

INNOVATION IN SOCIAL ECONOMY: A VOCATION, AN OPPORTUNITY AND AN IMPERATIVE

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Reflecting about Social Economy is also reflecting on our common future and the way in which we decide to act and organise collectively, which is why it currently constitutes one of the debates in our life. Its influence on the way we live is structuring and its role as an agent of change has always been differentiated. And while innovative initiatives and practices were never foreign to Social Economy, they can today, more than ever, contribute to strengthening its intervention, increasing its visibility and amplifying its impact.

In this context, there are several challenges in the modernisation of Social Economy, both in the way it is organised and operates and in the way it contracts services with the State or how it integrates innovation principles and objectives in its strategy. It is a sector that offers sound and far-reaching responses to social needs and concerns, supporting those among us that are most vulnerable and strengthening intra-community cooperation ties. Its modernisation is, therefore, an imperative for collective development.

1.

Challenges in the Modernisation of Social Economy

As a dynamic concept and the object of multiple understandings and historical appropriations, the phrase Social Economy originated in France in the first half of the 19th century. Despite the ancestral forms of human association, its definitive institutional expression was not enshrined until the formal acknowledgment, by the State, of freedom of association. Originally, the idea of Social Economy aimed at a certain moralisation of

society, threatened by poverty resulting from industrialisation; it constituted a moral philosophy based on self-organised communities presented as an alternative to the excesses of the liberal capitalist system¹.

Two centuries later, the founding principles of association, cooperation and solidarity remain current and urgent, but the world has changed, Social Economy has been institutionalised and is now challenged by new collective demands, new actors, new methods, new attributions. As it is currently understood, Social Economy refers, generically, to the set of collective activities that aim at social purposes with private assets, constituted by organisations that, albeit private, are not for profit and, albeit not state-owned, aim at public or social service². With a wide diversity of representations and a centuries-old history full of advances, setbacks, changes and upheavals, three elements remain structuring these organisations and the sector they constitute. Firstly, their **social Mission**, because the aim is not to meet consumer needs, but human development needs. Secondly, **Volunteering**, not because it is a necessary resource to operate, but because Social Economy brings together civil society initiatives and volunteering is a healthy manifestation of active citizenship, of the desire of each one to contribute to improving the lives of the Other outside their circle of affection and close relationships, thus creating and strengthening the bonds between citizen and community. And thirdly, **Innovation**, because Social Economy has always developed around the search for and experimentation of new responses to social issues.

Thus, while there is no need to discuss the purposes for which Social Economy is intended, clear in their aims and good in their motivations, the means and methods must however be questioned, seeking to identify, in this debate, structural challenges for its modernisation. These challenges can be grouped into three categories: challenges concerning **Resources, Operation and Context**.

¹ Garrido, A.; Pereira, D. (2018). *A Economia Social em Movimento – Uma história das organizações*. Lisbon: Tinta-de-China

² Ruela, A & Albuquerque, C. (2016). *Accountability no Terceiro Setor em Portugal. Perspetivas, desafios e oportunidades*. Coimbra: Imprensa da Universidade de Coimbra

Resources

From the point of view of its Resources, **attracting young people to the sector** stands out as one of the main challenges, rejuvenating qualified staff and expanding the wide range of people who participate in it daily, with or without remuneration. However, young people cannot wish for what they do not know, which is why there is a need to invest in their education, so that they know and recognise in the Social Economy sector the rare possibility of being able to reconcile a life project with a career project. But to attract more young people it is not enough to train and inform them. One must also evolve management models and promote adequate material incentives for those who wish to pursue a career in Social Economy³.

On the other hand, it is also necessary to deploy more investment to complement other sources of income⁴, waging on the exponential increase in capital available in the world for impact investing, that is, investment directed specifically towards projects with social impact⁵. Now, the Social Economy sector is the main context in which this impact takes place, and therefore has high potential to attract this new type of investment, which prioritises returns in terms of social impact. This deployment of investment will certainly be boosted by the modernisation of management and communication, the innovation of methods and the measurement and dissemination of results.

Operation

From the point of view of the Operation, that is, the way in which the entities that make up Social Economy work and organise, although it is a very heterogeneous universe, with different levels of organisational maturity and scopes and scales of action, one can identify

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- ³ According to the Social Economy Satellite Account published by CASES and INE, in 2016 the average remuneration of the sector was 86.3% lower than the average remuneration of national economy. Associations have an average remuneration of 82.6% of the national average and Misericórdias only 66%.
- ⁴ According to the Survey of the Social Economy Sector published by INE, in 2018 transfers or subsidies represented 28% of the total means of funding of Social Economy entities, followed by the provision of services (22%) and loans (19%), donations representing only 5%.
- ⁵ According to the *Annual Impact Investor Survey 2020*, conducted by the Global Impact Investing Network (GIIN), the global impact investing market in 2020 was \$715 trillion. The growth of this market is remarkable in the last four years: 508T USD (2019), 228T USD (2018), 114T USD (2017).

six concrete challenges to strengthen the sector and its organisations, summarised in the following key purposes: **professionalising, innovating, digitising, collaborating, evaluating and communicating.**

1. **Professionalising Management.** There seems to be no paid chief executive officer in the governance model of an important part of these organisations, situated between volunteer governing bodies and technical and operational bodies. Even without changing their identity matrix, professionalising management could contribute to attract qualified skills with all the resulting benefits for the ability to respond and the development of Social Economy organisations.
2. **Innovating in methods and responses.** Despite the effectiveness of known and established intervention models, it is important to create continuous improvement routines to promote incremental innovation in methods, and also to seek and experiment with differentiated, alternative solutions to respond to social problems in which they are already specialised. A culture of innovation among employees, inspired by the vision of directors, inviting other agents or the community to the creative process is a guarantee of better responses, more sustainable and with greater potential for impact.
3. **Digitising.** Information and communication technologies, as well as the most advanced solutions for data processing and even Artificial Intelligence can be powerful instruments to improve and amplify the intervention capacity of Social Economy. For this, it is necessary to open up methodologies to new technology-based solutions that can make processes more efficient and effective, encourage partnerships to develop innovative responses and strengthen and assimilate digital skills in teams.
4. **Developing strategic partnerships.** There is still untapped potential in Social Economy to develop and deepen intra-sectoral partnerships. The rationality of resource management, the human and social focus of interventions and the sector's own funding constraints impose a vision of the future based on strategic alliances for sharing and strengthening good practices, sharing

common resources, expanding the territorial impact and access together with financing.

5. **Evaluating the Impact.** In recent years, social impact has become a reference term for evaluating the effectiveness of policies, practices and intervention methodologies specifically aimed at responding to social problems and combating inequalities. Social Economy organisations have very relevant social impacts, due to the nature of their action, but these are seldom evaluated and quantified⁶. It is therefore urgent to take advantage of existing knowledge to systematise, measure and make more explicit the social and transformational impact of the activities they develop.
6. **Communicating effectively.** To attract youths, to deploy qualified professionals, to leverage their resources, to capture investment and to assert their role as an agent of change and priority partner in the design and implementation of public policies, it is essential to communicate effectively with language and a narrative adapted to different audiences. Communication, in Social Economy, is also an instrument of change. And an industry that does well but communicates poorly is halfway to its potential as an agent of systemic transformation of society.

Context

From the point of view of its Context, Social Economy faces several challenges, among which the debate on the perimeter of the sector stands out, which naturally includes more traditional forms of organisation and response, but which can also include other collective expressions with identical social purpose, from small community initiatives to improve life in the neighbourhood to, for example, social start-ups that develop and democratise access to technology to prevent mental illness. The coexistence of multiple associative and organisational forms with the same convergent purpose of responding to human development needs is one of the greatest differentiated assets of Social Economy.

⁶ According to the Social Economy Sector Survey published by INE, in 2018 around 93% of organisations in this sector had not taken any steps to measure the social impact of their interventions and activities.

Framed in this debate is the broad discussion on **Social Enterprises**, a concept that refers to forms of organisation present in the context of Social Economy that have been historically, in Portugal, the most significant general models of social cooperatives, non-profit organisations, entrepreneurial profits, social enterprises for integration through work, social enterprises of solidary economy and social businesses⁷. The sector's perimeter has been particularly challenged by this latest model, which includes commercial companies with a social mission. These companies usually focus their activity on social impact, fulfilling their mission through commercial activity that generates income allowing for the sustainability of intervention, thus reconciling impact with economic return. There are also hybrid organisational solutions where, in parallel with the social mission, a commercial activity unrelated to that mission is developed, with the aim of financing social intervention. In both cases, it is the commercial activity that serves the social mission and not the other way, around as is often the case in the for-profit private business sector. Commercial activity is not foreign to Social Economy, but there is a new social entrepreneurship, conciliatory and qualified, that has been challenging the classic identity of the private sector and the cooperative and social sector, which must be thought about and framed in light of the ethical requirements and the transformative vocation of the new generations that can no longer be ignored or postponed.

On the other hand, **Citizen Innovation** initiatives, which are community-based and usually without a formal structure, also challenge the frontiers of Social Economy. These initiatives often translate into citizen laboratories that promote the co-construction of experimental solutions to social issues with open technologies and methodologies and with the critical involvement of the affected community itself, which thus ceases to be a passive recipient of institutional action to become a protagonist and producer of its own solutions⁸. Recent successful experiences of Citizen Innovation in Spain (Madrid, Barcelona, Zaragoza and Granada) and in the network of 12 Ibero-American countries⁹, with 37 experimental

⁷ Ferreira, S. (2021). *A variedade das empresas sociais em Portugal: das trajetórias institucionais às características organizacionais*. Revista ES – Economia Social (12). CASES, April 2021

⁸ The philosophy and practices of Local Development, territorially based and with a historical-cultural matrix rooted in Portugal, are also clear evidence of this potential for participatory citizenship.

⁹ <https://www.innovacionciudadana.org/pt-pt/>

laboratories including two laboratories in Portugal¹⁰, seem to be a solid inspiration for this strengthening of citizen participation. These experiences will tend to multiply, in different formats and scales, fostering new responses and deepening organic local movements without a formal structure or a clear institutional framework. They are also manifestations of collective health, promoters of social change through the informal association of local communities, ultimately one of the founding principles of Social Economy still present in the community and self-managed subsector, which must therefore acknowledge, welcome and value them.

But the hardships of modernising Social Economy also pose relevant challenges to the public sector and the State. From the outset, in the way in which public policies encourage or discourage their development, either through the role they assign to it as an interlocutor in the dialogue with society, or through valuation of its action as a relevant economic agent, or the way in which public services are contracted. In this case, contracting can also evolve into hybrid solutions that deepen criteria related to the quality of the service provided through the well-being and change generated in the recipients and the community. Thus, **the contracting of results**, adjusted to the characteristics of each region and user, with consensual indicators, could be an important stimulus to the modernisation of Social Economy, valuing the impact and encouraging and funding the improvement of solutions.

2.

The opportunity for Social Innovation

Social Economy has always been the cradle of important innovations for transforming social relations and combating structural inequalities. However, in the past, conditions were never as favourable as they are today for innovation, in this context, to consolidate itself as a participatory method, as a condition for social and economic development, and a central contribution to the evolution of public policies.

¹⁰ Mota, J.C. (2019). *Construir Comunidade*. Newspaper Público, 06.11.2019

Social Innovation has been asserting itself as a paradigm for a new way of thinking about social intervention, calling on citizens, entrepreneurs and social organisations to jointly seek and experiment with new responses to the increasingly complex and interdependent social and environmental challenges we face. With more qualified young people aware of inequalities, more attentive to environmental aggressions and committed to positively impacting the world, Social Innovation is one of the greatest opportunities for social and economic transformation of our time. In this context, public policies have a decisive role in creating conditions for the development of this new social entrepreneurship, a job generator and promoter of social change.

In Portugal, thanks to European funding, it was possible to create a pioneering public policy programme, **Portugal Inovação Social**, to promote Social Innovation and social entrepreneurship, which deployed resources from the European Social Fund under the Portugal 2020 Partnership Agreement. With four financing instruments specifically designed to stimulate Social Innovation, especially focused on the Social Economy sector, 581 applications for social innovation projects have been approved to date, representing more than 110 million euros in financing. Of these, around 92 million euros were intended to support 382 Social Economy organisations out of a total of 418 funded entities¹¹. Portugal thus became a great experimental laboratory for new social responses, making this initiative an internationally renowned and studied reference case.

The success of Portugal Inovação Social is due to several factors, including the high creative potential, qualified and experienced, of entrepreneurs and social organisations that deal closely with the most vulnerable social groups. Added to this creative capacity is the growth of participatory citizenship movements, the growing interest of investors and individual and institutional philanthropists, in addition to a more attentive and available public sector to stimulate and learn about innovative proposals from civil society.

¹¹ This financing also includes a relevant deployment of social investment from public and private entities that co-finance these projects, representing more than 35 million euros of the total amount, of which 27 million euros are specifically earmarked for projects developed by Social Economy organisations.

Social Innovation challenges the State, citizens and investors. It is a purpose, but it is also a method, and can actually be a powerful instrument for post-pandemic social and economic reconstruction, harnessing the different dimensions of its potential, such as:

1. **Methodology for experimenting, in partnership with civil society, with new responses to improve public policies.** Social Innovation allows prototyping public policies, that is, experimenting with new answers and solutions to social problems, at a low cost to the State and high potential for success (with the involvement of experienced social entrepreneurs, local communities, municipalities, and actual connection between solutions and territories).
2. **Promoter of development of less favoured regions.** Social entrepreneurship has a vocation for proximity to territories, frequently relocating from large urban centres to approach the most vulnerable communities, thus installing skills and promoting qualified employment in less favoured regions.
3. **Promoter of cross-sector partnerships.** The social and economic changes that Portugal needs will not be achievable without the active involvement of civil society and close partnership between sectors. Social Innovation is one of the few areas that requires and promotes true cross-sector partnerships, bringing about convergence of interests between the public, private and cooperative and social sectors.
4. **Opportunity to respond to the expectations and life projects of new generations.** The social and environmental awareness of today's young people, primarily concerned with the impact of their action on the community and Nature, requires an economic organisation response that deploys their creative and supportive energy and allows them to actively contribute, professionally, to the transformation processes social, economic and environmental conditions upon which our collective survival depends.
5. **Vehicle to strengthen Social Economy.** Because Social Innovation is an opportunity to increase the sector's transformative potential and impact, strengthening its structures and methods, making it more attractive.

Social Innovation is therefore in tune with the great contemporary concerns of Humanity¹², responding to the critical demands of the present and future by preventing pressing problems already in place and other potentials that we do not yet know about. Its expansion and consolidation are not independent from the evolution of Social Economy, which can not only provide a framework for new trends, but also evolve with them.

3.

Contributions to rebuilding a future better than the past

The covid-19 pandemic is likely to bring about profound changes in the way we organise and act collectively. In addition to the tragic impact on health, its threat and consequences revealed structural weaknesses in the models of economic and social organisation. Inequalities have worsened and new exclusions have been created. Social Economy has been called upon in many ways to respond to immediate emergencies, but it can also play a decisive role in redesigning policies to rebuild a better future than the past.

European Pillar of Social Rights

In the European context, the **European Pillar of Social Rights** (EPSR) stands out and, within it, the commitment to adopt a long-awaited Action Plan for Social Economy, expected to be presented in the last quarter of 2021, under the tutelage of Slovenia in the Presidency of the Council of the European Union. This plan, currently under public discussion, could be a structuring piece for the affirmation and development of Social Economy in Europe, responding to old demands and perhaps integrating new concepts and concerns. As for the EPSR, its 20 principles focus essentially on Employment, Working Conditions and some dimensions of Protection and Social Inclusion¹³. A significant part of

¹² The Sustainable Development Goals (SDGs), contained in the 2030 Agenda published by the United Nations in 2015 (<https://sdgs.un.org/goals>), will not be achievable without incremental and disruptive, methodological and substantive innovations. All Social Innovation contributes in some way to meeting the SDGs.

¹³ However, there seems to be a missing 21st principle that favours the effectiveness of the solutions designed and implemented to achieve the aims underlying the other EPSR principles: the principle of **Participatory Citizenship**. This implicit principle refers to the possibility of each citizen being taking part

the quality of employment depends on the quality of education, the effective guarantee of rights and the health of the economy. And there is no strong and healthy Economy without a strong and healthy Society. And there is no – nor there should be – a dynamic and innovative Economy without a cohesive, creative and qualified Society. Therefore, it will not be possible to effectively comply with the EPSR principles without the active contribution of civil society. And this contribution is organised in the context of the broad sector of Social Economy.

European Capital of Social Economy

In 2021, it was also Portugal's responsibility to nominate the **European Capital of Social Economy**, within the scope of the Portuguese Presidency of the Monitoring Committee for the Luxembourg Declaration. Under a proposal by CASES, the original model chosen was to nominate not a city, but a Network of Cities – Braga, Cascais, Coimbra, Sintra and Torres Vedras –, which will thus have, in 2021, the status of European Capital of Social Economy. In **Braga**, the theme chosen for the formal start of the initiatives was Social Innovation, but all of them are somehow precursors of innovation with very relevant territorial dynamics in the Social Economy sector. In addition to more robust traditional responses, **Cascais** also saw the birth of the IES Social Business School and the cooperative SEA Agência de Empreendedores Sociais. **Coimbra** hosts the headquarters of Portugal Inovação Social and has a social innovation incubator, i9social, inserted into one of the most reputable Portuguese incubators promoting innovation and technology transfer. **Sintra** promoted the creation of Fablab in its territory and has a broad partnership with the Aga Khan Foundation in innovative projects with high impact. **Torres Vedras** finances Rádio Escolas and has a growing dynamic of innovative responses. And **Braga** is one of the country's largest municipal investors in social innovation projects supported by Portugal Inovação Social, with iconic projects such as the Braga Human Power Hub Social Innovation Centre.

and actively contributing to build solutions that aim to improve their own lives and that of others. And this is also a social right.

National Skills Centre for Social Innovation

In addition to multiple European initiatives that aimed to finance and promote Social Innovation in the current programming period, in the transition to the next, the European Commission launched in 2020 a competition for Member States (MS) consortia with the aim of creating **National Skills Centres for Social Innovation**. With the recent approval of the different European consortia, including Portugal, it is expected that during the next two years the MS will actively collaborate with one another to share good practices and co-create their National Skills Centres for Social Innovation, whose role can be decisive in consolidating this agenda at European level and boosting national ecosystems. Portugal will develop its project in close collaboration with its consortium partners – Ireland, Bulgaria and Cyprus – and also with the support of national partners, such as the Calouste Gulbenkian Foundation, pioneer in the modern Social Innovation in the country, still the greatest investor and private promoter of this agenda of social transformation.

On the other hand, the new Partnership Agreement for the period 2021-2027 represents a unique opportunity to consolidate the country's role as a world reference in Social Innovation, enhancing the high international visibility it already has. And this means creating a real routine of continuous improvement of public policies, in real collaborative partnership with civil society, the cooperative and social sector and the private sector, with all relevant side-effects: attracting investment, mobilising young people, generating qualified employment, developing less favoured regions, experimenting with solutions adapted to each territory; or effectively fighting against inequalities. A script that coincides with the very goals of Social Economy.

4.

Conclusion

At the crossroads of the existential challenges we face, the viability of the future requires innovation and deployment of the most creative resources and the most dynamic institutions. It is necessary to build on the energy of **civil society**, the experience of **social institutions**, the availability of **local communities**, the talent of **entrepreneurs**, the



commitment of **investors** and the vision of **public policies**. There is a need to deepen intersectoral partnerships. There is a need to deploy people and communities and involve them in the co-construction of innovative solutions. This is what inspires Social Innovation, as we understand and seek it today. This is also an intimate, distinctive and valuable purpose of Social Economy.

In a time of so many dispersions, perhaps we still haven't found a good solution to help young people understand what role they can play in building a radically better future. But if we are able to show them a path where life project and career project coincide, maybe we will give the answer that everyone needs – us and them –and maybe we can be saved. Social Economy can be one of those paths, if we know how to pass it on to the youngest.