



# The Social Economy and Labour Economics - Experiences from northern Sweden and some developing countries

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Abstract

This paper discusses some practical and theoretical experiences of alternative forms of development and economic models carried out in the north of Sweden (Jämtland). An important conclusion suggests the need for grassroots empowerment to create successful local level development. Centralized initiative initiatives very difficult to implement. I discuss various ways in which we can steer changes in the labour market into a direction desirable to both society and the workforce. In essence, this perspective is related to concepts such as participation, empowerment and equity. In Jämtland unemployment levels are at very high level, particularly among the young and those who are minimally trained. To succeed in a fast changing environment a good basic education is a must. In addition the preparedness for a lifelong continuous process of learning, unlearning and relearning has to be high. Finally, I compare the situation in Sweden with the situations in Thailand and South Africa.



### The Social Economy: Definition and Parameters

Before discussing how organisations and the economic motivation and structure for empowerment can be fitted to people's needs and abilities in terms of competence and motivation to be proactive, I will explain briefly what is meant by social economy. Defining what the social economy means is less than straightforward. It is simplest perhaps to define social economy by saying what it is not: it is not the public sector and it is not private sector profit-maximising private companies. The concept of "not-for-profit organisations" to some extent corresponds to what is meant by the social economy. This is a relatively new concept in northern European and particularly in northern Sweden. However, this concept is used widely in Britain and the USA and is becoming more widely recognised in Europe, particularly in the so-called Anglo-Saxon cultures.

The social economy is sometimes confused with those parts of the economy which have to do with social and environmental accounting and the like. Even if this is a matter of two different questions, there are also important connections. One of the basic foundations behind the growth of the social economy is that social and human values are allowed to outweigh pure economic value, and should therefore be taken into account in strategic economic assessments. Nowadays and from a macro economic perspective many understand and agree that GDP is an insufficient (and many times an inappropriate) indicator for development of nations or regions. Different UN agencies are well aware of this problem and are including more indicators to measure development. Such indicators are not only limited to economic growth. However, the changes can partly be seen as only more of the same old thing and not the needed paradigm shift. The King of Bhutan has suggested a new concept of "Gross Domestic Happiness – GDH", which over the last years have created a large interest (Centre for Bhutan Study, 2004). However, there are still many hurdles to overcome before this mainly qualitative concept of GDH can be mixed in a rational way with a mainly quantitative paradigm of economics. General experience suggests that qualitative methods and indicators should be kept as qualitative and not transformed to quantitative. If so they tend to lose their qualitative values. The new social economy will be related to the feeling of 'happiness' of people, but will not necessarily have any effect whatsoever on GDP.

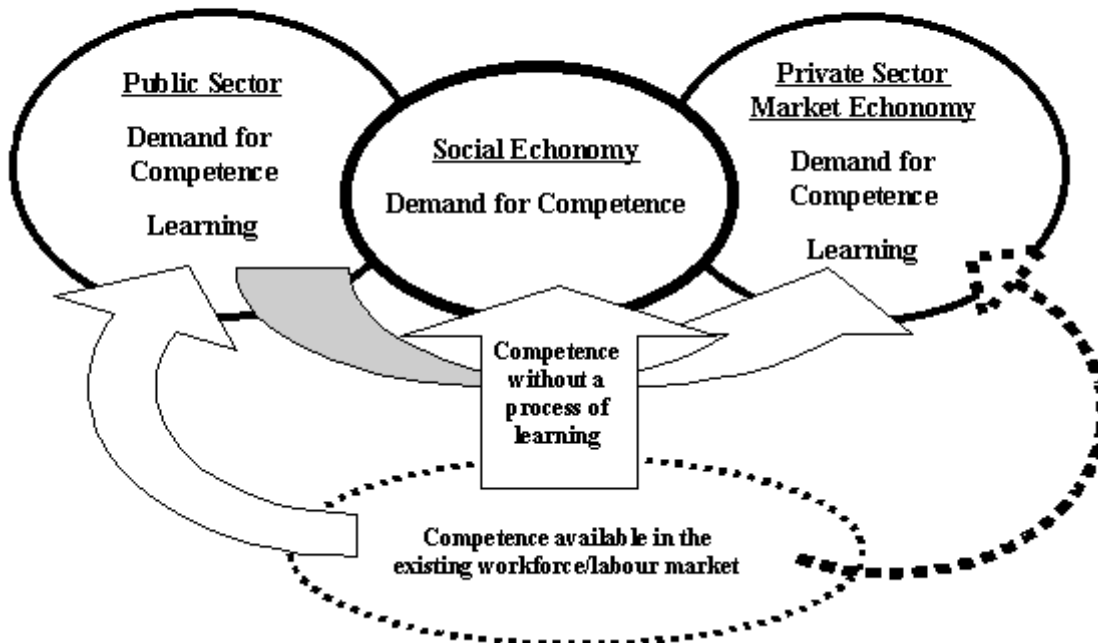
It is usual to say that the so-called new co-operatives form an important part of the social economy. Formally part of the private sector, these new co-operatives are formed from an admixture of different types of companies which often have a leaning towards co-operative production. The Co-op movement in the UK was started at the turn of the eighteenth century. **Robert Owen**, (1771 1858) played a significant role in this process. It started as consumer cooperative but developed to be a structure for cooperative societies. Historically there is a connection behind still existing producer co-operatives in countries such as Spain and Italy (for example in stone quarrying and allied trades). In Sweden, between the 1930's and 1950's, producer co-operatives also occurred in the quarrying industry. Figure 1 is often used to explain symbolically what is meant by the social economy (e.g. Ivergård, 1998).



Figure 1. The social economy plays a role in the area between the private and the public sector. The flow of competency from public to private sector is relatively large as it needs to compensate for lack of long-term process of learning in the private sector. The Social Economy has potential to be self sufficient in creation of low level of new skill and knowledge.

**Figure 6.**

**The social economy plays a role in area between the private and public sector.  
The flow of competence in the private sector flows too much in the public sector.**



The family co-operative day nursery is a much more recent form of organisation in this new sector. Different types of “village” co-operative, e.g. the local power company, are another. Areas of high unemployment have given rise to the ‘start your own business’ movement for unemployed people. This movement is a large part of the social economy. It is an alternative (not-for-profit organisations) to traditional entrepreneurship. Companies started by unemployed are different from traditional business entrepreneurs and are often referred to as ‘livelihood companies.’ This is an apt phrase which describes very well the motives and judgements which form the underlying rationale behind people’s decisions to choose self employment. From a purely business economics viewpoint these companies should not be able to exist in a free market economy as they are not competitive. They can only exist if they are externally (e.g. from Government) supported or coexist with some kind of self-subsistent household (common in Jämtland where many people can have free access to fishing, hunting etc).



In Jämtland these forms of social economy are very common and the people involved are often contented (e.g. as it makes it possible to stay on in an environment which is a vital part of their existence); from the political labour market point of view they are considered to be a very good investment because of the very high survival rate of these new companies. Young people who start up new internet companies and IT companies are another example. Because this sector gives quite a good return in the number of employees and corresponding reduction in rate of unemployment, even if their contribution to the growth in gross national product is low, they have awakened great interest in the EU Commission. Today the social economy is growing in many parts of Europe.

#### What Drives the Social Economy?

Today we are seeing a rapid increase in new types of companies, often in cooperative or semi-cooperative forms. A reason for this is that the great demand to reduce the size of public sector at the same time as productivity is expected to increase. In parallel, for the stock market listed companies maximisation of profits constantly demands new rationalisation concepts and the need to 'slim down' organisations.

A good summary and overview of the social economy in northern Sweden can be found in a paper by Westlund et al (1997). The consequences for working life, together with the organisational and social consequences of the social economy, are also a subject of research and development at the National Institute of Working Life in Jämtland.

#### Adaptation of organisations and the economic assessment structure

It is important to understand the different motives behind the creation of social economy activities. The basic factor is probably related to the basic will to work. These can be divided into two groups:

- 1) People who have an instrumental view of their work will work to create their own employment (often with some form of support from the community) in order to achieve a basic income and the freedom to live a more independent life, and perhaps alongside their income-earning employment to have other jobs which they feel to be meaningful.
- 2) People believe the job itself is important and has to be meaningful, and they therefore choose to create a job which is in line with their own main interest (e.g. some ideal job, one which allows intellectual growth, research, development or innovative work, etc.), and which at the same time provides a good income.

In the first case we are often talking about livelihood companies. But even the local work centres<sup>1</sup> which are being created around Sweden at the moment often belong to this category. Various attempts have been made (household cheques, local currency etc.) in order to create a larger service sector and they belong to this group. To the second group belong, among other things, business in not-for-profit organisations and political organisations. Young people who start up their own development company, perhaps using ICT, are another example. Researchers, artists and inventors, some professionals, etc could be classified in this second group.

#### The Social Economy: An Example

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<sup>1</sup>[1] One form of co-operative of unemployed people which hires out its own workforce. See also Ivergård, 1998.



What is of principal interest in this connection is that in today's fast changing social and economic environments, organisations and jobs are being created which largely fall outside the framework of traditional organisations in the public and private sectors. Where a community can consciously stimulate the creation of companies within the social economy, total employment is increased and unemployment should be able to be reduced. In addition, there are potential possibilities for creating interesting, exciting and meaningful jobs which would otherwise not have come into being. Organisations and businesses are created in order to satisfy and cater for a supply of competence for which there is no demand in the established sectors.

This was one of the basic assumptions behind a rather large initiative in Jämtland to start up AC (Arbets Centrum in Swedish and in English: Local Work Centres) for unemployed people. Supported by the European Commission the initiative was connected to a large number of similarly projects in other parts of Europe. As the first of its kind the project was also studied and evaluated by different agencies such as Mid Sweden University. Similar projects was subsequently also set up in other provinces in Sweden and elsewhere. For a review of the new labour market initiative in Jämtland see Ivergard (1998 and 2000)

#### Setting up the project

The project was initiated by the head of the Swedish regional state labour administration. A project group handled administration in close cooperation with the local state employment offices in the region. The local labour administration initiated the contacts with the unemployed. A special legally independent organisation (a Cooperative Association) was established for the ACs with the objective to set up different kind of business activities particularly in the area of local services. The AC allocated unemployed become partners in their AC and were in full control of the management and operation of their own AC. The ACs cooperated in a provincial network. During the start up phase the partners in ACs where allowed to keep their unemployment benefits. Incomes generated to ACs would add on to the partners' individual income.

Initially, a rather large number of local service activities were established, particularly in the area of social-orientated services. However, over time the sustained activates were at a much lower level than expected, while some petered out. However, in a few local areas ACs managed to continue in a more sustainable way. Two causes were offered for the lack of sustained success: (i) the lack of an available market for the offered services, (ii) the difficulties to top-down establishment of local 'grassroots' activities. This last hurdle is probably the most important factor for the lack of success. For this kind of initiative to be successful, the local activities must be initiated and grow from the 'self empowered' stakeholders/partners. Central initiative can only have a limited facilitative role if the right local 'growth' conditions are available. The time factor is also important. To initiate this form of top down project it is also important to have perseverance over a rather long time period.

#### Impediments to the Social Economy

There is a severe lack of knowledge about organisations within the social economy. In many respects these new organisations fulfil the basic ingredients and criteria for "the good company". The level of cooperation is high and there is a great commonality of interest between the organisation itself and the individuals who work there. The future evaluations and research should show whether these organisations are beginning to approach the ideal from the point of view of working life, or whether new problems will occur. Naturally, this places extremely high



demands on there really being a common interest and the creation of good 'personal chemistry' in the working group. It is also difficult to see how one could find good patterns for supervision, management and following up in these companies. If the social economic organizations and networks do not find a good pattern for supervision and management, there is a high risk that some form of company split could occur.

### IITC and the Social Economy

IITC plays two different roles in relation to the Social Economy. The social economy can create jobs for people who are made redundant due to the introduction of IITC-based systems in their workplace. At the same time ICT has the potential to facilitate the development of this new sector. In the future networks of co-operatives could be competitive alternatives to the traditional sectors.

In newly developing countries the potential for Social Economy is probably very large. However, the central initiatives and facilitations must be in harmony with the local level growth potential (knowledge, skill, problem awareness, motivation and empowerment).

In Thailand two different strands of development is taking place: decentralisation of the state administration and support to village projects/products. These represents two different contrary trends: (i) decentralization of the central state administration to local and regional level which in reality might jeopardize local democracy and (ii) initiatives to strengthen local economic activities, e.g. village projects/products. At the same time it is fascinating to see the relative success of all the Royal projects in Thailand. This is probably due to the special hegemonic culture in Thailand. Action learning and action research projects have also been carried out to find ways to empower local administration. In some provinces this has been rather successful but in others this has not worked at all.

South Africa an initiative for outsourcing of public sector activities was suggested as a way to speed up and empowering the reformation of the public sector. Two different but complementary approaches were discussed.

(i) Creation of a virtual network open University to facilitate and speed up competency development. This was seen as a combination of job based problem and project orientated learning and also course based theoretical education related to the job based. The thinking behind this was a kind of cooperative structure for learning where practical problem solving was coupled with a process of learning the necessary skills and knowledge to solve the problems. (ii) An outsourcing of central government administration aimed to strengthen the villages to handle as much as possible of the local public administration. In an initial phase both of this proposals were met very positively. None of the proposals were ever implemented due to lack of support from the responsible top executives.

### Lessons learned

Sweden is a mature democracy with a very well established local and regional level democracy. The need for even further development of a more direct form of democracy is also rather well understood. However, the mechanisms for implementations are not yet developed. In spite of these rather favourable conditions, it has been apparent difficulties in the implementation of local self controlled organisation based on a central government initiative.



It is not surprising that implementation of central initiative for decentralization in developing countries is even more difficult.

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