

Comparing social economy definitions in different countries

Round table // Social and solidarity economy and Social entrepreneurship



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Executive summary

This round table focuses on the various definitions of social economy and social enterprises. Two main trends emerge from the discussion: an American and a French definition, which are very different from each other.

The American definition is pragmatic and result-driven. In the United States, a social enterprise is a business that has positive repercussions on the community, brings quality products, and develops skills within the community.

In France, the definition is much more restricted. Indeed, the social enterprise definition has been set out by lawmakers. A social enterprise is non-profit, participatory, and has a particular legal status. While this legal definition is rather restrictive, it can be eluded to

define the enterprise according to its objectives. In France, a social enterprise must be economically viable, have a social objective, limit its profitability, and finally be administered with democratic and participatory governance.

Thus, although a single definition of social economy does not exist, all of them have one element in common: social enterprises must protect the most vulnerable populations.

Synthesis

What is the American definition of social economy?

For **Joshua Motta**, principal investor at **IGNIA Fund**, social economy and investment in social economy must help communities acquire knowledge and technical skills. In his opinion, the benefit for the community does not lay in the form of the investments that are made, but rather in the repercussions that they have. They must provide the communities with the cheapest quality product. The investments must contribute to create an economic and social impact which brings added value to the community. They must also allow communities to develop skills in a specific field, and thereby facilitate access to the jobs within the ventures created.

The products and services that social enterprises deliver must reflect a high quality standard. In **Joshua Motta's** opinion, people do not look at the kind of enterprise or sector, but only focus on the results that are drawn from these investments. A relevant illustration is that of a significant private investment made in Mexico which helped develop a prepaid mobile telephone network. This network offered an excellent mobile telephone service at a much lower price than traditional providers. In the United States, investors do not use the term "social economy"; Americans know it as the "third sector".

What is the French definition of social economy?

According to **Anne-Claire Pache**, professor at **ESSEC**, social economy can be broken down into two main definitions. The first one is based on the legal status and the second on the enterprise's purpose.

The first one is the legal definition, exclusive to France, which stipulates that social enterprises must be non-profit. Moreover, they must be inspired by democratic governance. Each person has one vote, unlike in the capitalist governance where voting weighs according to the amount of capital invested. Mutual organizations, foundations and cooperatives belong to this type of enterprise.

The second definition is purpose-based. In this definition, the enterprise produces goods and/or services with social added value. These enterprises favor public interests and profits are not redistributed but reinvested in the community. Thus, the enterprise serves the collective interest.

The specific feature of social economy in France is its structure. It has developed in a way that opposes traditional capitalist activities and follows a specific trend that favors collective enrichment.

Four fundamental characteristics of social economy in France can be identified:



- an economically viable project;
- a strong social purpose (answering a social problem) – When a social solution to a problem does not exist, one just needs to think of it. The best example would be that of the Grameen Bank created by Muhammad Yunus. He managed to develop a simple tool that helps many communities to grow. –;
- limited and restricted profitability;
- a participatory governance – All the stakeholders involved in the project must participate. Participation allows social enterprises to have a collective leadership. This definition fosters constant regeneration based on these fundamental principles. –.

This vision of social economy differs from the American counterpart. In France, the commitment to social economy takes on a political role. Law-makers encourage social economy by creating a favorable legal framework. In the United States, the “third sector” is supported by a grass-roots citizens’ movement and benefits much less from the support of the government. It is supported primarily by philanthropic actions and private foundations.

Social economy has developed in two different ways. The first favors the non-profit method. It relies on a solidarity-based economy, for instance fair trade or professional reintegration of unemployed workers through economic activities. The second gives priority to for-profit status hoping to achieve a social goal. Created in the late 1990s, these concepts are quite recent.

There is also one final definition of social economy in France, that of social enterprise and entrepreneurship. This idea refers to an entrepreneur’s mindset, centered on entrepreneurship and aiming to develop the enterprise’s impact on the community as much as possible. It fits into an ambitious scheme that contributes to social economy and helps to bridge the gap between the traditional capitalist world and social economy.

Thus, all the speakers agreed that social economy cannot be defined in a single way. Social economy has progressively spread since the beginning of the century and seems to be changing course after the 2008-2009 financial crisis. Whether social economy takes on the American or the French approach, it remains dedicated to helping vulnerable communities.

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