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Defining an Asian Social Economy: Valuating the Social Sector

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DEFINING AN ASIAN SOCIAL ECONOMY

VALUATING THE SOCIAL SECTOR

While the social impact of the social economy is clearly understood and welcomed by Asian governments, the sector's contribution towards national measures of Gross Domestic Product operates along indistinct lines, and is often undervalued. **Jared Tham** considers the terminological definition for the future purpose of measuring and establishing its economic value.



Jared Tham has worked on all the major projects at the Lien Centre in the past five years. These include managing the iLEAP Professional Course for Non-Profit Leaders, being a research assistant for the Contextualising CSR in Asia research, and serving as conference manager for Social iCon, the flagship event of the Lien Centre. A connector for the social sector, he enjoys working across various issues and fostering collaborations among different organisations.

THE NEED FOR A DEFINITION

The term “social economy” is less well-known in Asia, but has been widely discussed worldwide and introduced into economic and social policies in countries in Western Europe and North America.¹ It is also variously known as the third sector (in the United Kingdom), civil economy, or solidarity economy (from the French *économie sociale et solidaire*).

Beyond being an esoteric term, the concept of social economy represents an attempt at a wider definition of the non-profit sector, beyond registered charities, to incorporate other parts of the social change ecosystem, such as the social enterprise and cooperative sectors, which are by default excluded from definitions of the non-profit sector.

The question of definition is a critical one, because the varying usages of this term has led to a general lack of clarity globally on just where its boundaries lie. Definitional clarity is necessary to help establish its value beyond a loose conceptual framework.

The value of a social economy

A definition would help to firmly recognise the sometimes nebulous contribution of the sector towards national measures of Gross Domestic Product (GDP). This definition is especially key in Asia, where there is perhaps a stronger need for governments to demonstrate how the investment of public funds into a sector can translate into actual economic impact for a country, and not just social impact.

It is for this reason that certain Asian governments have set up initiatives to support the growth of the social enterprise sector, which is understood as a structure



which achieves both social outcomes and contributes to economic growth, even if without the scale that most corporates are able to achieve. Examples of this include the Thai Social Enterprise Office,² the Seoul Social Economy Network,³ as well as the ComCare Enterprise Fund⁴ in Singapore.

Defining the social economy

The European Commission in their process of defining social economies and hence social innovation, has arrived at a typology for the four types of a social economy:⁵

TYPE	DESCRIPTION	EXAMPLES
Tax-exempted status	Organisation is proven to be mission driven due to the tax-exempted status which is given for organizations fulfilling or aiming at a social and/or ecological purpose.	Non-profit organisation, charity
Mission driven legal forms	Organisation is proven to be mission driven due to a legal form that is only accessible for organisations fulfilling or aiming at a social and/or ecological purpose	Community Interest Company ⁶ (CIC), Low-profit limited liability company ⁷ (L3C)
Inherent legal characteristics	Organisation is proven to be mission driven due to a legal form that shows characteristics that either give hints to mission driven operations or democratic governance.	Co-operatives
For-Profit Social Goal Organisations	Organisation has a for-profit legal status, but is strongly committed to a social mission. Often a tax-exempt status is not possible due to legal constraints.	GEPA ⁸

Table 1: Four types of social economy in Europe

THE ASIAN DEFINITION

In the Asian context, there is great overlap in the examples that are being described, although the exact typology may differ. For example, CICs and L3Cs are distinctly UK and US inventions, respectively. And what is termed as For-Profit Social Goal Organisations, are also broadly known as “social enterprises.”

For the purposes of this article, the Asian social economy broadly comprises the community and social enterprise sectors, which themselves encompass various entities within:

TYPE	DESCRIPTION	EXAMPLES
Community sector	Organisations active on a local or community level, usually small to medium in size and modestly funded.	Social service agencies, charities, non-profit organisations, self-help groups and philanthropists.
Social enterprise sector	Organisations which are businesses with primarily social objectives.	For-profit and non-profit social enterprises, social businesses, workers' cooperatives, fair trade organisations, microfinance institutions, and impact investors.

Table 2: Asian forms of social economy

Some definitions are wider, and include elements of the public sector, whose values and goals have much in common with those of the non-profit sector (through socially-focused activities), market economy (through corporate social responsibility, to give an example) as well as the informal economy of the household.⁹

It is therefore useful to make a distinction between the social economy, and the public and private sectors, because such an approach provides legitimacy to this sector as a significant sphere of economic activity.

THE DIFFICULTY WITH SOCIAL ENTERPRISES

It is for this reason that the social enterprise sector presents some definitional issues, since it strictly belongs to the private sector, although it seeks to create social change. Even if there is agreement that social enterprises are part of the private sector, defining whether an enterprise is really a social enterprise as defined by its mission presents further definitional issues. Non-profit organisations do not present such issues, since they are generally registered as non-profits or as charities.

As he suggests, all forms of social enterprises, both for-profit and non-profit, would fit into this version of the social economy. Conversely, the “family economy”¹¹ and the “grey economy”¹² would not fall under this categorisation, due to their informal status.

John Pearce provides a useful diagram¹⁰ to help us understand where the remit of the social economy lies (see Figure 1):

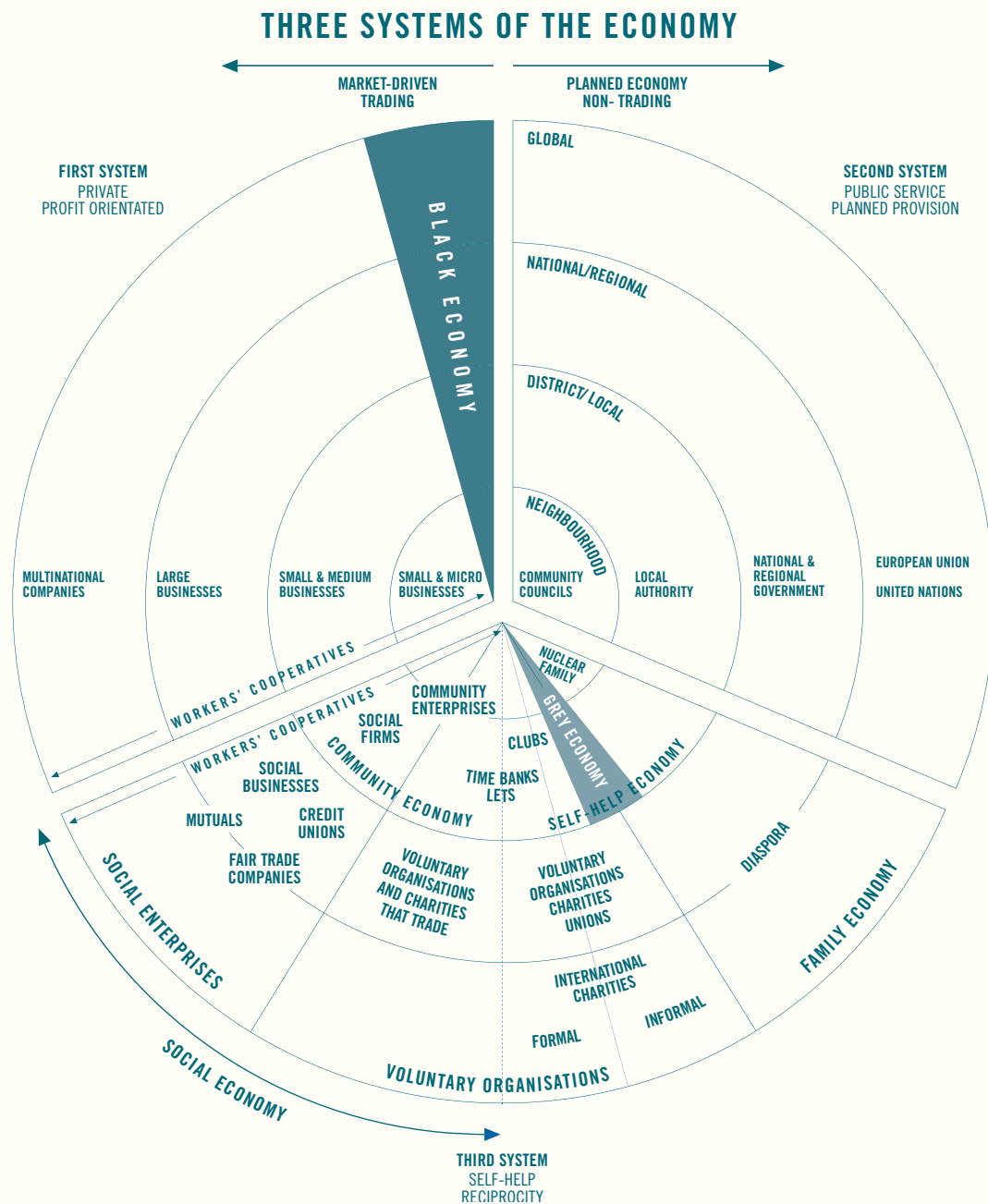


Figure 1: Diagram by John Pearce

ORGANISATIONS THAT INTERACT WITH THE MARKET

There is also a line drawn between two types of voluntary organisations and charities, depending on whether they trade. This differentiation is useful, because it distinguishes between these organisations, depending on whether they “trade”, ie. interact with the market economy. Those which do trade are considered part of the market economy.

After all, voluntary organisations and charities do contribute to a country’s GDP in three ways, apart from the inherent social value that they create:

- Employment of staff, who pay taxes to the government.
- Employment of staff, who then use their salaries to purchase goods and services from the market.
- The running of an organisation, which in the process of achieving their goals, utilises their budget to purchase goods and services from the market.

These three elements make it possible to calculate the social economy’s contribution to GDP. The Center for Civil Society Studies¹³ provides a guide¹⁴ for this, which should be the sum of compensation paid to employees, the profits generated (if any), as well as the taxes paid (less subsidies).

Conversely, voluntary organisations and charities that do not “trade” as a significant part of their activities are excluded from this definition of the social economy, since there is likely no employment of staff (being manned by volunteers) and likely very little interaction with the market economy. Such groups could likely comprise self-funded religious groups, sports affinity groups and small art collectives.

While volunteerism contributes significantly to the effectiveness and efficiency of the non-profit sector, it is also a sphere of activity that is notoriously difficult to calculate and put into monetary terms, even on the organisational level, and therefore translate into contribution to GDP.

This specific focus on contribution to GDP may well be the defining feature of social economies in the Asian context, due to the increased need to quantify and compare the social sector’s importance relative to other sectors in the country, and correspondingly, how it should be budgeted for.



Seoul – a leading example

Within Asia, Seoul is perhaps the city considered the most progressive in articulating a social economy. This is in part due to its mayor Won-Soon Park, an independent candidate who was elected with a campaign slogan of “citizens are the mayor.”

Since his taking of office, the city of Seoul has launched the Social Economy Supporting Project, which aims to aid the recovery of the local economy through cooperation and mutually beneficial exchanges¹⁵. For example, in 2012, the Seoul City administration has committed up to 50 billion won (roughly US\$47 million) to primarily buying products from certified social enterprises to help their stability. In addition, it has also launched the Residents’ Participatory Budgeting System, a citizen-participatory budget plan that allows citizens to secure 50 billion won in 2013 for projects of their choosing.

The business sector has also directly invested in social outcomes through innovative mechanisms such as the social investment fund created by Seoul City to support cooperatives and social enterprises by matching the amount that businesses contribute.

THE SIZE OF THE SOCIAL ECONOMY

While there are no comprehensive studies that measure the size of the social economy in various countries (government agencies rarely categorise data on the non-profit sector separately), there are reference points from which we can draw some conclusions about the relative size of the social economies in various countries.

The main source for this kind of data remains the seminal Comparative Nonprofit Sector Project,¹⁶ a research project carried out by John Hopkins University’s Center for Civil Society Studies. This is the largest systematic effort ever undertaken to analyse the scope, structure, financing, and impact of nonprofit activity around the world.

A survey of the project’s comparative data tables¹⁷ yields some interesting results about the relative size of civil society organisation workforce compared to the economically active population in 36 countries:

COUNTRY	PAID STAFF	VOLUNTEERS	TOTAL
Argentina	2.93%	1.90%	4.84%
Australia	4.43%	1.90%	6.33%
Austria	3.84%	1.07%	4.92%
Belgium	8.62%	2.32%	10.93%
Brazil	1.43%	0.19%	1.62%
Colombia	1.79%	0.56%	2.36%
Czech Rep.	1.32%	0.72%	2.04%
Egypt	2.73%	0.08%	2.81%
Finland	2.42%	2.77%	5.25%
France	3.70%	3.75%	7.55%
Germany	3.54%	2.33%	5.89%
Hungary	0.94%	0.21%	1.15%
India	0.60%	0.76%	1.36%
Ireland	8.28%	2.15%	10.42%
Israel	6.61%	1.40%	8.00%
Italy	2.26%	1.49%	3.76%
Japan	3.19%	1.02%	4.21%
Kenya	1.29%	0.82%	2.11%
Mexico	0.26%	0.13%	0.40%
Morocco	0.72%	0.79%	1.52%
Netherlands	9.21%	5.07%	14.40%
Norway	2.69%	4.35%	7.20%
Pakistan	0.59%	0.40%	0.99%
Peru	1.55%	0.94%	2.50%
Philippines	0.68%	1.18%	1.88%
Poland	0.64%	0.17%	0.80%
Romania	0.35%	0.44%	0.79%
Slovakia	0.57%	0.24%	0.82%
South Africa	1.84%	1.59%	3.45%
South Korea	1.88%	0.55%	2.43%
Spain	2.82%	1.48%	4.31%
Sweden	1.74%	5.11%	7.10%
Tanzania	0.52%	1.54%	2.08%
Uganda	0.92%	1.33%	2.27%
United Kingdom	4.84%	3.63%	8.54%
United States	6.28%	3.49%	9.80%
Developing/ Transitional	1.18%	0.73%	1.91%
Developed	4.65%	2.71%	7.41%
36 Country average	2.72%	1.61%	4.36%

Table 3

Civil society sector workforce* as a percent of the economically active population, 36 countries, 1995–2000.

*excludes religious worship organisations.

Source: Lester M Salamon, S. Wojciech Sokolowski, and Associates, *Global Civil Society: Dimensions of the Non-profit Sector, Volume Two* (Bloomfield, CT: Kumarian Press, 2004).

Country-specific data, including data published after 2004 can be found in the Center for Civil Society studies publications database.

Looking solely at the paid staff figures¹⁸ for the five Asian countries which have been surveyed (India, Japan, Pakistan, Philippines, South Korea), we can see that the Asian country average (1.39 per cent) compares favourably to the developing/transition country average (1.18 per cent), although less so compared to the developed country average (4.65 per cent).

COUNTRY	PAID STAFF %
India	0.60
Japan	3.19
Pakistan	0.59
Philippines	0.68
South Korea	1.88
Asian average	1.39
Developing/ transitional country average	1.18
Developed country average	4.65

Table 4

These comparisons are not merely academic, as they are indicative of the size of the respective social economies in their countries. The percentages for the civil society workforce in Asian countries may seem small compared to the rest of their economy, but it is perhaps useful to note that they may someday reach the state of a country like the Netherlands (the overall best performer with 9.21 per cent), with close to a full tenth of its workforce making their living in civil society.

Also, while in relative terms, a civil society workforce of 0.6 per cent for India may seem meagre, in absolute terms (and assuming the size of India’s current population),¹⁹ this translates to a staggering 745 million individuals who could be actively employed in this sector.

INCOME OF CIVIL SOCIETY

The Comparative Nonprofit Sector Project also yields relevant data about the income streams of civil society as a whole in 36 countries:

COUNTRY	EXCLUDING VOLUNTEERS				INCLUDING VOLUNTEERS			
	GOVERNMENT	PHILANTHROPY	FEES	MILLIONS US\$	GOVERNMENT	PHILANTHROPY	FEES	MILLIONS US\$
Argentina	19.5%	7.5%	73.1%	\$13,321	16.2%	23.0%	60.8%	\$16,014
Australia	31.2%	6.3%	62.5%	\$19,810	25.4%	23.6%	51.0%	\$24,295
Austria	50.4%	6.1%	43.5%	\$6,262	41.3%	23.1%	35.6%	\$7,643
Belgium	76.8%	4.7%	18.6%	\$25,576	65.0%	18.1%	16.0%	\$29,773
Brazil	15.5%	10.7%	73.8%	\$11,390	14.5%	16.3%	69.2%	\$12,144
Colombia	14.9%	14.9%	70.2%	\$1,719	13.1%	24.9%	62.0%	\$1,948
Czech Rep.	39.4%	14.0%	46.6%	\$860	32.1%	30.0%	37.9%	\$1,056
Finland	36.2%	5.9%	57.9%	\$6,064	25.2%	34.6%	40.3%	\$8,722
France	57.8%	7.5%	34.6%	\$57,304	33.4%	46.6%	20.0%	\$99,234
Germany	64.3%	3.4%	32.3%	\$94,454	42.5%	36.2%	21.3%	\$142,887
Hungary	27.1%	18.4%	54.6%	\$1,433	26.2%	21.1%	52.7%	\$1,483
India	36.1%	12.9%	51.0%	\$3,026	24.9%	39.9%	35.2%	\$4,382
Ireland	77.2%	7.0%	15.8%	\$5,017	67.6%	18.6%	13.8%	\$5,732
Israel	63.9%	10.2%	25.8%	\$10,947	59.1%	17.0%	23.9%	\$11,842
Italy	36.6%	2.8%	60.6%	\$39,356	30.2%	19.7%	50.1%	\$47,647
Japan	45.2%	2.6%	52.1%	\$258,959	41.5%	10.7%	47.8%	\$282,314
Kenya	4.8%	14.2%	81.0%	\$404	4.3%	23.9%	71.8%	\$456
Mexico	8.5%	6.3%	85.2%	\$1,554	7.5%	17.9%	74.7%	\$1,774
Netherlands	59.0%	2.4%	38.6%	\$60,399	46.1%	23.9%	30.1%	\$77,391
Norway	35.0%	6.9%	58.1%	\$5,640	20.0%	46.9%	33.1%	\$9,895
Pakistan	6.0%	42.9%	51.1%	\$310	4.9%	53.1%	41.9%	\$378
Peru	18.1%	12.2%	69.8%	\$1,272	17.5%	14.7%	67.7%	\$1,310
Philippines	5.2%	3.2%	91.6%	\$1,103	3.1%	43.2%	53.7%	\$1,878
Poland	24.1%	15.5%	60.4%	\$2,620	22.8%	20.1%	57.1%	\$2,771
Romania	45.0%	26.5%	28.5%	\$130	20.5%	66.5%	13.0%	\$285
Slovakia	21.9%	23.3%	54.9%	\$295	21.3%	25.1%	53.5%	\$302
South Africa	44.2%	24.2%	31.7%	\$2,386	31.5%	45.9%	22.6%	\$3,346
South Korea	24.3%	4.4%	71.4%	\$19,753	21.6%	14.9%	63.5%	\$22,186
Spain	32.1%	18.8%	49.0%	\$25,778	25.2%	36.3%	38.5%	\$32,833
Sweden	28.7%	9.1%	62.3%	\$10,599	14.6%	53.7%	31.7%	\$20,805
Tanzania	27.0%	20.0%	53.1%	\$263	12.8%	61.9%	25.3%	\$552
Uganda	7.1%	38.2%	54.7%	\$108	5.5%	51.8%	42.7%	\$139
United Kingdom	46.7%	8.8%	44.6%	\$78,220	36.4%	28.8%	34.8%	\$100,186
United States	30.5%	12.9%	56.6%	\$566,960	25.6%	26.9%	47.4%	\$675,975
Developing/ Transitional	21.6%	17.2%	61.3%	-	16.7%	33.0%	50.3%	-
Developed	48.2%	7.2%	44.6%	-	37.5%	29.0%	33.5%	-
36 Country average	34.1%	12.5%	53.4%	-	26.5%	31.1%	42.4%	-

Table 5

Civil society sector sources of support, with and without volunteers, 34 countries, 1995–2000.

Source: Lester M Salamon, S. Wojciech Sokolowski, and Associates, *Global Civil Society: Dimensions of the Non-profit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004).

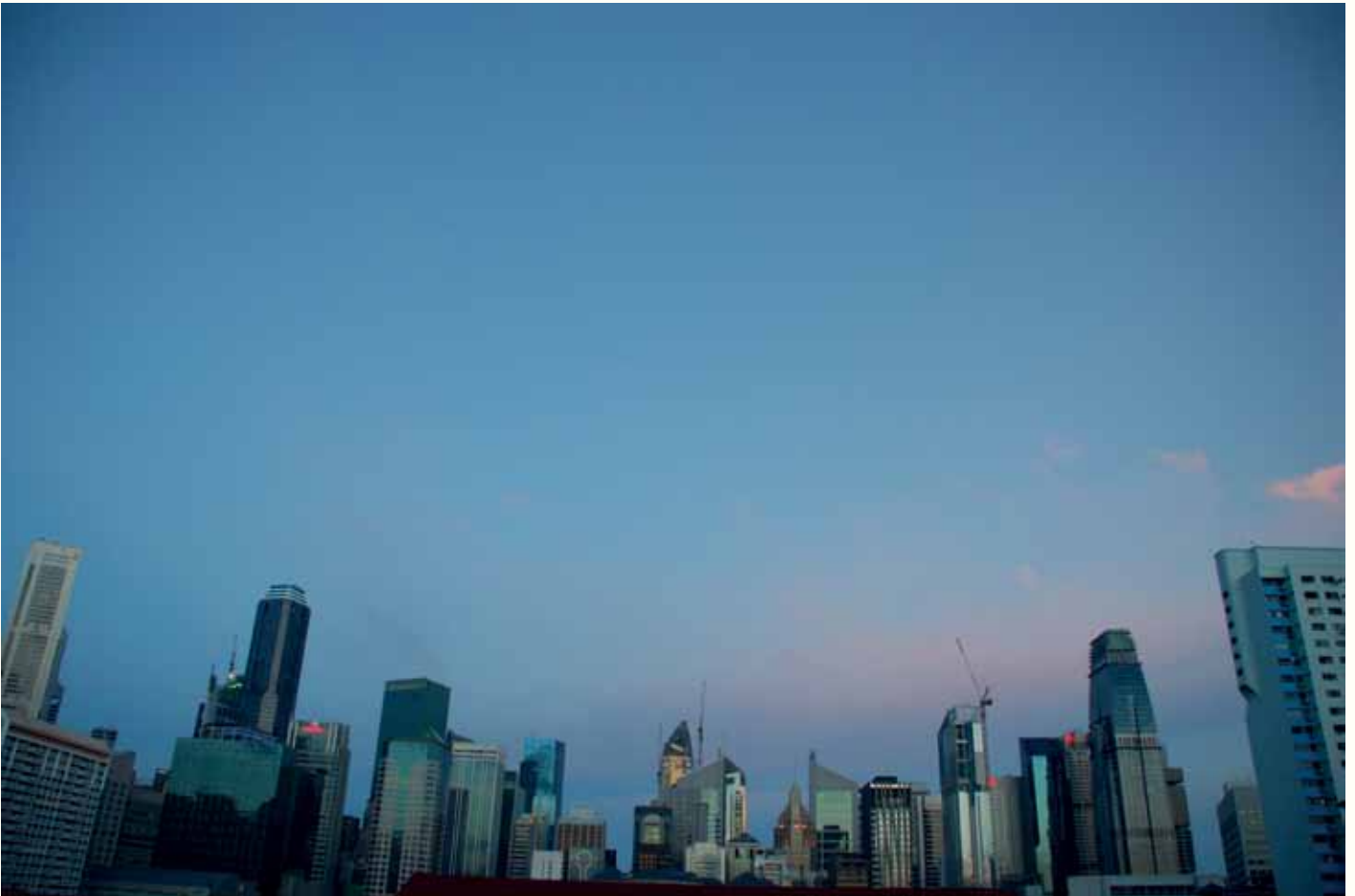
Country-specific data, including data published after 2004 can be found in the Center for Civil Society Studies publications database.

Once again, if we exclude volunteers from our calculations, we will see that for the five Asian countries, that there is great variance.

COUNTRY	MILLIONS US\$
India	3,026
Japan	258,959
Pakistan	310
Philippines	1,103
South Korea	19,753
U.S.	566,960

Table 6

While Japan is an outlier (eclipsed only by the U.S., whose civil society support is more than twice its size), and South Korea lies somewhere in size between Western Europe and Eastern Europe, Pakistan ranks fifth from the bottom in this ranking of 34 countries.



Singapore city skyline from People's Park Complex

A more recent study²⁰ also illuminates that these findings may have in fact been underestimated, because of the choice of data collection systems. This is so because in the standard national accounts data system, many of the largest non-profit institutions (NPIs) are grouped together with for-profit businesses or government agencies due to the fact that they receive substantial portions of their revenue from fees and charges or government payments, respectively.

As such, they disappear from view as NPIs. Reflecting this, the full NPI sector seen through the UN NPI Handbook²¹ lens is, on average, twice as large as that visible through standard official statistics. The changes are significant, with the size of Japan's NPI contribution to GDP (including volunteers) doubling from 2.0 per cent to 4.2 per cent, and that of Thailand's increasing from 0.5 per cent to 0.8 per cent.²²

The size of the social economy's contribution to GDP is also likely to grow. The study shows that on average, the NPI sector's contribution to GDP grew at an average rate of

5.8 per cent per year over the period from the late 1990s to the mid-2000s compared to 5.2 per cent for the economies as a whole in eight countries which were surveyed.²³

CHALLENGES

The critical issue is that the social economy, while it comprises many of the stakeholders which would comprise a social ecosystem²⁴, does not operate in the true sense of an economy, as the market economy does, with its twin drivers of competition and innovation which spur the constant creation of better products and services.

While in the social economy the constant competition for donations and grants compel organisations to continue to innovate the programmes and services that they provide, these mechanisms still lack the scale and complexity with which the private sector operates. As a result, the contribution of the social economy will continue to be under-valued, at least until we are better able to define and measure its size, and better articulate how it contributes to a country's GDP. ■

Endnotes

- 1 Marguerite Mendell, "The three pillars of the social economy: the Quebec experience", *The Social Economy: International Perspectives on Economic Solidarity*, (New York: Zed Books, 2009), 76-209.
- 2 Social Enterprise Thailand, www.tseo.or.th.
- 3 Seoul Social Economy Network, <http://ssen.or.kr/xe/main>.
- 4 ComCare Enterprise Fund, <http://app.msf.gov.sg/ComCare/FindTheAssistanceYouNeed/ComCareEnterpriseFund.aspx>.
- 5 David-Karl Hubrich, "The measurement of social economies in Europe: A first step towards an understanding of social innovation," Ruprecht-Karls-Universität Heidelberg, see <http://siresearch.eu/blog/measurement-social-economies-europe>.
- 6 Community Interest Companies Association, www.cicassociation.org.uk/about/what-is-a-cic.
- 7 Low-Profit Limited Liability Company, www.dmlp.org/legal-guide/low-profit-limited-liability-company.
- 8 GEPA is Europe's largest alternative trading organisation. The abbreviation stands for "Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt mbH", literally meaning "Society for the Promotion of Partnership with the Third World."
- 9 Robin Murray, Julie Caulier-Grice and Geoff Mulgan, "The Social Economy," *The Open Book of Social Innovation*, NESTA, March 2010, 142.
- 10 John Pearce, *Social Enterprise in Anytown*, Calouste Gulbenkian Foundation, London. 2003. See <http://socialeconomyhub.ca/sites/socialeconomyhub.ca/files/CIREIC/Papers/F3%20-%20Lewis,%20Swinney.pdf>.
- 11 In European countries, the term "family economy" can be used to describe the family as an economic unit.
- 12 This refers to workers being informally employed, without paying income taxes, also referred to as the underground economy or "hidden economy."
- 13 John Hopkins University, <http://ccss.jhu.edu/>
- 14 Lester M. Salamon, S. Wojciech Sokolowski, Megan Haddock, and Helen S. Tice, "The State of Global Civil Society and Volunteering," Comparative Nonprofit Sector Working Paper #49, 8. See http://ccss.jhu.edu/wp-content/uploads/downloads/2013/04/JHU_Global-Civil-Society-Volunteering_FINAL_3.2013.pdf
- 15 "Seoul Metropolitan Government Announces a Comprehensive Plan to Support the Social Economy," relies: Public Policy for the Social & Solidarity Economy, 15 May 2012, see <http://reliess.org/seoul-metropolitan-government-announces-a-comprehensive-plan-to-support-the-social-economy/?lang=en>
- 16 Center for Civil Society Studies: <http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector>
- 17 Lester M. Salamon, S., Wojciech Sokolowski, and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector, Volume Two*, Bloomfield, CT: Kumarian Press, 2004, see http://ccss.jhu.edu/wp-content/uploads/downloads/2013/02/Comparative-data-Tables_2004_FORMATTED_2.2013.pdf
- 18 Volunteers are excluded for the purposes of this article, since they do not directly contribute to the Gross Domestic Product of a country, although it is possible to monetise the economic value that they bring to an organisation.
- 19 1.241 billion, according to the World Bank's World Development Indicators, as of 5 June 2013.
- 20 Lester M. Salamon, S. Wojciech Sokolowski, Megan Haddock, and Helen S. Tice, "The State of Global Civil Society and Volunteering", Comparative Nonprofit Sector Working Paper #49, 4, see http://ccss.jhu.edu/wp-content/uploads/downloads/2013/04/JHU_Global-Civil-Society-Volunteering_FINAL_3.2013.pdf
- 21 When the System of National Accounts was originally conceived, nonprofit institutions were considered to be part of the "household" sector. To uncover these "hidden" NPIs, the United Nations Statistical Commission approved a Handbook on Nonprofit Institutions in the System of National Accounts, known as the UN NPI Handbook. The UN NPI Handbook encourages countries to produce regular "satellite accounts" on nonprofit institutions, and to include measures of the value of volunteer work within them.
- 22 Ibid.
- 23 Ibid.
- 24 Willie Cheng and Sharifah Mohammed, *The World That Changes The World*, Lien Centre for Social Innovation, (Singapore: John Wiley & Sons (Asia)), 4. See diagram at www.worldthatchangestheworld.com/bookmap.asp for an illustration of a social ecosystem framework, which provides a model of a dynamic, interdependent and sustaining ecosystem of stakeholders in the social sector.