

**1st International CIRIEC
Research Conference on the
Social Economy**



**1^{ère} Conférence mondial
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*Strengthening and Building Communities: The Social Economy in a Changing World
October 22-25, 2007 in Victoria, BC, Canada*

Between Informal Economy and Social Economy in Portugal

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Abstract

The main purpose of the paper is to reflect on ways to strengthen civil society participation in the context of the consolidation of economic initiatives, as well as to propose new ways to incorporate the concept of sustainability through informal initiatives. The study argues that if we are to develop programs capable of increasing community people, it is necessary to increase resources, to raise educational skills and enable people to exert control over their lives in meaningful ways.

To understand the challenging role of Portuguese informal economic initiatives on this context, we will study the historical dynamics of the relationship between informal economy, educational skills and the consolidation of social economy organizations in the last 30 years.

Portugal - Citizenship - Informal economy – sustainability

Résumé

Le dynamisme de la population s'exprime dans le développement des initiatives économiques informelles. Lié au développement local et, plus

concrètement, aux défis du développement, le «secteur» informel de l'économie demeure fort créatif. Il nous faut alors être attentif aux tendances et aux contextes d'évolution de cette réalité, renforçant la formation, le développement des compétences et la promotion des capacités de cohésion sociale. Ce travail propose une réflexion sur Portugal, les derniers 30 ans: les défis des stratégies économiques informelles et les possibilités de stimulation de l'économie sociale soutenable, grâce au renforcement des initiatives économiques informelles et à leur insertion progressive dans la dynamique des entreprises sociales.

Portugal – Citoyenneté – Économie Informelle – développement soutenable

Resumen

Este estudio está centrado en lo que debe considerarse como uno de los pilares para consolidar las iniciativas de economía social: las iniciativas económicas informales. El trabajo ofrece algunas sugerencias que pueden ayudar a comprender que la economía informal supone una base estratégica importante para la sostenibilidad de la economía social. Sobre todo, teniendo en cuenta

que sus formas de acción convergen en la necesidad de que determinados individuos, grupos o comunidades vayan más allá de la mera supervivencia. En Portugal durante los últimos 30 años la sociedad civil empezó a contribuir para cambiar el significado del concepto de obligaciones ciudadanas y de forma afirmativa actuó con pasos estratégicos – iniciativas informales y sociales – para lograrlo. Las organizaciones de economía social se han convertido en modelos de cambio social progresivo y sostenible.

Portugal – Ciudadanía – Economía Informal - Sostenibilidad

1. Introduction

1.1. Aims and concepts

This paper is intended to serve as the basis to assess the state of the Portuguese civil society dynamics. The idea is to build an evaluation tool to identify strengths and weaknesses, challenges and trends for the years to come. Firstly to identify the particular domain in which civil society is situated we will get a clear determination of its character, functions and interactions with the policy process in Portugal in the last 30 years. Civil society initiatives are understood to include those organizations that fall along a continuum from non-profit-oriented institutions engaged in philanthropy, social responsibility, cooperation, mutuality or social entrepreneurship to enhance the social impact of productive activities, as

well as the occupational integration of people excluded from the labour market. Broadly defined as the use of nongovernmental, market based approaches to address social issues, their initiatives became as increasingly popular means of supplying solutions to meet community needs. Particularly during recent years its impact is clear to mitigate the effects of socio-economic crisis and support of vulnerable groups. Nevertheless, the lack of financial and technological resources usually threatens the sustainability of many organizations and is an obstacle to the full achievement of goals. However, it is clear that the high degree of commitment from members mitigates the lack of resources. This context helps to explain the positive impact of informal initiatives and the growing recognition about the key role they play in the public arena. Yet while the trends and its ultimate objectives are similar, distinct differences remain in the emergence of these organizations.

Even historical factors help partly to explain why in Portugal the revenue generation activity is combined

with informal economy and participatory activity of program beneficiaries.

Civil society organizations are mainly constituted as channels through which citizens may take part in the implementation of public decisions, identify, prioritize and solve public issues and guarantee unfulfilled demands, developing public and private resources. Although their profile has specific development perspectives, they are not always positioned in a well-defined field of economic activity or social politics. To obtain an overview of civil society as a whole and get a broad sense of where it is strong or weak, more active or less active - we should develop a display of civil society organizations.

1.2. Sources, methodology and organization

Given the variety of sources on the main Portuguese institutions emerging from civil society, we worked with an error margin and even used live testimonies.

Our objective is to develop a course of research specifically targeted to the construction of scenarios

that allows us to obtain data to help us to confirm some of the fundamental characteristics of social economy organizations: their capacity to strengthen social capital, individual and collective skills based on or supported by sociability networks. Mainly because we think that they are characteristics that, in an affirmative way, ensure that informal economic initiatives embody social economy projects. We will cover civil society organizations that are developmental and socially active and we will concentrate our main concern in the definition of the profile in reference periods.

As a methodology for analysis, civil society organizations were divided into two types “*solidarity spaces*” – organizations in which there is a mutual dependence between members) and “*cooperation paths*” – organizations characterized by the way they produce well-being and consubstantiate the state’s redistributive action. By means of the calculation of *scores*, we created a profile of civil society in the last 30 years and reviewed those we considered reference years: 1970, 1980 e 1990. To define the dimension

“solidarity spaces” the following variables were used:

- Mutuals;
- Cooperatives;
- People’s associations;
- Fishermen associations;
- Associations.

The following variables were used to characterize the dimension “cooperation paths”:

- Charities;
- Charitable associations;
- Private institutions of social solidarity;
- Institutions’ valencies.

For each reference year organizations were always related to the population of the district in question (number of organizations by 10 000 inhabitants).

Data collection to measure organizations emerging from civil society was a task that required the use of various sources, as there are no organized statistics at national level with a specific methodology. We resorted to the statistics from the Statistics National

Institute to obtain data on people’s associations, pension institutions, charitable associations and national population census. As for unions, we used the work from Cerdeira (1988), who analyses these organizations in detail. As far as cooperatives are concerned, we had the cooperation from INSCOOP, which allowed access to their records on this area. For mutuals we used the systematic data in Rosendo (1996). The information on private institutions of social solidarity (IPSS) and the valencies were collected from the records of the Social Charter from 1998 and from reports obtained from the “Direcção Geral de Acção Social” (General Body for Social Action). For data collection to be coherent the disaggregated information from the district was used, which was always related to the population.

The district was considered as a referential geographical dimension, as it is a territorial space representative of a specific set of resources as well as flexible and dynamic opportunities, characterized by the active presence of specific identities,

organizations, social networks and obviously by a defined cultural context.

The *score*¹ of each indicator, in each district, is given by difference between the value of the indicator and the general average of all the districts, divided by the standard deviation. In each district the score was obtained from the arithmetic average of the scores of the indicators.

2. Historical factors promoting and shaping social economy organizations

2.1. A critical review

In the last 30 years economic third sector movements in Portugal have taken on growing importance. The expansion of third sector organizations raised the last 70s when government invested in services, training, education and community development. Civil society has been widely recognized for its commitment to the promotion of positive values, such as democracy and

citizen participation, as a civic reaction to the unfavourable political context until 1974.

Table 1 – Portuguese civil society organization with important role on Social Policy

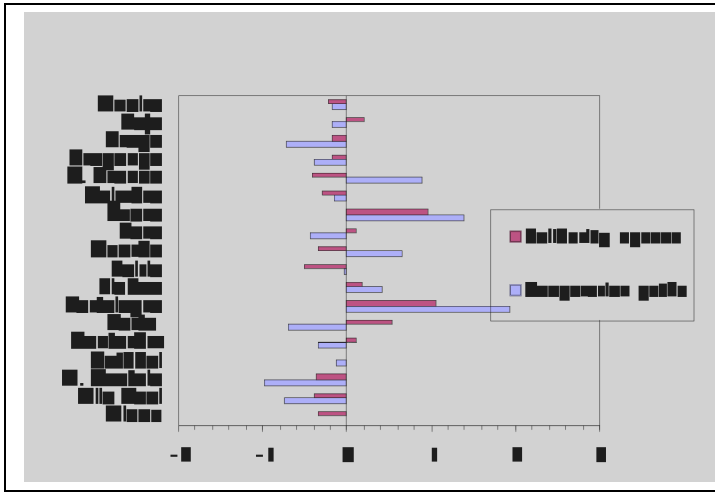
OSC	Emergence	Aims
Cooperatives	From 19 th Century	Social Economy enterprise
Popular Organizations	1974	Cultural supply
CERCI's Cooperatives to handicapped people	1976	Services to handicapped people
Private Institutions of Social Solidarity	1979	Social Action Services
Insertion Enterprises	1998	Local Employment

Source: our own creation, from several legal diplomas

Towards the end of 1970 social politics in Portugal proposed a strong relationship between the third sector and the State, for economical and social-political reasons that led to the use of the non-profitable sector by the public sector.

¹ One should mention that the calculation of scores followed the methodology used by Mendes, 1999

Graph 1 – Civil Society 1970²



In 1970 the institutions that developed activities in the area of assistance were very important. The scope of their intervention, by district, can clearly be seen in the score “*cooperation paths*” with few deviations. The districts of Portalegre, Évora and Castelo Branco stand out, as their highly positive value is due, in our opinion, to the immigration phenomenon that started at the end of the fifties³. The reason for the high score “*solidarity spaces*” in Portalegre and Évora seems to be the same, together with the fact that cooperatives

increased in these districts (also at national level), as a way of fighting the crisis in agriculture.

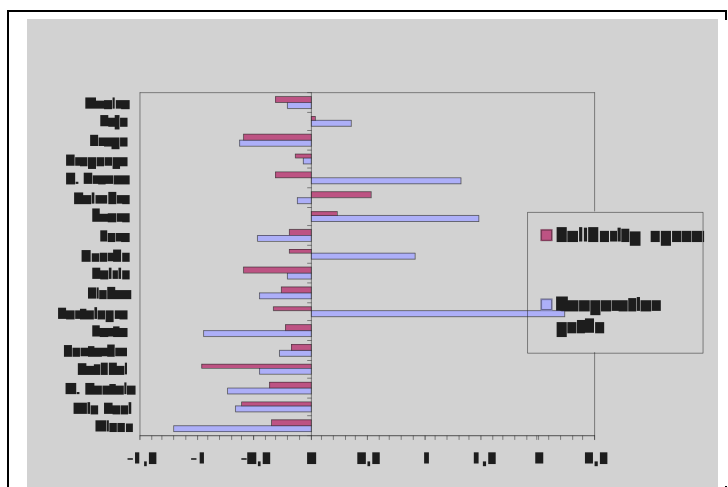
The 1980s non-profitable organizations began to seize on Social Solidarity Private Institutions (through cooperation programs between them and the State) as a way to finance and support the provision of a broad range of social services. New organizations began responding to emerging needs including marginalized groups, childcare services to meet needs resulting from social-economic changes, new services for the elderly given the aging of population and changes in family structures, employment programs for long-term unemployed and so on. It is in this context that current organizations from the third sector are included. Some within traditional frameworks, such as the IPSS and the cooperatives, but the services were delivered in a culture of solidarity, whether or not they were integrated in community development programmes, to meet local needs. Other organizations belong to a new intervention philosophy – a new social economy – for the creation of employment or other spaces that aim at obtaining

² Our own creation, from several legal diplomas.

³ For the districts mentioned, statistics show a decreased of 68 503 inhabitants.

income (such as insertion enterprises) or for the development of solidarity and voluntary work.

Graph 2 – Civil Society 1980⁴



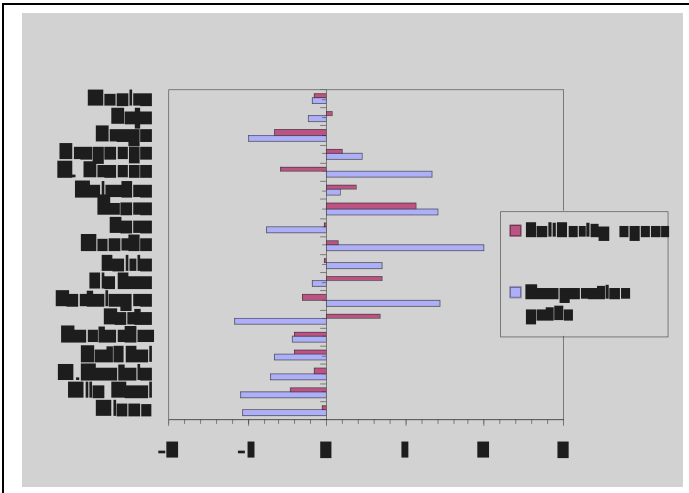
In graph 2 one should stress mainly the range, with no significant deviations, of the scores for *solidarity spaces*. The number of cultural and leisure associations (a total of 5304 in the country) accounts for their configuration. In our opinion, this is due to the fact that the year 1980 was the result of social unrest from the seventies: concerns with development, change to welfare system and political system transition.

The scores for “*cooperation paths*”, with high deviations all over the country indicate the new way of mixed social intervention (State IPSS) and show a picture that can be considered innovative, giving consistency to the state’s compromise when it comes to risk universality.

The modern trend towards social economy emerged from the simultaneous development of Anti Poverty Programs and diversification of improvement of services and revenue generation in the third sector. In terms of range of intervention, graph 3 gives us an account of the scores for *cooperation paths* that show significant deviations, the inland mountain areas of the highest positive values. This might be due to the fact that the population is constantly moving to the big cities and the coast, which accounts for the fact that the latter are constantly unable to meet unfulfilled needs. Nevertheless, the scores for *solidarity spaces* show lower deviations and keep their configuration when it comes to 1980.

⁴ Our own creation, from research into several legal diplomas. Please see Ver Annex 1

Graph 3 – Civil Society 1990⁵



We dare say that this fact represents a scenario marked by the guidelines defined for the creation of a universal welfare, framed by social-economical and political changes and by the creation of a pact for universal citizenship⁶.

2.1. Some thoughts on the Portuguese reality

As for the research methodology used and its relation with the increase in participation skills, some facts should be stressed. There are motivations that make individuals and/or groups develop altruistic and

entrepreneur behaviours to maximize individual opportunities and freedom. However, in our opinion, in this field, the direct delivery by the state of well-being services, monetary support or subsidizing activities has a negative influence on the creation of solidarity spaces or a positive influence on the implementation of cooperation paths. The truth is that each organization has its own motivations and objectives when it comes to intervening, whether it is in the area of social politics or in the area of economics. Therefore other elements should be considered when building indicators, such as family, neighbourhood, volunteer work and even cultural dynamics, due to their implications at the level of participative citizenship and, in our opinion, a tendency to create value, even if it is from informal initiatives. The truth is that, normally, in areas which are more peripheral and inland, old people, handicapped and children's support is ensured by family and neighbourhood networks. On the other hand, the areas which are less affected by macro-organizational transformation movements of management of the productive system, associative

⁵ Our own creation, from research into several legal diplomas.

⁶ The Pact for Cooperation for Social Solidarity, that becomes a fact in December 1997

movements become more informal, which renders them “concealed” from organized statistics (reducing their dimension). There are therefore in these processes two relevant tendencies: association by own initiative, which generally is started informally and which is particularly relevant for our study and association integrated in a process of institutional mediation.

From the nineties one sees an explosion of small structures of social economy, cooperatives and associations. The idea of joining economic and social aims in productive structures developed through two movements that tend to meet. The cooperatives (which started in 1974) and associations providing social, non-mercantile support to its members and to the population, with three functions:

1. Reintegration in the circuits of the labour market or training to people who find themselves in a situation of exclusion;
2. The use of new resources, since public financing is insufficient;
3. Service providers.

Civil society organizations have grown steadily, taking part in the process of policy formulation and service delivery. It was all about reinventing new ways of collaboration. Thus, the growing appearance of civil society organizations, not always in a formal way, constituted an incentive to the creation of groups and spaces, some of which developed in a consistent way. Among others, they have been recognised the promoting role: to raise rights awareness and the sense of responsibilities, as well as to materialize solidarities.

According to Vieira (2001) they contribute to create social bonds, to encourage power multiplication and place the social at the centre of an economic activity. They therefore represent some of the crucial vectors for the evolution between informal economy and social economy.

3. From Informal economy to Social Economy

The size of the informal sector is of particular interest to economic policy makers concerned with the promotion of the development of micro-

entrepreneurial sector. This concern arises because of its perceived contribution to dynamic economic efficiency, possibly as a response to growing competitive pressures for market liberalization. The choice of informal activity definition is often dictated by data availability. Nevertheless, we argue that informal activity may be as much associated with entrepreneurial dynamism as with any desire to avoid costly contract registration and social protection.

We frequently witness the emergence of initiatives of family, religious, proximity or work solidarity, lacking an institutional framework which prevents the consolidation of a durable social intervention. The hazard and chance that characterize them are important factors for their diversity. In fact, informal and casual activities based on income sources from various family members or on alternative economic circuits (for example, when they cannot have access to bank loans)). Therefore it is difficult to characterize activities and consequently to structure them as real economic strategies.

Table 2 - Characteristics of informal economy enterprises:

1. Subsistence economy - explicit aim to survival
2. Self-employed sole traders
3. Domestic workers
4. Non-remunerated workers
5. Temporary workers

The concept of social economy – initiatives which are developed according to social objectives – integrates associations, insertion companies, social companies, cooperatives and mutuals. Therefore, the relational character which is not expressed in the framework of informal initiatives represents an important dimension in the social economy witnessed by associative, reciprocity and socialization movements. Citizens get together to develop actions to build a common identity, to favour a social State by means of emergence of new collective services⁷.

From informal games that casually appear as response initiatives⁸ or fundamental needs⁹, some

⁷ Jacques Défourny, 1985, p.34

⁸ Home help services, hawkers, street artists, etc.

⁹ Guest families, houses for the homeless, etc.

movements should emerge from the underlying relational tissue:

1. Promoting people's liberation;
2. Identifying those who have ideas with entrepreneurial skills;
3. Going beyond the immediate and chance (structuring the productive organization of the local community);
4. Creating tools to develop safer and lighter economic activities, i.e.:
 - Improving skills (training, skill and knowledge development);
 - Allowing access to credit to improve work conditions and production;
 - Trying to interchange activities, otherwise individuals are polarized, which weakens the strengthening of social cohesion.

If informal initiatives manage to take on an effective transition role between "illegal" and "legal", they may become the basis for new development processes.

Most social economy organizations in Portugal were founded last 80s by civil society actors: associative citizens, representatives of traditional third sector institutions, social workers and the excluded individuals themselves. The analysis of civic attitudes of people of different origins allows us to show that cultural values have long lasting effects on civic attitudes.

If, on the one hand, the economic performance of civil organizations, which was consolidated through social, environmental objectives and strengthening of social movements, is already acknowledged, on the other hand it is becoming visible through the experiences that it develops.

The attention to several important facets of social economy organizations is required. Their dynamics can only be understood if one takes into account all of the forces (and interactions between them) that act on community development.

Table 2 – Key values of social economy initiatives

1. Existence of a common problem among people;
2. Existence of unfulfilled needs and the will to get results through community involvement;
3. Effective possibility of going ahead with a joint experience;
4. Existence of available resources: cultural, social, knowledge, economic, political and material;
5. Knowledge of strategies, methods and skills to aim at goals;
6. Existence of leaders capable of organizing and mobilizing
7. Existence of realistic and well-defined objectives
8. High degree of autonomy
9. An explicit aim to benefit the community
10. Initiative launched by a group of citizens
11. Decision-making power not based on capital ownership
12. Limited profit distribution

Source: items 1 to 7 – ideas from Ronnby, 1996, in Bauhaus Dessau Foundation, 1996, p. 74; items 8 and 9 – our own creation.

Community development can only be sustainable if engagement of civil society is forthcoming, because solutions to the problems require solidarity and culture change. So, social enterprise is a collective term for an organization that is driven by particular social and community values, while aiming to operate effectively and in a sustainable way within a competitive business framework i.e., helping the

community as well as maintaining a viable business¹⁰.

3.1. Feeling the Portuguese reality: key values

There is nowadays in Portugal a significant number of civil society organizations that include the objectives of social well-being, the resources of which come essentially from privates and the delivery of services. On the other hand, the appearance of new protagonists, new needs and new problems has led to an attempt to organize survival responses/strategies and to access support and new action formulas (among which those integrated into the Social Market for Employment). When we talk about the new protagonists, we are talking, among others, about the “new excluded”, “new unemployed”, “new immigrants”, etc., that challenge the initiatives of a new social economy.

The truth is that in Portugal nowadays we witness initiatives coming from the so-called third sector of economy, translating themselves into the “joint

¹⁰ Definition of West Midlands Social Economy Partnership (WMSEP), in 2004, www.wmsepp.co.uk/Glossary.htm

construction of supply and demand” to strengthen social capital¹¹ which is emerging and consolidating in the continuous demand for interest, social and personal, informative and acquisitive needs, four of the dimensions that frame our collective existence¹². They also take on a set of needs which are neither fulfilled by the market nor by the State: environment, neighbourhood “circles”, helping young people and children, community entertainment, everything that aims at the recreation of social bonds. Another concern in current projects is giving the unemployed and individuals at risk of exclusion new professional and personal skills with the aim of creating economic activity and improving individuals’ income. Therefore, civic participation includes in its objectives of action social integration activities through the economy, creating new opportunities, and new services, to address emergent or unfulfilled needs – that have a character of social usefulness and keep a dynamic of social capital development.

4. Conclusions

Just like any experimental piece of work trying to go further in the diagnosis (and show what is hidden), we are not allowed a very clear sight yet. There are, however, issues that open the way to the definition of more consistent observation and methodologies for analysis, according to new theoretical and methodological options.

The advantage of this study does not lie in the results exposed but in the fact that one can question, for example, to what extent the number of organizations by inhabitant means necessarily a stronger economic sector, more social capital, more social participation. What is at stake is the type of organizations, the causes for their action – increasing competences, developing opportunities – and the way each organization takes on its responsibility in the process of developing the community to which it belongs.

Rebuilding social economy through informal initiatives created by citizens to remedy or to solve impoverishment, is strategic Therefore, one needs to

¹¹ For the definition of social capital we resorted to Putnam (referred to in Lipietz, 2002) who defines it as the collective fixed capital, neighbourhood networks, common routines that reduce malfunctions and community engagement.

¹² Amaro, 2001, p. 17.

help "creators" to accomplish their projects through different means – creating workshops, helping financing, overcoming fiscal barriers, enabling for management and company commerce. The analysis carried out allows us to take three types of conclusions:

1. the first one is that informal initiatives respond, in a quick and creative way, to different social groups that do not find satisfactory solutions in other institutions and who were left at a disadvantage by the transformations of the system (children and young people);
2. the second one is that one needs to stress that they are created from the mobilization of individuals who take on the responsibility of solving their own problems. It is up to social economy organizations to give them consistency, mobilizing the skills they needed, activating availabilities and energies and creating local synergies around a project, which is *par excellence*, endogenous;

3. the third one is that the cultural wealth that characterizes them from the beginning produced a continuum of important synergies for the assimilation and continuity of their initiatives.

This context of intervention around informal initiatives will allow citizens to get involved in social economy initiatives.

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