

## **Chapter Five**

### **A mapping exercise of the social economy in certain European Edge Cities Network partner areas**

#### **Introduction**

This chapter was included for its ability to test social-origin theory as developed by Salamon and Anheier (1998) and discussed in Chapter 2. If social origin theory is correct, then social enterprises in different countries and, in some cases regions, should develop different characteristics as the development of social enterprises had culture-specific 'moorings' which were 'embedded' in cultural, social, political, institutional and historical factors. The chapter draws on information gathered as part of a mapping exercise undertaken for the Social Economy Sub-group of the European Edge Cities Network (to be referred to as 'the network') which investigated the scale and extent of the social economy across several member areas.

The network is an association of eight local and municipal authorities which share a common characteristic, as they are all towns or cities on the edge of large European cities, mainly capitals. The objective of conducting the exercise was to obtain baseline data for the network on the nature and extent of their social economies. It also afforded an opportunity to compare and contrast the nature of the social economy over four different participating areas in Europe. As a comparative study, the mapping exercise allowed an examination of the different models of social enterprise in use across the sample areas. It also permitted an examination to be carried out into the level of embeddedness<sup>1</sup> of the social economy in different countries.

The partner in the Republic of Ireland was Fingal County Council and this allowed for a direct comparison of social enterprises in Fingal with

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<sup>1</sup> Embeddedness is understood here to refer to contextually-specific factors at a social, national or regional level.

comparative cities on the edge of Belfast (North Down), London (Croydon) and Madrid (Getafe).

The European Edge Cities Network has been in existence since March 1996<sup>2</sup> and meets twice a year. The network has been a platform for the implementation of a number of European Union-funded projects in areas such as SME<sup>3</sup> development and internationalisation, countering disadvantage, and craft development. At the time of reporting the members of the network were:

- Fingal County Council – edge of Dublin, Ireland.
- Croydon Borough Council – edge of London, UK
- North Down Borough Council – edge of Belfast, UK
- Municipality of Getafe – edge of Madrid, Spain
- Municipality of Nacka – edge of Stockholm, Sweden
- City of Espoo – edge of Helsinki, Finland
- Municipality of Ballarup – edge of Copenhagen, Denmark
- Municipality of Kifissia – edge of Athens, Greece

The main areas of commonality between the partners were defined as the 'edge cities factors' (European Edge Cities Network, 1999, 59) and were identified as:

- 'Rapid population growth, particularly in the 1970's and 80's
- SME's dependence upon nearby capital is a limiting factor on growth and profitability and there is very little internationalisation
- Town centres are threatened by edge of city retail developments on green fields with parking
- Unemployment pockets and social exclusion exist in public sector housing concentrations
- SMEs are without organised international commercial links
- Slow recovery from recession in the 1980's and early 90's

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<sup>2</sup> See European Edge Cities Network submission for Recite II project 1998

<sup>3</sup> Small to medium sized enterprises

- SMEs are predominantly service based
- Skills mismatch between employers and potential employees
- Importing of social and economic problems from capital
- The existence of 'haves' and 'have nots'
- Loss of skilled workforce to capital
- Loss of identity
- Lack of investment by central government
- High levels of unemployment'

Since 1999, some partners have experienced changes in these factors to varying degrees. Some have identified new factors, such as economic migration. However, the network considered that the core issues of commonality remain.

In 2003, the network formed a social economy sub-group to look at ways to exchange information and ideas relating to the development of this sector. The interest in social enterprise arose from the outcomes of the Recite II Edge Cities Network Project<sup>4</sup>. This EU-funded<sup>5</sup> programme had two main strands; internationalisation of SME's and countering disadvantage. Upon termination of the programme several partners noted that they had an interest in the development of the social economy in their areas. The first objective of the sub-group was to establish a common definition of the social economy for the use of the network. The network subsequently adopted the following definition:

"Social enterprises are competitive businesses, owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share and making a surplus. Social enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community".

(European Edge Cities Network,

2004, 1)

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<sup>4</sup> RECITE was a European Union structural fund aimed at regeneration of city areas.

<sup>5</sup> Funded by the European Union

The members of the social economy sub-group were Fingal, Croydon, Ballarup, Nacka and North Down. Only some of the partners felt they were in a position to participate in the mapping exercise as a result of resourcing issues. Although not formally represented on the sub-group, Getafe did participate in the mapping exercise.

### **Outline of participating areas in mapping exercise**

Whereas the four participating partners all shared some common characteristics, each had its own legal and constitutional frameworks and specific priorities. The following gives a contextual outline of each partner area which participated in the exercise and was based upon information provided by the partners during the interim evaluation of the RECITE II project (European Edge Cities Network, 2002).

#### ***The London Borough of Croydon***

Croydon lies to the south of London at least fourteen kilometres from the centre. Its total population in 1995 was just below 330,000. Croydon had a long history as a market town and began to grow with the advent of the railways and as a result of becoming the site of the first London airport. It was during the 1960s that Croydon took on the characteristics of an edge city with regard to London and became the key focus for outer London office and retail developments. This was part of a UK-government initiative and Croydon underwent a large-scale building programme, particularly in the town centre during the 1960s and 70s, attracting considerable inward investment, but with little planning control. During this period, Croydon also experienced extensive housing development and became the focus of large public-sector housing estates, to take the overspill from central London. This resulted in the area attracting a large number of disadvantaged communities. It also attracted a large number of ethnic minority communities, who currently form roughly 20% of the population. During the 1980s, the economic fortunes of the town changed rapidly as the economic recession took hold. The recession affected London to a greater extent than many other areas and this had a

severe impact on its hinterland, especially Croydon. Unemployment at this time trebled, manufacturing went into severe decline and there was large-scale restructuring and downsizing of the office-based economy in Croydon. Unemployment currently varies according to the different areas of the borough, but in the most deprived areas it is as high as 16%, with unemployment amongst certain ethnic communities up to twenty-five percent. At the same time, Croydon, like most edge cities, experiences a situation where its most highly qualified professionals work in central London. The Council recognised that there was a need to widen the employment opportunities for all the communities in the borough, and that specific strategies for intervention in the local economy were required.

### ***North Down Borough Council***

North Down lies to the south east of Belfast on the southern shore of Belfast Lough. The population of the Borough is roughly 75,000 people, of which 53,000 live in Bangor, which lies at about 20 kilometres from central Belfast. Historically, Bangor can trace its roots back to the fifth century A.D. It later became a market town, and then more recently a commuter town and overspill for the growth of Belfast. The population of North Down has doubled over the past 25 years, mainly due to outward migration to escape the social difficulties of Belfast. There have been extensive public-sector housing developments, but there has been insufficient infrastructure provided, in terms of community facilities, schools or employment, to meet this extra demand. Whilst unemployment is at a moderate level overall, there are severe pockets of long-term unemployment in the public-sector housing estates. Inward investment to the area has proven difficult to attract and there is a proliferation of government and semi-state bodies in the area. The Council has established a local economic development partnership to establish a more integrated local approach, involving the business community. In addition, it has played a leading role in establishing a local partnership under the European Union special programme for Peace and Reconciliation, which

will provide funding to target some of the socially excluded groups and work with the local community.

### ***Fingal County Council***

Fingal covers an area of 450 square kilometers on the northern fringes of Dublin City and, until December 1993, was part of the single County Council of Dublin. It is a diverse area with agricultural and coastal areas in the north and east, urban areas in the south and accommodates Dublin Airport within its borders. Having been an entirely rural area with a population of somewhere between thirty and forty thousand people until 1970, the population has quadrupled to over 160,000 people in the subsequent thirty years. The 2006 census stated the population of Fingal at 239,813. The area has become increasingly urbanised, particularly in the areas bordering on Dublin City. Growth and expansion of the city of Dublin resulted in the development of significant quantities of 'overspill' housing in Fingal, yet there has remained a paucity of local employment opportunities and poor infrastructure to compensate. During the last fifteen years, there has been significant improvement in the economic situation in Fingal as a result of the 'Celtic Tiger'<sup>6</sup>. Yet Fingal still faces continued rapid population growth, large-scale residential development and significant infrastructure problems, especially concerning transport. There have been numerous activities aimed at supporting the social economy in the last ten years and Fingal County Council has supported a number of social enterprises through its Community, Culture and Sports Department and the Property and Economic Development Department.

### ***Municipality of Getafe***

Getafe is located to the south of the metropolitan area of the autonomous community of Madrid. It has an area of approximately 78.5 square kilometres, and is located some 13 kilometres from Madrid. Access to the municipality is quite good given that Getafe is located between the N-IV, the

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<sup>6</sup> The Celtic Tiger was a name given to the Republic of Ireland during the years of rapid economic growth between 1998 and 2001.

Andalucía freeway, and the N-401, the Toledo freeway, and is segmented by the two major ring-roads accessing the capital, the M-50 and the M-45. The two railroad lines have five stations and 19 bus lines provide service to Madrid, other municipalities, and neighbouring cities. The eight "Metrosur" stops provide access to other municipalities south of Madrid, while the Metro, or subway, not only links the city with Madrid but also with the Cercanías (local trains) network, which is one of the major channels for reaching the capital. Currently, the municipality is structured around nine residential neighbourhoods and has seven civic centres; all provide free access to the Internet and various cultural and social activities for its citizens.

### Survey findings

Four Edge Cities Network partners returned information on the number of social enterprises in their geographic areas of responsibilities. The total number of identified social enterprises was 312 (the total population). There was an imbalance in the distribution of the population across the partner areas with Getafe making up 75% of the total population and the other three partners making up the remaining 25% (see Table 5.1).

**Table 5.1 - Total number of social enterprises and breakdown by area**

Partner area	Frequency	Percent
Croydon	31	9.9
Fingal	32	10.3
Getafe	234	75.0
North Down	15	4.8
<b>Total</b>	<b>312</b>	<b>100.0</b>

There range of activities undertaken by the social enterprises can be seen from Table 5.2 to have been very broad indeed. The three activities mentioned most frequently as the most important among their activities included 'education and training' (12.2% of organisations), 'Management and consultancy services' (8.7%) and 'social service provision' (7.7%).

**Table 5.2 - Main activity conducted by social enterprises identified**

Category	Frequency	Percent
Main Activity		
Arts and crafts	2	.6
Catering	5	1.6
Clothing and apparel	4	1.3
Community development	17	5.4
Construction and building	15	4.8
Education and training	38	12.2
Electronic equipment manufacturing	14	4.5
Enterprise support	6	1.9
Event management, travel	22	7.1
Gardening	11	3.5
General services/manufacturing	13	4.2
Graphic design	5	1.6
Hostel accommodation	17	5.4
Information services	13	4.2
Joinery/fabrication	6	1.9
Management and consultancy service	27	8.7
Motor repairs and service	3	1.0
Photographer	2	.6
Printing	1	.3
Property management	1	.3
Recruitment agency	6	1.9
Recycling, environmental and health services	13	4.2
Repair of domestic electrical goods	4	1.3
Retail outlet	18	5.8
Savings and loans	15	4.8
Social service provider	24	7.7
Sporting body	2	.6
Transport and courier service	8	2.6
<b>Total</b>	<b>312</b>	<b>100.0</b>



Table 5.3 attempts to shed greater light on this profusion of prime operations by allocating their main activities into categories and listing the top ten types of activity undertaken by social enterprises across all partner areas.

**Table 5.3 – Top ten main activities conducted by social enterprises examined**

Main activity	Number	% of population
Education and training	38	12.2
Management and consultancy services	27	8.7
Social service provider	24	7.7
Event management and travel arrangers	22	7.1
Retail outlets	18	5.8
Community development	17	5.4
Hostel accommodation	17	5.4
Construction and building	15	4.8
Savings and loans	15	4.8
Electronic equipment manufacturing	14	4.5

Considering the remit of social enterprises to provide services to specific target groups or communities of interest, some of the top ten categories are not surprising. These education and training providers, including childcare, the provision of social services, community development, hostels, and savings and loans, all of which were credit unions appear to be common to social enterprises in many countries. Similarly, it would be expected that retail outlets would be of significance as many charities use retail outlets to recycle goods, clothes, books etc. as a source of income. The other categories, including management and consultancy services, event management and organisers of special travel events, construction and building and electronic equipment manufacturing, are all related to co-operatives in Getafe. What this analysis demonstrated was the breadth and scope of social-economic activity and the potential for the development of new social-economic activity in areas with a less well-developed social economy.

In order to examine the breadth and scope of the social economy in Fingal as compared to the other partners, Table 5.4 outlines the number and proportion of social-economic activity categories in each partner area.

**Table 5.4 - Number of categories in which there is social economic activity by partner area**

Partner area	Total number of categories in which there was social economic activity	% Categories in which there was social economic activity
Croydon	13	46.4
Fingal	7	25
Getafe	22	78.6
North Down	10	35.7

Of the 28 categories identified in Table 5.2, the social enterprises in Fingal were involved in the smallest number of categories, engaging in only 7 of the total number of categories identified. Taking Fingal and Croydon for comparison, both had similar numbers of social enterprises, Croydon having 31 and Fingal having 32, yet the social enterprises in Croydon operated in nearly twice as many categories (13) as did Fingal (7). In the case of North Down, a borough with less than a third of the total population of Fingal and less than half the number of social enterprises, it was nevertheless engaged in a greater diversity of activities. In contrast, social enterprises in Getafe were involved in no fewer than 22 types of activity. Indeed, many of the categories of activity related solely to the case of Getafe and were not present in any of the other three area. Thus, it would appear that the social economy in Fingal was more narrowly focused as compared to any of the other areas examined.

Table 5.5 summarises the legal structure adopted by the social enterprises in each of the partner areas.

**Table 5.5 - Cross tabulation of legal structure of social enterprises by partner area**

		Partner area				Total
		Croydon	Fingal	Getafe	North Down	
Legal structure	Cooperative	3	0	234	0	<b>237</b>
	Ltd by guarantee	18	21	0	15	<b>54</b>
	Credit union	4	11	0	0	<b>15</b>
	Community group	6	0	0	0	<b>6</b>
<b>Total</b>		<b>31</b>	<b>32</b>	<b>234</b>	<b>15</b>	<b>312</b>

Table 5.5 demonstrates the clear difference between Getafe and the other three areas. This reflected back to the discussion in Chapter 2 of the differences between the Anglo-American definition and the continental European definition of the social economy. Getafe operates in a Spanish social-welfare system which had, until recently, been underdeveloped. Thus, it can be postulated that community and voluntary organisations in Getafe did not have access to the levels of funding available to voluntary and community groups in Ireland and the United Kingdom. As a result, social enterprises may have been established as co-operatives and fully self-sustaining in response to this lack of public funding. The other three areas had access to higher levels of government funding in the social services area. Thus as Fingal, Croydon and North Down were more similar, it was necessary to exclude Getafe from further discussion, as it was skewing the figures and did not provide a useful comparative analysis with the social enterprises in Fingal.

**Table 5.6 – Crosstabulation of main activity of social enterprise by partner area**

		Partner area			
		Croydon	Fingal	North Down	Total
Main Activity	Gardening	1	0	0	1
	Information services	0	1	1	2
	Arts and crafts	1	0	1	2
	Catering	2	0	0	2
	Community development	5	5	1	11
	Education and training	4	4	3	11
	Enterprise support	2	3	1	6
	Management and consultancy service	1	0	1	2
	Printing	0	0	1	1
	Property management	0	0	1	1
	Recruitment agency	1	0	0	1
	Recycling, environmental and health services	2	0	1	3
	Retail outlet	2	0	0	2
	Savings and loans	4	11	0	15
	Social service provider	5	6	4	15
	Sporting body	0	2	0	2
	Transport and courier service	1	0	0	1
	<b>Total</b>	<b>31</b>	<b>32</b>	<b>15</b>	<b>78</b>

In Table 5.6 a cross tabulation was conducted between the main activity of the social enterprises and the partner area. The first thing to note was that, when Getafe was excluded, there were only 17 categories compared to the 28 categories in Table 5.2. The largest number of social enterprises identified in Fingal were the credit unions (savings and loans), followed by social service providers, community development organisations and education and training providers.

Table 5.7 provides a cross tabulation between the legal structures of the social enterprises versus partner area. When the credit unions were excluded, as they have a common and specific legal formation in both jurisdictions, the company limited-by-guarantee was the most used legal form

in all three areas: 100% of non-credit unions in Fingal and North Down and 66.6% in Croydon. Another point to emerge was that the social enterprises in both Fingal and North Down were all formalised and incorporated as a legal entity and only Croydon had unincorporated social enterprises.

**Table 5.7 – Crosstabulation of legal structure of social enterprise by partner area**

	Partner area			
	Croydon	Fingal	North Down	Total
Legal structure				
Ltd by guarantee	18	21	15	<b>54</b>
Community group	6	0	0	<b>6</b>
Cooperative	3	0	0	<b>3</b>
Credit union	4	11	0	<b>15</b>
<b>Total</b>	<b>31</b>	<b>32</b>	<b>15</b>	<b>78</b>

Table 5.8 shows the ownership of the social enterprise, as identified by the organisation itself, by the partner area. Overall, 74.4% identified that their organisation was owned by a voluntary board (consistent with the predominance of the company limited-by-guarantee structure). 13 credit unions identified themselves as being owned by their members, which was technically correct. One social enterprise in Croydon was owned by a religious organisation (a Muslim-faith café).

**Table 5.8 – Crosstabulation of social enterprise ownership by partner area**

	Partner area			
	Croydon	Fingal	North Down	Total
Ownership				
Employees	2	0	0	<b>2</b>
Members	2	11	0	<b>13</b>
Part of local organisation	1	0	0	<b>1</b>
Part of national organisation	1	0	1	<b>2</b>
Proprietor	1	0	0	<b>1</b>
Religious organisation	1	0	0	<b>1</b>
Voluntary board	23	21	14	<b>58</b>
<b>Total</b>	<b>31</b>	<b>32</b>	<b>15</b>	<b>78</b>

Table 5.9 shows the main income source of the social enterprises by the partner area in which they were located. Croydon had a majority of its social enterprises having traded income as their main income source, with a further 29% identifying grant aid as their main income source. North Down had a broader spread of main income source. Here, 8 social enterprises had income from combined public-sector contracts from local authorities and social services as their main income source (53.3%). North Down also had a third of its social enterprises identifying traded income as their main income source. In Fingal the main income source identified by social enterprises which were not credit unions was intermediate labour-market programmes (81%). Apart from the 11 credit unions (all of which were self funding and generated their main income from members' deposits) only 3 other social enterprises in Fingal had traded income as their main income source. It appeared that the social enterprises in Fingal were heavily reliant on labour-market programmes like the Community Employment and Full-time Job Initiative programmes for operational funding.

**Table 5.9 – Crosstabulation of main income source of social enterprise by partner area**

		Partner area			
		Croydon	Fingal	North Down	Total
Main income source					
	ILM	0	17	0	17
	grant aid	9	0	2	11
	local authority	3	1	4	8
	social services	1	0	4	5
	traded	18	14	5	37
	<b>Total</b>	<b>31</b>	<b>32</b>	<b>15</b>	<b>78</b>

Table 5.10 reveals the percentage of traded income of the social enterprises in each partner area. When the 11 credit unions were removed from the analysis for Fingal, 54.1% of social enterprises in the county had a traded income of less than 25% of total income. Another 28.6% of social enterprises had a traded income level between 25% and 50% of total income. Thus 82.7% of the social enterprises in Fingal, who were not credit unions, had a traded income less than 50% of total income and could be described as demand-deficient. In North Down 60% of social enterprises had a traded income of less than 50% of total income and in Croydon only 42% of social enterprises had a traded income less than 50% of total income. Thus, both Fingal and North Down had a majority of demand-deficient social enterprises, again excluding credit unions. This was mirrored when the number of social enterprises with a traded income greater than 75% (including those with 100% of traded income) of total income were examined. Again excluding credit unions, Fingal had only 3.1% of social enterprises in this category, North Down had 26.6% and Croydon had 58%. Thus only in Croydon was there a majority of social enterprises identified which could be described as self-sustaining.

**Table 5.10 - Crosstabulation of partner area by percentage of traded income of social enterprise**

		Traded income percent					Total
		100%	>75%	>50%	>25%	<25%	
Partner area	Croydon	2	16	0	4	9	<b>31</b>
	Fingal	12	0	2	6	12	<b>32</b>
	North Down	4	0	2	3	6	<b>15</b>
	<b>Total</b>	<b>18</b>	<b>16</b>	<b>4</b>	<b>13</b>	<b>27</b>	<b>78</b>

Table 5.11 displays the number of employees in the social enterprises in each partner area. Overall 52.6% of social enterprises examined had employee numbers between 10 and 49. In Fingal this percentage was 68.8% and in North Down it was 66.6%, both relatively similar characteristics. Both Fingal and North Down had very low use of volunteers. While North Down had no social enterprises using volunteers and in Fingal only 9.4% of social enterprises did so, the figure was much higher for Croydon at 45.2% of social enterprises using volunteers. The previously identified high dependence of social enterprises on labour-market programmes may account for the low use of volunteers in Fingal, as the social enterprises can access paid labour through these programmes.



**Table 5.11 - Crosstabulation of number of employees of social enterprise by partner area**

		Partner area			
		Croydon	Fingal	North Down	Total
Number employees	1-4	2	0	2	<b>4</b>
	5-9	3	3	3	<b>9</b>
	10-14	4	5	4	<b>13</b>
	15-20	3	8	4	<b>15</b>
	21-49	2	9	2	<b>13</b>
	50-99	2	3	0	<b>5</b>
	>100	1	1	0	<b>2</b>
	all volunteers	14	3	0	<b>17</b>
	<b>Total</b>	<b>31</b>	<b>32</b>	<b>15</b>	<b>78</b>

## Summary

The main reason for undertaking this comparative study within the field research was to test social origin theory (Salamon and Anheier, 1998) and the social, cultural, political, historical and institutional moorings of the social economy within its country of origin (Salamon and Anheier 1998; Lewis, 2000; Evers and Laville, 2004; Anheier, 2005). The ECOTEC (2001) evaluation of the Third System and Employment Programme (TSEP) noted:

'One perhaps disappointing aspect of the Pilot Action is that there are few examples where production models originated in one project show much likelihood of being adopted by other organisations or by other sectors...the contextual specificity of projects, combined with the lack of clear focus on the input and output equation has in practice undermined the wider replicability of the individual models which were put into operation.'

(ECOTEC Research and Consulting, 2001, 71)

One could conclude that the inability to replicate successful social enterprise models might be the result of the specific social, cultural, institutional, political and historical factors in each country. This survey might lend support such a conclusion. The difference between the continental European definition of social enterprise and the Anglo-American definition was visible in the differences between Getafe and the other three areas . Getafe was clearly

operating in the continental European model with all the identified social enterprises being co-operatives (Crossan, Bell and Ibbotson, 2003, 3-4; Delors, 2004, 206-215; Teague, 2007, 92). The other three areas: Fingal, North Down and Croydon, all fell within the Anglo-American model with more emphasis on the not-for-profit characteristic entailed in the company limited-by-guarantee legal structure adopted by most non-credit unions (Weisbrod, 1998c; Defourney, 2001; Ben-Ner and Gui, 2003; Kerlin, 2006). Fingal fell within the Anglo-American model. In some respects Fingal had more in common with North Down than North Down had with Croydon. As both North Down and Croydon are within the United Kingdom this demonstrated that political factors may be less important than cultural factors, Fingal and North Down being both on the island of Ireland. Institutionally, all three areas had similar historical roots within the British Empire and had relatively similar legal institutions and codes. Thus historical, legal and institutional factors could not explain the differences between the three areas. Social and cultural factors seem more likely explanations for the differences seen.

The survey also provided a broad picture of social enterprises in Fingal. Fingal had a high prevalence of credit unions and these credit unions were larger, more self sufficient and professionally staffed compared to the majority of other social enterprises in the county. Apart from this, the other social enterprises appeared predominantly demand-deficient and reliant upon grant aid, including access to labour-market programmes, for their sustainability. Of the social enterprises in Fingal which were not credit unions, fewer than 10% had a traded income comprising more than 75% of total income. The social enterprises operated in a narrow scope of social enterprise activity, considerably narrower in scope than the primary range of operations undertaken by social enterprises in any of the other areas examined. This reliance on state funding resulted in all social enterprises in Fingal being legally incorporated, with all non credit unions being established as companies limited-by-guarantee.

The next chapter will examine the views of policy and decision makers within the Irish system with regard to social enterprise.