

## Section 2 Social Enterprise and Society

### Introduction

In order to have a better understanding of social enterprise, it is important to be able to put these kinds of organisations into historical and social contexts. In this section we look at the following key topics:

#### Topic 1: Historical Perspectives

When you have worked through this topic you should be able to:

- describe the birth of the co-operative movement in the UK
- provide a brief description of the history of credit unions
- explain the background to social firms in Europe and the UK
- describe the development and the role of intermediate labour market companies (ILMs) in the UK
- explain the LETSsystem, and how and why it was created.

#### Topic 2 Social Perspectives

When you have worked through this topic you should be able to:

- list the outcomes of the Beveridge Report
- briefly explain the key differences between working and living conditions for British working people in the middle of the 19th century; and working and living conditions in the 21st century
- explain how working and living conditions shape, and are shaped by, our expectations.

#### Topic 3 Current Perspectives

When you have worked through this topic you should be able to:

- understand the constructs of The Third Way and New Mutualism
- explain how these fit historically into the movement of social enterprises as a major force for social regeneration.

#### Topic 4 The Benefits of Social Enterprise

When you have worked through this topic you should be able to:

- list the benefits of social enterprise
- identify the benefits which you personally are likely to enjoy as a result of your involvement in social enterprise.

#### Topic 5 The Role of Democracy in Social Enterprise

When you have worked through this topic you should be able to:

- discuss the importance of democracy in social enterprises.

## Resource Finder

Organisation	Website address
Grameen Bank Co-operative	<a href="http://www.grameen.org">www.grameen.org</a>
Tower Colliery	<a href="http://www.employee-ownership.org.uk/eootower.htm">www.employee-ownership.org.uk/eootower.htm</a>
Six Mary's Place	<a href="http://www.sixmarysplace.co.uk">www.sixmarysplace.co.uk</a>
Co-operative Information Superhighway	<a href="http://www.coop.org/welcome.htm">www.coop.org/welcome.htm</a>
The Co-operative Group	<a href="http://www.co-op.co.uk">www.co-op.co.uk</a>
Sheffield University 'A Credit Union Handbook'	<a href="http://www.shef.ac.uk/~oip/scu/hbook.html">www.shef.ac.uk/~oip/scu/hbook.html</a>
Association of British Credit Unions	<a href="http://www.abcul.org">www.abcul.org</a>
UK LETS and Complementary Currencies Development Agency	<a href="http://www.letslinkuk.net/index.htm">www.letslinkuk.net/index.htm</a>

Make a note here of any other helpful resources you find.

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## Section 2 Social Enterprise and Society

### Topic 1 Historical Perspectives

In this topic we shall look at the emergence of social enterprises: co-ops, credit unions and social firms, and the more recent intermediate labour market projects and LETS schemes. We shall see how historical circumstances shaped the way each type of enterprise developed.

#### The birth of the UK co-operative movement

The UK co-operative movement was born on 21 December 1844, in the textile town of Rochdale, Lancashire. That was when a group of 28 men banded together, called themselves the Rochdale Equitable Pioneers Society, and opened the ground floor of a warehouse in Toad Lane to sell basic provisions – butter, sugar, flour and oatmeal – to other mill workers in the town.



None of these men were educated or had any kind of business background. Mill workers themselves, they had scrimped and saved to buy their first stocks of food. They had decided to take this revolutionary step because, on top of working long hours in a harsh working environment for little pay plus appallingly inadequate housing, they had to make do with food that was of the very poorest quality, often adulterated and invariably sold at short weight. It's worth noting that the mill owners were responsible for their employees' harsh working and living conditions, and the owners also controlled the sources that supplied the poor quality food to the workers.

The aim of the Rochdale Pioneers was to sell fresh, wholesome food at a fair price, weighed out honestly and accurately, so that every shopper received the amount of food they had paid for. This was a radical departure for the time as, apart from anything else, it involved the Rochdale Pioneers taking some measure of control away from the mill owners.

Despite the antagonism of existing Rochdale retailers and the initial scepticism of Rochdale shoppers, the Rochdale Pioneers' business blossomed and grew. This first co-operative was firmly based on the 'Rochdale Principles' of open membership, democratic control, and profits returned to the membership in proportion to their purchases. (This practice still continues with the Co-operative Dividend, which is paid out annually to shoppers, depending on the number of 'shopping points' they have accrued over the year.) For the town of Rochdale this meant that, for the first time, poor, working people were able to buy wholesome food at an affordable price.

In 1863 the Co-operative Wholesale Society was formed. This enterprise, which was strongly supported by people involved with the Rochdale Pioneers Society, began life in a rented room in Manchester. The CWS was so popular with working people that the enterprise expanded rapidly and soon was able to begin importing foreign goods – Irish butter, American wheat, Danish bacon, Indian tea – all at fair prices that working people could afford.

By 1880, roughly half a million people in the UK belonged to a consumer society of some kind. By 1900, there were 1,700,000 members who, between them, belonged to about 1500 different societies. Even now, at the beginning of the 21st century, the CWS continues to flourish, and to provide a whole range of services.

As their aim was to provide help and support to individuals and families from the cradle to the grave, in addition to selling food, the Co-operative Wholesale Society provided:

- banking
- insurance
- coal distribution
- milk delivery services
- separate bakeries
- funeral services.

## History of credit unions

The credit union movement traces its beginnings back to 1849 when Wilhelm Raiffeisen, the mayor of a small town in southern Germany, formed a society with the aim of helping people to help themselves out of debt and poverty. When he created the society, Raiffeisen laid down a list of very specific conditions. These were that:

- only members of the organisation (credit union) could save or borrow
- loans were made for specific purposes
- interest was charged at a rate that members could afford – typically 1% per month on the reducing balance
- the members would own the organisation.

During the 1850s and 60s, credit unions were started in Italy. During the first half of the 20th century, they became popular in the USA and Canada, and then, slightly later, developed in the UK.

Now, at the beginning of the 21st century there are:

- more than 16,000 credit unions in the USA, whilst one in four people in Canada belong to a credit union
- 10,000 credit unions in Africa
- 5,000 in Asia
- 388 in Eire and 99 in Northern Ireland
- 150 in the UK.

### Websites to visit

[www.shef.ac.uk/~oip/scu/hbook.html](http://www.shef.ac.uk/~oip/scu/hbook.html) – contains A Credit Union Handbook, a gold mine of information relating to everything you might need to know about setting up and running a credit union.  
[www.abcul.org](http://www.abcul.org) – the Association of British Credit Unions.

## History of social firms

Social firms – those businesses that are created for the primary purpose of providing training and jobs for people with disabilities or disadvantages – originated in Italy and Germany in the 1960s. European networking started in the early 1980s and CEFEC (Confederation of European Social Firms Employment Initiatives and Social Co-operatives) was constituted in 1994. Here in the UK, Social Firms UK was created in 1999 to serve as the national umbrella organisation for British social firms.

### Websites to visit

[www.cefec.de/cefec2.htm](http://www.cefec.de/cefec2.htm) – the CEFEC website.  
[www.socialfirms.co.uk](http://www.socialfirms.co.uk) – the Social Firms UK website.

### Websites to visit

[www.co-op.co.uk/index.html](http://www.co-op.co.uk/index.html) and click on Link to the Co-op Movement – more information about the CWS and the Co-operative Movement.  
[www.wisc.edu/uwcc/icic/def-hist/country/index.html](http://www.wisc.edu/uwcc/icic/def-hist/country/index.html) – an A-Z geographical listing of co-operatives around the world.  
[www.coop.org/welcome.htm](http://www.coop.org/welcome.htm) – the Co-operative Information Superhighway.

The word love is never mentioned in big business.  
**Anita Roddick,**  
 founder of The Body Shop

All work is empty save when there is love.  
**Kahlil Gibran,**  
 poet and artist

## The rise of intermediate labour market projects and companies

As you will recall, the main aim of an ILM project or company is to provide training and work experience either to people with a disability, people who have been unemployed for a considerable length of time, or people who are significantly disadvantaged in accessing the labour market.

Those intermediate labour market projects and companies which focus, primarily, on supporting and assisting people who can be classified as long-term unemployed were developed in response to the soaring unemployment figures of the 1970s and 80s. The massive rise in the number of people who were out of work and unable to find jobs was partly due to government policy, and partly due to changes in certain economic sectors – particularly heavy industries such as steel making and ship building.

The key point to remember, with regard to intermediate labour market projects and companies, is that the training and work experience are fully paid.

### Websites to visit

[www.glasgowworks.co.uk](http://www.glasgowworks.co.uk) and [www.createuk.com](http://www.createuk.com) – Glasgow Works and CREATE (both of which are described in Section 1, Topic 4 of this module) are ILM companies.

[www.furnitureresourcecentre.com](http://www.furnitureresourcecentre.com) – The Furniture Resource Centre Group is an ILM which, in addition to making life better for disadvantaged people in the inner Liverpool area, creates fully paid work for 120 people and salaried training for people who are long-term unemployed.

Work  
is society's  
chosen way of  
distributing income.

**Charles Handy,**  
writer and  
management  
guru

## The Start of the LETSsystem

LETS is the keyword that stands for:

### Local Exchange Trading System

The very first LETSsystem was started in 1983 in Canada by Michael Linton. The concept has now spread to Europe and the UK and offers members the opportunity to exchange goods and services.

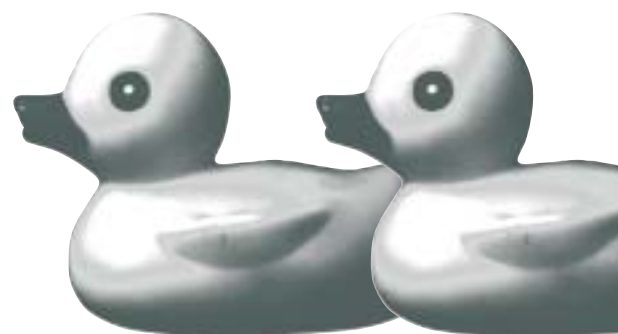
The first LETS schemes tended to work on a barter system, whereby two members would exchange, say, six eggs for a jar of home-made jam. The problem with the barter system was that, whilst the member receiving the eggs might be perfectly happy, the member receiving the jam might be disappointed with the taste or the quality. In other words, using the barter system, one of the participants might feel that they had received the short end of the straw.

Now, most LETS schemes tend to use their own currency which, in many cases, is time-based. In other words, one unit of currency = 1 hour of time. The LETSsystem works like this:

- Member A joins the LETSsystem – she has an opening balance of zero
- Member B joins the LETSsystem – he has an opening balance of zero.

Member A agrees to dig Member B's garden. Between them, they agree that this work will take about 8 hours of time to complete. They agree that Member A (the person who has done the work) should have 8 units of LETS currency credited to her account from Member B. This then means that:

- Member A has +8 units of currency in her account
- Member B has -8 units of currency in his account
- Member A can now spend her 8 units of currency with anyone else in the LETSsystem
- Member B needs to do something for someone else in the LETSsystem in order to acquire some currency, and so reduce his minus balance.



The currency does not, in fact, exist in the form of coins or notes, and each LETSystem chooses the name of the currency they will use, for example Aylesbury LETS uses Ducks, while Canterbury LETS uses Tales.

**Websites to visit**

[www.u-net.com/gmlets/faq.html](http://www.u-net.com/gmlets/faq.html) – some frequently asked questions about LETSystems.

[www.geog.qmw.ac.uk/lets/](http://www.geog.qmw.ac.uk/lets/) – a report which evaluates LETS as a means of tackling social exclusion and cohesion.

[www.gmlets.u-net.com](http://www.gmlets.u-net.com) – you can download numerous resources, including the LETSystem Design Manual written by Michael Linton, the original creator of the LETSystem.

[www.letslinkuk.net/index.htm](http://www.letslinkuk.net/index.htm) – the UK LETS and Complementary Currencies Development Agency.

Make a note here of any other helpful resources you find.

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I don't like money actually ... but it quiets my nerves.  
**Joe Louis,**  
**Heavyweight**  
**Boxing Champion**

**Activity**

Look back over each of the different social enterprises described in this topic, and briefly note down:

- its social aims
- its form of trade.

Decide which of these aims you most identify with in terms of your own business.

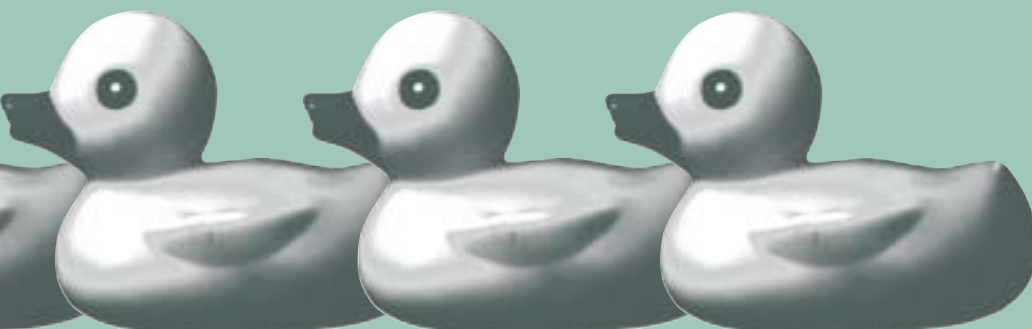
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For example, the social aim of the early co-operative movement was to provide decent food and services at fair prices to the poorest working people, with its profits going to its members – its own customers. Its form of trade was selling basic provisions, and later, providing essential services.

The social aim of the LETSystem is to allow people to trade, and provide and have access to services, most importantly where there is a shortage of conventional trading currency, i.e. money. The aim is therefore to provide social, not financial wealth. The LETS form of trade is a barter system of goods, services and time.



## Section 2 Social Enterprise and Society

### Topic 2 Social Perspectives

This topic compares the social conditions in 19th-century Britain with the social conditions in the 20th and 21st centuries in the UK and abroad. These social conditions shaped the expectations of, for instance, crime, poverty, unemployment of disadvantaged people, and the inevitability of exploitation.

The topic then looks at how research, legislation and social enterprises have tackled these expectations and helped to improve and, in some cases, overcome some of the worst and most deep-rooted situations.

#### How it is now

As we stand at the beginning of the 21st century, we in the UK take it for granted that there should be an effective and efficient welfare state. We demand the very best from our National Health Service, and complain bitterly about long waiting lists, medical blunders and even the difficulties involved in getting a GP to make a house call at night. We expect our children to receive a complete and enriching education. We are brought up to expect a wide range of state benefits to be made available to us – everything from housing benefit to incapacity benefit; child benefit to old-age pension – because we live in one of the richest countries in the world. It is only right and fair and equitable that the least able, the least healthy and the most disadvantaged, most vulnerable members of society should be cared for and supported, according to their individual needs. Within such a social framework, it is hardly surprising that the concept of social enterprise should flourish and develop, year on year. But, of course, it hasn't always been like this.

#### How it used to be ...

##### The Poor Law Act 1601

This piece of legislation formally classified the poor into three distinct categories:

Category 1: **The impotent poor** (the aged and the sick) were to be provided with accommodation in almshouses.

Category 2: **The able-bodied poor** (those who were unemployed) were to be provided with work in workhouses.

Category 3: **the persistent idlers** were to be sent to houses of correction.

- In the UK in 1838 there were 78,536 people working and living in workhouses.
- In the UK in 1843 there were 197,179 people working and living in workhouses.

Historian E.P. Thompson quotes Poor Law Commissioners as saying:

*'Our intention is to make the workhouses as like prison as possible. Our object is to establish therein a discipline so severe and repulsive as to make them a terror to the poor and prevent them from entering.'*

E.P. Thompson, *The Making of the English Working Class*, Penguin

##### Industrialisation and the welfare state

At the start of the 19th century, living and working conditions were extremely harsh. For the average family, the reality of life was long periods of unemployment, poor food and sanitation, overcrowded housing and high death rates. Most people did not have the advantage of any kind of education, and so were unable to read, write or calculate number. Even the most basic medical care was far too expensive for most people to consider.

By the mid-19th century, as a direct result of the industrial revolution, most of those who were able to find work were employed in cotton mills and other factories within the textile industry. Employees were both adults and children. Many of these children – often as young as six or seven – were orphaned, and were 'rescued' from the workhouse by mill owners and taken on as apprentices. The average working day, for both adults and children, was anything from 14 to 16 hours, depending on the whim of their employer. There were, of course, no health and safety standards or regulations, and people worked these long hours in dark, poorly ventilated mills. Many were seriously

**It is better to have a permanent income than to be fascinating.**  
**Oscar Wilde**

injured or even killed whilst at work. For those who were maimed and severely disabled, there was very little to look forward to. Unable to work, they would have to hope that members of their family might help them out, or they would have to throw themselves on the mercy of the Charity Board and ask for a place in the workhouse.

Grinding poverty, disease, malnutrition, disgusting living and working conditions and, of course, the prospect of a very short life, were all that could be expected by the average working man, woman or child of this period in our history.



### Some key facts

**In 1880 education was made compulsory in the UK.**

**In 1901 research carried out by Seebohm Rowntree in the City of York determined that 28% of the population were poor, as a result of low wages.**

**In 1902 Charles Booth undertook research in London and reported that the main causes of poverty in the capital were unemployment and old age.**

**The Great Depression of the 1930s led to mass unemployment and widespread poverty and hardship.**

**In 1942 the Beveridge Report argued that, in the UK, steps had to be taken to address the '5 Giants' of:**

- **Idleness**
- **Squalor**
- **Want**
- **Disease**
- **Ignorance.**

**The outcomes of the Beveridge Report were:**

- **1944 Education Act**
- **1944 National Insurance Act**
- **1945 Family Allowances Act**
- **1946 National Health Service Act**
- **1948 National Assistance Act.**



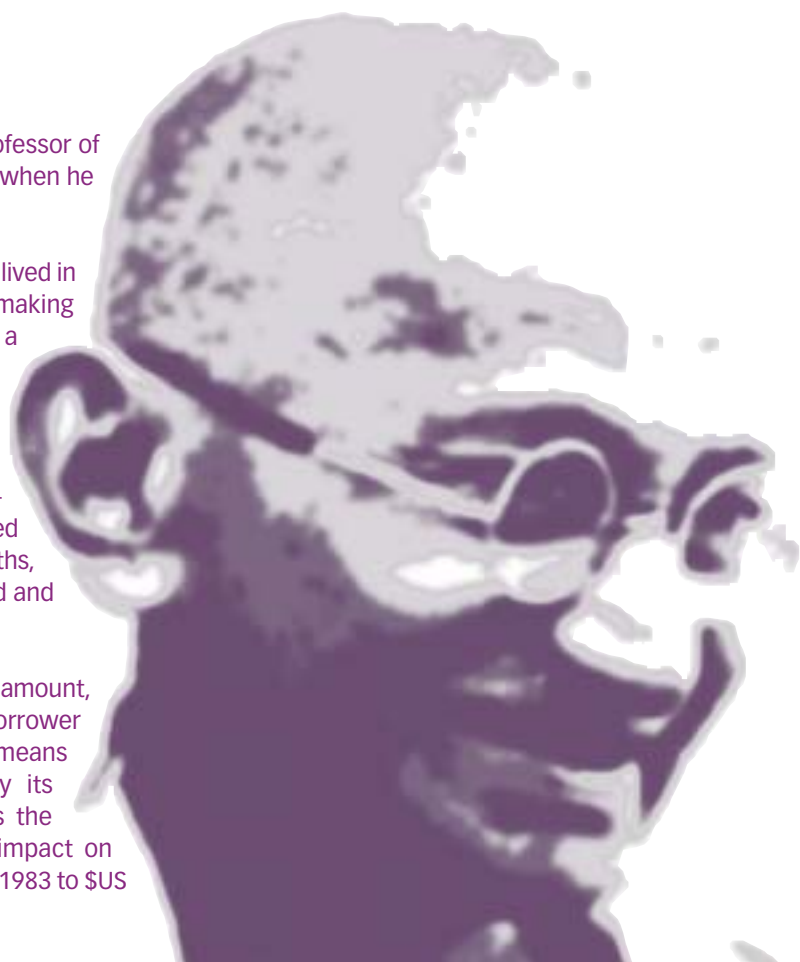
## How it still is ...

### **The Grameen Bank, Bangladesh**

The Grameen Bank was founded in 1983 by Dr Yunus, Professor of Economics at the University of Chittagong in Bangladesh when he heard Sophia Katoon's story.

Sophia was 22 years old and a skilled furniture maker who lived in the tiny village of Jobra. She worked seven days a week making beautiful bamboo furniture, which she then had to sell to a money lender who, in return for the goods, provided Sophia with just enough money to buy more bamboo ... to make more furniture. She was worn out and living in abject poverty and, Dr Yunus calculated, she was paying interest to the money lender at the rate of 10% per day – which worked out at an annual rate of 3,000%. Yunus loaned Sophia the equivalent of around £2 and, within a few months, she had repaid the loan, increased her income seven fold and escaped from the money lender.

The Bank encourages its borrowers to save 5% of the loan amount, plus one taka per week – roughly 3 pence. As soon as a borrower has saved \$US 3, she buys one share in the bank, which means that The Grameen Bank is owned and controlled by its borrowers, most of whom are women. The bank uses the amount of savings held as an indicator to gauge its impact on poverty eradication. These savings have grown from nil in 1983 to \$US 108 million.



### **Tower Colliery, South Wales**

In 1994 British Coal closed the Tower Colliery in the South Wales Coalfield. The Tower Colliery miners, devastated by the loss of their jobs – and well aware that they were unlikely to find alternative employment – decided to act together. Two hundred and fifty miners each invested £8,000. Most of them used the redundancy payments they had received from British Coal to make this payment, although 60 of the men had to take out personal loans to finance their investment. Between them, they raised £2 million, and took out an additional loan of £1 million from Barclays Bank.

The mine, now an employee-owned business, started working again on 2 January 1995, and is trading profitably with an annual turnover of £25 million. Tower Colliery now provides employment for over 300 people.

### **West Whitlawburn Housing Co-operative**

Cambuslang Estate is located on the south-east fringe of Glasgow and was, at one time, a council estate which everyone wanted to escape from. Drug dealing, vandalism and street crime were rife and very few people felt safe on the streets after dark. The tenants, despairing for their safety and the downward spiral of their quality of life, banded together to form the West Whitlawburn Housing Co-operative.

Since the co-operative took over, the homes have been refurbished and updated, while concierges, employed by the co-operative, ensure a safe environment for residents. In addition, the estate now has a computer training suite, a crèche, parenting classes, a café which serves nourishing and affordable meals, and provides employment for 46 people, 18 of whom are residents. All of this was achieved through the hard work and co-operation of the members, together with support and funding from South Lanarkshire Council, the National Lottery Charity Board and Anniesland College of Further Education.

### Six Mary's Place, Edinburgh

This small hotel is owned and managed by Edinburgh Community Trust, and was established in 1992 to create employment for people with mental health problems. The hotel, which is strictly vegetarian and non-smoking, has been highly successful, attracting visitors from all over the world. It has also been widely reviewed and highly recommended by travel agents and travel organisations including the AA and Scottish Tourist Board.

#### Websites to visit:

- [www.grameen.org](http://www.grameen.org) – more information about The Grameen Bank Co-operative.
- [www.employee-ownership.org.uk/eootower.htm](http://www.employee-ownership.org.uk/eootower.htm) – the full story of how the Tower Colliery was passed into employee ownership.
- [www.sixmarysplace.co.uk/home.html](http://www.sixmarysplace.co.uk/home.html) – information about and pictures of Six Mary's Place.



41% of the general public in the UK believe it is impossible for someone with a disability to get a job.

### Activity

Think of two different social conditions and the expectations/prejudices behind them, which you think a social enterprise could help to change.

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For instance, you could choose the assumption that young people in deprived areas will always turn to crime and that nothing can change that. However, a social enterprise might be set up to take young people off the streets and train and then employ them as, e.g. car mechanics in a viable, local repair shop. The aim would be to give them hope for the future, employment, and self-esteem, and help break the cycle that seemed inevitable.

## Section 2 Social Enterprise and Society

### Topic 3 Current Perspectives

This topic will look at the dominant, current ways of thinking – such as The Third Way and New Mutualism – of how to tackle the problems of social exclusion and disadvantage, and their encouragement of social enterprises.

In this context, the term **disadvantaged** is used to describe people who may be regarded as socially excluded, e.g.:

- are poor – living below the poverty line
- are unemployed – usually long-term
- are too sick to work
- are physically disabled
- have learning difficulties
- have mental health problems, or are recovering from mental health problems
- have issues around substance abuse (alcohol, non-prescription drugs).

**Social exclusion** is the term used to describe what can happen when people (or geographic areas) suffer from a combination of problems linked to poverty, low incomes, poor or no housing, unemployment, poor skills, high crime environments, bad health and family breakdowns.

#### The Third Way

Prior to the end of the 20th century, British thinking in relation to business, economics, housing, employment and the Welfare State tended to be polarised towards the extremes. In practical terms, this has meant that disadvantaged members of our society have been dealt with in one of two, quite distinct ways.

At one extreme was the view that disadvantaged people were either unable (disabled, ill, elderly) to make a contribution to society (and so should be helped by benefits), or they were shirking and lazy. If they were prepared to cut all ties with their communities, be flexible and 'get on their bikes', they would find work in privately-owned, capitalist companies, however insecure, and therefore they should not be eligible for benefits.

The other extreme view held that it was the State's function to provide benefits for all who needed them, but that employment would only ultimately be found for those traditionally able to work, in traditional companies and the huge state-owned industries, which might never expect to be commercially viable.

Today it is more generally acknowledged that many people who can be categorised as disadvantaged and socially excluded are in fact desperate to be given the opportunity to make a meaningful contribution to society. Also, through the process of taking some measure of responsibility for themselves and their families, people (whether disadvantaged or not) develop self-esteem and confidence, and find meaning and purpose in their lives.

## Defining the Third Way

The key characteristic of The Third Way is that it seeks to find a middle path between the two extreme positions. The Third Way is a path which offers people both:

- security and support (by way of state benefits and other resources), and
- opportunities to take ownership; participate; use their existing skills and acquire new ones; use their intelligence and abilities; develop their potential in order to enhance their own and others' lives; generally make a valuable contribution to society.

'The debate around the 'Third Way' is about achieving outcomes that truly benefit the many and not the few. It is about the development of ideas which break from the traditional public versus private battles. New Mutualism expresses both the fundamental values of mutual and co-operative societies and seeks to find modern ways of expressing those values.'

*Tony Blair, Prime Minister*

'Conventional poverty programmes need to be replaced with community-focused approaches, which permit more democratic participation as well as being more effective. Community building emphasises support networks, self-help and the cultivation of social capital as a means to generate economic renewal in low-income neighbourhoods..... Reducing benefits to force individuals into work pushes them into already crowded low-wage labour markets. Community building initiatives concentrate upon the multiple problems individuals and families face, include job quality, health and child care, education and transport.'

*Anthony Giddens, The Third Way, Polity Press 1998*

## What is mutualism?

Mutualism exists where an organisation is owned by its members, and the organisation is run in their interests. In other words, there are no shareholders wanting a slice of the profits and, rather than functioning solely for profit or to meet external expectations, the organisation focuses on the needs of its members: those people whom the organisation exists to serve.

**People need responsibility. They resist assuming it, but they can't get along without it.**

**John Steinbeck, novelist**

## What is New Mutualism?

Mutualism has been an important part of British corporate culture for a very long time, through such organisations as building societies and friendly societies. It became unfashionable in the late 20th century, when the stress was on individualism. Building societies and insurance companies 'demutualised' and even the British Prime Minister, Mrs Thatcher, could claim in an interview for *Woman's Own* in 1987:

'There is no such thing as society. There are individual men and women, and there are families.'

New Mutualism is the term used to describe the recent revival in the idea of mutuality. It can be seen in action in organisations that are run by the members in ways which support the members' specific interests. A good description of it was given by Graham Melmoth, Chief Executive of the Co-operative Wholesale Society, United Kingdom, speaking in 1999 at the ICA Congress and General Assembly:

'Within the Third Way there is discussion about mutuality, or an adaptation of it, being re-marketed as new mutualism, a philosophy building on the principle of ownership by and service to members, but ditching some of the more arcane characteristics which made them inward looking and conservative. New mutualism sees a rise in society for voluntary, collaborative action in social provision and collective service outside the public sector.'

To read the full text of this speech go to [www.ica.coop/ica/ica/icaevents/congress1999/plenary/melmoth.html](http://www.ica.coop/ica/ica/icaevents/congress1999/plenary/melmoth.html)

While emphasising mutual responsibility, New Mutualism also accepts the role of the market in providing the context in which mutuality operates. Peter Kellner, in *New Mutualism – The Third Way* (1998), describes the seven pillars of Mutualism in the following terms, in an attempt to explain the relationship between individuals, groups, government and society:

- For a free society to flourish, the exercise of individual liberty requires the acknowledgement of mutual responsibility.
- Mutualism should be rooted in culture and choice, rather than laws and coercion; it should be encouraged as far as possible and enforced only when necessary.
- Legitimate economic and political power can derive from a variety of sources; what matters is how it is used, how it is checked and how far it is dispersed.
- Markets are social institutions that should both **offer rights** to and **demand obligations** from those who seek financial gain.
- Government has a duty to promote responsible market behaviour; to act as an effective umpire it should, as far as possible, avoid being a market competitor.
- Mutualism requires an inclusive society in which all have equal access to the means to participate in it to the full.
- Government has a duty to guarantee basic equality of access but should, as far as possible, leave delivery to independent institutions exercising their mutual responsibility.

### New Mutualism:

- **is not** about state-controlled interventions, or meeting the needs of private enterprise
- **is** about democratic ownership and responsibility.

Knowledge  
is the most  
democratic source  
of power.

Alvin Toffler,  
futurist

## What people are saying about New Mutualism and The Third Way

'New Mutualism – community based, self-help organisations that recognise the common shared interest and interdependence of shareholders and customers and workers – can help protect individuals.'

*Paddy Ashdown, former leader of the Liberal Democrat Party*

Jack Dromey, National Organiser for the T&G (Transport and General Workers Union) argues the case for the notion of the 'Public Interest Company', a way of delivering high-quality services under the control of local communities, rather than local authorities or the private sector. He describes this innovative idea as 'a new model of social enterprise for delivering public services'.

Patricia Hewitt, Secretary of State for Trade and Industry, had this to say:

'The last ten years have seen a wave of demutualisation in the private sector. In the next ten years Labour could create a wave of new mutualism in the public sector.

Social enterprises have three great advantages when it comes to improving our public services. First, they are more likely to experiment and innovate. Second, they can find it easier to attract and retain highly motivated staff, free of the bureaucracy that hampers many organisations, both public and private sector. Most social enterprises have a high degree of employee participation, and many are partly or wholly owned by their employees. Thirdly, social enterprises offer ways of involving excluded groups – including residents in low-income areas and people with disabilities – in designing and delivering their own services. ...they provide services that are often in very short supply in disadvantaged neighbourhoods, and they enable local residents to develop skills, self-confidence, business experience and employability.'

The full text of this speech was published on the following (now withdrawn) website [www.themutualstate.org/pages/thinkpieces/thinkpiece2.html](http://www.themutualstate.org/pages/thinkpieces/thinkpiece2.html)

The full text of this speech was published on the following (now withdrawn) website [www.themutualstate.org/pages/thinkpieces/thinkpiece1.html](http://www.themutualstate.org/pages/thinkpieces/thinkpiece1.html)

Mutuo, a new think tank for the mutual sector, writes in a media briefing of July 2001:

‘There is a growing hunger for a fairer distribution of wealth, more accountability from business and a better deal for the consumer. However, there is little appetite for an increase in state ownership or government interference in our lives. The Government’s search for a Third Way in politics reflects an interest in forms of organisation that can empower citizens and resolve some of the conflicts presented in our economy. Over the past two years, social enterprise – the marriage of business and social objectives – has gained increasing interest in public policy circles ... So an extension of new mutual forms of ownership would be an exciting new approach for the delivery of services in the UK, but also one based on established principles and legislation.’

To find out more about Mutuo and to read the entire article go to [www.mutuo.co.uk](http://www.mutuo.co.uk)

**Website to visit**

[www.new-mutualism.poptel.org.uk](http://www.new-mutualism.poptel.org.uk) – download five pamphlets on new mutualism:  
 ‘The Third Way’ by Peter Kellner  
 ‘The Third Estate’ by David Rodgers  
 ‘In From the Cold’ by Ian Hargreaves  
 ‘A Golden Goal?’ by Jonathan Michie  
 ‘New Mutualism: e-mutualism’ by Bill Thompson

**Activity**

From the definitions and quotes given in this topic, form your own brief definitions of:

- The Third Way
- New Mutualism.

What do you think are their most important characteristics?

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Do you think they are continuations of the historical movements we looked at in Topics 1 and 2 of this section, or are they wholly new movements?

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You probably came up with definitions along these lines:

- The Third Way is about helping people where they need it, but concentrating that help in community-based, self-help, regenerative measures.
- New Mutualism is about running businesses on democratic and inclusive lines, which focus on mutual and social responsibility.

What you consider their most important characteristics to be will depend largely on your own priorities, and may include:

- equality of access to all
- true, local democracy in action
- commercially viable social schemes
- the move away from profit for its own sake.

It would be impossible to say that there was no continuity with the self-help co-operative movements of the past, many of which are still thriving and are examples for the future. The main change is undoubtedly the emphasis that is being put on social enterprises as a major force for social regeneration and inclusion by people at all levels of society, including central government.

## Section 2 Social Enterprise and Society

### Topic 4 The Benefits of Social Enterprise

Social enterprise benefits individuals, groups, communities and even entire geographical areas. This topic looks at how social enterprises can do this, by describing cases of groups and individuals who have been helped in this way. In particular, you will read the words of several people who have had direct benefit from being involved in social enterprises.

#### Benefits to individuals

##### ILM opportunities

For people who have never worked, or who have been out of work for some time, an Intermediate Labour Market Company or programme can offer relevant training and work experience, and the real possibility of meaningful, paid employment.

'After I was made redundant from the shipyard I just gave up on the chance of ever being able to work again which, to be honest, was very depressing ... even though I'm over 50, I still feel strong and capable and able to work.

Starting this new job in retail has been great ... I'm working again, I'm earning again and I've got my self-respect back.'

*Tom, aged 56*

##### Owner-employees

Individuals who are facing the real prospect of redundancy/unemployment can find new hope through the establishment of an employee-owned company where, as an employee-owner, they can not only continue working, but also make a real commitment to the success and sustainability of the business.

'When they told us the factory was closing my world fell apart. I was only 35 and I had a mortgage, a car ... all the usual stuff. I was wary about putting all my redundancy money into the business, but I couldn't think of anything better. We've worked hard, pulled together and we've made a success of it ... and now it feels great to know that I actually own part of the business.'

*Joanne, owner-employee*

##### Supportive work

Many people with mental health problems experience a significant downturn in self-confidence and self-esteem. For them, the opportunity to work in a supportive environment can make a world of difference. Instead of living with the label of mentally ill or even recovering mentally ill, people can go to work, use the skills, knowledge and experience they have previously acquired, and develop new skills, acquire additional knowledge and gain even more experience. As a result they can begin to rebuild their confidence and abilities.

'I had a breakdown in 1990 as the result of lots of personal problems and difficulties. It's something I never thought would happen to me ... but it did. I wasn't able to work for five years and then, when I did start to feel as though I could face the world again, at the same time I'd lost all my self-confidence. I just didn't think anyone would be prepared to give me a chance ... but having this job, and knowing that the people here know about me and support me, has made all the difference. It's a real chance to start again.'

*Steve, warehouse operative*



## Co-operatives

Co-operatives can provide a fresh start and a real sense of community for many people, especially those living in deprived areas.

'Before we started the Co-op this estate was a terrible place to live. It wasn't safe to go out in the daytime and leave the house empty, even for an hour, and every night, as soon as it got dark, we used to lock our doors and stay inside, and try to ignore the drug dealers and the joy riders and all the other stuff that was going on in the street. Now, it's a totally different place. It's a good place to live ... it's safe and there's a lot going on here, activity clubs and all sorts of things. It's made a real difference to people's lives.'

*Theresa, estate resident and co-operative member*

'I'm a lone parent with three kids and I've been fighting for decent housing for years. I couldn't believe it when I had the chance to join the co-operative and, to be honest, at first I didn't think I could do it. But, I learned ... and even though it's taken longer than we thought, we've built ten really good houses. Having my own home, and somewhere decent to bring up the kids has made a massive difference to my life.'

*Suzi, member of a self-build housing co-operative*



## Check Point

### Benefits to you

Whether you are already involved with a social enterprise or are thinking about becoming involved, this check point will give you the opportunity to think about the benefits of social enterprise for you, as an individual.

What *do* you, or what *will* you, get out of being involved with a social enterprise? In the space below, list up to five different benefits that you might personally enjoy as a result of being involved in a social enterprise:

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_
- 4 \_\_\_\_\_
- 5 \_\_\_\_\_

Obviously, the benefits you receive or anticipate getting from your social enterprise will be individual to you, but they will probably include a mixture of:

- benefits relating to self-esteem and confidence
- practical benefits relating to work experience and income
- social benefits related to being part of a communal venture and the wider social regeneration your enterprise might bring to your community.



## Section 2 Social Enterprise and Society

### Topic 5 The role of democracy in social enterprise

We have looked at New Mutualism as one of a range of expressions of the 'Third Way'. New Mutualism has at its heart the collective and democratic process – a mutual response to societal conditions. So, with regard to social enterprise, how important or otherwise is the democratic process? You will recall we have called Section 1 'Nailing the jelly', because there is a wide range of views about what does, or does not, constitute social enterprise.

We might have called this topic 'Opening a can of worms', as you will gather from the following discussion, which appeared on the discussion forum of 'The Cat's Pyjamas' ([www.the-cats-pyjamas.com](http://www.the-cats-pyjamas.com)). The views expressed by the contributors are both significantly different, and deeply held. We have added a few questions of our own to help you reflect on the nature and importance of this issue.

As you read through this discussion, consider your position on democracy in social enterprise. If the social enterprise is a social firm, or an emerging social firm, does this make a difference? If a social enterprise employs people from disadvantaged backgrounds on a long-term basis (i.e. not purely for time-limited paid training, as ILMs do), does a lack of commitment to the democratic process make those employees merely wage slaves – or is that just how life is, and it doesn't matter?



#### Discussion

To me, a social business distinguishes itself from the other business because it sees its purpose as a social purpose over and above its commercial purpose. This means that it will:

- (1) endeavour to work in alignment with the interests of its stakeholder groups through win-win solutions
- (2) be committed to democratic process within and without the organisation and
- (3) make the contribution to the community the overriding principle, subjecting the head and legs in service of the heart.

This does not mean I feel that it should ignore profit and efficiency issues, but that it should endeavour to understand short- and long-term implications of its activities for its stakeholder groups ... [It should] take the appropriate decision and deal with the moral dilemmas arising from it.

Dominique

I think an enterprise is social if it is established to:

- (1) provide economic activity for people who would otherwise be excluded, or
- (2) produce a social or community benefit through the goods or services it trades (e.g. an enterprise established to produce access equipment for people with disabilities), or
- (3) raise money for a charity or community organisation that owns it.

So, I'd disagree with Dominique on the need for commitment to democratic process. Whilst this may be a laudable aim and effective in some circumstances, I see no reason why a 'benevolent dictatorship' (for want of a better phrase) shouldn't be regarded as a social enterprise if it fulfils one of the three criteria above.

Cheers,

James

Ha! That's interesting!

I guess dictatorships exclude people and I see social businesses as having inclusiveness as a principle within and without. ...

'Benevolent' perhaps makes the word dictatorship acceptable ... Before I am satisfied that benevolent dictatorship is a good concept for management, I'd have to ask who is saying the dictatorship is benevolent and benevolent for whom?

The examples below are interesting I think, although they are from the non-profit sector. I suppose I see the social economy as a hybrid between the private and the non-profit sector. Is that a misunderstanding?

I have just returned from fieldwork in my local charity sector. My research was with the paid-staff. In one of the organisations, I guess the leadership was a benevolent dictatorial at least in the way the MD saw his leadership style. On the other hand, the view from the shopfloor was quite different. The dictatorship was not seen as benevolent, but mainly exclusive, creating feelings of disaffection and demotivation. I left wondering how long the status quo would last.

I would suggest that we have just immediately hit one of the dilemmas that come from working in a sector where the expression of community values through work is more salient than in other sectors.

Dominique

Dominique,

I haven't personally lived under a dictatorship (and I assume it isn't a good thing at a societal level!) but I'm not exactly impressed by my experience of democracy, the UK version of representative democracy at any rate. Aren't low turnouts at recent elections symptomatic of democracy 'creating feelings of disaffection and demotivation', as you put it. And might not the same thing happen in an enterprise, however it is constituted or whatever values it espouses?

There are pros and cons to different leadership styles – some people make the autocratic style work very effectively, others are very successful employing a collectivist or co-operative approach. But that is what they are – leadership styles. My point is that we shouldn't disregard some of them on 'moral' grounds.

There are plenty of people around who just want a decent job, and don't actually want to get involved in running the organisation. Social enterprises shouldn't (and in my experience don't) restrict their employees to only those who are highly engaged and involved in management.

Cheers,

James

Dear James

<I'm not exactly impressed by my experience of democracy ....>

I read somewhere that democracy was the hardest road to choose. You are pointing to the downside of democracy, which is that it only works if people participate ... I agree with you: it's a problem. There are many more problems with democracy than this, in particular the covert ways in which power is exerted in it, making democracy sometimes a decoy for vested interests (see the United States or even the UK). In more autocratic regimes, the downside is that if you do want to participate, you often can't.

I read nothing more in your disappointment with democracy than life isn't perfect. I cannot imagine a life where our choices are devoid of negative consequences. In every aspect of our lives, we walk on a continuum between wanted consequences and unwanted consequences: democracy hangs between representativeness and unrepresentativeness, autocratic regimes might hang between benevolent and dictatorial, etc. ... I see life as a constant endeavour to seek balance. To point out that in the UK, the democratic system is seriously unbalanced does not carry for me an automatic consequence that it does not work, but that it should be brought back in balance. I doubt very much that any system we choose will be more perfect than the other.

<There are plenty of people around who just want a decent job and don't actually want to get involved in running the organisation ....>

I agree with you that a new fascism, even well-meant, of pushing people with instrumental orientation to work (i.e. 'helps me to make ends meet, I don't want to have to think too hard about work') is not acceptable. Everyone has the right to be committed to the level that they want.

The way human beings develop and grow is through social learning (Bandura, 1986, 2001). If I was heading a social enterprise, I would be very conscious that the group I am creating is one of the opportunity for people to grow and develop. ...

Back to your first point, democracy WILL slow things down, at least in the beginning. This is the consequence of choosing democracy. Choosing democracy and wishfully hoping not to have to cope with the inconvenience of it is not understanding how it works

<My point is that we shouldn't disregard some of them on 'moral' grounds.>

Well, on that, I believe exactly the opposite. I cannot imagine any choice that we ever make actually being not moral and the result of judgement. ... I very much believe ... that man is creative, engaged in self-growth and with needs to relate to others. To me autocratic management styles seriously undermine man's potential and so I am against them. ... I find that autocratic management styles are a metaphor for abusive behaviour from people in positions of power with serious unresolved psychological issues.

It isn't to say though, that power is NEVER the solution. There are moments when a group of individuals is in crisis, whether a country, a company or a team. There are times when there isn't time. However, it is too often construed in my view that we have no time. I see it as a spurious justification for power-mongering elites.

Cheers

Dominique

## Listening to Us

Now, let's hear the views of some people for whom social enterprise may have some benefit. Listening to Us is a highly successful social enterprise (in this case a co-operative) of people with learning disabilities, based in Maldon in Essex. We spent a morning with four of their learning disabled members, listening to their views concerning social enterprise and democracy. We have taken great care to ensure that the excerpts that follow are wholly representative of their views, and hope that comments help you understand their viewpoint.

It's given me an opportunity to prove myself – I like working with the people, like sorting the workshops, and just started doing the finances, which I enjoy. My ambition was to stand up and give a presentation, which I have done. I absolutely love the work I do and now want my own consultancy business. There are some days that I get stressed – but that's the same with all jobs. When I first started, I found it very difficult – but now it's brilliant.

Me, Louise and Derek are responsible for £22,000. We can all sign the cheques – Paul (*our facilitator*) can't. It's brilliant to have the freedom to sign the cheques.

We get to make our own decisions, not a member of staff – that's very important. Paul gets a vote, but it's our decision.

I felt pukka because that was the first time I have had my name on a business card. I was on cloud nine.  
Tony

When I was at day centre, people told me what to do, which I didn't like – that all stopped. Working here gives me more independence and the opportunity to work as a team and to build my strengths and confidence up. It's made me learn more skills.  
Louise

I enjoy coming here, because I'm treated as an equal. We have monthly meeting on Fridays – we talk about work and what needs to be done.

Phil

The monthly meetings are important – we wouldn't know half of what went on otherwise. We're a team.

Derek

We do an agenda – the finances, the work that's coming up and sort out any problems.

Tony

Tony, Louise, Derek and Phil felt passionately about the need to be involved in the decision making of the business. We asked them why?

You're putting your time into it, you need to be able to get your points over.

Derek

If people don't get their say – they feel left out and don't feel included.

Louise

It's important to have my say, so I don't lose out. If you don't say, you don't get.

Phil

So you feel valued. Making you feel good in yourself.

Tony

## Check Point

Take the time to reflect not only on your own views on the democratic process in social enterprise, but also the views of all of your fellow workers, trainees and colleagues.

1 Are the views of others different from yours?

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2 Do the views of others influence your thinking or vice-versa?

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3 Do you have to hold a 'yes' or 'no' position, or is it viable to hold a position on the middle ground?

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4 Are you all able to reach a position where you can articulate a common understanding in your organisation's vision or mission statement?

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5 If not, why not – is this potentially damaging to your organisation and does this leave your mission fundamentally flawed?

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As you will have noted from the discussion between Dominique and James, there are no 'rights' and 'wrongs'. However, you should consider carefully how you might manage any residual tensions if everybody in the organisation is not agreed on this (or indeed any other) matter of fundamental principle.