), foundations and social enterprises. (European Commission, 2021^[15]).

International Labour Organization

The International Labour Organization (ILO) adopted a **definition of the social and solidarity economy** in 2022 that recognises enterprises, organisations and other entities that are “engaged in economic, social, and environmental activities to serve the collective and/or general interest, which are based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence, and the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits as well as assets” (International Labour Organization, 2022^[13]). These entities follow a specific set of values which “are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability, and the attainment of decent work and livelihoods.” This definition acknowledges that the entities making up the SSE may change according to national circumstances, but recognises that cooperatives, associations, mutual societies, foundations, social enterprises and self-help groups can typically be recognised as part of it.

OECD

In its Recommendation on the **Social and Solidarity Economy** and Social Innovation, the OECD states that the SSE is “made up of a set of organisations such as associations, cooperatives, mutual organisations, foundations, and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy in addition to non-profit organisations The activity of these entities is typically driven by societal objectives, values of solidarity, the primacy of people over capital and, in most cases, by democratic and participative governance” (OECD, 2022^[14]).

United Nations and the UN Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE)

The UN General Assembly adopted in 2023 the Resolution on Promoting the **Social and Solidarity Economy** for Sustainable Development (United Nations, 2023^[42]), which provides a definition of the SSE that aligns with the definition adopted by the ILO in 2022. This definition recognises that the SSE includes typical entities such as associations, cooperatives, mutual societies and foundations alongside newer types such as social enterprises. The resolution also acknowledges the work of the UNTFSSSE, established specifically to raise the profile of the SSE at the international level.

Different notions are used to describe entities situated between the public sector and the market

Different terms co-exist with “social and solidarity economy” to capture these entities, which results from the emergence and use of different notions in different regions (Table 2.1). The term “social economy”, which is more prevalent in Europe, highlights both the social and economic elements and includes a broad and diverse set of organisational forms (OECD, 2014^[43]; Noya and Clarence, 2007^[37]). The notion of the third sector highlights its position between the state intervention and the market and encompasses organisations that do not qualify as private or public sector entities (OECD, 2003^[44]; Mertens, 1999^[45]; Salamon and Sokolowski, 2018^[46]). Blending elements of the public and private sectors, third-sector organisations sell goods and/or services to finance their operations and efforts to benefit the mutual or general interest. While the theoretical concept was developed to overcome country specificities and encompass a wide set of initiatives, it is currently applied as a legal concept in a few countries, including the United Kingdom and Italy (Galera and Chiomento, 2022^[11]). Anglo-Saxon countries such as Canada (with the exception of the province of Quebec) and the United States often refer to the non-profit sector, which mainly relates to the non-distribution constraint according to which organisations cannot legally redistribute their surpluses to their owners (Defourny, Develtere and Fonteneau, 1999^[47]). The non-profit sector captures a subset of entities strictly defined by this non-distribution constraint, which differs from the field captured by the notions of “social economy” or “third sector”.

Table 2.1. Overview of terms related to the SSE

Term*	Origin	Main features
Social economy	France	<ul style="list-style-type: none"> - Concept born in the 19th century in France and rediscovered in the 1970s - Classically associated with cooperatives, mutual benefit societies and associations - Legal, political and economic recognition in some parts of the world (Belgium, Quebec** [Canada], Spain)
Solidarity economy	Latin America France	<ul style="list-style-type: none"> - Stress the solidarity dimension - Attention paid to the transformative action and political dimension of such organisations - Make a distinction between a long-established social economy and newer solidarity mechanisms/organisations (e.g. more participatory, smaller initiatives, embedded at the local level)
Social and solidarity economy	France Quebec** (Canada) International	<ul style="list-style-type: none"> - Aim to encompass both long-established social economy organisations and newer solidarity mechanisms/organisations - Legal recognition in some countries (France)
Non-profit organisations	United States	<ul style="list-style-type: none"> - Organisations that belong to neither the private for-profit sector nor the public sector - Exclude any organisation that practices the redistribution of surplus (e.g. most cooperatives)
Third sector	Various countries and regions (including Anglo-Saxon countries)	<ul style="list-style-type: none"> - Place this specific field as separate from the public and the private sectors

*0 provides definitions of these terms as used in legal frameworks in various countries, which can differ from theoretical understandings of these concepts.

**While the term “social and solidarity economy” is being widely used in Quebec (Canada), the 2013 provincial law – the Social Economy Act – refers to the social economy, and not to the social and solidarity economy.

Source: Adapted from (Fonteneau and Pollet, 2019^[12]).

A certain degree of consensus has been achieved around the notion of social economy, particularly among European countries (Galera and Chiomento, 2022^[11]). This concept is the most long-standing, which explains the higher level of consensus, even if it has been applied differently in countries, leading to different sets of entities being considered as part of the social economy. The social economy includes a specific set of established entities that can be identified through a range of principles defining the way these entities operate rather than their activities per se (UNTFSSSE, forthcoming^[48]; OECD, 2013^[49]). Typically, the social economy refers to the set of associations, cooperatives, mutual societies, foundations and, more recently, social enterprises, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participatory governance (OECD, 2018^[5]; OECD, 2022^[14]). In Europe, the social economy can be defined as enterprises and organisations that unite around the values of primacy of people and the social objective over capital, democratic governance, solidarity, and the reinvestment of most profits to carry out sustainable development objectives (Social Economy Europe, 2022^[50]). As mentioned in Box 2.1, this notion was also embedded into policy making at the European level by the 2021 European Social Economy Action Plan (European Commission, 2021^[15]).

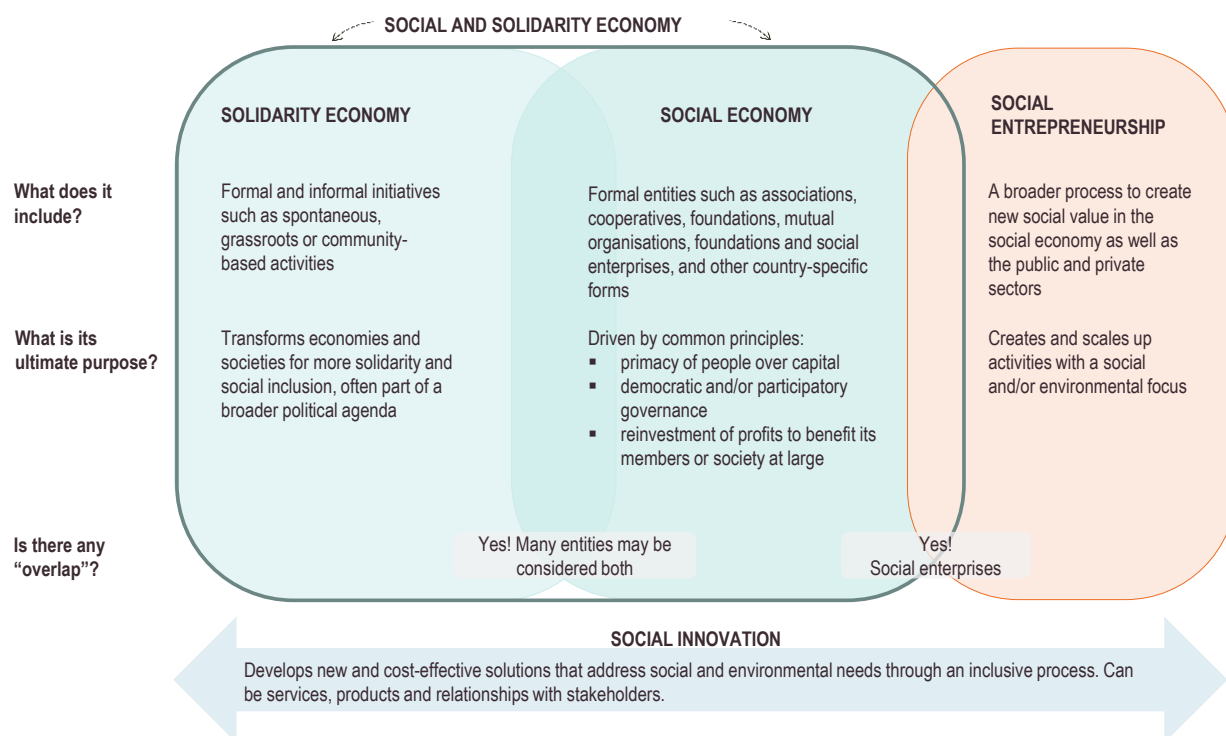
The solidarity economy promotes an economic vision based on solidarity and social inclusion, and often encompasses informal, locally rooted initiatives. The term has different meanings depending on the geographical context in which it is used. In South America, especially in Brazil, it mainly refers to self-governed economic initiatives in rural and urban areas, often associated with the popular economy. In Quebec, Canada, when used, this term is linked to cooperatives and non-profit enterprises as well as to community economic development (*développement économique communautaire*). In India, self-help groups, which are solidarity-based groups of about twenty savers and borrowers, mainly women, are important sources of local economic and social development, especially in rural areas (UNTFSSSE, 2019^[51]). In much of Europe, it relates to solidarity initiatives, mainly but not exclusively, in proximity services (e.g. elderly or child care services). While the social economy is understood to be composed of established entities, the solidarity economy can also include more spontaneous community-based initiatives that take place at the grassroots level. These initiatives are often experimental in nature and test novel paths for economic development (Galera and Chiomento, 2022^[11]). This approach has been dominant in some countries. For example, Brazil and Colombia typically use the term “solidarity economy” rather than the “social economy” or social and “solidarity economy” (OECD, 2022^[8]).

More recently, the concept of SSE has emerged to encompass both the social economy and the solidarity economy (Figure 2.1). The term was adopted in the late 1990s to better recognise the common bonds of the social economy and the solidarity economy while recognising their important distinctions (Galera and Chiomento, 2022^[11]). It provides an overarching perspective that allows for the inclusion of a wider set of entities, including more spontaneous community-based initiatives. However, it also includes entities that distinguish on many aspects, including on their main purpose to serve the mutual interest of their members versus the general interest of wider communities, which can call for adapted policy support and specific fiscal treatment. This inclusive concept has been adopted by international organisations and bodies such as the OECD, the International Labour Organization and the United Nations (Box 2.1). For instance, the OECD (2022^[14]) adopted the Recommendation on the Social and Solidarity Economy and Social Innovation, which provides an international standard and guidelines for countries, regions or cities to foster the development of the SSE. This term has also gained traction in recent research on the SSE as well as national legislation in certain countries. For example, Bulgaria and France have both adopted laws pertaining to the SSE.

While each of these notions overlap on some aspects, they define this field and its belonging entities from different perspectives, encompassing therefore different, even if intersecting, sets of realities. Just as it is important to acknowledge the inherent diversity of the SSE as a whole, it is important to appreciate the nuance and specific uses among these notions. Although these designations do not exactly coincide from a conceptual perspective, the term “social and solidarity economy” is used to designate this field for the rest of this paper, except when the use of specific notions is necessary, though acknowledging conceptual and country variations among these notions.

Figure 2.1. Defining the main concepts

The SSE encompasses the fields of social economy and solidarity economy, each notion having its specific features and covering a different, even if overlapping, set of initiatives and entities. Social entrepreneurship can be defined as a process and a field that includes various types of initiatives and entities, including social enterprises, which overlaps to a certain extent with the social economy.



Source: Authors' elaboration.

What the SSE is not

Additional notions such as social entrepreneurship, social innovation or even popular economy are also associated with the SSE

Social entrepreneurship is another term that has links with the SSE, even if it does not frame exactly the same realities. It is a twofold concept that, on one side, refers to the process through which specific types of actors – the “social entrepreneurs” – create and develop organisations that may be either social enterprises or other types of organisations. Social enterprises are only a subset of this area in which business models are used as a means for achieving social objectives. On the other side, it refers to a field that is distinct from but sometimes overlapping with the social economy and that includes a broad set of initiatives with a social impact dimension in a spectrum ranging from for-profit to non-profit entities. Individuals and organisations that engage in social entrepreneurship leverage entrepreneurial activities to develop innovative ways to address pressing social challenges, benefit the common good, support labour market integration and contribute to sustainable and inclusive transition. Consequently, social entrepreneurship does not reflect a specific type of enterprise but rather a wide spectrum of entities ranging from profit-oriented businesses that engage in social activities such as corporate philanthropy, hybrid businesses that mix profit motivations and social objectives, non-profit organisations, and even ventures led by the public sector (Galera and Salvatori, 2015^[52]).

In addition, the SSE is often perceived as an initiator and implementer of social innovations (OECD, 2021^[53]). Social innovation seeks new and cost-effective answers to social and societal problems (e.g. environment) and refers to new solutions that aim primarily to improve the quality of life of individuals and communities by increasing their well-being as well as their social and economic inclusion (OECD, 2022^[14]). It can involve new processes, services, products or new relationships with stakeholders (OECD, 2003^[44]). Many initiatives undertaken by the SSE and by civil society³ – citizens, movements, informal groups, non-governmental organisations (NGOs), networks and academia – have proven to be innovative in dealing with socio-economic and environmental problems, while contributing to economic development (OECD, 2021^[53]). Social innovations can lead to new forms of collaborations among civil society, governments and market agents (Bouchard, Evers and Fraisse, 2015^[54]; Richez-Battesti, Petrella and Vallade, 2012^[55]). Social innovation is not the prerogative of the SSE alone. It arises from the SSE and civil society as well as from other fields such as the public sector or the conventional private sector. In contrast to technological innovations, which are more often the product of expert-led scientific research and development processes, and economic innovations such as new market products and production functions, social innovations typically emerge from grassroots-level experimentation and consensus building (OECD, 2021^[53]). For example, a number of self-help groups formed in response to the COVID-19 crisis, many of which engaged in social innovation to address challenges presented by the pandemic (OECD, 2021^[53]).

In some contexts, the notion of SSE can be linked to the “popular economy” and to self-governed informal economic initiatives in rural and urban areas (UNTFSSSE, forthcoming^[48]). The popular economy consists of spontaneous initiatives deeply rooted in their communities and developed by the “popular” class (i.e. the most vulnerable) and their grassroots organisations to meet basic needs, provide means of subsistence and address social concerns (Fonteneau and Pollet, 2019^[12]). The popular economy and the solidarity economy are not equivalent, but they may align to some extent, as evidenced for example by lending circles, community kitchens and other mutual aid and insurance practices (Réseau intercontinental de promotion de l'économie sociale solidaire, 2015^[56]). Likewise, the notion of informal economy is also sometimes linked to the one of SSE, even if these notions are not equivalent. Informal economy refers to a wide range of unregistered, unprotected and unregulated economic activities and transactions that are sufficiently hidden so that they are unmeasured or untaxed (OECD/International Labour Organization, 2019^[57]; Andrews, Caldera Sánchez and Johansson, 2011^[58]). It is sometimes

associated with the SSE as the latter holds a great potential in helping the formalisation of labour and activities, especially through cooperatives (International Labour Organization, 2019^[59]). For example, in Brazil, informal work is playing a significant role and is considered part of the popular economy, with many organisations that operate at the crossroads of the economic and social spheres (Ferrarini et al., 2019^[60]).

Socially and environmentally conscious business practices can blur the frontiers of the SSE

Socially and environmentally conscious business activities have grown increasingly common since the mid-20th century. Conventional enterprises have developed new business practices designed to mitigate the harm caused by their activity or promote specific social and/or environmental goals. While these practices align with certain elements of the SSE, they remain strictly distinct. These conventional enterprises can commit to redistributing a portion of their profits to help social causes or devoting activities to support specific social or environmental objectives, for example through corporate philanthropy and community outreach. These initiatives, however, do not align with the SSE core principles, namely the primacy of social impact over profit for the sake of personal enrichment, the limits on profit distribution to capital investors (see Figure 3.4) and the participation of diverse stakeholders in governance. As shown in Box 2.2, different practices or notions emerged since the mid-20th century to encapsulate these corporate commitments.

Box 2.2. Different practices to foster corporate commitment to socially and environmentally conscious business activities

Conventional enterprises have adopted a range of business practices designed to make their activities more socially and/or environmentally friendly. To varying degrees, these practices seek to promote social and environmental considerations by addressing negative externalities created by business activity or actively promoting certain social or environmental goals. Unlike SSE entities, however, businesses that adopt these practices retain the pursuit of profit as their primary motive and do not always place limits on profit distribution or concentrated decision-making power.

Corporate social responsibility (CSR) originally emerged in the mid-20th century and refers to instances where businesses uphold social and environmental objectives that are not immediately related to its fundamental economic performance or legal responsibilities (Manne and Wallich, 1972^[61]; Carroll, 1999^[62]; OECD, 2001^[63]). Though quite common today, this concept emerged in stark contrast to the idea that businesses inherently benefited the common good through their pursuit of maximal profits for their owners and shareholders (Friedman, 1970^[64]). This can mean both actively engaging in socially beneficial practices such as philanthropy as well as avoiding or offsetting social or environmental harm (Eilbirt and Parket, 1973^[65]; OECD, 2020^[66]). At its core, CSR implies that businesses have an obligation that extends beyond the narrow interests of their shareholders to society as a whole. This notion of responsibility beyond profit maximisation and shareholder returns encapsulated by CSR has served as the foundation of other concepts such as stakeholder theory (Freeman, 1984 and 2010^[67]) and corporate citizenship (Carroll, 1999^[62]), and contributed to the principles of responsible business conduct.

Creating shared value (CSV) emerged in the 2010s as a way for conventional firms to create greater profit while achieving additional social goals. Originally framed as a way to surpass the ideas of CSR and achieve a “higher form of capitalism”, CSV offers companies a way to increase their economic value by creating social value (Porter and Kramer, 2011^[68]). Companies engaging in CSV are not engaging in philanthropy, but rather creating social value to reach new customers, improve their efficiency or otherwise improving their competitive advantage.

Responsible business conduct (RBC) refers to a set of principles and standards that enable businesses to minimise the negative effects of their business activities while also promoting sustainable development in the countries in which they operate (OECD, 2018^[69]). RBC integrates environmental, human rights and social considerations into the decision-making process of firms. RBC is particularly important for multinational enterprises that operate across a range of different national legal, social and environmental contexts, enabling them to uphold consistent values and ensuring the integrity of their global supply chains (OECD, 2011^[70]).

Environmental, social and governance (ESG) criteria assess enterprise performance with respect to the environment, climate change, resource management, human rights, labour practices, product safety, transparency and accountability. Investors can use these non-financial criteria to identify more sustainable, socially responsible firms in which to invest. Various approaches to ESG reporting have been developed that target specific types of companies and contexts. For example, the OECD Guidelines for Multinational Enterprises provide companies with guidance and standards of due diligence that help them to identify and avoid potential negative effects of their activities (OECD, 2014^[71]).

Social purpose businesses have emerged as conventional enterprises that also strive to promote social and/or environmental objectives as part of their operating agenda. The social purpose concept steps beyond the traditional CSR concept by integrating social and environmental objectives into the core of an enterprise's business practices (Deloitte, 2015^[72]). This approach has been adopted by a number of large firms such as BlackRock, which actively seeks to drive social and environmental benefits with its investments while still prioritising profits (Fairfax, 2021^[73]).

These emerging business practices have also led to the creation of new legal forms and statuses for for-profit enterprises that seek to formalise their social and/or environmental goals. For example, in France, **mission-driven enterprises (*entreprises à mission*)** are conventional enterprises that adopt a specific legal status that places limits on salaries and bonuses paid to managers (no more than seven times the minimum wage) as well as the stipulation that the highest-paid employee cannot make more than ten times the minimum wage (Ministry of Economy, 2022^[74]). These enterprises also formally commit to pursuing specific social or environmental objectives.

Benefit corporations are a specific type of for-profit business that originally emerged in the United States. Benefit corporations are for-profit corporations that have formally committed themselves to "creating general public benefit"⁴ and upholding higher standards of purpose, accountability and transparency (Reiser and Dean, 2017^[75]). Corporations that adopt the benefit corporation title are typically required to publicly report on their progress towards achieving their stated social or environmental goals. One important implication of this legal form is that it shields corporations' pursuit of both profit and social goals articulated in their charter from shareholders who might challenge actions that limit profit generation. On the other hand, while benefit corporations commit to pursuing a dual mission that combines profit with the public good, existing legislation does not stipulate that benefit corporations must prioritise social objectives over profit or vice versa (Reiser and Dean, 2017^[75]). Other legal forms for limited liability companies have emerged across the United States, including the **low-profit limited liability company (L3C)**, and the **benefit limited liability company (BLLC)** (Brown et al., 2020^[76]). These distinct legal forms create specific obligations for enterprises to uphold regarding their social mission. Importantly, they create space for enterprises to devote resources to social missions that may cut into their profit generation whereas conventional firms often have a legal duty to maximise profits. Finally, the **B Corp** certification is a private designation overseen by the non-profit organisation B Lab that is available to companies that formally consider stakeholder needs in their decision-making and pass a B Impact Assessment of their social and environmental impacts. Originating in the United States, the certification is available to qualifying companies in 89 countries (B Lab, n.d.^[77]).

The emerging business models and practices discussed in this section do not typically uphold the values and principles of the SSE. They do not uphold certain SSE principles such as the prioritisation of people over return on capital in profit allocation, the specific mechanisms to maintain the social purpose or preserve their non-profit/not-for-profit nature (e.g. asset locks), or democratic and inclusive decision-making (Bouchard and Salathé-Beaulieu, 2021^[78]). As such, they cannot be considered a part of the SSE despite adopting practices that use entrepreneurial behaviour to promote social or environmental goals. Approaches have emerged to rate the performance of social purpose businesses and estimate the extent to which they promote positive externalities and follow certain business practices. For example, the Canadian government funded research to develop a ranking system for social purpose businesses (Lafleche and Strandberg, 2022^[79]). This approach ranks social purposes using eight criteria ranging from corporate values to board oversight to disclosure processes. Such an approach may help to identify the business practices with the strongest social and/or environmental impact, even if they do not qualify as part of the SSE. While SSE entities could also use such social impact measurement tools to demonstrate their impact, it is important to distinguish the indicators that they measure from SSE practices.

Notes

¹ *Ejidors* are state-owned agricultural lands that are farmed, individually or collectively, by communities who benefit from the usufruct. These organisations are recognised as being part of the SSE in the Mexican law on the social sector of the economy.

² In Italy, the third sector is defined as the group of private entities established for the pursuit of civic, solidarity and social utility purposes on a non-profit basis, and which, in implementation of the principle of subsidiarity and in accordance with their respective articles of association or deeds of incorporation, promote and carry out activities in the general interest by means of voluntary and non-remunerative action, by mutuality, or by the production and exchange of goods and services.

³ Civil society may be defined as a space between households and the state, which affords possibilities of concerted action and social organisation. It encompasses all voluntary associations of citizens, whether politically motivated or not: business, labour, non-governmental organisations (NGOs), churches, special interest or purpose groups. These elements are the constituents of civil society, but none can individually be representative of it. Most frequently the term is used interchangeably with “NGOs” where the term “NGO” refers specifically to activist groups, although these are simply one category of civil society as a whole (Noya and Clarence, 2007^[37]).

⁴ California Corporate Code. § 14610(a); N.Y. Business Corporation Law § 1706(a).

3 Explaining the emergence and way of operating of the SSE

Why the social and solidarity economy emerges and where it thrives

The social and solidarity economy (SSE) is recognised as filling the gaps left by the market and the state, which was demonstrated again during recent crises, including the COVID-19 pandemic (OECD, 2020^[4]). However, it cannot be reduced to this capacity to address market and state failures, as SSE actors have shown themselves to propose alternative models and be innovative and responsive to local economic and social needs when provided with the opportunity and enabling conditions to fill their potential (Noya and Clarence, 2007^[37]).

Implementing alternative models and social innovation

SSE entities develop alternative models while also frequently generating social innovations. They develop alternative business practices that favour people-centred approaches and communities' involvement in local economic development, thereby contributing to community wealth building. They often use experimental approaches to design place-based solutions to address social issues based on new business practices and forms of co-operation (OECD, 2021^[53]). The SSE has acted as a pioneer in both identifying and implementing social innovations, some of which have been adopted and mainstreamed by traditional economic actors, such as fair trade and ethical finance (Nicholls, 2010^[80]; OECD, 2020^[4]). The SSE has also pioneered innovative circular practices and models that have inspired other economic actors to develop similar circular activities and practices (OECD/European Commission, 2022^[81]). More recently, the innovative capacity of the SSE came to the fore during the COVID-19 pandemic as SSE entities rapidly developed ways to complement strained public services and provide medical supplies, food and other critical items to communities (OECD, 2021^[53]). In the face of mounting environmental and social challenges, the SSE when provided with the enabling conditions to fill its potential is likely to continue to act as a vital source of resilience and innovative solutions in the future while proposing alternative models to “build back better” following crises.

Given their local roots and multi-stakeholder approaches, SSE entities are well positioned to drive local development through social innovation (Pereira Morais and Bacic, 2017^[82]; Bioteau and Fleuret, 2014^[83]; OECD, 2020^[84]). Social economy entities can serve as laboratories that help to identify solutions to social and environmental challenges through extensive experimentation at the local level (Demoustier and Richez-Battesti, 2010^[85]). They can mobilise social capital through relationships based on trust, reciprocity and fairness while also integrating a dimension of service to the community (Laville and Nyssens, 2001^[86]; Noya and Clarence, 2007^[37]). By promoting collective interests and associated social movement, SSE entities can cultivate strong, locally embedded networks of policy makers, businesses and individuals to enrich the territories in which they operate (Pecqueur and Itçaina, 2012^[87]; Bioteau and Fleuret, 2014^[83]; OECD, 2021^[53]).

Market and state failures

Economic theory posits that the market is an efficient mechanism to provide goods and services under conditions of pure and perfect competition. However, this is not always the case. The market “fails” when the economy is not perfectly competitive, namely when the nature of goods and services is not exclusively private (e.g. the provision of collective goods), when the information is not circulating perfectly (information asymmetry), or when there is a concentration of actors (oligopoly, monopoly). These situations can lead to unbalanced transactions, exclusion of the most vulnerable from economic transactions, and insufficient consideration of collective interest, interests of future generations or negative externalities.¹

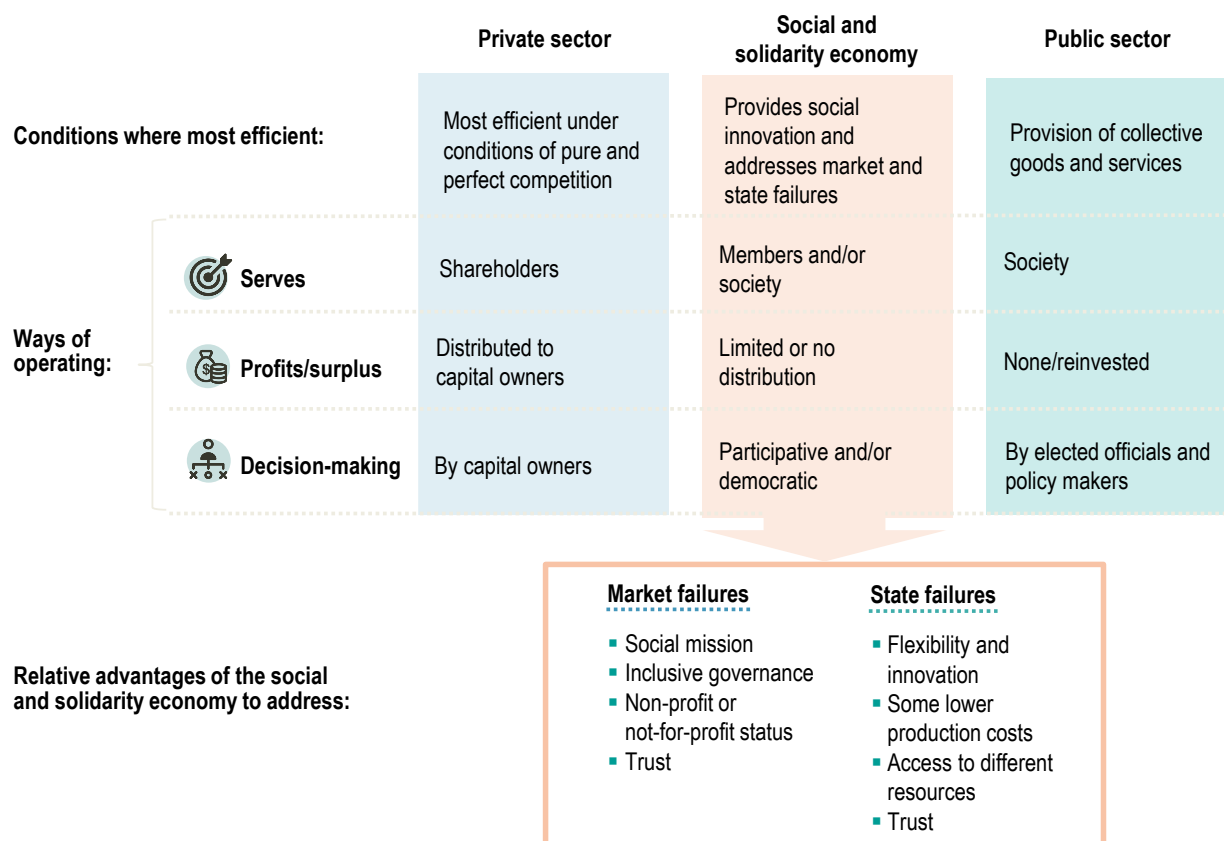
In some circumstances, the state provides a public solution to market failures, for example in the production of collective goods (Ben-Ner, 2006^[88]). The state produce goods and services through public enterprises, administrations and agencies. It is meant to do so because it is collectively agreed that for certain goods and services, no individual should be excluded from their consumption through a price system, and the market is therefore not an optimal solution (e.g. depending on the country – defence, healthcare, education, public transportation, public radio and television, utilities). The reasons explaining this choice can include the technical impossibility and costs associated, in some cases, to exclude individuals from the consumption (e.g. natural parks and the technical difficulty to enclose them), the will to increase the consumption of certain goods and services that also generate benefits for the whole society (e.g. vaccination), or the recognition of fundamental rights (e.g. education) (Mertens, 2010^[89]). In certain circumstances, the state may also fail to provide these goods and services due to obstacles such as budget constraints, political priorities, administrative inefficiency or a lack of co-ordination across government institutions.

SSE entities have specific features that enable them to address certain market and state failures.

As shown in Figure 3.1, because they are not driven by the goal of maximising profits to remunerate the capital owners,² SSE entities use the means at their disposal to favour social purposes (e.g. non-exclusion through differentiated prices, production of collective goods, increase of positive externalities and reduction of negative ones) (Borzaga and Tortia, 2007^[90]) or to develop activities that benefit society but may appear as less profitable from an investor’s perspective. SSE entities also present trust signals (social mission, inclusive governance, non-profit nature, proximity, presence of volunteers) that may reduce opportunist behaviours and make them more capable than market actors to produce collective (e.g. health, education) or trust (e.g. elderly and childcare services) goods and services (Steinberg, 2006^[91]; Ben-Ner, 2006^[88]). Compared with public actors, they are also perceived as more flexible, proposing innovative and differentiated approaches that address diverse demands; they face lower production costs, and are able to mobilise additional resources (revenues from sales, donations, volunteering, sponsorship, etc.) (Steinberg, 2006^[91]; Young, 2008^[92]; Borzaga and Tortia, 2007^[90]).

Figure 3.1. Filling the gaps left by the market and the state

The private for-profit sector, the SSE and the public sector provide goods and services. Yet these different actors are more efficient in certain situations due to their purposes and ways of operating.



Note: The next section, “How SSE entities operate”, provides more information on the purposes and ways of operating of SSE entities.
Source: Authors’ elaboration

SSE entities can help mitigate the concentrated market power held by certain actors by providing solutions for those with less bargaining power, such as in consumer associations or producer cooperatives (Spear, 2000^[93]). Situations of concentration in product markets, or of rationing in financial markets, can catalyse the creation of associations and cooperatives (Noya and Clarence, 2007^[37]) to offset concentrated market power and improve bargaining power through collective action. For example, producer cooperatives have enabled individual farmers to offset concentrated market power of wholesalers to receive fairer prices for their produce (Hueth and Marcoul, 2006^[94]). Fishermen in countries such as Chile facing buyers with similarly concentrated market power formed price bargaining associations to improve their collective bargaining power and sell their catch for higher prices (Peña-Torres et al., 2015^[95]). As discussed in Box 3.1, platform cooperatives can also help workers such as ride-share drivers receive better working conditions, including social protection. Likewise, utility cooperatives have been used to offset concentrated market power that utility companies may obtain after being selected to provide utilities that require large infrastructure investments, such as in the case of waste water treatment plants, which require significant and non-recoverable investments (Gui, 1991^[96]).

Box 3.1. Platform cooperatives: An alternative model for the digital transition

Alongside the well-known actors in the digital platform economy, platform cooperatives provide alternative business models that prioritise social benefits and creation of local value. Platform cooperatives have gained traction in recent years as successful partners for local communities to drive a sustainable digital transition (OECD, 2023 forthcoming^[97]). The Platform Cooperativism Consortium's Directory references 525 projects active in a diversity of sectors across 50 countries, most of them being located in North America and Western Europe.

Platform cooperatives offer innovative business models that rely on principles of shared ownership, democratic governance and solidarity. These cooperatives make use of a digital environment (e.g. websites and/or mobile applications) where cooperative members, who are both the owners and the users of their cooperative, meet to exchange goods, services or content. Platform cooperatives can be multi-stakeholder, worker-owned or producer-owned, and operated by unions, cities, or groups of workers and producers.

Members of platform cooperatives collectively control the technological features and make decisions on production processes and job conditions. Platform cooperative models allow for value distribution to all of those who contribute via their workforce, knowledge or inputs to the common digital infrastructure, namely the shared and often open-access resources. Cooperative members are involved in the design and development of the online platform to make sure that it grows out of their needs and capacities. They collectively govern their cooperative platform, which allows them to prioritise members' well-being, working conditions and societal utility (OECD, 2023 forthcoming^[98]).

These actors have developed in sectors as diverse as childcare, data entry, urban recycling, transport, accommodation, catering and support to small and medium-sized enterprises (SMEs).

- Active in the **ride-hailing sector** in New York City, the Drivers Cooperative is owned by the drivers and aims to give the profits back to them. As of July 2021, 3 400 driver-members had been recruited, and the app had been downloaded about 30 000 times.
- In the **delivery sector**, the Belgian social cooperative Molenbike offers eco-friendly bike delivery services for all types of goods, including fresh organic products, to their private and professional clients with the objective to replace trucks and vans with cargo bikes for last-mile delivery. Molenbike's "bikers-cooperators" are invited to participate in the strategic decisions and development of the cooperative.
- In the **sector of tourism**, the travel accommodation platform Fairbnb charges a commission, half of which is used to fund projects in the local communities in which it operates. There are currently 20 Fairbnb communities that include cities, regions, eco-friendly resorts and citizens in Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain and the United Kingdom. Fairbnb manages to raise more than EUR 400 000 yearly for community projects.
- In the **cultural sector**, 1D Lab is a French multimedia online cooperative platform that aims to increase the visibility and growth of independent artists and creators, and help the public to discover them. 1D Lab developed diMusic, the first fair music streaming platform that counted 7 million tracks by 400 000 artists and represented about 50 000 labels as of 2020, which remains a small actor compared with mainstream platforms. Revenue from the subscriptions is distributed among beneficiaries, with 10% allocated to a solidarity savings fund that supports producers and funds community projects.

- In the **car-sharing sector**, the Spanish non-profit consumer cooperative Som Mobilitat, based in Catalonia, offers electric car rental. Shared cars are the property of the cooperative or individuals, companies and public institutions and can be used through a digital platform. Som Mobilitat is organised in local groups to ensure that citizens of each municipality can promote and adapt mobility services to their own needs.

Source: https://aisel.aisnet.org/ecis2021_rp/74/, <https://www.bloomberg.com/news/articles/2021-07-14/driver-owned-uber-alternative-looks-to-crowdfund-1-million>, <https://coopdescommuns.org/fr/platform-cooperatives-and-their-role-in-the-context-of-recovery/>, <https://drivers.coop>, <http://en.1d-lab.eu/>, <https://fairbnb.coop>, <https://platform.coop/>, https://rosalux.nyc/wp-content/uploads/2020/11/RLS-NYC_platformcoop.pdf, <https://www.sommobilitat.coop/>, <https://molenbike.be/>

In comparable cases, SSE entities can emerge from conditions of asymmetrical information where certain stakeholders have imperfect information about a given good or service (Hansmann, 1987^[99]).

The existence of non-profit organisations is usually traced back to the presence of market failures in satisfying the demands of social and collective interests, within the criteria of reasonable cost and quality (Noya and Clarence, 2007^[37]). SSE entities can also help to address instances in which information asymmetries can create suboptimal economic outcomes, such as the inability of insurance providers to distinguish between high- and low-risk customers, which may cause adverse selection where low-risk clients are priced out of the market (Rothschild and Stiglitz, 1976^[100]). In the case of elderly care, for example, care providers may provide a lower quality of care than advertised. This may lead to two undesirable outcomes: consumers may purchase services they would otherwise refuse with better information about the quality of services, or even refuse transactions of acceptable quality due to doubts about the veracity of claims about the quality of care (Hansmann, 1987^[99]). In the case of the food retail sector, cooperative supermarkets such as La Louve in France and the Park Slope Food Coop in the United States provide members with information about products' traceability and the opportunity to decide together on which types of products they sell, which facilitates access to high-quality groceries at competitive prices.

Social economy entities are recognised as natural partners in complementing public action, especially in the production of collective goods (Noya and Clarence, 2007^[37]). They either can be mandated and funded by the public authorities to provide certain goods and services, or can voluntarily complement the public action that would be considered insufficient. For example, in France, public day-care facilities organised by municipalities co-exist with social economy initiatives, such as non-profit day care or parent-led day care (*crèches parentales*). These *crèches parentales* are not-for-profit childcare designed and co-delivered by parents. They were developed in the late seventies as an alternative to the existing offer considered as not fully satisfactory in terms of psychological and educational approach as well as level of parents' involvement. Another illustration of their agility occurred during the COVID-19 pandemic. Social economy entities were also able to quickly supplement the activities of public authorities by providing meals and care to vulnerable populations, among other activities (OECD, 2020^[4]).

SSE entities can be particularly useful to address market and state failures in rural contexts. Rural areas have lower population density and purchasing power than urban areas and often have less-developed infrastructure (e.g. transportation, communication and electricity networks, among others), lower income levels, and fewer job openings (Valentinov and Baum, 2008^[101]). These conditions can inhibit overall economic development. For example, it is often not profitable enough for conventional firms to enter rural markets in certain sectors (e.g. proximity services, care, or information and communications technology [ICT]), due to the higher cost of providing services over a large area that entails higher infrastructure costs as well as geographically dispersed consumers with sometimes less purchasing power than urban areas (Reiche, Covarrubias and Martinot, 2000^[102]). These conditions have enabled cooperatives rather than conventional firms or public authorities to drive rural utility development in many countries. For example, cooperatives played an integral role in developing rural electricity networks in the

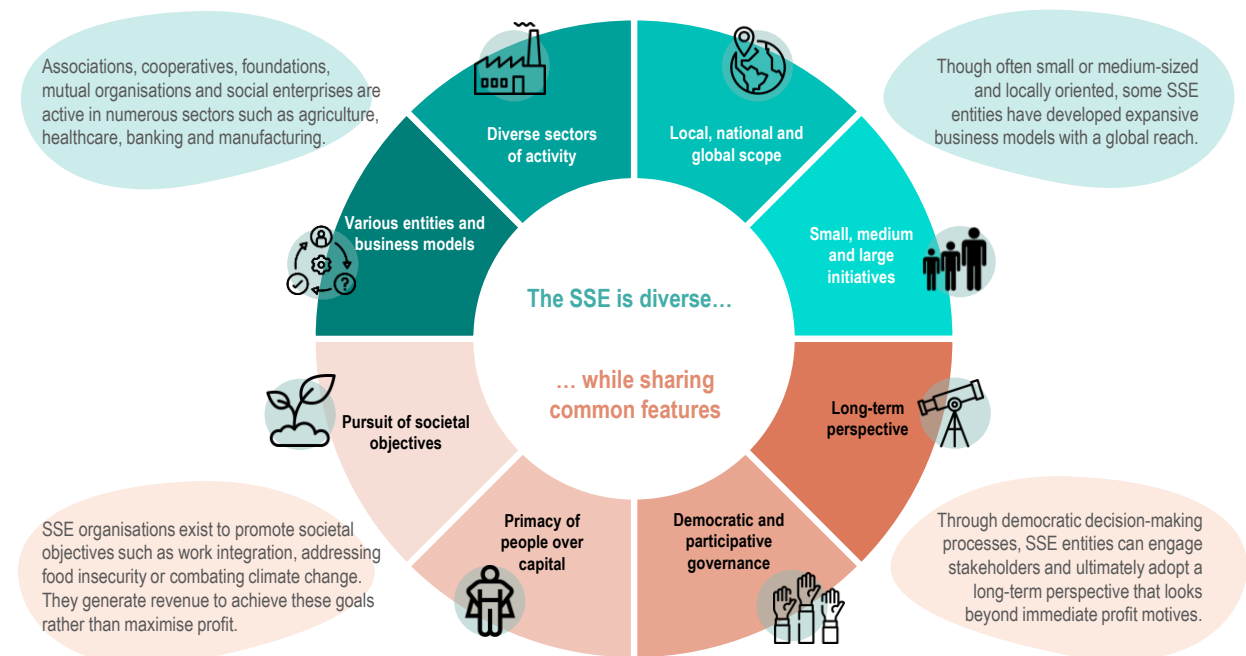
United States during the mid-1900s and continue to provide energy to over half of the country's land mass and 92% of counties with persistent poverty (Yadoo and Cruikshank, 2010^[103]; National Rural Electric Cooperative Association, 2023^[104]). In Canada, the Quebec Federation of Cable and Telecommunication Cooperatives (FCCTQ) brings together local and regional enterprises to provide rural communities with high-speed internet, television and cellular services. Established in 1997, the FCCTQ represents 23 telecommunications cooperatives across the province in rural areas of Quebec that struggle to attract private investment to develop information and communications technology infrastructure (Fédération des coopératives de câblodistribution et de télécommunication du Québec, 2022^[105]).

How SSE entities operate

The SSE is seen as a set of organisations that pursue primarily societal aims and share common values and principles, such as solidarity, primacy of people over capital, collective ownership and participative governance. The SSE entities also implement specific business models and practices that reflect these core values and principles and aim to preserve the social goals as well as the non-profit or not-for-profit nature of the entity. These practices and principles result from ownership rights and governance structures being organised differently and can include democratic governance, limited or prohibited surplus distribution, limited wage gap, and co-operation building on local roots. Exploring further these specific features helps better characterise SSE entities but also distinguish them from public actors and from for-profit businesses (Figure 3.2).

Figure 3.2. The SSE: A diverse field with common characteristics

Though the SSE encompasses a diverse range of entities and business models active across many sectors all over the globe, these entities also share notable common features in the way they operate.



Source: Adapted from (World Economic Forum, 2022^[106]) and (OECD, 2020^[4])

SSE entities pursue primarily societal goals and maximise social impact

SSE entities primarily address social needs to prioritise social impact and people-centred approaches rather than profit for the sake of personal enrichment. The SSE positively contributes to society and generates positive social benefits by its activities or operations (OECD, 2021^[107]). The goals of SSE entities can be considered “social” because of the nature of the goods and services provided (e.g. healthcare, social services, education) but also because of the specific business models and practices implemented to provide their goods and services (e.g. primacy of people and work, economic democracy, participative governance, fair trade, inclusion of vulnerable groups, capacity building and empowerment of their members). The SSE addresses social and environmental needs but also offers a solution to conduct economic activities in an inclusive and sustainable manner, which can concur with some entrepreneurs’ aspirations, especially in the young generation (OECD, 2022^[108]).

While traditionally SSE entities have been involved in the provision of social services and healthcare, they actually develop throughout the economy. Mertens (2010^[89]) identifies five main functions for SSE entities, namely i) fight against exclusion and reinforce social cohesion; ii) fight against inequalities among different regions and favour international co-operation and solidarity; iii) provide quality services in healthcare, social services and culture; iv) preserve the environment and encourage sustainable development; and v) protect the rights of consumers, workers or minorities. As shown in Figure 3.3, SSE entities are also to be found in sectors of activity where they would not have been expected (Marée and Saive, 1983^[109]) to provide alternative ways of organising economic activities, such as renewable energy, ethical finance, retail or construction.

Figure 3.3. SSE entities are active throughout the economy



Source: Adapted from (OECD, 2020^[4]).

Ownership rights are organised differently in the SSE entities

Ownership rights, which include the right to control and to appropriate residual income, are usually in the hands of a same category of stakeholder (Alchian and Demsetz, 1972^[110]; Milgrom and Roberts, 1992^[111]; Fama and Jensen, 1983^[112]). The right to control refers to making all decisions that have not been formally delegated to other individuals or bodies about the allocation of resources and surpluses as well as the selling or the dissolution of the entity. Owners also benefit from the right to appropriate residual income after all the contractual charges have been paid off. Theoretically, the ownership rights can be exercised by different stakeholders. However, it has been argued that stakeholders who do have the

control will be encouraged to use it to maximise the entity's financial surpluses as they also benefit from them, which can improve the entity's efficiency (Steinberg, 2006^[91]).

The allocation of all ownership rights to one category of stakeholders or to various stakeholders underlines the notions of mutual and public benefit. Mutual benefit refers to the predominant orientation towards promoting the interest of one group of stakeholder (e.g. the shareholders, the members) as opposed to the public benefit, which refers to favouring general interest and improving the well-being of individuals and communities. Organisations in which the right to control and the right to appropriate residual income both belong to one group of stakeholders is said to pursue a mutual benefit while public benefit organisations are characterised with ownership rights being shared among different groups of stakeholders (Gui, 1991^[96]). The most common mutual benefit organisations are the conventional enterprises, where shareholders, as owners of the capital shares, do have rights both to control and to residual returns in proportion of their capital contribution. The right to residual earnings is seen as inciting capital owners to take the investment risk as well as to manage the organisation efficiently to maximise their expected return (Hansmann, 1988^[113]).

SSE entities include both mutual and public benefit entities and organise differently the ownership rights (Petrella, 2017^[114]; Rijpens, 2014^[115]). Public benefit organisations include associations, non-profit organisations and public-benefit foundations. In such entities, the stakeholders controlling the organisation are the members or trustees who endorse the organisation's social goals but do not benefit directly from it. Owners and members are not allowed to appropriate surpluses because of the non-distribution constraint but they still have the obligation to collectively reinvest residual earnings in the organisation with the aim to prioritise the public or general interest (Bacchiaga and Borzaga, 2003^[116]). Mutual benefit organisations include cooperatives, mutual societies and certain associations mainly driven by their members' interest. Contrary to conventional firms (Table 3.1), in these mutual benefit organisations that are part of the SSE, the same group of stakeholders may possess all the ownership rights but not solely in their role as capital owners and not in proportion to their capital contribution (Gui, 1991^[96]). For example, in a cooperative, as co-owners, members do have the right to control but the decision-making power is exerted on a democratic basis, either according to the principle "one person, one vote" or with a limited voting power not directly linked to the capital contribution. Members also have the right to appropriate residual income but do so in a limited way and in proportion of their usage³ of the cooperative's activities (Hansmann, 1999^[117]; Spear, 2000^[93]). In cooperatives, the mutual interest therefore results in this "double quality" of members who are both co-owners of the cooperative – as they hold cooperative shares – as well as users, producers or workers.

Table 3.1. Ownership rights and governance in associations, cooperatives and limited liability companies

	Association	Cooperative	Limited liability company
Goal	Association of persons and/or legal entities that primarily serve the general interest for the benefit of the community or address the social needs of individuals, groups or its members.	Association of persons and/or legal entities united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.	Business entity for private companies that protects its owners from personal responsibility for its debts or liabilities.
Owners	Members.	Cooperative members who are co-owners of the cooperative – as they hold cooperative shares – as well as users, producers or workers.	Shareholders.
Control	Members are required to reinvest residual earnings in the organisation with the aim to prioritise the public or general interest.	Cooperatives are democratic organisations controlled by their members who have equal voting rights. The decision-making power is not directly linked to the capital contribution.	Capital owners do have the right to control in proportion of their capital contribution.
Surplus appropriation	Members are not allowed to appropriate surpluses because of the non-distribution constraint.	Members have the right to appropriate residual income but do so in a limited way and mainly in proportion of the amount of their transactions with the cooperative.	Capital owners do have the right to residual returns in proportion of their capital contribution.

Source: Adapted from (Rijpens, 2010^[118])

Many SSE entities combine activities that produce mutual and public benefits. Mutual benefit organisations, such as cooperatives, usually play crucial roles in their local communities that they provide with economic and social services (Defourny and Nyssens, 2017^[119]). Many mutual benefit entities within the SSE also include some dimension of general interest, next to their objective to address their members' needs. For instance, a renewable energy cooperative that aims to secure a better quality and price of energy for its members may bring change on the energy market that will also benefit citizens who are not members of the cooperative. Through their involvement in this renewable energy cooperative, members may also develop their understanding of energy-related issues, which can contribute to changes in their consumption behaviours and will benefit society as a whole. As mentioned earlier, this feature results in the emergence of multi-stakeholder cooperatives (Gijssels, Develtere and Raymackers, 2007^[34]), which were progressively recognised through specific legal forms, such as the “collective interest cooperative society” in France, the “social cooperative” in Italy and the “solidarity cooperative” in Quebec (Canada).

SSE entities are said to be non-profit or not-for-profit entities as they do not seek primarily to maximise the return for capital owners. This feature does not imply that making profits is forbidden in SSE entities; the difference is rather on how profits are used, and surpluses distributed (Figure 3.4). The term “not-for-profit” can be used for entities such as social enterprises that generate profits, albeit to favour social goals and the positive benefits for individuals and communities rather than the remuneration of capital owners. SSE entities, whether pursuing a public benefit or a mutual benefit, operate as people-centred organisations and will prioritise social goals and the positive benefits for their members, recipients and communities over the remuneration of capital owners in the way they use profits and distribute surpluses. The notion of “limited profitability” is also used to refer to this characteristic shared by all SSE entities, namely that they can make a profit but do not intend to distribute that profit exclusively to their owners, thereby making profitability a means and not the objective of their operations (European Economic and Social Committee, 2019^[120]).

Figure 3.4. What happens to the profits in conventional firms versus SSE entities?

SSE entities are allowed to make profits, even if profit maximisation is not their priority. Profit use and distribution differs in SSE entities compared with conventional firms, which relates to the allocation and exercise of ownership rights, which include the rights to both control the firm and appropriate surpluses.

	Profits are reinvested and/or distributed			Those in control can decide how	
	Reinvestment	Distribution	To support social mission or members' needs	Who decides	Appropriation of surpluses
For-profit e.g. SMEs, multinational firms	Yes	Yes, to owners, proportional to capital contribution	No	Capital owners	Proportional to capital contribution
Not-for-profit e.g. cooperatives, social enterprises	Yes	Yes, to owners or members, limited and proportional to the amount of transactions with the entity and/or capital contribution	Yes	Capital owners or members, BUT decision-making power is not directly proportional to capital contribution (e.g. democracy)	Limited distribution, proportional to the amount of transactions with the entity and/or capital contribution
Non-profit e.g. associations, foundations	Yes	No	Yes	Members or trustees and done collectively	None

Note: For for-profit entities, this diagram provides a simplified perspective on ownership rights distribution. Such entities can indeed implement governance structures that balance shareholders' and other stakeholders' interests, as is the case in the two-tier system applied in Germany. The examples provided for not-for-profit and non-profit entities are illustrative and may vary within certain types of SSE entities and depending on the legislations regulating these entities in countries. For instance, some cooperatives or *de jure* social enterprises are non-profit entities by law, such as the Koinsep social cooperative in Greece or the social enterprise in Slovenia.

Source: Authors' elaboration

Mechanisms such as participative governance and limited surplus distribution aim to preserve the social goals and non-profit/not-for-profit nature

The allocation of ownership rights in SSE entities results in specific mechanisms in terms of governance and surplus distribution. These mechanisms reflect SSE core values and principles and are meant to preserve the primacy of social goals, the mutual or general interest, and the non-profit/not-for-profit nature of SSE entities.

SSE entities often adopt participative and democratic governance practices, which result from the allocation of the ownership right to control. Governance mechanisms guarantee that an organisation achieves its goals in the best conditions possible, and in SSE entities, that the way of operating is consistent with the social goals and the economic requirements (Rijpens, 2014^[115]). Formal governance bodies, such as the general assembly and the board of directors, reflect the public benefit versus mutual benefit purpose of the entity, with public benefit organisations usually involving a broader set of stakeholders in their decision-making processes (Petrella, 2017^[114]). Democratic control, which consists of decoupling decision-making power from capital contribution, is also a way to ensure private individual interests may not be favoured at the detriment of the collective nature of the organisation. Many SSE entities apply this principle of democratic decision-making process, with the notable exception of foundations (Noya and Clarence, 2007^[37]). Yet these specific governance features, based on democracy and involvement of stakeholders, may deteriorate over time because of organisational increase in size, progressive formalisation, market and competitive influence, control reinforcement from public authorities, etc. (Rijpens, Jonet and Mertens, 2015^[121]). The cost of collective decisions, the low representativeness of some stakeholders and the lack of skills of the elected representatives constitute other weaknesses that can undermine democratic and participative governance.

Additionally, a non-distribution constraint, limited surplus distribution and asset locks are implemented to secure the prioritisation of social impact over return on capital. Associations, non-profit organisations and foundations may not distribute any profits to their members or owners to maintain the public benefit character, as beneficiaries are not necessarily the members/executives of the organisation. In the other types of SSE entities, such as cooperatives or social enterprises, surplus distribution to capital owners will usually be limited, again to favour the pursuit of social goals over the maximisation of return on capital. Profits put into reserves to build the entity's assets may be subject to asset lock mechanisms that apply to prevent owners and members from individually appropriating these reserves when they leave the organisation or decide to cease the activities (Garroy, 2020^[122]). In case of dissolution, the assets must be allocated to a similar cause.

SSE entities are able to mobilise a diverse set of resources

SSE entities can provide goods and services at market conditions or keep their production out of the market. SSE entities can produce goods and services for sale with the intention to cover costs, which is reflected in the prices and is associated with market production. For example, the price of renewable energy provided by a renewable energy cooperative to its members will cover the costs and reflect the market conditions. Many SSE entities also produce goods and services that are available for free or at prices that are not economically significant, which refers to non-market production. For instance, the price charged for one night in a homeless shelter does not cover the real costs. In this case, additional resources may be needed to cover costs, and these resources are available through diverse sources.

SSE entities can mobilise various types of resources coming from different actors who value their economic and social benefits. SSE entities rely on a diversified resource mix (Gardin, 2006^[123]) and can mobilise market-based and non-market-based, as well as monetary and non-monetary, resources, such as revenues from sales, public subsidies, donations and volunteering. These resources are coming from different sources that include the public sector, businesses, foundations and individuals. Through their

activities, SSE entities produce different types of benefits, economic and social/societal but also private and public, that are valued by diverse actors willing to pay for these benefits (Young, 2008^[92]). For example, a cooperative that offers fair trade products may be able to earn revenues from sales from individuals who directly benefit from the consumption of these products, but it could also receive donations or attract volunteers who would value the “fair” component of the products and the social benefits generated by the cooperative. Likewise, an association active in the work integration of vulnerable groups, such as persons with disabilities or long-term unemployed, might receive subsidies to value the public benefits of its activities. Similarly, a work integration social enterprise providing organic food through regenerative farming practices might get donations from a foundation supporting the socio-ecological transition that would recognise the public environmental and social benefits of community-supported agriculture.

The SSE entities’ resource mix can also include “implicit” resources that result from the renouncement of some stakeholders, such as volunteers, workers and investors, to potential economic benefits in order to favour the entity’s social impacts (Young, 2017^[124]). For example, volunteers give their time, skills and expertise without asking for a financial compensation; managers of SSE entities might accept lower wages than similar positions in other enterprises; impact investors might expect lower return on investment. These implicit resources participate in consolidating the SSE entities’ economic viability.

Favouring co-operation over competition dynamics

The values of collaboration and co-operation are important for SSE entities. Such organisations have historically relied on participative and collaborative governance structures for their development. They also foster co-operation with other actors, especially at the territorial level, throughout the different stages of their creation, development and scaling (Huybrechts, Nicholls and Edinger, 2017^[125]). This inclination towards collaboration is evidenced by the emergence of new legal forms for the SSE that encourage the creation of multi-stakeholder organisations, such as the collective interest cooperative society in France, the social cooperative in Italy or the solidarity cooperative in Quebec (Canada). These entities bring together and encourage the collaboration of stakeholders that sometimes have divergent interest to produce social and economic benefits for all stakeholders. The Territorial Clusters of Economic Cooperation (TCEC) in France, which were recognised by the Law on the Social and Solidarity Economy in 2014, provide another example of such collaborative structures (Demoustier, 2018^[126]). The TCEC are groupings, in the same territory, of SSE entities that collaborate with companies, local authorities, research centres, education and training organisations, and other actors to develop socially or technologically innovative projects that are conducive to sustainable local development.

Partnerships emerge within the SSE as well as with public and private for-profit actors in order to deal with complex societal issues and to facilitate access to resources. Collaboration appears at different levels – among SSE entities, with public authorities and with businesses – with variations across countries regarding the extent to which SSE entities tend to co-operate with these different actors (Mair, 2020^[127]). This may reflect the specific patterns of competition or access to finance in which SSE entities operate. There is evidence that the type of co-operation among these organisations may vary between countries. For example, social enterprises in Spain and the United Kingdom are most likely to collaborate with other social enterprises whereas those in Portugal and Sweden commonly partner with local authorities (Mair, 2020^[127]). Social and environmental challenges faced by our economies and societies are becoming more complex and interconnected, which requires novel approaches to address them (Ferraro, Etzion and Gehman, 2015^[128]). Developing co-operation, including through cross-sector partnerships, can contribute to more efficient approaches but also to an improved access to additional resources, including public and private finance, expertise and infrastructure (Selsky and Parker, 2005^[129]). These cross-sector partnerships also emerge following for-profit businesses’ search for new models of corporate social responsibility (Di Domenico, Tracey and Haugh, 2009^[130]).

Co-operation within the SSE can be linked to the purpose to maximise social impact, which makes SSE entities consider their counterparts as “fellow contributors” or “partners” to social aims (Sharp, 2018_[131]). SSE entities tend therefore to prioritise mutual support and collaboration within the field and reduce unfruitful competition with their peers, which is also used as a scaling strategy (OECD/European Commission, 2022_[81]). Competition among SSE entities still appears, especially when it is about accessing scarce financial resources, but research has shown that in these circumstances, SSE actors tend to develop non-market forms of competition, such as differentiation or lobbying strategies (Chetkovich and Frumkin, 2003_[132]; Suárez and Hwang, 2007_[133]). SSE entities may also use collaborative strategies to expand, enter new markets, or offer new products or services (OECD/European Commission, 2022_[81]). The notion of “co-opetition” emerged to reflect these somehow paradoxical interactions within the SSE (Brown, Gianiodis and Santoro, 2017_[134]) when firms co-operate in some activities, such as in a strategic alliances, while at the same time competing with one another in other activities. Studies on social enterprises show that engaging in both cooperative and competitive behaviours helps them pursue both their social and commercial goals as co-operation forges a shared identity and increases knowledge, while competition pushes them to innovate (Arenas, Hai and De Bernardi, 2020_[135]; Herbst, 2019_[136]).

SSE entities are recognised as natural partners in complementing public action, especially in the production of collective goods (Noya and Clarence, 2007_[37]). The SSE entities can either, on their own initiative, fulfil the demand for public goods left unsatisfied by governments, or be mandated and funded⁴ by them to carry out the delivery of specific goods and services (Young, 2000_[137]). SSE entities are recognised as more efficient, under certain circumstances, to provide solutions thanks to their flexibility, proximity to beneficiary populations, and ability to mobilise additional resources such as private finance, donations and volunteering (Bode and Brandsen, 2014_[138]). Public authorities and the SSE can develop complementary strategies to achieve common target goals, as observed at the regional and local levels (OECD, 2020_[84]). Public authorities will aim to enable the SSE to expand and co-ordinate various providers operating in a similar ecosystem. Such interactions between SSE entities and public authorities can also influence political agendas by enabling SSE entities to represent and advocate for their users and beneficiaries in policy development and political debate.

The SSE may also engage in cross-sector partnerships with for-profit businesses, which can improve access to finance, reinforce access to markets and provide additional expertise. Cross-sector partnerships entail positive benefits, especially in accessing resources, and can prove to be efficient strategies to inspire sustainable behaviours and help transform businesses from the inside. These collaborations also involve some risks for the SSE entities, such as the possibility to divert from its social goals and values, to lose the support of stakeholders (e.g. public authorities, donors or volunteers) who may look unfavourably on the collaboration, and the reputational risk of being involved in greenwashing or social-washing strategies (Ebrahim, Battilana and Mair, 2014_[139]; Herlin, 2013_[140]). SSE entities need therefore to find a way to engage in these cross-sectoral collaborations that will be aligned with both their economic and social objectives (Huybrechts, Nicholls and Edinger, 2017_[125]) in order to shift the focus from “whether or not” to collaborate towards “why” engage in these collaborations and “how” to find the right fit between the SSE and for-profit businesses (Herlin, 2013_[140]).

A global phenomenon strongly embedded in local territories

SSE entities typically operate at the local level and embed their economic activities in the local territory. The scale of action of these organisations is often geographically compact (Demoustier and Richez-Battesti, 2010_[85]). Territories are seen as offering economic opportunities for SSE entities but also as forming the core spaces for developing their activities, close to their users, customers or beneficiaries (Colletis, Gianfaldoni and Richez-Battesti, 2005_[141]). Geographic and social proximity is for them a source of value and competitive advantage (Byrne, Heinonen and Jussila, 2015_[142]). It provides them with the ability to better understand what works and what does not in the local context, making them well-suited to respond efficiently to issues that arise in their local areas.

SSE entities are part of local communities and contribute to their strengthening, being recognised as a powerful lever for local development and collective social innovation (Pereira Morais and Bacic, 2017^[82]; Bioteau and Fleuret, 2014^[83]; OECD, 2022^[14]). Local development has been increasingly conceived as being driven by synergies among various actors and actions (OECD, 2011^[143]). The SSE's local roots but also its place between the state and the market reinforce its ability to collaborate locally with other actors, including policy makers, SMEs, researchers and citizens. The SSE is rooted in a community and within a network of relationships with local policy makers and businesses (Pereira Morais and Bacic, 2017^[82]; Pecqueur and Itçaina, 2012^[87]). SSE entities experiment with new and co-operative ways of working that include diverse types of actors, building on common goals and their complementary assets and resources. They can also serve as “laboratories” for social innovation (Demoustier and Richez-Battesti, 2010^[85]) and contribute to enrich the places in which they operate.

The territorial embeddedness of the SSE and its contribution to local development is not a new phenomenon but it has attracted increased attention these two last decades (Artis, Roger and Rousselière, 2020^[144]). The multiple economic, financial, and most recently environmental and sanitary crises have been questioning the model of global firms and put in the spotlight the local enterprises operating in a given territory (Draperi and Le Corroller, 2015^[145]; Bioteau and Fleuret, 2014^[83]). Policy makers have acknowledged the SSE potential to contribute to social and economic development while revitalising local areas. Researchers have been interested in better capturing the specific features and challenges of the SSE linkages to its territories as well as the dynamics between the SSE and the diverse actors operating in this context (Itçaina and Richez-Battesti, 2018^[146]). This local embeddedness needs to be articulated with the regional and national levels as well as with a global level (Bioteau and Fleuret, 2014^[83]).

Notes

¹ Externalities refer to the indirect effects – positive or negative – that the consumption, production and investment decisions of individuals, households and firms can have on people and organisations that are not directly involved in the transaction (Helbling, 2010^[182]). Externalities are not compensated or reflected in the prices, which can lead to inefficient market outcomes. The lack of compensation for positive externalities can imply lower production levels of the good or service, while in the case of negative externalities, the lack of repercussion on the costs for the producer of these externalities will not encourage them to limit these negative effects.

² Not all SSE entities have a capital. Some SSE entities, like the associations, do not have a capital while some SSE entities, depending on the country, are not required to raise a minimum amount of capital to be established.

³ In some countries, cooperatives may be allowed to distribute surpluses to their members in proportion to their capital contribution, but this amount is generally limited. In Belgium, for example, cooperatives recognised under the National Council of Cooperation may not distribute more than 6% of their profits to remunerate the capital owners.

⁴ Public support to the SSE, especially in the European Union, has evolved these last decades. Previously, the authorised SSE entities were mainly funded for the provision of services defined by specific regulatory norms, or through active labour market policies. From the 1990s, new forms of public funding have expanded, such as public contracting or “quasi-market” mechanisms, to improve access, innovation, effectiveness and efficiency in provision of public services (Lubienski, 2009^[183]). This can imply increased competition among SSE, for-profit and public actors, as well as reduced financial stability for SSE entities.

4 Portraying typical social and solidarity economy entities

The set of entities being considered as part of the social and solidarity economy (SSE), and especially of its “social economy” component, has evolved over time and varies across countries. Three main components, namely the associations, the cooperatives and the mutual societies, were initially identified in the scope of the social economy, which subsequently extended to public benefit foundations and more recently to social enterprises (OECD, 1999^[30]; Defourny, 2005^[147]). Depending on the countries, these components are not always considered as part of the field. While associations/voluntary organisations, cooperatives and mutual societies belong to the scope in most countries, the inclusion of foundations and social enterprises is more debated. In Mexico, Article 25 of the Constitution clarifies the legal entities that are part of the SSE, which does not include associations and foundations. Foundations are not included in the scope in Korea. In Quebec (Canada), the term “social enterprise” is relatively absent in institutional, academic and practitioner usage (Bouchard, Filho and Zerdani, 2015^[148]) and the Act on Social Economy defines its entities, notably cooperatives, mutual societies or associations endowed with legal personality (article 3). In India, the use of the term “social enterprise” is recent and still lacks institutional recognition (Agrawal and Khare, 2019^[149]).

Variations among countries also reflect local realities and result from the recognition of other initiatives, formal and informal, beyond the typical components of the social economy. Other community-based initiatives can be recognised to acknowledge the engagement of communities in local development, as is the case for *ejidors* in Mexico or self-help groups in India. Two different approaches also co-exist to the social and solidarity economy, seeing the field as including or not informal organisations (Galera and Chiomento, 2022^[11]). In Ecuador, the Organic Law on Popular and Solidarity Economy and Popular Financial Sector (2011) includes informal entities in the legal definition of the solidarity economy to support their formalisation, among other objectives (Calvo and Morales Pachon, 2013^[150]).

Associations or voluntary organisations

An **association or voluntary organisation** is a self-governing, independently constituted body of people who have joined together voluntarily to take action for the benefit of the community; it is not established for financial gain (OECD, 2003^[44]).

Associations or voluntary organisations share common characteristics, such as the non-distribution constraint and the use of voluntary inputs. These entities are self-governing, meaning that they have their own internal governance bodies and are not controlled by governments or private entities (Salamon and Anheier, 1992^[151]). The non-distribution constraint (Hansmann, 1987^[99]) implies that these entities are prohibited from distributing surplus to owners or any individual who exercises control over the organisation, such as members or directors. These entities are allowed to earn profits but these profits must be used to achieve the organisation’s goals and may not provide financial gain to the owners. In this sense, these entities are also referred to as non-profit organisations¹ (Anheier and Knapp, 1990^[152]). Another important characteristic relates to the use of a certain level of voluntary inputs, being time, financial or in-kind contributions (Salamon and Anheier, 1992^[151]).

The legal recognition of the associations or voluntary organisations varies greatly across countries (Laville and Sainsaulieu, 1997^[153]). In the United Kingdom and the United States, associations or voluntary organisations do not correspond to a specific legal form; non-profit organisations need to demonstrate their non-profit character or public benefit to be qualified as such. In other countries or regions, these entities are recognised through specific legal forms, such as the Association Sans But Lucratif (or Vereniging Zonder Winstoogmerk) in Belgium, the Association Loi 1901 in France, and the Organisation à But Non Lucratif in the province of Quebec in Canada (Nyssens, 2017^[154]). In Spain, third-sector entities active in the social sector are included in the social economy if they meet the requirements of the Law on the Third Sector of Social Action (Law 43/2015), which specifies that these entities operate for purposes of general interest and non-profit-making, arise from citizens' or social initiative, and benefit from full autonomy in management and decision-making.

Associations or voluntary organisations are active worldwide, although this field varies from one country to another, as well as within countries. In Brazil, the legislation regulating associations encompasses a wide range of non-profit entities “carrying out ordinary activities, provided they differ from more specific organisations (churches, foundations and political parties)” (Ferrari et al., 2019^[60]), which has led to the emergence of new types of associations addressing in priority collective social issues, such as homelessness. In Canada, each province is responsible for health, education and welfare, which reflects in non-profit organisations displaying different characteristics (Vaillancourt and Thérault, 2008^[155]). In India, political and socio-economic circumstances have substantially shaped the development of the non-profit sector and led to the formation of particular types of non-profit organisations in different periods of history: from church-based organisations in the mid-19th century, to welfare-oriented entities in the 1970s and the emergence of non-governmental organisations in the 1980s (Sen, 1992^[156]). In France, the non-profit sector operates in many areas and has been increasingly recognised by the government as an impactful actor that is consulted and partnered with for the development of policies, especially relating to social, environmental and cultural affairs (Archambault, 2006^[157]).

Cooperatives

A cooperative is an autonomous association of persons and/or legal entities united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Labour Organization, 2018^[158]; International Cooperative Alliance, 1995^[159]). The cooperative identity is characterised by the fact that a cooperative serves the mutual interest of its members who co-own and democratically control it. The cooperative principles defined by the International Cooperative Alliance (1995^[159]) include voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among cooperatives; and concern for the community.

Cooperatives are established to pursue the mutual interest of their members who can include one or more kinds of users or stakeholders. In some circumstances, pooling resources among members provides them with goods or services of a better quality, at a better price, or more generally under better conditions than what would be offered by other firms or by the state, which may reduce transaction costs and market imperfections (Hansmann, 1996^[160]; Spear, 2000^[93]). Different types of cooperatives are identified according to the members represented in the cooperative, namely the producer cooperatives, worker cooperatives, consumer/user cooperatives, and multi-stakeholder cooperatives (International Labour Organization, 2018^[158]). These multi-stakeholder cooperatives have developed following a renewed interest in the cooperative model, for example to address emerging social and environmental issues (Gijssels, Develtere and Raymackers, 2007^[34]), but also to enable multiple actors, including public authorities, to participate in cooperatives. In some countries, new legal forms have been established (Birchall, 1997^[161]) to enable this participation and allow cooperatives to pursue the general interest, beyond the mutual interest of their members. The “collective interest cooperative society” established in 2001 in France, the “social cooperative” established in 1991 in Italy and the “solidarity cooperative” created in 1997 in Quebec (Canada) are examples of this trend.

In cooperatives, members have a double status as both the co-owners of the cooperative and the users of its goods and services, which has implications on the decision-making processes and surplus distribution. Members contribute to the capital of their cooperatives by buying shares while also benefiting directly from its goods and services as users – producers, workers or consumers (Spear, 2004_[162]). As co-owners of the cooperative, members actively participate in making decisions and setting the strategic orientations but they have equal voting rights independently from their capital contribution. As co-owners, members usually receive limited compensation, if any, according to the capital held. Depending on countries, this cap is either defined by the cooperative law or self-imposed by cooperative themselves to preserve their identity, especially when the cooperative law is loosely defined and does not reflect the cooperative principles and values (Richez-Battesti and Defourny, 2017_[36]). Surplus are allocated “for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership” (International Cooperative Alliance, 1995_[159]). As users of the cooperative, members can therefore benefit from surplus distribution – in the form of a rebate, discount or bonus – in proportion to the amount of transactions with the cooperative. Democratic governance and the specific allocation of surplus to members contribute to maintain the alignment between the interest of members as both co-owners and users of the cooperative.

Mutual societies

A mutual society is an organisation owned and managed by its members and that serves their interests. Mutual societies can take the form of self-help groups, friendly societies and cooperatives. Mutual societies exclude shareholding as they bring together members who seek to provide a shared service from which they all benefit. They are widely represented in the insurance and health sectors (Noya and Clarence, 2007_[37]).

Mutual societies are risk-sharing groups that bring together members of a community, a profession, an industry or a geographical area. They are established to provide solidarity-based responses to problems such as work disability, access to finance, health and old age. Mutual societies aim to provide their members with a system of welfare, mutual aid and solidarity in return for a contribution according to their means (Bode, 2000_[163]). Depending on countries, mutual societies tend towards a cooperative model (e.g. in the United States) or towards a non-profit organisation model (e.g. in Belgium) (OECD, 2022_[8]). Like cooperatives, mutual societies pursue the mutual interest of their members but these entities do not have a capital and their funds are indivisible. Like non-profit organisations, mutual societies may not distribute surpluses to their members, unless in the form of lower premiums (Defourny et al., 2016_[164]).

The creation of welfare states in some regions profoundly altered the role played by mutual societies, especially after the Second World War. Some risks, such as illness and old age, could be better managed through wide-scale systems relying on a high number of members and the support provided by statistical techniques. This resulted, in some regions such as Europe,² in the creation of compulsory public insurance schemes, complemented by mutual societies that provide additional social protection services (Noya and Clarence, 2007_[37]). For example, in Denmark, France, Italy and Spain, mutual societies pooled their health insurance activities with those of administering healthcare and social welfare institutions. However, mutual societies had to professionalise and grow in scale in order to compete with private market insurers, which resulted in a decline in their number and the loss of their small-scale and local character.

Mutual societies have remained a significant tool to share risk among individuals in some regions and are experiencing a revival in others. Mutual societies have continued to be efficient risk-sharing tools, in addition to compensating for less-comprehensive welfare systems, in regions such as India, Southeast Asia and sub-Saharan Africa (LeMay-Boucher, 2009_[165]; Ligon, Worrall and Thomas, 2000_[166]; Fafchamps and Lund, 2003_[167]). Covered risks can include medical care, purchase of drugs, hospital costs and funerals but also poor harvest and fishing (Atim, 1998_[168]). In certain countries, such as in Germany, the Netherlands and the United States, the interest for these organisations has been renewed to respond

to shortcomings of established state and private insurance arrangements (Vriens and De Moor, 2020^[33]). Despite the provision of some form of public insurance, groups can remain excluded from these established insurance systems, such as high-risk profiles, the unemployed, informal workers or migrants. These new mutual societies particularly emerge among these poorly or not insured populations (Vriens, Buskens and de Moor, 2019^[18]; International Labour Organization, 2001^[169]), taking up the initial principles of solidarity, fairness, transparency and innovation back.

Foundations

Foundations are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds from an individual or a group of people, the earnings of which are used for the long-term benefit of a specific group of people or for the community at large (Noya and Clarence, 2007^[37]). While foundations form a large part of the non-profit sector in Australia, the United Kingdom and the United States, they come in small numbers in other regions (Nyssens, 2017^[154]; Noya and Clarence, 2007^[37]).

Foundations serve a public purpose and operate as non-profit organisations acting both as grant-making entities that support other organisations and as providers of social, health and cultural services. Only public benefit foundations are part of the SSE, excluding entities organised or operated for the benefit of private interests. Foundations use private financial and non-financial resources, including money, time and skills for charitable purposes or public benefits. Foundations constitute therefore a significant link between the private and non-profit sectors, acting as a recipient of private capital and a funder of non-profit organisations (Noya and Clarence, 2007^[37]). Foundations are also characterised by a non-profit distribution constraint and may not distribute profits or be a source of personal enrichment for their founders, directors or managers (Salamon and Anheier, 1992^[151]). Foundations are governed by a board of directors appointed by the founders; they cannot be controlled directly or indirectly by government at any level, corporations, associations and their members, or individuals (Noya and Clarence, 2007^[37]).

The term “foundation” refers to a wide diversity of entities across the globe, as a result of variations across countries’ history, legal frameworks, and cultural and political contexts (Anheier and Leat, 2013^[23]). Depending on national legislations, foundations can be defined as endowed grant-making organisations, or as both grant-making and operating foundations, as in the Czech Republic, Estonia and Hungary. A comparative overview of the diverse legal and fiscal environments of foundations across 40 countries concludes that foundations may engage in economic activities in almost all of the countries surveyed, although the majority of these countries do impose some limitations on the nature and magnitude of activities permitted (Philanthropy Europe Association, 2022^[170]). Foundations with no capital are also created, therefore depending on income streams, such as corporate profits or tax revenues (Jung, Harrow and Leat, 2018^[171]). Some countries, such as the United Kingdom, do not make any legal distinction between foundations and other forms of charitable organisations (Jung, Harrow and Leat, 2018^[171]). Other countries created multiple legal forms, such as France, which counts eight different legal forms and mechanisms to recognise different types of foundations, e.g. foundation of public utility (*fondation reconnue d’utilité publique*), business foundation (*fondation d’entreprise*), endowment fund (*fonds de dotation*) and hospital foundation (*fondation hospitalière*)³ (Bausse, 2022^[172]).

Intrinsic characteristics of foundations, such as their size, profile of their founders, their modes of action and the resources available, also explain the diversity across the field. In many countries, such as the United Kingdom, the United States, or even Belgium, the field is composed of a small number of foundations endowed with a large capital and a large number of small foundations (Wiepking and Handy, 2015^[173]; Mernier and Xhaufclair, 2017^[174]). It is generally assumed that small foundations are locally based while large foundations operate at a national or international level (Jung, Harrow and Leat, 2018^[171]). The profile of the founders also plays a role as both individuals or families, as well as legal entities such as corporations, can establish a foundation. The amount and type of available resources, being endowment, pro bono expertise and corporate volunteering, also affect the chosen mode of action.

Social enterprises

A social enterprise is an entity that trades goods and services, that fulfils a societal objective and whose main purpose is not the maximisation of profit for the owners but its reinvestment for the continued attainment of its societal goals (OECD, 2022^[14]). According to this perspective, social enterprises emerge within the social economy and extend its scope beyond its traditional legal forms. Initially, social enterprises were mainly seen as addressing employment issues by providing work and training opportunities to vulnerable groups. Their focus has progressively expanded to the pursuit of societal objectives in the general interest or in the interest of specific vulnerable groups (OECD, 2009^[175]). Social enterprises can use market mechanisms to create social and economic value across a range of sectors (Mair, Wolf and Ioan, 2020^[176]).

Social enterprises can take a diversity of legal forms and statuses that reflect their specific features. *De jure social enterprises* are those legally recognised under specific legal frameworks that create legal forms or legal statuses designed specifically to support the social enterprise development. A legal form is the foundational legal structure adopted by an organisation, e.g. association, cooperative or limited liability company (European Social Enterprise Law Association, 2015^[177]), while a legal status can be adopted by a number of legal forms based on the compliance with certain criteria (OECD, 1999^[30]). Some countries created a specific legal form (e.g. social cooperatives in Poland). Other countries created a legal status that can be adopted by one or several legal forms. For example, in Italy, any kind of legal forms can apply to the “social enterprise” legal status; in Luxembourg, predefined legal forms (including cooperatives and limited liability companies) can qualify; in Belgium, only cooperatives; and in Latvia, only limited liability companies can qualify for their “social enterprise” legal status. *De facto social enterprises* are not legally recognised through legal forms and statuses specific to social enterprises but can be considered as such because they produce important services of general interest and operate along the same specific features as social enterprise business models.

Countries have adopted numerous approaches to recognise social enterprises and operationalise their specific features, namely their entrepreneurial/economic dimension, their social objectives, and their inclusive governance or ownership (OECD, 2022^[7]; OECD, 2022^[8]). At the European level, relying on the EMES International Research Network approach to social enterprises (Borzaga and Defourny, 2001^[178]) and building on the OECD definition, the European Commission established that social enterprises “run commercial activities (entrepreneurial/economic dimension) in order to achieve a social or societal common good (social dimension) and have an organisation or ownership system that reflects their mission (inclusive governance-ownership dimension)” (European Commission, 2011^[179]). These dimensions have been further operationalised in the framework of the European Commission mapping study on the social enterprise ecosystems in Europe (table 4.1).⁴

Table 4.1. Operationalisation of the European concept of the social enterprise

Main dimension	General definition	Minimum requirements
Entrepreneurial/economic dimension	<p>Stable and continuous production of goods and services.</p> <ul style="list-style-type: none"> Revenues are generated mainly from both the direct sale of goods and services to private users or members and public contracts. <p>(At least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets).</p> <ul style="list-style-type: none"> Although relying on both volunteers (especially in the start-up phase) and non-commercial resources to become sustainable, social enterprises normally also use production factors that typically function in the monetary economy. 	Social enterprises must be market-oriented (incidence of trading should be ideally above 25%).
Social dimension	<p>The aim pursued is explicitly social. The product supplied/activities run have a social/general interest connotation.</p> <ul style="list-style-type: none"> The types of services offered or activities run can vary significantly from place to place, depending on unmet needs arising at the local level or in some cases even in a global context. 	Primacy of social aim must be clearly established by national legislations, the statutes of social enterprises or other relevant documents.
Inclusive governance-ownership dimension	<p>Inclusive and participatory governance model.</p> <ul style="list-style-type: none"> All concerned stakeholders are involved, regardless of the legal form. The profit distribution constraint (especially on assets) guarantees that the enterprise's social purpose is safeguarded. 	The governance and/or organisational structure of social enterprises must ensure that the interests of all concerned stakeholders are duly represented in decision-making processes.

Source: (European Commission, 2020, p. 29^[180])

Notes

¹ Voluntary and non-profit organisations reflect slightly different emphasis. “Voluntary organisations” identifies organisations freely formed by individuals, independent from governments and the market, and characterised by a certain level of voluntary contributions (time, financial or in-kind inputs). The term “non-profit” identifies organisations that do not distribute surplus to their owners and whose main objective is therefore not to provide them with a financial gain. This term encompasses a wider set of entities that do not seek profit, such as charitable trusts and foundations.

² Since healthcare systems in the European Union are mainly financed through taxation or contributions from employers and employees, participation in the statutory healthcare system is usually mandatory. However, in some European countries (e.g. Austria, Belgium, Germany, the Netherlands), substitutive voluntary health insurance is available to clearly defined groups of populations, which are either excluded from participating in some or all aspects of the statutory health insurance scheme or are exempt from contributing. In the latter case, eligibility for substitutive voluntary health insurance may be determined by income (Germany and the Netherlands), employment status (the self-employed in Austria, Belgium and Germany) or occupation (certain professions in Austria) (Sagan and Thomson, 2016^[181]; Mossialos and Thomson, 2002^[184]).

³ Translations retrieved from:

[www.europarl.europa.eu/RegData/etudes/STUD/2021/693439/IPOL_STU\(2021\)693439_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2021/693439/IPOL_STU(2021)693439_EN.pdf).

⁴ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8274> .

5 Emerging developments and debates

Various perspectives on how to define the social and solidarity economy (SSE) and related notions co-exist, which makes reaching a common understanding difficult. Yet clarifying the set of criteria to capture the field and identify who is in and who is not is important for policy makers to develop targeted support measures or produce statistics on the field. SSE entities operate through specific business models relying on the primacy of people and work, limited profit distribution, and participative governance, which may require specific legal, financial and tax frameworks (OECD, 2022^[8]; European Economic and Social Committee, 2019^[120]). Because efforts for defining have material consequences on the field itself and its entities, these could benefit from the engagement of SSE actors and other stakeholders, such as networks, researchers, financiers and business support initiatives. Reaching a shared international understanding could also enable the identification of global trends and facilitate cross-comparisons and collaboration among countries and regions, while acknowledging country variations in the SSE (or other fields) scopes.

The SSE is crucial to build and inspire alternative models for the future to reconcile the economic, social and environmental agendas. Through their activities and specific ways of operating, SSE entities can produce positive effects on individuals (e.g. social inclusion), places (e.g. co-operation among local actors) and communities (e.g. solidarity, social cohesion). They also favour preventive approaches that can reduce negative externalities and save future costs. Such cost savings often concern public expenses, for example in healthcare (by favouring ecological material and processes) or unemployment benefits (through the action of work integration social enterprises). The SSE also holds an interesting potential in driving the green and digital transitions to make them more inclusive and amplify their social benefits. It can also catalyse the emergence of new forms of collaboration, among citizens, public authorities and private partners, to enable developing collectively innovative and place-based solutions to emerging needs. The SSE entities also provide tools to establish specific governance and ownership models that support community wealth building and allow for the participation of local stakeholders, as is the case in the management of commons (i.e. resources that are managed for common use).

The SSE is a living field and concept, whose boundaries have been constantly evolving and challenged. The SSE evolves according to bottom-up dynamics originating from the field itself and top-down driving forces such as policy action. Specific or new forms of organisations, such as foundations and social enterprises, have questioned the limits of the field (Fonteneau and Pollet, 2019^[12]). If public benefit foundations pursue social goals, they do not always conduct economic activities and their governance cannot be described as participative or democratic. As a result, foundations are still not considered as part of the SSE in some countries or regions, such as Korea, Mexico and Quebec (Canada). More recently, social enterprises have raised similar debates because of their intrinsic features, such as individual ownership, distribution of profits and governance that may not be aligned with the SSE's management principles.

The big picture is also moving through the emergence of socially and environmentally conscious initiatives, which contributes to blurring frontiers. The need to respond to accelerating climate change and to the rise of social inequalities has led to the creation of initiatives such as the United Nations Sustainable Development Goals. Similarly, this has spurred the creation of new business practices, such as the responsible business conduct or the environmental, social and governance criteria that aim to promote sustainable development and strengthen social justice. The emergence of superficially similar but quite distinct business practices risks blurring the frontiers between the initiatives within the SSE and the rest of the economy. This involves a risk for SSE actors to digress from their initial purpose and principles but also entails an opportunity for them to increase their outreach by inspiring sustainable practices and thereby contributing to transforming the economies and societies.

The SSE is a rich and dynamic field that has remained attuned and responsive to emerging local economic and social needs. It can implement alternative models and be innovative when provided with the opportunity and conducive framework conditions to unleash its potential. The significant evolutions occurring in the field as well as in the global context, especially with the expansion of socially and environmentally conscious business practices, might require policy efforts to help the SSE preserve its specific nature, consolidate its business models and increase its value added to our economies and societies. Clarifying the boundaries of the field and the set of criteria used to clearly identify which entities are part of the SSE is crucial in this respect. Further building the evidence base to demonstrate the SSE economic, social and environmental benefits is also needed to distinguish their utility compared with public and for-profit actors. This also requires measuring their non-market outputs and estimating the extent to which they offset negative externalities, especially with respect to social and environmental issues. Better understanding these links between the ways SSE entities operate and their impacts could help refine the set of criteria used to define what is the SSE, and what is not.

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Annex A. Definitions of the social and solidarity economy and similar notions used in legal texts

The table below provides an overview of the definitions of the social and solidarity economy – or similar terms – included in national framework laws or specific laws across the countries targeted by the Global Action. This table aims to show the diversity of approaches used to define the social and solidarity economy, although it must be acknowledged that the objectives and scope of the below-mentioned legal texts greatly differ. A comprehensive overview of specific laws and legal statuses for SSE entities at the national and subnational levels is available in the OECD publication *Legal Frameworks for the Social and Solidarity Economy* (OECD, 2022^[8]).

Country	Name and date of the legislation	Definition
Bulgaria	Act on Enterprises of the Social and Solidarity Economy (240/2018)	<p>(Article 2) This act aims to promote the development of a social and solidarity economy as a branch of the economy with special rules for: 1. improvement of access to employment and training to acquire or improve professional qualification aimed to raise the living standard of the persons referred to in Item 4 of Article 7; 2. the creation of conditions for support of the social inclusion and independent lifestyle of the persons pursuant to Item 4 of Article 7; 3. reduction of social inequality and sustainable territorial development.</p> <p>(Article 3) Social and solidarity economy is a form of entrepreneurship aimed at one or several social activities and/or social goals, including by the production of various goods or the provision of services in cooperation with state or local authorities, or independently.</p> <p>(Article 4) The following shall be the principles of social and solidarity economy: 1. advantage of social before economic goals; 2. association for public and/or collective benefit; 3. publicity and transparency; 4. independence from state authorities; 5. participation of the members, workers or employees in managerial decision-making</p> <p>(Article 5) The subjects of social and solidarity economy shall include cooperatives, not-for-profit, legal persons operating for public benefit and social enterprises.</p>
France	Framework Law on the Social and Solidarity Economy (2014)	<p>(Article 1) I-The social and solidarity economy is a form of entrepreneurship and economic development adapted to all areas of human activity, to which legal entities under private law adhere if they meet the following cumulative conditions:</p> <ol style="list-style-type: none"> 1. A goal other than the mere sharing of profits; 2. A democratic governance, defined and organised by the statutes, providing for information and participation, the extent of which is not solely linked to the capital contribution or to the amount of the financial contribution of the members, employees and stakeholders in the achievements of the company; 3. A management in accordance with the following principles: <ul style="list-style-type: none"> – The profits are mainly devoted to the objective of maintaining or developing the activity of the company; – The compulsory reserves constituted, which may not be shared out, may not be distributed. The statutes may authorise the general assembly to incorporate into the capital sums taken from the reserves established under this law and to increase the value of the shares accordingly or to make distributions of bonus shares.

Country	Name and date of the legislation	Definition
		<p>II- The social and solidarity economy is composed of the activities of production, transformation, distribution, exchange and consumption of goods or services implemented:</p> <ol style="list-style-type: none"> 1. By legal persons under private law constituted in the form of cooperatives, mutual benefit societies or unions under the mutual benefit code or mutual insurance companies under the insurance code, foundations or associations governed by the law of 1 July 1901 relating to the contract of association or, where applicable, by the local civil code applicable to the departments of Bas-Rhin, Haut-Rhin and Moselle; 2. By commercial companies which, under the terms of their articles of association, fulfil the following conditions: <ul style="list-style-type: none"> – They comply with the conditions set out in paragraph I of this article; – They seek to be socially useful within the meaning of Article 2 of this law; – They apply specific management principles (see Framework Law for more details).
Greece	Law on Social and Solidarity Economy (4430/2016)	<p>(Article 2.1) "Social and Solidarity Economy" is defined as the set of economic activities based on an alternative form of organisation of relations of production, distribution, consumption and reinvestment, based on the principles of democracy, equality, solidarity, cooperation, and respect for people and the environment.</p> <p>(Article 3.1) "Social and solidarity economy bodies" are:</p> <ol style="list-style-type: none"> a) "Social Cooperative Enterprises", b) Social Cooperatives of Limited Responsibility (CSOs) governed by Article 12 of Law 2716/1999 (A' 96), supplemented by the provisions of Law 1667/1986 (A' 196), Article 12 of Law 3842/2010 (A' 58) and this Law, c) Employees' Cooperatives, established by Article 24, d) Any other legal person not having a single person, if it has acquired legal personality, such as agricultural cooperatives of Law 4384/2016 (A' 78), civil cooperatives of Law 1667/1986, Civil Companies of Articles 741 et seq. of the Civil Code, if the following conditions are cumulatively met (...)
Italy	Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service	<p>(Article 1)</p> <ol style="list-style-type: none"> 1. The third sector is defined as the group of private entities established for the pursuit of civic, solidarity and social utility purposes on a non-profit basis, and which, in implementation of the principle of subsidiarity and in accordance with their respective articles of association or deeds of incorporation, promote and carry out activities in the general interest by means of voluntary and non-remunerative action, by mutuality, or by the production and exchange of goods and services.
Luxembourg	Act on Societal Impact Companies (2016)	<p>(Article 1)</p> <p>The social and solidarity economy is a form of entrepreneurship to which legal entities under private law adhere if they fulfil the following conditions:</p> <ol style="list-style-type: none"> 1. Pursue a continuous activity of production, distribution or exchange of goods or services. 2. Meet primarily at least one of the following two main conditions: <ul style="list-style-type: none"> – They aim to provide, through their activity, support for people in vulnerable situations, either because of their economic or social situation, or because of their personal situation and particularly their state of health or their need for social or medico-social support. These persons may be employees, customers, members, subscribers or beneficiaries of the company; – They aim to contribute to the preservation and development of social ties, the fight against exclusion and health, social, cultural and economic inequalities, gender equality, the maintenance and reinforcement of territorial cohesion, environmental protection, the development of cultural or creative activities and the development of initial or continuing training activities. 3. To be autonomous in the sense that they are fully capable of choosing and dismissing their governing bodies and of controlling and organising all their activities. 4. Apply the principle that at least half of the profits generated are reinvested in the maintenance and development of the company's activity.

Country	Name and date of the legislation	Definition
Mexico	Law on the Social and Solidarity Economy (2012, last amended in 2019)	<p>(Article 3)</p> <p>The Social Sector of the Economy is the sector of the economy referred to in the eighth paragraph of article 25 of the Political Constitution of the United Mexican States, which functions as a socio-economic system created by socially owned organisations, based on relations of solidarity, cooperation and reciprocity, privileging work and the human being, formed and administered in an associative manner, to satisfy the needs of its members and the communities where they develop, in accordance with the terms established in the present Law.</p> <p>(Article 4)</p> <p>The Social Sector of the Economy shall be composed of the following forms of social organisation:</p> <ul style="list-style-type: none"> - Communal farmlands (<i>ejidos</i>); Communities; Workers' organisations; Cooperative Societies; Enterprises that are majority or exclusively owned by the workers; and - In general, all forms of social organisation for the production, distribution and consumption of socially necessary goods and services. <p>(Article 8)</p> <p>The aims of the Social Sector of the Economy are as follows:</p> <ol style="list-style-type: none"> 1. To promote the values of human rights, social inclusion and, in general, the full development of the human being; 2. To contribute to the socio-economic development of the country, participating in the production, distribution and consumption of socially necessary goods and services. 3. To promote education and training by encouraging practices that consolidate a culture of solidarity, creative and enterprising culture; 4. To contribute to the exercise and improvement of participatory democracy; 5. To participate in the design of plans, programmes and projects for economic and social development, in terms of the applicable legislation; 6. Facilitate the participation and access to training, work, property, information, management and equitable distribution of benefits without discrimination of any kind to the Associates of the Sector Organisations; 7. Participate in the generation of sources of work and better ways of life for all people; 8. Promote the full creative and innovative potential of workers, citizens and society, 9. Promote productivity as a mechanism for social equity. <p>(Article 9)</p> <p>The Organisations of the Sector shall take into account the following principles in their internal organisation: Autonomy and independence from the political and religious sphere; Participatory democratic regime; Self-management form of work; Interest in the community.</p> <p>(Article 10)</p> <p>The Sector Organisations shall orient their actions on the following values: Mutual aid; Democracy; Fairness; Honesty; Equality; Justice; Plurality; Shared responsibility; Solidarity; Subsidiarity; Transparency; Trust; Self-management; and Social Inclusion.</p>
Portugal	Social Economy Framework Law (2013)	<p>(Article 2)</p> <ol style="list-style-type: none"> 1. Social economy shall be understood as the set of economic and social activities freely undertaken by the entities referred to in Article 4 of this law. 2. The activities provided for in paragraph 1 are intended to pursue the general interest of society, either directly or through the pursuit of the interests of its members, users and beneficiaries, when socially relevant. <p>(Article 4)</p> <p>The following entities, as long as covered by the Portuguese legal system, are part of the social economy:</p> <ul style="list-style-type: none"> - Cooperatives; Mutual associations; Charitable institutions; Foundations; Private social solidarity institutions not covered by the previous subparagraphs; Associations with altruistic purposes acting within the cultural, recreational, sports and local development scope; The entities covered by the community and self-managed sub-sectors, integrated under the terms of the Constitution into the cooperative and social sector; and - Other entities endowed with legal personality, which respect the guiding principles of the social economy as provided for in Article 5 of this law and are included in the social economy database.

Country	Name and date of the legislation	Definition
		<p>(Article 5)</p> <p>Social economy entities are autonomous and act within the scope of their activities in accordance with the following guiding principles:</p> <ul style="list-style-type: none"> - The primacy of people and social objectives; - Free and voluntary membership and participation; - Democratic control of the respective bodies by their members; - Conciliation between the interests of members, users or beneficiaries and the general interest; - Respect for the values of solidarity, equality and non-discrimination, social cohesion, justice and equity, transparency, shared individual and social responsibility and subsidiarity; - The autonomous and independent management of public authorities and of any other entities outside the social economy; - The allocation of surpluses to the pursuit of the purposes of social economy entities in accordance with the general interest, without prejudice to respect for the specificity of the distribution of surpluses, proper to the nature and substratum of each social economy entity, as enshrined in the Constitution.
Romania	Law on Social Economy (219/2015)	<p>(Article 2)</p> <p>(1) The social economy is the set of activities organised independently from the public sector, the purpose of which is to serve the general interest, the interests of a community and/or personal non-pecuniary interests by increasing the employment of persons belonging to vulnerable groups and/or producing and supplying goods, providing services and/or carrying out works.</p> <p>(2) The social economy is based on private, voluntary, and solidarity-based initiative, with a high degree of autonomy and responsibility, and limited distribution of profits to members.</p> <p>(Article 3)</p> <p>(1) For the purposes of this law, social enterprises may be:</p> <ul style="list-style-type: none"> (a) cooperative societies of the first degree, operating on the basis of Law No 1/2005 on the organisation and functioning of cooperatives, republished; (b) credit cooperatives, operating under Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy, approved with amendments and additions by Law No 227/2007, as amended; (c) associations and foundations, operating on the basis of Government Ordinance No 26/2000 on associations and foundations, approved with amendments and additions by Law No 246/2005, as subsequently amended and supplemented; (d) mutual benefit societies for employees, operating pursuant to Law No 122/1996 on the legal status of mutual benefit societies and their unions, republished; (e) pensioners' mutual benefit societies, which are set up and operate on the basis of Law No 540/2002 on mutual aid houses for pensioners, as amended and supplemented subsequent additions; (f) agricultural companies, which operate on the basis of Law No 36/1991 on agricultural companies and other agricultural associations, as subsequently amended; (g) any other categories of legal persons which, according to the legal acts of establishment and organisation, cumulatively comply with the definition and principles of the social economy provided for in this Law. <p>(2) Federations and unions of legal persons referred to in paragraph (1) may be social enterprises.</p> <p>(Article 4)</p> <p>The social economy is based on the following principles:</p> <ul style="list-style-type: none"> (a) priority given to the individual and to social objectives over profit-making. (b) solidarity and collective responsibility; (c) convergence between the interests of the associated members and the general interest and/or the interests of a community; (d) democratic control of the members over the activities carried out; (e) voluntary and free nature of the association in the forms of organisation specific to the social economy; (f) separate legal personality, autonomy of management and independence from public authorities; (g) allocation of the major part of the financial profit/surplus to the attainment of objectives of general interest, of a community or in the non-pecuniary personal interest of the members.

Country	Name and date of the legislation	Definition
Slovakia	Act on Social Economy and Social Enterprises (2018)	<p>(Article 3)</p> <p>The social economy is the sum of productive, distributional or consumer activities carried out through economic activity or non-economic activity independently of state bodies, whose main goal is to achieve a positive social impact.</p> <p>(Article 4)</p> <p>(1) The subject of the social economy is a civic association, foundation, non-investment fund, public benefit organisations, religious organisations, trade companies, cooperatives or sole proprietors which:</p> <ul style="list-style-type: none"> (a) are not majority controlled by a state body, the state body does not finance them for the most part, does not appoint or elect a statutory body or more than half of its members and does not appoint or elect more than half of the members of the management body or supervisory body, (b) are engaged in an economic or non-economic activity within the framework of social economy activities, and (c) if they undertake or perform other gainful activity in accordance with special regulations, they do not perform them exclusively for the purpose of making a profit or use the profit from them in the manner provided for in this Act. <p>(2) For the purposes of paragraph 1 letter a) financing is not the provision of support under this Act or special regulations.</p>
Slovenia	Social Entrepreneurship Act (2018)	<p>(Article 2)</p> <p>Social economy is defined as an economy consisting of social enterprises, cooperatives, companies for people with disabilities, employment centres, non-governmental organisations (associations, institutes, institutions or foundations), which are not established solely for the purpose of making a profit, operate for the benefit of their members, users or wider communities and produce commercial or non-commercial products and services.</p>
Spain	Law 5/2011 on the Social Economy	<p>(Article 2)</p> <p>The term social economy refers to all economic and entrepreneurial activities carried out in the private sphere by entities which, in accordance with the principles set out in article 4, pursue either the collective interest of their members or the general economic or social interest, or both.</p> <p>(Article 4)</p> <p>The social economy entities act on the basis of the following guiding principles:</p> <ul style="list-style-type: none"> – Primacy of people and social purpose over capital, which takes the form of autonomous and transparent, democratic and participatory management, leading to prioritising decision-making more in terms of people and their contributions of work and services provided to the entity or in terms of the social purpose, than in relation to their contributions to the social capital. – Application of the results obtained from the economic activity mainly according to the work contributed and the service or activity carried out by the members or their members and, where appropriate, to the social purpose of the entity. – Promotion of internal solidarity and with society that favours commitment to local development, equal opportunities between men and women, social cohesion, the insertion of people at risk of social exclusion, the generation of stable and quality employment, the reconciliation of personal, family and working life and sustainability. – Independence from public authorities. <p>(Article 5)</p> <ol style="list-style-type: none"> 1. The social economy includes cooperatives, mutual societies, foundations and associations that carry out economic activity, labour companies, insertion companies, special employment centres, fishermen's associations, agricultural processing companies and singular entities created by specific regulations that are governed by the principles set out in the previous article. 2. The social economy may also include those entities that carry out economic and entrepreneurial activity, whose operating rules comply with the principles listed in the previous article, and which are included in the catalogue of entities established in article 6 of this Act. 3. In any case, social economy entities shall be regulated by their specific substantive rules.

Note: Authors' translation of official legal texts.

Source: (OECD, 2022^[8])

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