



# Third System in Europe Working Packages 5 and 6

**By:**

**As.For.In, (Italy),**

**Oxford Research, (Denmark),**

**APOPSI (Greece)**

**CIES (SPAIN),**

**Amledo&CoEk.For, (Sweden) and**

**Co-operative College, (United Kingdom)**

[www.irenetwork.eu](http://www.irenetwork.eu)

Contractor: AS.FOR.IN. - Associazione per la Formazione e l'Inserimento lavorativo nelle PMI  
Via Fratelli Bisogno n. 27, 83100 Avellino - ITALY  
Phone +39 0825 22711 Fax +39 0825 281497

[www.asforin.it](http://www.asforin.it)

Project Manager: Lorenzo Corona - [lc corona@asforin.it](mailto:lc corona@asforin.it)

Coordinator: ASIS Consorzio di Cooperative Sociali  
Via Santa Maria Avvocata n. 2, 80134 Napoli - ITALY  
Phone +39 081 5844993 Fax +39 081 2141441

[www.consorzioasis.it](http://www.consorzioasis.it)

Project Coordinators: Mario Massa - Chief Coordinator  
Lorenzo Scirocco – Deputy Coordinator  
[irenet\\_projectcoordinator@consorzioasis.it](mailto:irenet_projectcoordinator@consorzioasis.it)

**INDEX**

<b>I.</b>	Introduction
<b>II.</b>	The deep-ser tradition in Europe of enterprises that operate on a nonprofits bases
<b>III.</b>	Most frequent terminology
<b>IV.</b>	Legal forms of the organisations which belong to the third sector
<b>V.</b>	By sphere of activity
<b>VI.</b>	Conclusions
<b>VII.</b>	Glossary
<b>VIII.</b>	Bibliography
<b>IX.</b>	Annexs

## I. Introduction

### Technical data:

- ✓ Participating countries: Denmark, Greece, Italy, Spain, Sweden, United Kingdom
- ✓ Participating members in the IRENE.T Project:
  - P1: AS.For.In., Italy
  - P3: Oxford Research, Denmark
  - P5: APOPSI, Greece
  - P6: CIES, Spain
  - P14: Amledo&CoEk.For, Sweden
  - P15: The Co-operative College, United Kingdom

Among member countries of the European Union there is a group of private organisations which manage productive resources whose objective is not the maximisation of profits. These private non for profit organisations take different legal forms depending on the regulations of the country in which they act.

In recent years there has been a proliferation of terms used to refer to this group of private organisations that manage productive resources but without a profit motive.

These terms are:

- Social Economy
- Third Sector
- Third System
- Social Enterprise

### Objectives of this report

This report has the following three objectives:

1. Examine the degree of acceptance of each one of the terms in each of the six countries which have participated in this report, with the hope of unifying criteria among the 15 members of the IRENE.T Project. This unification of criteria is to provide focus and to aid in identifying, in each member country, the private organisations and professionals in those organisations to whom continuing training is aimed, and to aid in the

construction of the European network of initiatives for continuing training which the IRENE.T Project has as an objective.

2. Provide a picture of the “state of the art” of organisations in the third sector in Europe through the national studies done by IRENE.T members from Denmark, Greece, Italy, Spain and the United Kingdom.
3. As a result of objective 2, increase knowledge of the profiles of the organisations which are the objective of the IRENE.T Project, specifically regarding their legal forms and their spheres of activity.

## Methodology

To complete this summary report the following members, Oxford Research (Denmark), APOPSI (Greece), As.for.In, (Italy), CIES (Spain), Amledo (Sweden) and the Co-operative College (United Kingdom), prepared national reports using a common scheme with the aim of unifying the information provided. (The template used can be seen in appendix VII.) Prior to this a glossary was prepared so that the concepts that each of the six members worked with would coincide. This glossary constitutes section VII of this report.

## Structure of the report

This report is structured in nine sections. It begins with this introduction. The second section highlights the strong tradition in Europe of non-profit organisations. Based on the national reports which are the basis for this summary report, and following the template that the authors of these reports have used, the third section focuses on which of the terms, social economy, third sector, third system or social enterprise, is most commonly accepted among the public in the six member countries of the IRENE.T Project that wrote national reports. Continuing with the reading of the national reports, section four presents the most common legal forms used by third sector organisations in each of the six countries. The fifth section provides an analysis of the presence of third sector organisations in the spheres of citizen participation, the creation of employment in situations of crisis and among the hard-to-employ, and in cooperation with government and other suppliers in the financing, production and provision of welfare goods and relational goods. The sixth section reflects on the role of networks and trust as the core of the social capital which third sector organisations have accumulated, permitting them to be a growing presence in the provision of welfare goods. As in this field of study terms and expressions are used which can have different meanings, the seventh section provides a glossary which gathers the meanings that some of these terms and expressions used have in this document. The eighth section contains the bibliographic

references which are cited throughout this document and the last section, in the form of appendixes, contains the six national reports and the template which served as their guide.

## **II. The deep-ser tradition in Europe of enterprises that operate on a nonprofits bases**

There has been a tradition of enterprises operating on a non-maximization of profit basis in Europe ever since the Industrial Revolution. In the mid-nineteenth century, the market was developed to a much lesser degree than today and there was no welfare state; as a result, various groups voluntarily organized and set up enterprises as instruments that served their interests. The most frequent legal forms were cooperatives and friendly societies. The first ones to actually appear were consumers' cooperatives between skilled workers in factories in Rochdale, near Manchester, who were being forced increasingly into poverty by the mechanization of the Industrial Revolution. These pioneering textile workers banded together to open their own stores selling food items they could not otherwise buy and/or of better quality than those being offered by the existing retail distribution industry. These consumers' cooperatives were followed by agricultural cooperatives, workers' cooperatives, housing cooperatives, etc., as well as friendly societies for social provision.

The aim of these organizations was to increase the well-being of each of its members. They were organizations that were managed democratically, one person / one vote, whose members took on business risks. This is what is known today as the social entrepreneur. The important thing about these organizations was that their mission was never to maximize profit. Their mission was to provide a service to their members that was difficult to achieve on an individual basis and is what economic theory calls unsatisfied demand: neither the conventional private sector nor the public sector were supplying in adequate qualitative or quantitative conditions. These organizations did not limit themselves solely and exclusively to managing their economic activity but also promoted a broad range of intense social activities: cooperative members would spend their free time at the cooperative premises, taking part in training activities, holding family celebrations like weddings and dances on Sunday afternoon. This is what Puttman would call social capital. The cooperatives that appeared in the mid-nineteenth century and that spread all over Europe over the course of the twentieth century thus developed business activity as an instrument. Ultimately, however, they were schools that promoted democracy, local identity and the main source of social capital.

This mutual help (benefit) between their members is also associated with the theory of need and the defense of the interests of a specific group of people. To such an extent, in fact, that in the literature need is also connected with the rediscovery of the cooperative movement. This approach continues to be valid. In Spain, workers' cooperatives expanded rapidly between 1975 and 1995, which were characterized by high levels of persistent unemployment and a

non-consolidated welfare state (Vidal,1987); in short, the concept of mutual help or benefit continues to be a valid concept at the present time for understanding the rediscovery of local business associations between certain social groups and in times of uncertainty.

### ***The appearance of non for profit entities as economic operators***

A period of economic growth followed the two World Wars, which led to the development in Western Europe of mature markets in many industries and the setting up of various different welfare state models characterized by an increased capacity to produce and provide public services. The sustained institutional and economic growth that took place meant that Western Europe was no longer a poor region. The result was a new setting where certain needs of civil society that had previously not been sufficiently met now began to be satisfied by the private and public sectors; for example, consumer cooperatives became less important economically and socially. New needs were emerging however, and organized civil society readjusted the entrepreneurial instruments being used to serve their needs. Non-profit making entities appeared as economic players on the scene at this time. When public administrations began to establish strategic alliances with private organizations, the non-profit-making organizations began to adapt their plans of action and direct them towards the market. The sharp increase in associations in France and Belgium throughout the second half of the twentieth century was due to the welfare states in these countries choosing non-profit making organizations to manage certain public services, especially those requiring direct, daily and stable relations with the users of these public services, such as family child care and domestic help for the disabled.

At the present time, the increase in the demand for services to people in Europe offers new market opportunities to enterprises characterized by the crafted and personalized provision of services to people. These new markets are giving rise to the emergence of new enterprises that combine the economic rationale of generating wealth and making money with the political rationale of promoting social cohesion and well-being.

### **III. Most frequent terminology**

The term social economy was first used in France at the beginning of the 20th century to identify cooperatives, associations and so-called friendly societies. In the last quarter of the 20th century the term, third sector, coming from the United States, was introduced in Europe.

At first, the term third sector was used in regard to organisations which, by law, could not distribute profits. Over time, the terms social economy and the third sector began to be used indistinctly in the countries of the European Union to identify a group of organisations with the following characteristics:

- private
- manage productive resources
- provide employment
- provide aid to others or provide mutual aid
- Non for profit.

The European Commission became interested in the vitality of these organisations, above all, because in the 1980s when the countries of the European Union were facing high levels of unemployment, it realized that these organisations were creating jobs. As a result of this interest, the European Commission in 2002 published a report that emphasized the vital importance of these organisations to the productive fabric of all the member countries of the European Union. The Commission referred to this body of organisations as the third system.

At the end of the 20th Century, at the global level a new term began to be used: social enterprise. Cooper (2009) points to 1997 as the year in which the term social enterprise was introduced in the United Kingdom (see the report by the Co-operative College, appendix 6). In Italy there has been a law on the social enterprise since 2006.

Of the four terms mentioned, which term or terms have greater social acceptance among the six countries in the IRENE.T Project that have completed national reports?

An initial answer to this question can be found in chart 1, in which the number of marks reflects the degree of recognition on the part of the public in each of the six countries that have participated in this report, of each of the terms used to refer to private non for profit organisations.

Chart N° 1

Which is the preferred notion used in your country?

	Social Economy	Third Sector	Third System	Social Enterprise
Denmark	XXXX	XXXX	x	x
Greek	XXXX	XXXX	none	XXXX
Italy		XXXX	X	XXXX
Spain	XXXX	XXXX	none	XX
Sweden	XXXX	XX	X	XXXX
United Kingdom	xxxx	xxxx	x	xxxx



Source: elaborated by CIES from the reports by As.For.In, Oxford Research, APOPSI, CIES, AMLEDO and The Co-operative College, first half of 2009.

Chart 1 confirms that the terms social economy, third sector and social enterprise are all in common use in Greece, Italy, Sweden and the United Kingdom.

The term third system is not widely used among the public in the six countries that have participated in this report.

Cooper (2009), Arlemalm (2009) and Nielsen (2009) point out that the term social enterprise is popular among a wide group of countries including the United Kingdom, Sweden and Denmark. The term currently has drawbacks for the wide number of meanings it has, as Nielsen (2009) and Cooper (2009) point out in the reports they produced for Denmark and the United Kingdom respectively.

With the objective of aiding the IRENE.T Project to limit and define the range of enterprises that are the focus of its interest, we propose to use the concept of social enterprise as defined by Italian legislation and which coincides with the definition proposed by Defourny and Borzaga (2001), which can be found in the glossary of this report in section VII.

The information in chart 1 suggests that the different terms that are used in the IRENE.T proposed project be unified under the term **third sector**, which seems to be the most commonly accepted term among the six countries that have participated in this report. It is proposed that when the term third sector is used in documents produced by the members of the IRENE.T project, it be considered the equivalent of the terms social economy and third system and that social enterprises be considered as part of the third sector.

#### **IV. Legal forms of the organisations which belong to the third sector**

To continue with the objective of identifying the organisations which in each country form part of the third sector, each one of the members of the IRENE.T Project that has collaborated in this report was asked to provide a list of organisations which form part of the third sector in their respective country.

Depending on the legal system of each country, there may be a greater or lesser diversity of legal forms. Perhaps, one extreme may be the Nordic and Anglo-Saxon countries where the legal systems do not encourage the creation of legal forms for each organisational expression which emerges from the economic and social fabric. While the other may, perhaps, be Spain,

where, in comparison with the rest of the members that have collaborated on this report, we find a certain proliferation of legal forms that fall under the term third sector.

Table 2 below shows the different legal forms organisations pertaining to the third sector can use in the six countries included in this report.

Chart nº 2. Legal status

	Denmark	Greece	Italy	Spain	Sweden	United Kingdom
Cooperatives	x	x	x	x	x	x
Limited liability company		x		x		
Mutal society		x		x	x	x
Foundation	x	x	x	x		
Association	x	x	x	x		
Social enterprise			x			
Labour company				X	x	
Insertion enterprise		x		X		x
Sport associations	x					
voluntary organizations	x	x				x
Charities						x
Congregaciones religiosas				x		
Organizacioens de derecho especial						

Fuente: elaboración CIES a partir de los informes elaborados por As.For.In, Oxford Research, APOPSI, CIES, AMLEDO y The Co-operative College, primer semestre del 2009.

The legal forms that table 2 contains can be reordered in function of the legal restriction that the law places on the distribution of profits to private interests.

Three major blocks can be differentiated:

- **FIRST BLOCK:** those organisations that by law cannot distribute profits to private interests. The profits obtained must be fully reinvested in the organisation.
- **SECOND BLOCK:** those organisations which by law can carry out a limited distribution of profits to private interests.
- **THIRD BLOCK:** those organisations which by law have no restrictions on the use of profits.

🔴 **THE FIRST BLOCK** are non-profit organisations; in other words, those organisations which by law are not allowed to distribute profits.

The legal forms that impose a complete restriction on the distribution of profits are:

- associations
- mutual societies
- foundations
- charities
- religious congregations
- organisations with special rights
- social cooperatives

It should be pointed out that the expression “non-profit organisation” (NGO) and voluntary organisation are, again, terms. Non-profit organisations and voluntary organisations in countries such as Spain, Italy and Greece have the legal form of associations and foundations. All NGOs and voluntary organisations are located within the category of “associations” or “foundations”. The same is true for so-called cultural, sporting, ethnic associations, federations representing organisations, trade unions, etc. All these organisations have the legal status of associations.

Worthy of separate comment is the case of religious congregations, which in countries such as Spain play an important role in the educational system and in providing healthcare services. These religious congregations are non-profit organisations, and along with such well-known organisations as the Red Cross, Caritas and the Spanish National Organisation for the Blind (ONCE), they have a special legal status.

Recently, in some countries, those cooperatives which provide relational goods are achieving their own legal recognition. This new legal form for cooperatives may include the restriction that these organisations cannot distribute profits.

🌻 **THE SECOND BLOCK** includes those organisations in the third sector which by law can carry out a limited distribution of profits.

The legal forms of organisations which can carry out a limited distribution of profits are the following:

- cooperatives
- social enterprises
- worker owned companies
- insertion companies

The legal form par excellence which forms part of the third sector, the social economy or the third system and which can carry out a limited distribution of profits are the cooperatives in

any of their forms: agricultural, housing, employment, educational, health, consumer, services, etc. It should be remembered that certain recent legislation permits a cooperative to use the term non-profit by simply renouncing the possibility of a limited distribution of profits among its members. This means that an agricultural cooperative can become a non-profit organisation. (In Spain such cooperatives are referred to as *cooperativas de iniciativa social* [socially initiated cooperatives]).

In this sphere of organisations with a limited distribution of profits are found social enterprises with legal recognition, such as in Italy. Insertion companies which are dedicated to creating jobs for persons with physical, psychological, hearing, visual or social disabilities, in other words, employment for those collectives of workers that are not easily employable in unprotected labour markets, are also found in this sphere. Finally, the Spanish case of worker owned companies should also be mentioned: businesses whose majority owners are workers but which are not cooperatives. Born at the end of the 1970s with legal recognition since 1986, their objective is the creation and maintenance of employment for unemployed workers or those at risk of being unemployed. They were started when businesses were bought out by workers at the risk of losing their jobs due to the industrial crisis at the end of the 1970s and beginning of the 1980s in Spain.

● **THE THIRD BLOCK** of organisations is made up of those businesses which form a part of the third sector but use the legal form of a limited liability company as mentioned in the national report on Greece completed by APOPSI (2009). In this block we find organisations which are formally defined as associations of capital, which can distribute profits without any formal restrictions but which form part of the third sector, social economy or third system.

The businesses whose mission is the creation of employment for the hard-to-employ can use any legal form which has the formal meaning of a joint venture. For example, insertion companies can be cooperatives, liability companies, worker owned companies, etc. In other words, the promoters of an organisation can choose between a range of different legal forms to structure the organisation, a tool for facilitating the ends of the organisation. It should also be pointed out that organisations of any legal form which permits the distribution of profits can decide in their statutes that profits will not be distributed, in other words, voluntarily impose a restriction which goes beyond the legal form chosen.

## V. By sphere of activity

The organisations which form part of the third sector can be found in every sphere of economic activity in their country: agriculture, industry, construction, services and even financial services.

However, without wanting to exclude any activity, we can conclude that there are three major spheres of activity which are most frequently mentioned in the six national reports and which may be of primary interest to the IRENE.T Project. These three spheres of activity are the following:

- The construction of a web of political representation and the defence of the public interest.
- The creation of employment among the hard-to-employ or simply the unemployed or those at risk of becoming unemployed.
- The provision of services or relational goods.

*The third sector as instrument for the construction of a web of political representation and the defence of the public interest*

Organisations of the third sector channel the political, social, cultural and other interests of the public. Democratic systems make the formation of political parties and trade unions possible and create the institutional environment necessary for the development of public participation through the creation and consolidation of advocacy groups, human rights groups, social movements, environmental organisations, organisations for the defence of concrete interests, etc. All these organisations and those which support social movements are non-profit entities.

*The third sector as an instrument for the creation of employment among the hard-to-employ, the unemployed or those at risk of becoming unemployed.*

Another key vector for organisations of the third sector is their implication in the creation of jobs in difficult times and for the unemployed or hard to employ persons.

The six national reports emphasize the importance of businesses in the third sector which have as their mission creating employment for the socially disadvantaged. To create jobs which can be taken by these different social groups, these companies develop intensive economic activity in, among others, as cited in the national reports:

- a) Activities related to the selective collection of solid wastes: recycling
- b) Activities related with food services: cafes, catering, restaurants.
- c) Industrial activities related to the assembly of parts
- d) Gardening
- e) Activities related to new sources of energy respectful of the environment

This group of organisations, whose aim is the hiring of disadvantaged workers, is known by the general name of insertion companies. These are companies which provide sheltered

employment. As was mentioned in the previous section, the legal forms of such organisations can vary.

In moments of crisis and difficulties for the creation of employment, workers on unemployment or at risk of losing their jobs opt to work together and try to create businesses whose objectives are the creation and maintenance of jobs for the persons who have decided to organise and become business owners. The national reports produced by the members from Sweden, Greece, the United Kingdom and Spain, point out the need for the creation and maintenance of employment as another source for the birth of companies in the third sector. These businesses, promoted by persons hoping to create their own jobs, can be found in any sphere of economic activity. In this case the work is not protected and the legal forms vary according to the institutional environment in which the organisation must operate.

*The welfare state as motor of growth of organisations in the third sector in the provision of public goods and relational goods.*

Organisations of the third sector have always been present in areas of activity related to education, health and the provision of care. With the construction and consolidation of different welfare state models in Europe, the organisations of the third sector have undergone strong growth both in their business capacity and in their numbers.

The different welfare state models have led to the third sector becoming an economic agent and the strengthening of its relationship to governments both in regards to the formulation of public welfare policy (co-governance) and in the joint provision with other private suppliers of public services (co-management). (For a definition of co-governance and co-management see T. Brandsen and V. Pestoff (2006).)

Reading the six national reports permits us to confirm that organisations of the third sector provide services which are referred to as relational goods. Relational goods are those services whose production and provision demand continual and frequent relations between producer and consumer, worker and user.

The six national reports emphasize the importance of the presence of organisations of the third sector in the following activities:

- ✓ Education: Private schools which collaborate with government in the provision of obligatory education
- ✓ Healthcare: Hospitals which work in network with government in the provision of public health services
- ✓ The provision of day-care centres for pre-school age children
- ✓ The provision of vocational and educational training

- ✓ The provision of local and community services
- ✓ The provision of sport services
- ✓ The provision of cultural activities
- ✓ The provision of youth activities
- ✓ Aid in international cooperation

The organisations which produce and provide services in education, health, social services, culture, sport and international aid make up distinct industries in each one of these activities. The industries of education and health are the most mature, with a long tradition and constitute the core of any welfare state. In Spain, for example, in the education and health sectors there is a strong presence of non-profit religious institutions which govern their organisations in dialogue and strategic alliance with government.

## VI. Conclusions

The European Union (2001) maintains that the Social Economy emerges in the moment when people become involved in the community and accept the commitments derived from this involvement. Commitment on behalf of the people forms the basis of all nonprofit organizations. This citizen commitment – which is innovative and poses business risks – channels the power to elicit vital social changes. The Social Economy is composed of people who belong to NPOs anchored in solidarity, with a shared value of social, cultural, human and environmental resources. These civic values are the foundation of all sustainable development. Any society that attempts to employ a growth model based on sustainable development must rely on a very efficient public sector, an innovative, competitive and socially responsible for-profit sector and a third sector based on private, autonomous organizations that:

- Set limits regarding the distribution of profits
- Comprise multiple stakeholders
- Are run by professionals who embody the agency's cultural characteristics
- Work on behalf of the local community or of a particular group of people
- Originate in the local territory and carry out operations there

Coops and NPOs are often considered to occupy a space between the for-profit sector and the public sector. Yet sustainable development demands the existence of all three sectors: public, private for-profit and private nonprofit. Each one has strategies or action plans that allow them to reach their different objectives, which sometimes differ, but they all collaborate toward the end-goal of sustainable development. Each sector is necessary and interdependent, and each

must act in coordination with the rest. They should not be analyzed as three disparate streams of water that flow parallel to one another; on the contrary, they are three coordinated organizational forces whose actions facilitate sustainable development, while maintaining both their individual character and autonomy.

Economic growth in the public sector has not had a detrimental effect on the private sector's economic development. By the same token, the organizational growth of the Third Sector/Social Economy has not reduced the possibilities of expansion in the public sector. Europe appears to be fulfilling the thesis put forth by Salamon (1995): growth of the welfare state and nonprofit sector go hand in hand. No crowding out has occurred that would suggest that the welfare state's development would decrease the presence of coops and NPOs in society or vice versa.

One of the principal challenges faced by European citizens is to ensure the sustainability of their welfare state. In a globalized world, with heightened competition, the question posed is this: Is it possible that Europeans can maintain our welfare state?. How can we continue to maintain and increase our collective level of welfare? Which organizational changes will attempt to ensure the sustainability of our social welfare in a context of growing globalization?

#### *Evolution in the organization of the production and delivery of public services*

The natural human tendency to satisfy our needs the best way possible has yielded unlimited evolutionary progress in how the production and delivery of goods and services is organized. Remember, for example, that although public services of education and health care arose with strong public backing, subsequent public services such as work integration, culture and sports were built around a network of collaboration involving the public, private and nonprofit sectors. This collaboration encompassed funding, production and delivery of these new services.

Welfare states have increased their productive capacity. However, it is inevitable that public administrators would seek assistance from private organizations, given the theoretical and practical infeasibility of organizing the complex processes involved in the centralized exchange of public goods and services. Not-for-profits are often more efficient due to their smaller sized and specializations.

#### *Competitive Market*

The public sector's need to rely on private organizations is fueling the creation of a market that is progressively more transparent and, therefore, more competitive in the production and delivery of public goods. The concepts of co-governance and, above all, co-management are associated with the concepts of the division of duties, specialization, network collaborations

and collaboration among agencies with different objectives. The aim of this cooperation is to improve the dissemination of information, streamline the distribution of resources and provide a result more fitting to the preferences of the different interest groups in each one of the territories and historical moments. In short, the operational capacity of public- service production and delivery is ushering in a highly organized market, based on a hypothetical existence of balanced information on behalf of all the interest groups. The result is the conception of an increasingly competitive public goods marketplace.

### Network collaborations

In this operational space – a well-organized market of public goods – the most surprising thing in recent years, as Brandsen and Van Hout (2006) point out, has not only been the amazing growth of providers. Rather, it has been how these providers are working in conjunction with public administrators and the recipients of these public services through various types of networking. In this space, how are nonprofit organizations behaving?. What has been the strategy used by Third Sector organizations to increase their presence in the public goods marketplace? In fact, nonprofits have become fully integrated into the network; they have been able to develop a cooperative setup with the public sector. Finally, public administrators value the work that Third Sector organizations deliver. And that means they are doing it well.

### Trust

Coops and NPOs have developed trust as a result of their actions. Trust is considered a critical asset in any organization's capital. Trust capital is a core element of social capital. As seen in Vidal (2006), social capital and trust capital are two concepts that economists have paid little attention to thus far. To foster a greater focus on and value for social capital and trust capital, economists must modify our traditional methods of analysis. Economic theory far too often analyzes the organization, whether private or public, as an individual agent. The concepts of co-governance and co-management demand that move beyond this individual analysis to another kind that incorporates mutual influence among diverse agents that cooperate and/or collaborate with one another, through reciprocity. Also to be considered is the effect of uncertainty on economic decisions and in social relations, as well as the effect of unbalanced information flow among partnering organizations.

What does social capital mean in the context of network collaborations that fund, produce and deliver public goods and services? It is the building of relationships based on trust, cooperation and the value of these as an intangible asset (Williamson, 1993). The robust development and significance of coops and NPOs in the production and delivery of public goods and services demonstrates the trust that public administrators delegate to organizations in the Third Sector.

To gain this trust, coops and NPOs have become professionalized, they are more transparent and they have obtained support from the general populace. They have accumulated trust capital to become an important partner of territorial administrations in the design and implementation of new social welfare policies. This means that coops and nonprofit leaders have made a great investment of time, which is now bearing fruit in a variety of ways. If their work is trusted, families obtain their services. And if there is trust, citizens offer donations in the form of money or time. If there is trust, each one of the partnering agencies assumes that it stands to benefit from the relationship.

## VII. Glossary

- **Co-governance.**- El Tercer Sector colabora en la formulación de políticas de bienestar
- **Co-management.**- El tercer sector colabora en la producción y provisión de servicios públicos conjuntamente con otros proveedores privados
- **Relacional goods.**- se consideran bienes relacionales aquellos servicios cuya producción y prestación exige relaciones continuadas y frecuentes entre productor y consumidor, trabajador y usuario.
- **Social Economy.**- In most industrialized countries, Social Economy enterprises and organizations may be grouped into three major categories: cooperative enterprises, mutual societies and those organizations which might generally be described as associations, whose legal form may vary considerably from one country to another.

This third component, associations, include a lot of advocacy organizations which may also be seen as providers of services to their members, to other people (as Save the Children, for example) or to the whole community (for instance, Greenpeace). More generally, it includes all others forms of free associations of persons for the production of goods or services where making a profit is not the essential purpose. Obviously, these organizations have a wide variety of names, such as: associations, non-profit organizations, voluntary organizations, non-governmental organizations, and so on. Foundations and some other country-specific organizations (such as charities in the United Kingdom) are also often considered under this heading.

The definition which is used in several countries, states that:

The social economy includes economic activities carried out by co-operatives and related enterprises, mutual societies and associations, whose ethical stance is represented by the following principles:

- The aim of serving members or the community; rather than generating profit;
- An independent management;
- A democratic decision making process;
- The primacy of people and labor over capital in the distribution of income.

→ **Third Sector.** - It is a set of entities that emphasize to be non a profit organization: by law they cannot distribute benefits. Not necessarily they develop enterprise activities. The more frequent legal forms in the Latin tradition are: associations and foundations.

→ **Third System.**- In European Commission (2000) we can find a Third System definition. This definition is the following:

The organizations belong to Third System are private and autonomous that:

- The aim is not profit – maximizing behavior
  - Limit profit distribution;
  - Paid work;
  - An explicit aim to benefit the community or a specific group of people
  - A participatory nature, which involves the persons affected by the activity.
- Multistakeholder organization

→ **Social Enterprise.**- In Borzaga and Defourny (ed) (2001) we can find a common criteria which would be used to identify social Enterprise in each of the IRENE member states. This definition distinguishes, on the one hand, between criteria that are more economic and, on the other, indicators that are predominantly social. Let us begin with the economic and entrepreneurial dimensions for which four criteria have been put forward:

**A continuous activity producing goods and/or selling services**

Social enterprises, unlike the traditional non-profit organizations, are normally not engaged in advocacy activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations), but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The provision of such goods or services represents, therefore, the reason, or one the main reason, for the existence of social enterprises.

**A high degree of autonomy**

Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Accordingly, they may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or

other organizations (federations, private firms, etc.) and they have both the right of “voice and exit” (the right to take up their own position as well as to terminate their activity).

#### **A significant level of economic risk**

Those who establish a social enterprise assume totally or partly the risk of the initiative. Their financial viability depends on the efforts of their members and workers.

#### **A minimum amount of paid work**

As in the case of most traditional non-profit associations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers. To encapsulate the social dimensions of the initiative, five criteria have been proposed:

#### **An explicit aim to benefit the community**

One of the principal aims of the social enterprise is to serve the community or a specific group of people. To the same end, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.

#### **An initiative launched by a group of citizens**

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim and they must maintain such a dimension in one way or another.

#### **A decision-making power not based on capital ownership**

This generally means the principle of “one member, one vote” or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights. The decision-making rights are shared with the other stakeholder.

#### **A participatory nature, which involves the persons affected by the activity**

Representation and participation of customers, stakeholder orientation and a democratic management styles are important characteristics of social enterprise. Multistakeholder enterprise

#### **Limited profit distributions**

Social enterprises not only include organizations that are characterized by a total non-distribution constraint, but also organizations, like co-operatives in some countries, which may distribute profits only to a limited extent, thus avoiding a profit-maximizing behavior.

**Comments:**

Which such social enterprise definition, It is clear that the fulfillment of these criteria would vary greatly and that social enterprises would appear in each country more a wide spectrum that as a clear-cut set of well-identified organizations. At the same time, it seems quite important to link the analysis of social enterprises with the other parts of the third sector or social economy and with the whole socio-economic context of each country (in some countries even the notions of social economy and third sector remains unclear).

Although the term itself may not be used in some countries, several categories of organizations clearly could appear to correspond with the concept of social enterprise that Irene Project is interested.

## VIII. Bibliography

- Amledo→ CoEk.For (2009), Swedich Report on Third System, (mimeo), Stockholm, Sweden
- APOPSI (2009), Greek Report ion Third System (mimeo), Athens, Greek
- AS.For.IN (2009) , Italian Report on Third System, (mimeo), Avellino, Italy
- Borzaga, C. and Defourny, J. (ed.) (2001), The emergence of social enterprise , London and New York: col. Routledge Studies in the Management of Voluntary and Non-profit Organizations, Routledge
- Brandsen, T. (2007), *The Third sector and public services: an evaluation of different theoretical perspectives*, CIES, n° 45. Articulo disponible en formato pdf en [www.grupcies.com](http://www.grupcies.com)
- Brandsen , T. y Pestoff, V. (2006), "Co-Production, the Third Sector and the delivery of Public Services: An Introduction" , *Public Management Review*, 8:4, pp.493-502.
- Brandsen, T. and van Hout, E. (2006), "Co-management in public service networks: the organisational effects", *Public Management Review*, 8: 4, pp. 537-550.
- CIES (2009), Spanish Report on Third System, (mimeo), Barcelona, Spain
- Co-operative College, The (2009), English Report on Third System, (mimeo) Manchester, United Kingdom
- Defourny, J. (2001), From Third Sector to Social Enterprise, en C. Borzaga and J. Defourny, J. (editors) (2001), *The emergence of social enterprise* , col. Routledge Studies in the Management of Voluntary and Non-profit Organizations, Routledge: 1-28.
- European Comission (2000), Troisième système et emploi: rapport à mi-parcours. Dossier pour la Conference au Parlement Européen, Bruxelles, June 29 and 30.
- European Union, (2001), *Resolution adopted by the social economy organisations at the 7th European Conference on Social Economy*, a Gävle, 7-9 de junio.

- Fraisse, L. (2006), The third sector in the local governance of childcare services, en *Cies*, n° 39, available in the site: [www.grupcies.com](http://www.grupcies.com)
- Hammack, D. and Young, D. (2003) , Nonprofit organizations in a market economy, Jossey-Bass Publishers
- Kerlin, J.A. (2006), *Social Enterprise in the United States and Europe: Understanding and Learning from the Differences*, *Voluntas*, Vol 17 (3) 247-265.
- Laville, J.L (2001), *France: social enterprises developing proximity services*, en C. Borzaga and J. Defourny, (ed) (2001), *The emergence of social enterprise* , col. *Routledge Studies in the Management of Voluntary and Non-profit Organizations*, Routledge: 100-120
- Nyssen, M. (editor) (2006,a), *Social Enterprise. At the crossroads of market, public policies and civil society*, London and New York: *Routledge Studies in the Management of Voluntary and Non-Profit Organizations*.
- Nyssen , M. (2006,b), *The Third sector and the social inclusion agenda: the role of social enterprises in the field of work integration*, paper que se presenta en the Exploratory Workshop of the European Science Foundation "The Third Sector in a Changing Europe: Key Trends and Challenges" Corvinus University, Budapest, 6-8 December, 2006.
- Osborne, S. (2006), *The Third Sector in a Changing Europe: Key Trends and Challenges*, paper que se presenta en the Exploratory Workshop of the European Science Foundation "The Third Sector in a Changing Europe: Key Trends and Challenges" Corvinus University, Budapest, 6-8 December, 2006.
- Oxford Research (2009), *Danish Report on Thrid System*, (mimeo), Copenhagen, Denmark
- Pestoff, V. (2008) *Co-production, the Third Sector and Functional Representation in Sweden* London and New York: col. *Routledge Studies in the Management of Voluntary and Non-profit Organizations*, Routledge

- Proelle, I. (2006), *Trend in Local Government in Europe*, Public Management Review, Vol. 8 (1), 7-29.
- Sacconi, L. And Faillo, M. (2005), *Come emerge l'impresa sociale? Uno sguardo d'insieme alla teoria della complementarità tra ideologia, governance e accountability*, Impresa Sociale, Vol. 74 (4) 82-105
- Salamon, L.(1995) *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State*: Baltimore and London: John Hopkins University Press
- Sobel, J. (2002) *Can we trust social capital?*, Journal of Economic Literature, Vol. XL, marzo, 139-154.
- Vidal, I. (1987), *Crisis económica y transformaciones en el mercado de trabajo. El asociacionismo económico en Cataluña*, Barcelona: Diputación de Barcelona
- Vidal, I. (2006), "Reflections on the Market, Networking and Trust", *Public Management Review*, 8:4, pp. 493-502
- Vidal, I. (2006), "Spain: social enterprises", M. Nyssen, (editor) "Social Enterprises: At the crossroads of market, public policies and civil society", Cap. 9, Routledge.
- Vidal, I.(2007) *Co-management and the Third Sector in education public policies: the Spanish case*. Paper for the annual conference of the European Group of Public Administration, Third Sector Study Group, Madrid, 19-22 Septiembre, disponible en formato pdf en boletín electrónico del CIES nº 52, [www.grupcies.com](http://www.grupcies.com)
- Vidal, I. (2008), *Beyond the Welfare State: new Trends in Social Welfare Policies in Spain. Implication for Nonprofit Organizations* nº 52, Facoltà Di Economia Università di Bologna. Sede di Forlì.
- Vidal, I. (2008), "the role of social enterprises in Europe: a core element or a distraction in the provision of public services?" in S. Osborne (editor), *The Third Sector in Europe. Prospects and challenge*, Routledge.
- Williamson, O. (1993), "Calculativeness, trust and economic organization" *Journal of Law and Economics*, 34, págs 453-502, citado en F. Pérez Garcia, (dir.) (2005) *La medición del capital social. Una aproximación económica*, Madrid, Fundación BBVA.

## IX. Annex

