

# The Social Economy: a bridge between Formality and Informality in Africa

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# What ILO means by “Informal Economy”

## The 90th International Labour Conference of 2002 noted:

- There is no universally accurate or accepted definition of the term “informal economy”, but agreed that:
  - the term accommodates considerable diversity in terms of workers, enterprises and entrepreneurs;
  - the term refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.

# Key Data on the Informal Economy in sub-saharan Africa

Share in non-agricultural employment	78%
Share in urban employment	61%
Share in new jobs created	93%
Share in GDP (average)	42%

# Decent Work Deficits

Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and **lack of access to information, markets, finance, training and technology.**

# Four Deficits

A deficit of  
**rights**

Informal economy workers are not covered by labour law and fundamental conventions; child labour, and sometimes forced labour, are rife in the informal economy

A deficit of  
**work**

Informal economy workers and operators do work of course, but incomes and productivity are often so low that they belong to the « working poor »

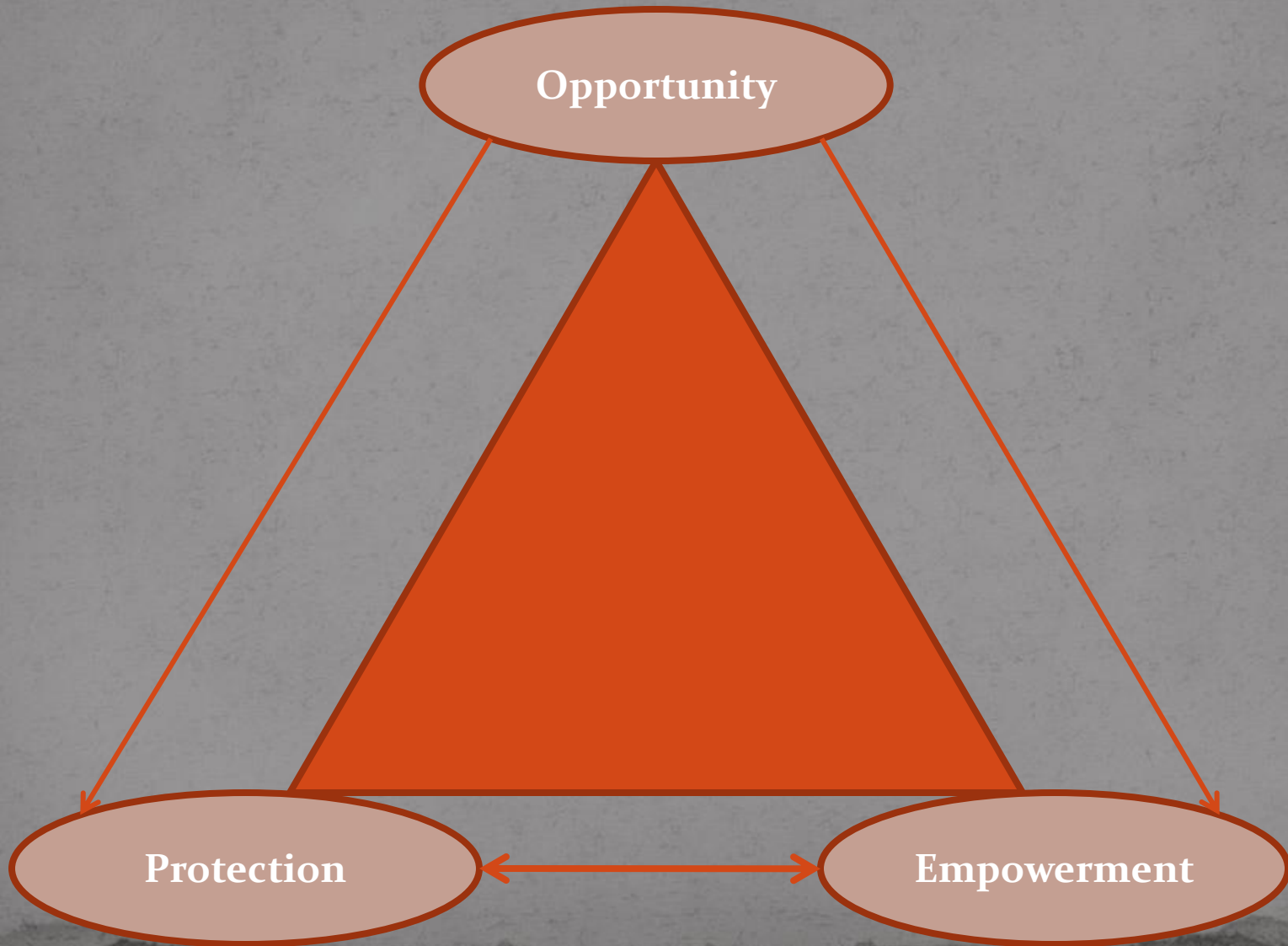
A deficit of  
**protection**

Informal economy workers and operators are not covered by social security funds and must rely on traditional protection systems based on solidarity, mutuality and reciprocity.

A deficit of  
**dialogue**

Informal economy workers and operators have no voice or representation; they are not organized and not engaged in collective bargaining.

# A virtuous triangle



# The Social Economy

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# The Social Economy as a Bridge

- **Connecting informal with formal economies:** social economy organizations, being officially recognized, belong to the formal sector; their members, however, may remain in the informal economy.
- **Bringing together rural and urban societies:** social economy entities can open markets, provide financial intermediation, facilitate procurement, organize market information, etc. SE organizations are, by definition, local in nature, but have the ability to connect the local to the global.
- **Reconciling economic and social concerns:** social economy entities usually have a dual nature as businesses and associations of people. They ensure that economic and financial interests remain in balance with social and societal concerns.
- **Linking workers and employers and the civil society.**

# Characteristics of social economy entities

Social Economy entities differ from other types of enterprises and social organizations in that:

- Their primary purpose is not to obtain a return on capital. They are, by nature, part of a stakeholder economy, whose enterprises are created by and for those with common needs, and accountable to those they are meant to serve. Social Economy entities recognize the primacy of people and work over capital;
- They are democratically controlled in accordance with the principle of "one member, one vote";
- They are flexible and innovative - social economy enterprises are being created to meet changing social and economic circumstances;
- They are based on voluntary participation, membership and commitment.
- They emphasize self-help and self-reliance, as well as local identity.

# Social economy entities

Social Economy entities are generally grouped into five categories:

- *Cooperatives* of various forms and various levels, including credit unions and building societies;
- *Mutual societies* established primarily to organize insurance coverage through mutual assistance;
- *Associations and voluntary organizations*, provided they are economically active;
- *Foundations*;
- *Social enterprises* that combine a social and societal purpose with the entrepreneurial spirit of the private sector

# Facts and figures

- 750.000 cooperative societies with 800 million individual member-households and 100 million employees. The 300 largest cooperatives in the world accumulate a combined turnover of 750 billion US-\$ per year;
- The 141 insurance companies from 70 countries organized in the International Cooperative and Mutual Insurance Federation (ICMIF) collect 7% of the world's insurance premium;
- The 45 mutual health insurance cooperatives members of the International Association of Mutuality operate in 32 countries and represent 155 million insured households;
- 248 million out of 360 million citizens of the EU-15 space are members of a Social Economy entity, and the Social Economy contributes 8% to the Union's GDP.
- 49,000 credit unions with 183 million members from 96 countries organized in the World Council of Credit Unions are supported and manage 1.2 trillion US-\$ in assets. The world's cooperative banks have assets worth six trillion US-\$.
- 10% of global jobs, 10% of global GDP, 10% of global finance

Plus: social, societal and environmental benefits

# The Social Economy in Africa

- Characteristics: locally rooted, usually small membership size, importance of social capital and social control; often temporary or “periodic” nature, based on a common bond derived from social class, ethnic origin or professional background, usually no secondary or national apex bodies;
- Types: rotating savings & credit associations, mutual assistance groups, burial societies, collective work or production (housing, agriculture, community work etc.); informal economy associations;
- Importance: Social economy entities are especially important in expanding financial intermediation, boosting voice and representation, broadening social safety nets, generating economies of scale and strengthening the bargaining power for rural citizens and informal economy workers.

Social economy & women's  
entrepreneurship in the informal  
economy

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# Creating Opportunity

- Joint production of goods and services – the traditional workers cooperative;
- Better market access through association building, including fair trade and ethical trade;
- Shared services in support of individual businesses: supply, marketing, transport, manufacturing etc.;
- Economies of scale and scope through co-operation among businesses;
- Access to finance through savings and credit cooperatives or less formal types of micro-finance institutions;
- Jobs and livelihoods through social enterprises.

# Extending Protection

- Mutual support groups for health services, social services, and emergency assistance;
- Jointly organized legal protection;
- Joint protection against harassment by officials and authorities;
- Protection against destruction and losses through micro-insurance schemes.

# Empowering entrepreneurs

- Greater bargaining power through collective action;
- Stronger voice through networks and associations;
- More influence through horizontal and vertical integration;
- Partnerships with other social movements;
- National, continental and international structures:  
RENAPESS, RAESS, Social Economy Europe, RIPESS