

**THINK TANK SERIES**  
**The Politics of Community Development**  
**Tuesday 28<sup>th</sup> February 2006**

## **Introduction**

The community and voluntary sector plays a crucial role in Northern Ireland. It faces many challenges in the near future – not least that of a new funding climate. The Think Tank Series provides opportunity for those committed to working in this sector to reflect on some of the vital challenges. The third in the Series focused on the changing dynamic between the state and community and voluntary sector. To this effect, John Pearce, a leading expert on social enterprise addressed the future of the relationship between the state and the ‘third sector’.

Margaret Lee, CRESCO welcomed all attendees on behalf of INCORE and Cresco Trust Ltd and introduced John Pearce. John has three decades of experience in community development and has written several influential works on the subject, most notably Social Enterprise in Anytown. Margaret introduced Marie Taylor, a Senior Associate at the Judge Institute of Management, Cambridge, as the facilitator for the event.

## **John Pearce**

John began by describing three experiences which have influenced and shaped his thinking and practice:

- 1 Working with Tibetan refugees in Nepal in the 1960's - John explained that during this time he learned the important lesson of integration, and how essential it was to integrate economic aspects of development with social, including education, health and civic structures. The integrated approach was necessary to sustain some form of living for the Tibetans. The people were engaged in every aspect.
- 2 Working with a Community Development Project in West Cumbria – the community development project was an area-based programme tackling poverty and disadvantage. The most radical learning for John at this time was recognizing the reasons why poverty and disadvantage persist in society. The local structure and systems are the problem, not the people. At that time of industrial restructuring, the wider social and economic picture, both contemporary and historical, lay behind the problems the CDP had been asked to tackle. CDP had to recognize the bigger picture. “Pockets of poverty” could not be addressed in a micro context without more radical changes at the macro level.
- 3 Since the CDP John has been involved in applying a community development approach to local economic development in Scotland. John stressed the importance of creating community organisations which can create wealth, provide services and act as a focus for local development – organisations which straddle that economic/social divide. These ideas drew heavily on the community co-op experience in the West of Ireland which, in turn was replicated in the Highlands and Islands. – ie the model of the “multi-functional community business” giving communities the capacity both to engage in the local economy and with civil society; creating jobs, providing training, running projects,

supporting other social and economic initiatives eg credit unions, community organisations, collaborating and fighting with the local authority. Such organisations are now known by a variety of names but the term which perhaps best expresses the purpose is local or community development trust, rather than multi-functional community business.

### **What does the term social economy actually mean?**

John pointed out the need to explore the term 'social economy'. Social economy can be at times considered a 'catch-all' term for those organisations which may be distinguished from, on the one hand, the private sector and, on the other, the public or state sector. What does it actually mean? John referred to the diagram 'Three Systems of the Economy' (see below), developed through an organization known as Conscise and for 'Anytown'. The diagram illustrates a different way of understanding the relationship and role of the social economy, which is often referred to as the "Third Sector", to the private and public sectors.

There are three sectors or systems as they represent different ways of managing economic and social affairs.

1 The private sector – profit-oriented

2 The public sector

3 The third system – is characterised by concepts of social purpose, self-help and mutuality which John referred to as the Social Economy Sector. The sector embraces a wide swathe of organisations from the co-operative movement, through to the very commercially oriented social enterprises to include voluntary organisations and charities, community organisations and neighbourhood groups. The sector embraces small and large enterprises and stretches to the domestic economy of families. It also straddles a market-driven/public service divide. John referred to Research commissioned by the Department of Trade and Industry for England and Wales suggested that social economy organisations now account for £18bn in the economy – which is three times the contribution of agriculture. Over half a million people are employed by such organisations which also mobilises over 200,000 volunteer workers. In Scotland a few years ago Highland Council officials estimated the social economy to be as important to the Scottish economy, as tourism.

John stressed the importance of the sector and how despite being highly significant, many small community based enterprises go under the radar of such research eg the Village Halls in small villages. And the co-operative movement, housing associations, charities and other voluntary organisations which rightly also belong to the social economy sector but which were not counted and which do not always see themselves as part of a definable social economy.

We do not know the true scale of the social economy, as it is so extensive. When we add together all of what we do know and if the social economy were to stop functioning, many aspects within society would come to a halt. We depend on it day by day.

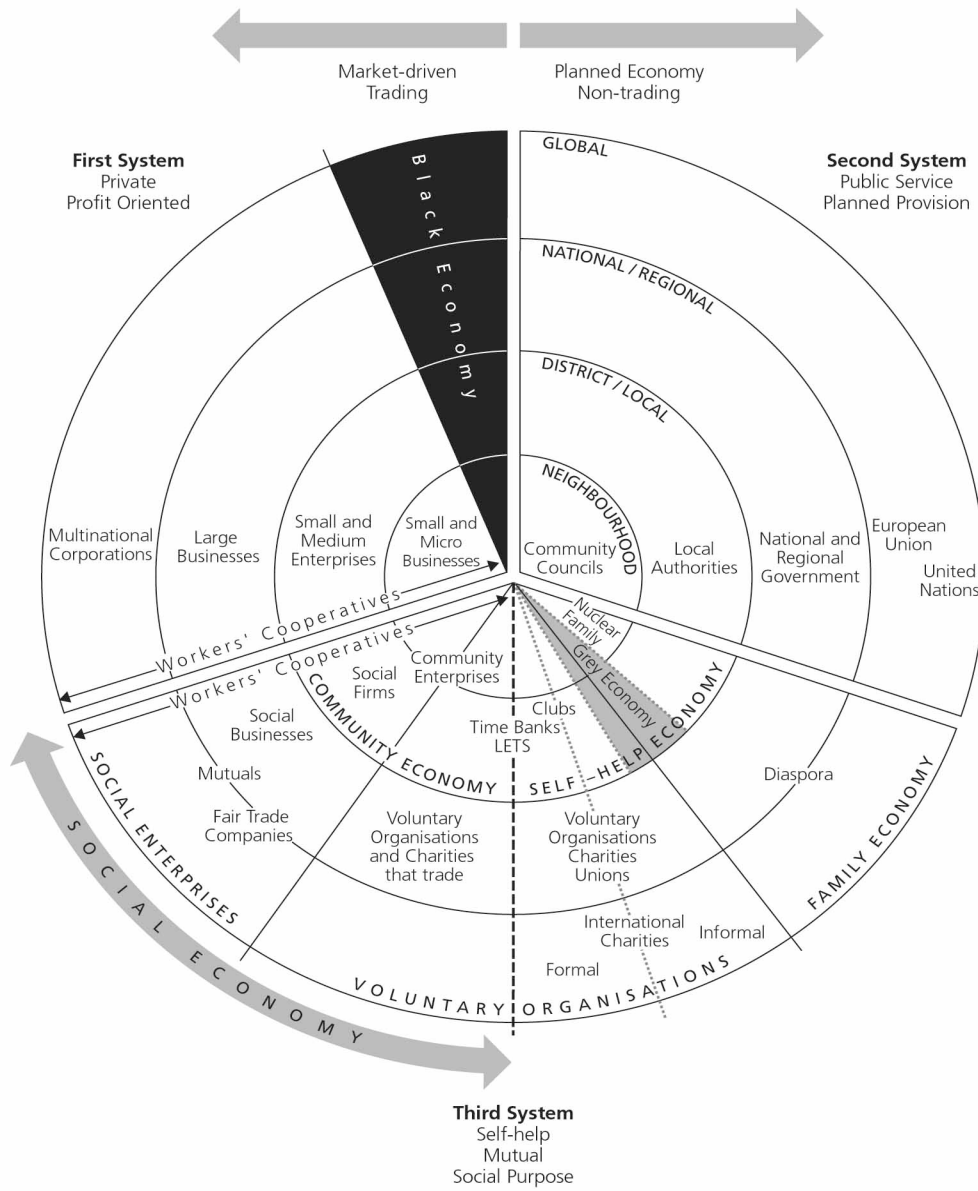
John pointed out the need to include a "family wedge" both at the end of the Social Economy continuum and at the end of the private sector acknowledging how initiatives

which start there may develop either as private sector enterprises or as community initiatives.

John put forward the question - is there a difference between charities and voluntary organisations, and social enterprises? John pointed out that some are both – some organisations can be a charity or volunteer group for most of the time and a social enterprise, generating income at other times. He referred to the example of the Coop Movement and how it started as a voluntary, part-time enterprise in Rochdale - a group of people who came together to carry out a voluntary activity, which developed into a voluntary activity with an enterprise edge, or the community association which turns its premises into a viable workspace. These examples are part of a continuum - social economy organisations with an identifiable common purpose and common values. The dynamic concept of a continuum is exciting because it means organisations can and do change over-time and shift position on the continuum, but still be part of the same sector.

Here is a sector to which increasingly offers are being made to deliver services which previously were delivered by the public sector – including most recently running schools and even the probation service, but which was subsequently withdrawn. Many of the political parties seem to be talking about using voluntary and community organisations and social enterprises, usually in the same breath.

### Three Systems of the Economy



## **Why does the Government have the notion that private sector has the answer to everything?**

We should be exploring the appropriate roles for the different sectors and exploring ways in which they can collaborate and use their different strengths. Before this we need to explore what common purpose and key principles underpin the social economy, which act as glue to combine together the disparate sectors. John spoke of the key principles which underpin social economy organisations and suggested that these principles clearly distinguish the social economy from the other sectors.

There are six fundamental principles and three operational principles.

- 1 Social economy organizations have an over-riding social purpose to benefit people working for the common good
- 2 Engaging in trade in the open market place to some degree, in order to achieve social purpose, a secondary but essential activity.
- 3 All adopt some form of structure to ensure funds/profits are applied for reinvestment and community benefit, not to make individual shareholders wealthy
- 4 Hold assets in trust for benefit of the community and future generations
- 5 They are accountable to their constituency eg residents of a geographical area or another, adopting some form of democratic governance and participation.
- 6 They are independent of external influence and control by government and by owners of capital

The three operational principles are:

- 1 Adopting good employment practice for paid and voluntary workers
- 2 Adopt light-footprint environmental practices – can a social economy organisation in the 21<sup>st</sup> century be socially responsible without being environmentally responsible also?
- 3 Adopting fair trading practices – treating people properly and having regard to the local economy with respect to purchasing policies.

John concluded by identifying what this means for social economy organisations if they are to take their place as a significant part of the national presence, if it is to become as commonplace for government to consult the social economy over matters of policy as it is to consult with business and industry.

- 1 He recommended that the organisations within the social economy need to develop a new self-awareness that they are far more than just the “third sector” but are a key, and growing, component of the national economy, contributing not just to social wellbeing but to economic growth, the creation and sustaining of jobs and building wealth for the good of society.
- 2 They also need to develop a stronger sense of being a sector which can when necessary speak with a common voice. They need to focus on those principles and purposes which they share rather than on the detail which divides. In particular we need to move away from the idea of “clear blue water” lying between social enterprises and the voluntary and community sector and acknowledge that many

social enterprises have evolved out of a voluntary organisation and that many VCS are effectively operating as businesses. John quoted the Make Poverty History as an example, which brought together an array of organisations. John referred to the business community and how they come together when the 'chips are down'. They fight to protect, something which the social economy sector needs to learn quickly. John also recommended greater collaboration ie the larger organizations setting out to nurture smaller, newer organizations rather than stifle them to become the larger NGO of tomorrow.

- 3 The social economy must guard its independence, not only from Government but also from the private sector. Avoid co-option by government. We need to also avoid the idea of pretending social enterprises are the same as private business – the difference matters. Difference needs to be 'talked-up' rather than focusing on the sameness. John used the example of the business plan – looks at the business activity of the organization and fails to look at social purpose. The planning process needs to be more appropriate.
- 4 The social economy must strengthen its own self-help infrastructure – in other words the sector itself should be able to provide the services, development support and technical expertise which the sector needs – including financial services. It does not make sense for the social economy to depend or rely on advisers from the other two sectors. The skills and resources are all there – but does it have the necessary mind-set to act in a mutually supportive fashion?
- 5 Social economy organisations must find ways of engaging with local democracy and in doing so strengthen it rather than seeking to be an alternative to it – that is not a sensible option – the democracy of a community organisation cannot substitute for the democracy of the universal ballot box. This is a difficult area which requires movement from both sides – but very important, if institutions and systems are to be developed at local level which can act effectively for the community.
- 6 There is always opportunity for collaboration and partnerships between the three sectors. John quoted examples: a community association might develop a managed workspace in a former school building with co-operation and assistance from the local council and provide small workshops in which people can set up and develop small, private businesses; the association, now calling itself a development trust or a social enterprise, might offer self-employment information and advice and at the same time encourage and support other community initiatives and organisations which in turn may supply services on contract to both the public sector and to private companies.

### **What does this mean for Government?**

- 1 The first question is to ask why Government is so keen to have social economy organisations deliver services? Is it to achieve the added value of local knowledge, of no private profit motive, of a community service ethos? Or is it because costs can be kept down by mobilising volunteers and because someone has to provide a service in the most difficult areas where there is no chance of a private company making a profit?

Achieving the added value which social economy organisations can bring will not be cheaper, indeed it may be more expensive if the full costs of delivering services in certain circumstances are acknowledged and recovered.

If social economy organisations are used because of the added value they are expected to bring, then those organisations must also be prepared to demonstrate that they are delivering that added-value by adopting methods of reporting such as social accounting and audit.

- 2 The second question and some might argue it should be the first, is whether Government is serious about wanting to expand the social economy sector in the economy – do politicians see the merit of having a values-based sector in the economy which is predicated on working for the common good? Do they acknowledge the value of a modern mixed economy with the social economy there as an equal partner to the other two sectors?

If yes, then there is a key role for Government to create an enabling environment which will encourage the growth of the social economy –

- Fiscal benefits in return for non-profit distribution and adopting structures which reflect the key principles defined earlier
- Structures which allow social economy organisations to trade without losing fiscal benefits
- Procurement arrangements which favour the social economy

And the quid pro quo will be a rigorous system of regulation such that society knows that recognised social economy organisations are both genuine and are delivering the added value they promise.

- 3 The third exhortation to Government is to continue to acknowledge the size and strength of the social economy – and acknowledge that it is an independent sector, not just a convenient tool of public policy or a mildly eccentric form of private business. That it is a sector to work in partnership with, to consult. A sector which can strengthen local democracy but not substitute for it.

### **Summary of main points from John Pearce presentation**

- *Integrated approach*
- *The circumstances are the problem not the people*
- *Macro change is required for micro development*
- *What we see is a manifestation of expectation and circumstance*
- *It's about economic and social development (national and local development)*

#### **SOCIAL ECONOMY**

*Three systems – Trading, Non-trading & Social economy mix*

*Social economy has made significant contribution (£1.8bn) and to some extent this is hidden*

*Difference between voluntary sector organisations and social enterprise*

- Are you generating income?
- Are you contributing to local economy/society?
- Are you a social enterprise?(Even if you are called something else)

*Vol sector ----- Social enterprise*  
*Continuum*

*How can trading, non-trading, social purpose organisations work together?*

*6 principles underpinning social economy organisations*

*3 features – employment practice, light footprint environment practice, fair trading practices*

*WHAT DOES ALL THIS MEAN?*

- We need to recognise that we are key to the economy (we're doing more than just doing 'good')
- We can influence with a common voice (we are on a continuum not a distinct sector) "unity with diversity"
- Collaboration is not the same as having a unified voice (and a loud one)
- Independence on the continuum is important
  
- The Business Planning process needs to reflect/include social purpose outcomes
  
- How do we get mutuality and trust when we are forced to compete with each other?
  
- What partnerships do we need to develop to increase our effectiveness?

*GOVERNMENT*

*Why are they so keen? Are they?*

- Cost?
- Absence currently?
- By-passing local democracy?
- Social enterprise is about value not just profit
- Can we prove that we are adding value – what is value?

*Fiscal policy – eg preferential tax rates*

*Procurement arrangements*

*The sector needs a brand*

*Reducing suspicion*

*Letting go of our issues/agenda*

*Challenging attitudes of government*

*What do we think government expect from the voluntary and community sector?*

*How do we move forward in defining a 'brand' for our sector? And our value (our systems)*

*How do we as a sector develop one sector – developing mutuality and trust*

### Points captured on flip-charts during group discussion

- *Educate our politicians/those acting in the interests of sector*
- *Seek/demand greater coherence from govt departments*
- *Demand outcomes/implementation*
- *Increase our own confidence in ourselves and what we do*
- *Identify the blocks and clear them*
- *Interdepartmental group – engage with the willing*
- *We need to map our network*
- *Control through partnership – theme groups*
- *the absence and need for a Trade Union within the community and voluntary sector*