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Publisher: Routledge

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Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



## European Journal of Social Work

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/cesw20>

### Social economy: Community action towards social integration and the prevention of unemployment and poverty

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Version of record first published: 04 Jan 2008.

To cite this article: Susanne Elsen & Isidor Wallimann (1998): Social economy: Community action towards social integration and the prevention of unemployment and poverty, *European Journal of Social Work*, 1:2, 151-164

To link to this article: <http://dx.doi.org/10.1080/13691459808414736>

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# Social economy: community action towards social integration and the prevention of unemployment and poverty

by Susanne Elsen and Isidor Wallimann

In these times, when unemployment, marginalization and poverty are spreading while world capitalism takes its course, new approaches for guaranteeing subsistence at the community level need to be explored. Social economy provides people with an alternative which is work-intensive, equitable, and integrative. It is based on the principles of grass-roots democracy and can be facilitated through community-based social work. First, this paper outlines how social economy can be constituted and developed. Secondly, it describes successful community-based business enterprises and federations of social co-operatives in Switzerland, Germany and Italy. These profiles provide evidence that community workers can and must help to create, reinstate, and redesign social, political, and economic bonds within the community.

## 1. Introduction: The new social issues

At the end of the twentieth century—in the aftermath of world-wide economic, technological, and social changes and the endangerment or destruction of the natural basis of life—the industrialized nations are faced with problems never known before. Now that the market economy no longer has any boundaries, the spheres of life within the limits of the local community are gaining importance, in terms of autonomous problem solving and sustained patterns of development, as central areas of activity and learning. Promoting social and economic self-help within local communities, enabling people to re-establish or maintain their ability to be socially productive, and the active development of a community-oriented basis for this purpose are the central tasks of society.

The changing and broadening meaning of community as a place for mastering the challenges of life and as a framework for developing large-scale, future-oriented solutions to social, ecological, and economic problems corresponds to the broadening meaning of community-based social work as a comprehensive effort to shape social life and effect social change.

This interpretation of community-based social

work is a reflection of its original roots in the 'community work' which was first developed in the USA to cope with the economic, cultural, and social consequences of urban industrialization and the influx of settlers in the rural areas of the Middle West. Now, just as at the beginning of the Industrial Age, social gaps are becoming acutely evident and, hence, the cohesiveness of individual lives within the community needs to be thoroughly reorganized.

Community work is a comprehensive approach to creating, reinstating or redesigning social, political, and economic bonds within the community. The most impressive example of this—and one still highly relevant to the problems being confronted today—was the work of Jane Addams and other co-workers at Hull House in Chicago towards the end of the nineteenth century. Hull House was an impetus for socially-oriented urban development and social work. It focused on public surveys on poverty and public health, assisting the political participation of the unempowered and forcing the implementation of social reforms. It was a centre for intercultural learning and socio-cultural development, and last but not least, it created community enterprises as a basis for economic self-help.

The keys to understanding community work in

its original sense are the comprehensiveness of its involvement in regard to the needs within its own territory, the concept of radical democracy, independence from government and economy, the acceptance of people as competent individuals and, consequently, the belief in their powers of self-organization. The autonomy of this position can also be explained by the fact that the American brand of capitalism was not, or only to a lesser degree, flanked by social policies and that self-help was always an essential requisite within society.

## 2. Social economy

It is to be expected that the world industrialization process will continue, capital will be drained off, and jobs exported. It is more likely that the poverty of the rest of the world will come to us, rather than our affluence spread to it. Unemployment, underemployment, and poverty are more likely to spread and deepen, both here and elsewhere in the world, than to be overcome by means of current world capitalism, in spite of its expansion and periodic phases of growth. Moreover it is clear that neither world industrialization nor the current form of industrial society will be followed through in the next generations. The problems of guaranteeing subsistence will become increasingly critical once it becomes necessary to call a halt to world industrialization. Even existing industrial production may have to be reorganized and downscaled because industrially usable energy will run out and industrialized output will no longer be tolerable for man or nature; meanwhile, the human population will grow at a tremendous pace. (Wallimann 1994; Wallimann and Dobkowski 1997).

We need to find new approaches now for ensuring our subsistence. Currently, these are needed to provide people, deserted by internationally mobile capital, with security within their locally dependent structures; and later, during the contraction process, new approaches will be needed in order to maximize solidarity, to minimize the mass destruction of human capital, and to give society a new security for existence through sustained, work-intensive, regional

self-maintenance. Social economy offers this kind of approach (Wallimann 1994; Alinsky 1994; Reitzes and Reitzes 1987).

Social economy does not strive to keep step with the multi-national corporations, but instead tries to avoid their clutches in an attempt to secure a basic existence. Social economy is relatively work-intensive and its salaries are relatively low. It is primarily concerned not with high remuneration of labour, but with establishing equity and economic independence for everyone involved. It does not attempt to abolish the market economy, but rather to offer a degree of protection from its methods of blackmail. It is not looking for deficits among the victims of the labour market or the financially weak—or any other part of the population—but rather for resources. It is not seeking to divide a community, but rather to expand it through the integration and interconnection of resources. It is not striving for short-term, but for long-term synergy effects and success. It is endeavouring not to establish short-term, but rather to establish long-term guarantees for subsistence for an ever larger number of people. If it is to achieve these goals, it must ensure that the men and women working in its organizations are participating in the capital base that they are building up. And finally, democratic structures must prevent this newly created equity from being unconditionally 'privatized' and extracted from the network as a result of lack of social controls. The 'profits' that have been created by these joint efforts need to remain within the community.

Social economy can therefore be considered a 'grass-roots' based, regionally oriented federation of decentralized, autonomous enterprises run on the principles of basic democracy. At the regional level there may be further links between federations. Organized either as co-operatives, associations, foundations, or stock corporations, it is important only that the statutes of the organization guarantee that the members have control over the capital resources and the profits via grass-roots democracy.

But how can a federation of self-managed business operations, alternative banks, alternative retirement funds, and organizations that deal with the re-integration of the unemployed provide mutual sup-

port and assistance? How can social economy be constituted and built up? This leads to four basic questions, which can be answered with examples from actual practice:

- (a) How can the *flow of resources* from a grass-roots federation into the privately owned and authoritarian business sector be prevented?
- (b) How can the *input of resources* from outside the federation be increased?
- (c) How can the *credit volume* within the federation be maximized?
- (d) How can business and *socio-cultural integration* be encouraged and the federation opened to outsiders?

For each of these questions there are several answers and possible courses of action. They differ according to the starting situation and the economic, political and social setting, and need to be adapted to the ever-changing state of affairs. Several potential and already proven answers and strategies will be presented in section 7.

### 3. Preventing the flow of resources away from social economy

Businesses within a social economy can be encouraged to a greater or lesser extent to purchase goods and services within the federation. Marketing newspapers that provide information about the main purchases of business enterprises can facilitate this. At the same time, such information forms the basis for deciding whether and in what field it would be strategically feasible to establish new businesses within the federation which could meet these purchasing needs. The mutual business relations can also be facilitated and guaranteed with agreements on discount rates for members, an internal payment system such as a 'federation check', or—where appropriate—with 'purchasing quotas'.

At the level of individuals working within the federation, it is feasible to ask where and on what the salaries are being spent? Such details would provide information about whether it could be practicable to establish businesses dealing with renovation, grocer-

ies, clothing, entertainment, travel services, or other services such as child-care or health care. It is also possible to provide incentives and different ways to motivate members to spend their income within the federation. Of particular interest is the equity formation potential of real estate. On average about 25–40 per cent of salary income is likely to flow out of the federation for living expenses. It would be quite simple, if these funds were amassed, to assist in federation-owned, co-operative ownership of housing, and to even become actively involved in the renovation or building of new housing.

### 4. Increasing the input of resources in social economy

It is necessary to know which of the markets outside the federation production could be geared to. At the outset it is vital to ascertain where, for instance, supporters of social economy can be found, which services and which products are required and are being purchased by these people, and how they could be encouraged to consider buying from enterprises within the federation? Also, how can the general public be persuaded to select their products and services from the social economy rather than from businesses that are under the control of privately held international capital (Mövenpick, McDonald's, and others).

Supporters of social economy are most likely to be found among members of new social movements and possibly among the labour unions and small-scale industry and trades. Greater market opportunities for organizations and members may exist here, whether in the area of printing, banking, bookselling, health care, counselling and therapy, leisure-time, etc., making it essential to look for market openings. Federation working groups or specialist staff-members could be set to this task and prepare new business activities and enterprises.

It is considerably more difficult to find ways to use welfare state funds designed for stop-gap relief and for the re-integration of the unemployed, underemployed and poor people. Businesses organized around grass-roots democracy within the federation

could, on behalf of the welfare state, take on tasks of education and training in order to use the chance to provide education beneficial to social economy. And furthermore, businesses within the federation could use the unemployed to produce public goods and services. The greatest disadvantage in getting involved in this market opening—although considerable funding is available—is the fact that social economy would make use of compulsory work in order to raise the number of companies with a grass-roots democratic structure and to increase the number of workers within the federation. In reaching these goals the social economy directly contributes to the maintenance of welfare state clients as dependent consumers. Hence this continues to help lead welfare state clients into capitalistic wage labour, a goal from which social economy, in reality, wants to refrain from. Furthermore, the federation would leave itself open to blackmail and dependency in as much as welfare state funding can be rescinded at any time.

The situation can best be dealt with when marketable goods (products, services, real estate) can be produced and built with the input of unemployed and impoverished people. Although capital (usually the petty capital of small trade) is subject to competition, there are more and more opportunities for co-operative enterprises. Currently there is considerable pressure to deal with the growing numbers of the unemployed by creating productive, meaningful activity. Hence it is conceivable that welfare state clients could build housing for themselves and others within a co-operative, and thus be participants in the products of their own labour. Nevertheless, the danger of dependency and extortion remains real. One possible way of dealing with these contradictions and disadvantages is to take on only those welfare state contracts where the clients are able to fill a permanent position, assuming this is the consensus among both parties. On the one hand, this would limit the levels of dependency and potential for blackmail and expand the work force of the federation, on the other, this would offer a guarantee of sorts that the federation, as a kind of 'co-operative elite', would not distance itself from the rest of the populace. In short, if social economy participates in the welfare state programs of integration, these

efforts should lead to permanent integration and employment for the unemployed and impoverished, at least to the extent that that is what both parties want.

## **5. Credit creation in social economy using internal and external resources**

The greater the amount of temporary or long-term surplus and liquidity that can be merged, the greater the chance of creating credit and subsequently providing the federation with funds for expansion. Surpluses can be brought together in a more-or-less individualized manner, depending upon whether the federation has its own banking and credit institution. If it has none, the individual businesses can decide for themselves whether to give one another credit. If they decide to do so, it is also possible that a system of consultation and 'patronage' could be used to limit the danger of losses. By providing collateral and other securities for each other, businesses may also be able to have banks provide them with more flexible and higher sums of credit. As a more general possibility of creating credit, both businesses and the members of the federation could use only certain banks for their banking needs and for their surplus funds. In return, it would be incumbent upon these banks to provide credit which, in accordance with common banking practice, is available in relation to the value of funds on deposit. If this cannot be negotiated, the federation will lose valuable opportunities for financing and expansion. But businesses must be warned against becoming dependent upon banks, especially if these are active not only regionally and nationally but also at the international level. Thus, it is advisable to draw credit from ideologically like-minded banks or from one's own credit institutions.

But funds can also flow into the social economy from outside. It is possible, for instance, that ideologically compatible retirement funds, banks or other organizations and individuals (especially from the new social movement groups) could provide the social economy with credit, or in other words, invest in the social economy, and, more specifically, in its

business enterprises. Hence credits may be paid directly to businesses, or through their own or other credit institutions and banks. In the case of outside banks, it would be advisable to develop funds tied to the advancement of social economy.

## 6. Advancement and expansion of business and socio-cultural integration in social economy

A federation of decentralized businesses is particularly dependent upon the maintenance of unity and loyalty among its business enterprises. In particular, it is necessary to counteract the danger of enterprises eventually leaving the federation once they have achieved a certain affluence because of their participation in it, i.e. the danger of 'privatization' of profits without the federation receiving compensation for its contributions. A basic democratic control of their own capital resources and profits within the companies and the federation provides a certain degree of security, but in addition certain explicit rules for entering and leaving the federation need to be established. This might involve, for example, a federation tax, fees for joining and leaving, or direct payments for any services drawn upon via or from the federation. Furthermore, integration and synergy at the federal level can also be achieved through joint services in the area of insurance, tax and financial counselling, legal services, office and communication services, market research and management consultation, and the organization of leisure time and cultural events.

The socio-cultural bonds among the individuals active in a federation can be promoted in various ways and at the same time be accessible to outsiders. Since people active in social economy—as the experience of self-managed firms has shown—are often quite involved in social action programs, socio-cultural integration for the federation may be linked to the cultural events of such organizations. At the same time this provides a way of opening up the federation to those outside.

Another concrete method is the use of a local, money-less form of exchange (which is incorrectly

seen by many as a means of guaranteed subsistence). The output of this (shadow-economy) production is, however, so minimal that it can be regarded rather as pocket money. Much more significant is the effect that ensues from contact between people. With very few resources, the federation can implement a trading centre for its members and for outsiders with the help of a market newspaper and notes of exchange. This enables everyone, both children and adults, to provide services for one another. This way, the reciprocal conditions for a two-way exchange relationship are made easier and more general for a particular community in which all possible services can be offered, requested, and traded. A central coordinating agency manages the membership contributions and trading accounts, which are granted interest-free start-up credit.

## 7. Steps towards developing social economy

With such modest efforts, how will it be possible to help establish an economic culture with a future and to follow new perspectives in everyday practice? In view of the requirements for societal development, three principles of action can be defined whose realization will provide the steps towards such a transformation.

The first step involves thought and action in the core areas of development as a means of focusing individual efforts on the internal and external possibilities for development and on the possibilities of working in combination with others and as a network in a local community. The knowledge of societal needs for development can expand the perspectives in current practice. Traditional measures of employment can, for instance, be established as preparatory phases for setting up co-operative organizations. This does not mean, however, the removal of individual enterprises from the market, but rather their integration in a common economic network. This principle is also related to the creation of common economic models of subsidy and investment as a result of the servicing functions of capital based on the model efforts of the 'Equitable Pioneers of

Rochdale' (founded in 1844 and considered to be the fathers of the modern co-operative movement). In this kind of model, profitable activities are combined with community-oriented tasks. A concrete example of a case to be found in Luxembourg, in which success is based on such a combination, will be presented below.

The second step involves systematic anchoring in the community as conscious integration and re-integration of economic efforts in the social and cultural structures of the community. The process of setting goals at the grass-roots democratic level, the linkage of learning and co-operative production, and co-operation of different forces in the surrounding territory are forms of restoring damaged economic, social, and cultural connections which are the determinants of human life spheres. A real-life example of anchoring in the community that was developed, and which led to further development, is the 'Cooperative am Beutelweg e.G.' in Trier and the community enterprises which work with it in an integrated system (Elsen 1997; Elsen 1998).

The third step involves the development of an 'autonomous' grass-roots sector in a regional network. Community economies are diametrically opposed to the system of goals, guiding principles and principles of co-ordination of the dominant economy. They represent a unique economic culture and are dependent upon the networking of enterprises and other organizations in their surroundings, in order to avoid being eliminated in an environment dominated by competitiveness. They need their own consciousness, supportive conditions, and the resilience to pursue their own development. Such an effort to create a supportive network can be seen at the Verein für Soziale Ökonomie Basel (Basle Association for Social Economy).

### The Basle social economy project

*Unite together to guarantee an existence at the ground level. Create local circuits of money, goods and services. Prevent resources from being drawn away from a region by creating models for participation and grass-roots control of the use of profits. Don't wait for governmental spending (even in*

*Switzerland funds are scarcer). The way to save the physical and sociocultural basis for human existence is to be found in the construction of a social economy. Its participants need capital resources that come from within the region and can be used for the region. The businesses and organizations of social economy in Basle and their workers are counting on economic autonomy, social security and the stimulation of the regional market. (Contraste 1997)*

### The Association for Social Economy

In 1996 the Interest Group for Social Economy was established with the goal of uniting and strengthening already existing social economic organizations and initiating the founding of new organizations and enterprises. In order to pursue its goals in a more comprehensive way, its members founded the Association for Social Economy on August 20, 1996.

The association 'builds' the foundation on which social economy is being formed and it is developing, in a spiral-like pattern, into an ever larger network of organizations and individuals. From time to time the association itself establishes companies and organizations to fill certain gaps or to help maintain the patterns of growth. For this purpose it has the support of an advisory council and a group of sustaining members.

The association has established the Cooperative Network of Social Economy, the Association of Financial Services and the Institute for Social Economy.

The Cooperative Network of Social Economy pursues the following goals:

- preventing loss of resources and promoting investment of resources
- promoting the exchange of products and services among its members
- enabling services and products to be exchanged without the use of money
- improving the commercial success of its members
- finding new markets and establishing businesses to satisfy them
- aiding the job market within the network and enabling long-term working and personal careers within the network

- promoting the social, cultural and political relationships among individuals involved in the network
- making the network more attractive for existing and future businesses and organizations.

The Association for Financial Services serves the businesses and organizations within the network by

- organizing credit and the necessary collateral and other securities
- helping to administer the earmarked 'Investment Fond Social Economy'
- offering services in the areas of insurance, social services, taxes, book-keeping and legal matters
- counselling in questions of product development, marketing and production planning.

The Institute for Social Economy is intended to

- inform the public about social economy and its potential development
- offer public courses on the issues of social economy
- advance the professional, economic, political and cultural skills of individuals involved in social economy
- provide assistance through research and consulting for the 'Cooperative Network of Social Economy' and the 'Association of Financial Services'
- offer statements on social economy to the media and encourage publications dealing with social economy
- document the course of events surrounding social economy at the local, national and international levels.

Another, somewhat similar, example of what happens when the supporting conditions function well is evident in the dynamics of the Italian co-operatives which are presented in section 7.3 below.

### 7.1 ASJ—a joint economic project group in Luxembourg

Pioneering spirit and a productive mixture of social commitment, entrepreneur and youthful energy led to the establishment of a crystalizing point for social

economy in the southern area of Luxembourg along the border with France. ASJ (Action Sociale Pour Jeunes/Social action for youth) is a joint economic model whose strength lies in making astute combinations and in networking.

#### *The 'Action Sociale Pour Jeunes' (ASJ)*

The three founders of ASJ<sup>1</sup>—a computer specialist, a communications scientist and a social worker—discovered their entrepreneurial talents while still members of the Scouts (*Pfadfinder*). In order to finance their free-time activities they collected horse manure, packed it in bags and sold it to hobby gardeners. The growing demand led them to operate a stand outside a speciality shop for gardening needs. When they could no longer meet the ever higher demand, they had to give up their lucrative trade to a stronger competitor in the market—a clear case of failure through success. The young entrepreneurs did not give up altogether; instead they looked for new market opportunities—a compost centre, a leather shop and a computer agency. They founded co-operatives to co-ordinate their market strategies. Since 1986 ASJ has developed an array of businesses and projects, based on the market needs in the local area, with the aim of fighting unemployment among young people. The projects are oriented towards the potential talents of young people and are model cases of planning, labour organization, business activity, and quality training.

By its own definition ASJ is an enterprise of *Économie Solidaire* and is an exemplary combination of profitable and socio-ecologically viable concerns. By immediately reinvesting its revenues and subsidies, it has been possible to carry out social, cultural and ecological functions. At present ASJ has subcontracts with 115 underprivileged teenagers and young adults (Action Sociale Pour Jeunes 1996). The overall self-contributions for the funding of the businesses—including the social, ecological and cultural areas—amounts to 75 per cent; only 8 per cent comes from national and 17 per cent from European funding agencies. A boarding-house for young people was built with self-raised funds and is operated by the ASJ without public funding. Social services have been established to accompany the work-



training and employment programs. Along with bilateral or multilateral projects of limited duration sponsored by EU agencies there are also permanent training and employment sectors. Such training is available in three future-oriented fields of work for which professional profiles have been developed—traditional job-training in manual trades and newly developed professions dealing with the environment and computer specialization. An interactive multimedia project for career orientation developed by ASJ was recently commended by the EU.

ASJ is linked with unions, administrative agencies, schools and private businesses as well as with government agencies and citizen social action groups. Through the co-operation with local businesses, and in continual co-operation with them, it has been possible to design job areas as well as training programs. In 1993 ASJ was approved as a training institution by the chamber of commerce. ASJ has built up a network of enterprises in its social surroundings; it co-operates with these enterprises to help its graduates to become integrated in the job market and it handles job-training functions for these businesses. Furthermore, the ASJ has contracts with 12 municipalities to provide public services. Its own consulting agency provides market assessment studies for the area of solidary based economy, advises smaller businesses, develops alternative job market strategies and ecologically beneficial methods of production. The 'research unit' prepared studies on relevant social, political, and environmental issues. In co-operation with the independent Luxembourg labour union federation, it published a study with recommendations for fighting unemployment and set in motion an intensive consultation process for a 'territorial labour pact'. This territorial pact was given high commendation and was subsidized by the EU Commission in 1997. The 'Centre d'initiative sectoriel' and the 'Centre d'initiative locale' are co-ordinating centres for a wide range of local activities, which range from developing and maintaining a 'biotope', including its use by local groups for didactic purposes; offering courses in handicrafts and artistic craftwork; taking over the duties of the highway maintenance agency, and providing book-keeping and secretarial services. Last but not least,

ASJ has restored a charming old mill, which now houses a restaurant and an attractive conference centre. This infrastructure offers an ideal communication centre for future developments in the enterprise and for the local region.

This example shows what is possible when labour and training qualification programs are able to conduct their own process of development and are not misused for people being moved around in circles in an imaginary labour market. Perhaps such a situation is only possible in a country as small as Luxembourg, where co-operation and political will can be effected at all levels of society. This would seem to justify autonomous, politically tenable, regional solutions by their releasing new quality and important innovative forces. The independent status of ASJ, made possible by an unusually high level of self-funding, is the best guarantee of a consistent adherence to a philosophy of action and a beneficial position when negotiating forms of co-operation with all other participants. This independence is based on co-operative economic forms of investment and development and on the combination of profitable activities and public welfare tasks.

More than all other factors of success, this is a case of individual actors as the focal point. The new economy needs new managers who do not see their goal as ensuring shareholder values, but as taking responsibility for the public good. It needs new business people who can think and act within a network and in new constellations. All these factors speak for the need of economic actors to form co-operatives which can react creatively and continually adjust to changing situations.

The example of ASJ helps to identify new and different combinations which to a great extent can be attributed to the entrepreneurial potential of its actors. The business group combines economic, social, cultural and ecological goals. Through their simultaneous activities, a wealth of synergies is being created. With its activities at the local level connected to the regional, national and European levels, the ASJ has helped to facilitate the flow between different levels and the communication of developmental needs from 'below' to 'above'. The co-operation and partnerships between industry, polit-

ics, education, and social services, as well as with social action groups and movements, makes it possible for completely new combinations of solutions to be developed locally. The combination of permanent activities and project-centred tasks will, in terms of both organization and activities, enable both maintenance of the existing structures and innovation. Also noteworthy is the combination of high-tech and low-tech areas of activity, albeit the use of technology serves exclusively ecological, social and cultural goals.

The model character of systematic planning, execution, and documentation ensures that the effects are controlled and knowledge is transferred. An outstanding feature is the consistent commitment to solidarity based economy and the combination of profitable and non-profit oriented areas. The profit-oriented areas of work are not done away with; instead the profits are used to advance additional activities within a wider scope of goals.

## 7.2 The 'Cooperative Am Beutelweg' as a developmental nucleus in an underprivileged city neighbourhood

*'We are builders of communities, not builders within a community.'* (Rubin 1994, p. 407)

The 'Cooperative Am Beutelweg' is the product of long-term community action work in a socially deprived part of the city of Trier. This community enterprise evolved from the socio-cultural activities of the 'Bürgerhaus' (community house) in North Trier and is an integral part of a network of neighbourhood groups, self-help organizations and institutions. This is a decisive factor, since the founding of a business of its size, at the instigation of those involved in social community work, was not a part of their mandate but rather the logical outcome of the problems in this part of the city. There is much to be said for the claim that only a self-governed neighbourhood citizen centre such as the 'Bürgerhaus' can lead to a consistently communal and grass-roots style of democracy in a business held in the hands of the residents, because the interests of the initiators do not prevent such a form, and hierarchical structures do not inhibit the consider-

able over-extension of its mandate. This special case is even more significant because such examples within the socio-political landscape in Germany are rare. The housing co-operative formed in 1991, in which the residents are the property owners, could be a pioneer case of a socially-oriented employment model for residential areas in which there is a risk of unchecked privatization of real estate.

### *The 'Cooperative Am Beutelweg'*

The 'Cooperative Am Beutelweg', holding about 140 housing units, and a subsidiary business, HVS (Reality and Renovation plc) which was founded in 1995, function as a relatively stable core within a largely autonomously developing community economy in a disadvantaged residential area in the northern section of Trier. Since their founding, the employment situation in this already weakened border region has become even worse, especially for the residents of this quarter of the city, who have low-level qualifications and have become marginalized over a longer period of time.

In view of such cumulative problems in this area, the founding of the co-operative was the only reasonable solution. A large percentage of the residents was without jobs and/or in very precarious positions. Many families had already been living on social welfare for generations. The residential buildings and their surroundings, primarily publicly owned real estate, were in a state of decay and were at least partly uninhabitable due to a decade-long pattern of disinvestment. For years the residents, assisted by the staff members of the Bürgerhaus, had been campaigning for improvements in their living conditions.

In 1989 a rumour that these buildings were about to be transferred to private ownership was substantiated. The residents and the buildings were becoming an increasing burden for the owner's association, based in Bonn. When the residents demanded clarification of the rumour, it was finally admitted that sale of the housing units required government approval. In co-operation with the staff of the Bürgerhaus and a group of political and community activists, academics and church members as well as influential citizens in the user groups within the

Bürgerhaus formed a citizens' action group with the purpose of finding a socially acceptable solution for the Beutelweg area. The decision to establish a co-operative, to buy the houses, to renovate them by employing the residents themselves in wage-scale jobs, and to administer them was finally taken after none of the potential buyers was willing to agree to take over the administration of these houses in a manner suited to the residents' needs and conducive to job creation. Using a well-developed concept for a permanently guaranteed, affordable residential project and renovation based on socially acceptable priorities, and through tough negotiations and intensive efforts to convince any opponents, it was finally possible to realize a seemingly utopian plan. The residents of the 'social hot-spot' were to take over their own living units in the form of co-operative property, securing for themselves and their children life-long rights of residency at affordable rates, and also creating the option for their own employment within the framework of the renovation and later servicing of the buildings and their surroundings. Naturally this would not have been possible without the active support of both the federal government, which was willing to negotiate over the price of the real estate with the newly formed co-operative, and the state of Rhineland-Palatinate, which subsidizes the renovation plans within the legal framework of public housing assistance, and finally the city of Trier, which acted as guarantor for the purchase price and bore the costs of advisory counsel for the project and social service assistance for the residents during the difficult period of renovation.

The sale and transfer of the real estate into co-operative property has been only the first step in a highly complex process of establishing and conducting a new business enterprise. Especially demanding, difficult, and lengthy are the incumbent needs for co-ordination during the process of renovation. Yet without such a thorough renovation there would have been little justification for taking over the buildings, as nothing would have been changed in the living or working situation. It was a particularly fortunate 'coincidence' that at the same time that the co-operative was founded, an extensive sub-

sidy from the European Social Fund was approved. This enabled a first group of social-welfare recipients to be given temporary, wage-scale jobs within the project and work within their own neighbourhood, an additional value-creation effect. Hoping to create permanent jobs and strengthen the community-oriented economic cycle, as well as achieving profit outside the local area, a subsidiary business named HVS (Reality and Renovation plc) was established in 1995. With this it was possible to create 30 permanent jobs and training positions in key areas of the construction and related trade branches within this area of town. The relationship between the co-operative and its business subsidiary has led to the founding of further appropriate businesses. Still more are now in various stages of planning. These include enterprises in the area of co-operative (participatory) management of municipal real estate in the neighbouring districts or of construction materials recycling, the sale of used building materials, a neighbourhood public workshop, etc. Such plans require time and also the right people. As the co-operative itself continues to develop, there are plans for the creation of a day-care centre and a business for services and support in which mainly women from the residential area would be involved. The kinds of services offered would be tailored to the needs of the businesses and institutions in the community network and to the needs of certain target groups in this area of the city. It will include, among other things, family assistance services, housekeeping and home health care, and catering for the local day-care centre and senior citizen groups.

The 'Cooperative Am Beutelweg' is purely a social co-operative but it must survive on the competitive market since no corresponding allowances are being made for it. The biggest problem has proved to be that real estate co-operatives in Germany need to have a certain minimal size in order to survive. The mandatory membership in one of the monopolistic inspection associations and the legally mandated annual inspections devour a considerable portion of the proceeds needed merely for the basic upkeep. A lack of capital can only be compensated for through work, and a small organization which works with long-term disqualified persons is soon aware of its

limitations. The very slender, shoe-string-like budget of the co-operative and the resulting lean personnel situation (one salaried staff member) for the co-ordination of highly active business operations, book-keeping, planning and control of housing maintenance is correspondingly difficult for everyone involved. The considerable complexity of the business procedures, the uneven development in the different branches of the co-operative, the number and diversity of the participating partners, the kinds of businesses, committees and matters of concern all require intensive verbal arrangements and agreements about the responsibilities to be shared. The renovation of the former military barracks will take a long time and is a demanding task, as well as quite expensive. To guarantee that the financial support of various subsidy programs is forthcoming, it is necessary to keep up the requisite self-investment.

There is no end to the list of ensuing difficulties. Those that result from the enormous changes in the social situation also need to be dealt with. By investing in a district known for social problems, for instance, a new social gap is arising between the residents of the renovated and those of the not-yet renovated apartments as well as other real estate and neighbourhoods in the area. Furthermore, it is necessary for some residents to make the transition to their new role as members of a co-operative. Among other things it is especially important to give full recognition to what has already been accomplished, since the memory of failures, a permanent characteristic of people from disadvantaged residential areas, cannot be reversed in only a few years.

The Cooperative Am Beutelweg and other community businesses in this area of the city were developed in the face of very real problems, of concrete needs and of specific options available to the community. The participants in the project had to be involved in the initial developmental work at all its levels. Unlike other projects in Hesse or in North Rhine-Westphalia, where there is a well-established range of subsidy programs and a political platform for disadvantaged residential areas, this project is unique and thus open to attack by socio-political actors who would rightly demand large-scale political solutions instead of single-case ones. The com-

plex tasks of initiating and co-ordinating the interaction between people, organizations, resources and funding are extremely time-consuming and demanding. As a result, the participants are likely to become self-exploited and overtaxed. The amount of volunteer work needed and the level of qualification required are so high that it appears questionable whether, under the circumstances, the responsibilities could be shared with others. This would be a quite different matter in the supportive framework of self-committed social co-operatives in an autonomous sector. In this specific case, the project was able to create the requirements for its existence through its co-operative process of development. Hence it can be said, as a generalization, that precise knowledge of the community and its potential, the readiness of the residents, and a horizontal and vertical support network are imperative conditions for the development of community economies.

### 7.3 Co-operative movement in Italy<sup>2</sup>

In their search for strategies for dealing with unemployment, poverty, and social distribution problems, countries in southern Europe, in particular, have taken up social co-operatives as a suitable kind of organizational structure. The expansion of social co-operatives in Italy has taken place within the framework of a strong co-operative movement. Self-administration is highly valued within Italy's business culture. In comparison to Germany, Italian co-operatives are small and locally oriented. There has been a steady growth since the 1970s; in the period between 1980 and 1990 Italy showed an increase in production co-operatives of 109 per cent (from 17,880 to 37,339) (Haensch 1997a, p. 153). In 1988 there were approximately 150,000 primary co-operatives, or nearly 20 times as many as in the Federal Republic of Germany (Beywl and Flieger 1993, p. 143) The largest concentration of co-operative production in the world can be found in the area of Emilia Romagna. In the mid-1980s more than half of the work force was engaged in co-operatives. In fact, the entire spectrum of economic activity is organized through co-operatives (Von Randow 1994). The jump in growth can also be

explained by the fact that new economic actors are creating co-operatives, discovering new fields of activity and serving new needs. This leads to co-operative practices for freelance professions, new service-oriented agencies, software agencies, and also leisure-time, education and cultural organizations. The structures for funding, supporting and networking co-operatives at the national, regional, and local level are exemplary. Since the end of the nineteenth century, governmental regulation has continually adapted to the developmental needs in society.

The readiness of the state to give active support to co-operative projects is also due to that fact that it can dispose of costly support systems by leaving these tasks to smaller organizations as a form of subsidy. The ability and willingness to work in co-operatives is not least a question of an aggressively democratic mentality and a popular culture of quarrelling (Contraste 1997). Italian society is quite evidently sceptical of official governmental powers and has had to build up durable informal structures and the concomitant mentalities and competencies.

#### *The growth of co-operatives in Italy, 1886–1997*

Since the beginning of the twentieth century, the feudal structures found in the agricultural sector up until the 1940s had generated strong organized counter movements of dependent agricultural workers (*braccianti*). The handicrafts production had long since been organized in the shops of craftsmen and in smaller co-operative enterprises. Already by 1886 the 'red LEGA', the national association of co-operatives and supporting agencies, had been created, and the Christian confederation of Italian co-operative members followed in 1919. The first co-operative-friendly legislation appeared at the beginning of this century under the moderate leftist government. In the constitution of 1947 the state was obliged to support co-operative forms of economic activity. In Article 45 it states: 'The republic recognizes the social functions of the co-operative with its self-help character and without the goal of private profit-seeking. The law supports this and favours its

growth through appropriate means and guarantees its character and goals through suitable control measures' (Von Randow 1994, p. 83). This constitutional article was given further specification in 1971 in Law no. 127: It is incumbent upon the Ministry for Labour and Social Welfare to 'take initiative to ensure that co-operative structures are developed, co-operative principles propagated and professional qualification of leaders within co-operatives facilitated' (Von Randow 1994, p. 87). The Civil Code names the fostering principle as a specific quality of co-operatives. According to this, co-operatives are to supply their members with goods, services, or work opportunities under favourable conditions. Since 1997 a special law for the promotion of co-operatives involving youth has been used as a means for fighting youth unemployment (Beywl and Flieger 1993, p. 145). In 1991 a law for the regulation of social co-operatives was passed and recognized 'cooperative sociali' as being an autonomous form of enterprise. Two further changes in legal measures that help to foster the founding of co-operatives were passed in 1995. First, it is now possible to found a co-operative with only five, instead of nine, people; and, second, permission to use collective leadership (without the selection of a chairperson) has been given. These legal measures are solid proof of the social acceptance of co-operatives and the political will to promote them. In Italy the co-operative sector is sustained by a widespread acceptance among social forces that has come about as the result of the historical co-operation between the union movement and co-operative associations and because of the coherence of interests between the labour movement and the liberal state. This acceptance and active governmental support have brought about the development of a political culture of co-operative solutions. The socio-political integration of the co-operative sector and basic economic attitudes differ significantly from those of the German tradition and course of development. Since the law regulating social co-operatives was introduced in 1993 (Istituto Italiano . . . , 1992, pp. 18f.), many co-operatives have been established which have taken on a part of the social services within the local area. These have been given over by

governmental agencies to subsidiary agencies and deal with new needs of the community, which have arisen through changes in the socio-demographic processes in the cities and in rural areas. They can be divided, according to their goals, into type A (services in the areas of education and health) and type B (professional integration of people with difficulties) (see also *Leader*, 2 1995–96). The social co-operatives of type B are involved in agriculture, crafts, and industry and commerce. Within the target group of people with difficulties can be found adults from minority groups, handicapped and mentally ill people, children from problem families, drug addicts, convicted criminals in alternative programs of imprisonment, and so forth. Nearly 65 per cent of the co-operative membership are younger than 30 years of age. They form primarily small enterprises. In order to benefit from tax shelters, tax reductions, and subsidies, at least 30 per cent of the employees must be handicapped or disadvantaged. These are also exempted from obligatory social insurance contributions. Parallel to social co-operatives, there are also co-operatives which pursue ecological goals. Social co-operatives are members in one of the two umbrella organizations of the Italian co-operative system. At the regional level the autonomous co-operatives are united in a close-knit networking system. These regional consortia and their intensive economic-political activities form the contacts, the network, the infrastructure and the lobby for co-operatives. Their central task is to acquire contracts and co-ordinate their completion through one or more of the autonomous member co-operatives. Hence, for example, the 12 social co-operatives which work in landscaping in the province of Brescia, have formed a network with one another called 'Sol.Co. Verde.' A steady flow of contracts is guaranteed by having a high proportion of the official contracts given to the consortium. The regional consortia are in turn members of the *Consortio Nazionale della Cooperazione di Solidarietà Sociale 'Gino Mattarelli'*, which takes care of the advanced training and continuing education of co-operative members, consulting, research and publications as well as 'general

contracting', such as making contracts with the social insurance agencies.

## 8. Conclusion

Given the dramatic social and economic changes today, it is necessary to find answers to the following issues:

- guarantees for a basic subsistence and a life perspective for more and more people in a society which continues to be oriented around wage labour;
- the social integration of people who have no life perspective; the maintenance of human capital and social capital and, ultimately, of the civilizing activity of the community;
- ways to meet the needs of the community, which are already at stake in spite of its affluence as a result of the processes of de-industrialization and the concentration of capital;
- maintaining responsible management and use of natural resources for the sake of both the next generations and the biosphere by means of an 'economy for the whole house'.

These are some of the issues and problems for which social economy is seeking to supply future-oriented answers. Social economy is primarily concerned with guaranteeing subsistence and meeting the needs of the people in a specific community; it engenders social integration through participation instead of marginalization and takes into account the limits of our natural resources. Social economy is founded upon the active involvement of community members. As has been shown here in several examples, community-based social work can be instrumental in creating, reinstating or redesigning social, political and economic bonds within the community.

*Translated from German by Martha Baker*

## Notes

- 1 Action Sociale Pour Jeunes, ASBL, P.O. Box 5027, L-1050 Luxembourg.

- 2 In addition to the resources cited here, the information given below is based on conversations with Italian representatives of the CECOP (Comité des Cooperatives de Production et de Travail Associé), visits with co-operatives in northern Italy and, last but not least, on my own experiences while living in Emilia (S. Elsen).

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