Community Wealth, Community Dividend, and Community Control: Towards Shared Ownership

With an abundance of respect to all contributors towards the policy, it is difficult to read without deep regret on the proposed direction. It is also necessary in the interests of the public record to gently refute the perception that there exists no significant volume or strength of view towards an alternative definition of social enterprise. While we do not expect the current direction of policy to be affected, we are here stating a number of widely-held international definitions that the proposed policy deviated from in orientation, and outline their potential consequences.

The draft policy appears selective in its own awareness of the scope and diversity of social enterprise. Specifically, a lacuna exists in the recognition of the existence of the global Solidarity Economy, that “[i]t involves citizens acting collectively and in solidarity for democratization of economy and society, including producers, workers, and consumers.”[1]

These values do not appear immediately evident within the proposed policy, which effectively limits social enterprise to a charitable trustee-beneficiary relationship, to the detriment of more egalitarian governance models. To quote the United Nations Economist Network, Social and Solidarity Economic actors

‘aim to transform the economic operating system into the ones based on such values as participatory democracy, solidarity, equity, human and Earth rights, self-determination, mutuality and cooperation. All SSEOESs emphasizes human social values and ethics in economic activity and relations, and economic practices built upon democratic governance and self-management, reciprocity, solidarity, and active citizenship’

Similarly, per the EU definition of social enterprise, the recognised component of democratic and participatory governance is unfortunately most notable by its absence. The Irish government now has the last chance to publicly show it's commitment to support democratic values, and the internationalist tradition of the Solidarity Economy.

Lastly, in a postcolonial irony, the policy has not exploited the successes of the historical tradition of social enterprise embodied by the Cooperative movement - which predates the establishment of the Irish State, let alone European policy and funding. The specific societal impact of cooperativism emerges from common ownership and participatory management, and this linkage is about to be severed in Irish social enterprise policy.

We argue that there is a lost opportunity to celebrate the authentic and indigenous movement of economic emancipation and community resilience that has both enshrined democratic norms into the fabric of our society, and nurtured a culture of solidarity and community response to common needs throughout the history of our shared island.

---

[1] https://www.un.org/sites/un2.un.org/files/social_and_solidarity_economy_29_march_2023.pdf

An unintended consequence of the narrowness of the definition is in it's limitation on the investment and innovation potential of the sector, and on the specific characteristic of social and solidarity enterprise of equitably balancing between the needs of People, Planet, and Profit - the 'Triple Bottom Line'[2]. Instead, in the phrase 'social, societal, and environmental' - we read the absence of economy, and of fair and equitable profit. While we do not dispute the industry of the Irish charitable sector, we assert that there is an entire ecology of social enterprise that current and intended policy unintentionally elides, and must express deep concern that it actively excludes many approaches and groups.

At an individual level, there exist significant tensions for social entrepreneurs - as neither fish nor fowl, social entrepreneurs have fallen between two stools as a result of de facto policy, which effectively requires a fully charitable orientation to access funding streams. This requires founders, the risk-takers and first-movers of the sector, to choose between loss of control of the company they found, to seek elaborate workarounds as 'Irish solutions to Irish problems', or to refuse to enter or to remain in the sector. This negatively affects efficiency, equity, and sustainability, by making the sector comparatively unattractive compared to either the rewards of purely private enterprise, or the security of a more public vocation.

At an enterprise level, by excluding the potential for fair return, internationally successful models such as Community Benefit Shares and Community Wealth Building are inadvertently designed out. Without the ability to retain capital for reinvestment, and to provide fair returns to community investors, an economically dependent orientation is enshrined. This is in contrast to, for example, the UK models of Community Interest Companies and Community Benefit Societies, which have played a vital role in the growth and impact of social enterprise in the UK. It is notable that in these corporate forms directors can derive a living wage from their enterprise, *and* accept equity investment.

'The 'new style' social enterprises are seeking to better integrate social mission with entrepreneurial activity. Here the interest is in making a profit as a means of reinvesting and furthering the social mission [...] Profits are therefore an *essential element* of the business model'[3]

A key differentiator of social enterprise in international and European context, and a key driver of sectoral innovation, is the development of market-led solutions that achieve social outcomes *in addition* to a financial return. By requiring social enterprise to allocate all surplus charitably, the sector will be limited to, and indistinguishable from, a trading subsection of an existing charitable sector. Such a move would achieve a chilling effect on sectoral innovation in Ireland, and residualise social enterprise to high levels of grant dependency as opposed to market orientation and community ownership.

At the level of the supply chain - given the onerous nature of charitable status - the policy will reduce diversity of thought and representation in the sector as it imposes a considerable barriers to entry, both in terms of organisational form and scale, along with lead time to ship new and innovative products and services to market. This will also have the unintended

---

[2] https://www.economist.com/news/2009/11/17/triple-bottom-line
[3] European Commission. Directorate-General for Employment, Social Affairs and Inclusion, (2015:40)

consequence of restricting broad participation in favour of sectoral consolidation, and increased dependence of existing market incumbents on state supports as their primary mode of operation.

The current de facto limitation of social enterprise supports to the charitably-oriented organisations has made the sector less than attractive through the lack of conventional reward for entrepreneurial founders. This particularly impacts those of more marginalised backgrounds, who may lack the privileges required for prolonged engagement in the duties of trusteeship, or be expected to undertake obligate voluntarism. Conventional strategies to provide training do not address this structural disadvantage at its root.

Similarly, beneficiary groups are often effectively excluded from exerting governance over the organisations whose explicit objects are to serve them, raising equity and inclusion considerations. This constricts the pipeline of new innovation - especially that based directly on user needs and choices - and considerably residualises representation functions, which raises concerns at operational levels of management information systems, along with raising risks of governance drift from beneficiary priorities.

While no one can dispute the industry of Ireland's charitable sector, the explicit limitation of social enterprise to a subset of this sector - ‘charities with a trading component’ - constitutes a lack of recognition of the complex realities of existing and historical practice, and a refusal to reward community wealth creators. Trusteeship, by its own terms, should not and cannot be a pathway to a sustainable livelihood.

The EMES International Research Network also clarifies the distinction between social enterprise and conventional voluntary activity with the following criteria:

‘a continuous activity producing goods and/or selling services; a high degree of autonomy; a significant level of economic risk; a minimum amount of paid work; an initiative launched by a group of stakeholders; a decision making process not based on capital ownership; a participatory nature, which involves the persons affected by the activity; *limited* profit distribution; and, an explicit aim to benefit the community.’[4]

We would also cite the European Commission operational definition:

‘those whose profits are *mainly* reinvested to achieve this social objective’ and that ‘uses its profits *first and foremost* to achieve its primary objective and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners, in order to ensure that any distribution of profits does not undermine the primary objective’.[5]

[4] www.emes.net

[5] European Commission, Thematic Guidance Fiche: Social Economy and Social Enterprises (Thematic objective 9), 2014 https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_social_economy.pdf

In short, international definitions are clear on the distinction: social enterprises may be profit-making entities, but may not be profit-maximising - they may *distribute profit*, but they may not be *primarily* profit distributing. This nuanced distinction does not appear to be well-understood - we presume from concerns in relation to asset-locking, despite these issues being adequately managed within such mechanism as Community and Member Capital differentiation within the UK context, or indeed present under the preceding policy Forfas (2013) definition of 51%.

We therefore propose three linked actions to address these salient issues, implementable within existing standards and the presumed direction of the forthcoming policy, to mitigate against these concerns. The interventions have three level of implementation that is Individual, Organisational, and Entrepreneurial Ecology respectively, and could be implemented as stand-alone modules or in an integrated manner.

1: Individual Level:

This measure primarily addresses the needs of Policy One: Awareness, and Policy Two: Growing Social Enterprise

To grow the pipeline of new entrants to social enterprise, and support existing practitioners, we propose the establishment of a Basic Income for Social Entrepreneurs, following the good practice example of the pilot of the Basic Income for the Arts - or indeed earlier innovation such as the Cnuas - as recognition of the substantial socioeconomic contributions of the profession.

An ideal scheme would have three components. Firstly, a cohort by sortition lottery, in the interests of equity. Secondly, a cohort selected by expert judges, to best integrate the wisdom of established parties. Thirdly, a cohort to be elected by the peer community of social enterprise practitioners, to gather market signals.

This measure would provide national and international visibility and awareness to Ireland's social enterprise sector, grow the pipeline of practitioners from the ground up, and provide needed recognition of the value social enterprise provides.

2: Enterprise Level

This measure primarily addresses the needs of Policy Objective Two: Growing Social Enterprise, and Policy Objective Four: National and International Engagement

In the spirit of cooperativism, we propose the development of a multistakeholder cooperative with Objects of developing social enterprise. The needs of social enterprises are best understood by social entrepreneurs themselves, so a member-owned support cooperative would be an elegant solution.

This organisation would provide direct supports to people who are engaged in social enterprise, and provide shared administration functions for like-minded organisations within a ‘Virtual Company’ model for early-stage social enterprises, reducing startup costs and delay in deploying.

We propose that the entity be established as a Eurocoop/Societas Cooperativa Europeana, with articles reflecting the EU Commission definition of Social Enterprise, to ensure harmonization with EU norms and to engage the transnational social enterprise and impact investment communities.

3: Entrepreneurial Ecology

This measure addresses primarily the needs of Policy Objective Four: National and International Engagement Policy Objective Five: Data Collection and Impact Analysis

To address Grand Challenges and polycrises, we advocate for a mission-based approach,[6] where commissioners set high level goals, and allow alliances to cocreate workable solutions. Given the multi-stakeholder complexities and unpredictable outcomes of authentic innovation, we suggest the sector embrace the transformative potential of Social Outcomes Contracting, through engaging with the EIB.

‘Social outcomes contracting is an innovative form of procuring social services based on outcomes rather than outputs. Social outcomes contracting offers new opportunities for combining and directing public and private resources towards positive social impact. Typically, in SOC operations the service provider’s compensation is linked to a measurable social impact rather than to a specific set of tasks.’

Development support, advice on existing best practice, and support in outcomes-based commissioning, including co-devising robust metrics for success, is available free of charge to public authorities from the Advisory Platform for Social Outcomes Contracting - a joint initiative of the European Commission and the European Investment Bank Group.

Social outcomes commissioning based on commonly co-produced metrics offers the opportunity to align and discipline supply chains towards strategic aims, and address the managerial load of coordinating individual suppliers. Shared incentive structures consensually agreed by users, providers and commissioners serve to align incentives from more ‘command-and-control’ grant or contract arrangements based on set levels of provision, towards methods such as alliance or gainshare contracting, with the potential for multistakeholder shared value and co-benefits across silos and organisations grounded in transparency and mutual oversight.

[6] https://marianamazzucato.com/books/mission-economy