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Social Economy, Sustainable Entrepreneurship and regional policy drivers: the case of Galicia

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ABSTRACT

The Social Economy (SE) has raised strong interest in recent years. This sector is considered as an alternative to the traditional business model, due to its intrinsic characteristics which prioritize collective benefit. On the basis of its effects on local development, SE has been viewed as specially rooted in a territory. Thus, it can be expected that the more proximity on policies, the more positive effect of these efforts. Additionally, its special alignment with the Sustainable Development Goals (SDGs) renders SE especially suitable to favour a new economic paradigm that reconciles growth and sustainability.

In this paper we explore these relationships by analysing Galician's case, one autonomous region in Spain. In this region, government promotion has been decisive in enhancing SE, establishing a favourable ecosystem that has made this region the seminal reference for the regional development of the SE, with significant repercussions on its territory. Building on this analysis, this study undertakes a subnational approach regarding the public policies aimed to promote SE, so the results might be useful to enhance the effectiveness of these policies, focusing on proximity and adjustment to the territory.

Keywords: social economy; entrepreneurship; regional context; public policies; local development; regional policies.

JEL Classification: J18, L38, P13, R11

1. Introduction

The social economy (SE) comprises private entities strongly rooted in a set of principles and values, such as the prioritisation of people over financial results, democratic management, solidarity, sustainability and commitment to the environment. These organisations put social aims at the centre of their activity (Chaves and Monzón, 2018; Solórzano et al., 2018; Chaves and Savall, 2019). SE has been recently enhanced by policymakers in international institutions due the general recognition of the benefits for society as a driving force in this sector. Accordingly, previous research has proven that SE favours general well-being, citizen empowerment, equity, employment and local development (Sonnino and Griggs-Trevarthen, 2013; Utting, 2015; Chaves and Savall, 2019).

More recently, both institutions (UN Inter-Agency Task Force on Social and Solidarity Economy -UNTFSEE- and academics (Utting 2015, 2018; Bastida et al., 2020) have highlighted the importance of the SE in the implementation of the 2030 Agenda for Sustainable Development and the achievement of the Sustainable Development Goals (SDGs), in that it represents the plural economy, balance, sustainability and an integrated approach required to meet the challenge. In particular, these studies noted the effect of SE on those SDGs more related to economic activity, namely promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all (SDG 8); and helping to reduce inequalities (SDG 10). Taking this approach, SE means a path to empower local communities and to improve cohesion through the mobilization of local resources (Sonnino and Griggs-Trevarthen, 2013). Additionally, it

means a first step to a new economic paradigm that imbalances economic growth and sustainability (Siebold, Günzel-Jensen and Müller, 2019).

The common factor between these approaches is the special effect of SE on a particular territory. Regarding these point, previous research has focused on the characteristics of cooperatives —one of the most prominent organizations within SE— that affect local development. This ‘cooperative advantage’ (Spear 2000; Birchall 2013) means that these entities can favour the economic development of a region via employment, taxes, and the ripple effect (Vieta and Lionais, 2015). Furthermore, this effect can be enhanced through social cohesion, a sense of belonging, and social welfare (Novkovic, 2008).

Despite the importance of these local effects, the regulation of SE is relatively recent. In addition, there is also no specific legislation on this matter at a regional level. This absence is particularly striking since local development -endogenous, therefore- requires the combination of a series of bottom-up strategies (from bottom to top) with the involvement of local society for the revitalization of the economy (Coll and Cuñat, 2007; Mozas and Bernal, 2008). Accordingly, the need to adapt the institutional framework to the particular socioeconomic characteristics of each territorial context seems obvious. In other words, it should be emphasized that providing a territorial unit with a specific SE legal framework adjusted to each casuistry is key when designing actions aimed at promoting territorial development.

Therefore, this incomplete perspective constitutes a gap in the literature that this paper aims to address. To do this, we introduce a new approach to the multilevel governance of public policies. We particularly strive to shed light on the role that these policies can play when designing actions to promote SE, on the basis that the more proximity of these actions, the more positive effects on the territory. Accordingly, this study aims to examine

whether region-specific policies influence SE development, attempting to ascertain if this approach is better suited to the consolidation of the sector. In essence, we provide an in-depth explanation of the dynamics and methods that allow to consolidate a regional ecosystem that favours SE. Additionally, this study adds to the emerging literature on the relationship between SE and SDGs by explaining how regional public policies can influence the economic development of a territory by enhancing the effects of SE on economic activity and employment from a decentralized approach.

We use the Galician's case as an illustrative example. Galicia is a north-western Spanish region with a long-term tradition of cooperatives, and these organisations have benefited from public policies over the last decade. Galician cooperatives have grown by more than 3% since 2011, and they contribute by 5% to Galician's gross domestic product (GDP) (Xunta de Galicia, 2019). This rate places this region among the most important in the Spanish cooperative sector. Moreover, Galicia is the first region to have a legal framework for SE, the Act 6/2016, of 4 May, on the Galicia Social Economy (GSEA). As stated in the GSEA Preamble, the Act aims to extend the cooperative support to the SE sector.

What makes this case of special interest is that GSEA is specifically adjusted to this territory. Two characteristics support this argument: firstly, this act explicitly includes the commitment to the territory as a driving force. Secondly, Galicia has special socio-economic characteristics (e.g., high rates of ageing population, geographical dispersion, high population concentration in big cities and abandonment of rural areas) that the government aims to address through public policies aimed to create empowerment. Thus, the main objective of GSEA is to create the conditions to favor synergies that converge on empowerment on SE entities. Regarding this point, it is important to note that these characteristics are not exclusive to Galicia, so the results obtained by this community in

terms of SE consolidation could be decisive when weighing up possible solutions to the threats and distortions that this new socio-economic reality poses for the survival of the economic system. The experience of Galicia can also be considered as an example of good practice in territorial development for other autonomous communities.

This paper is organized as follows. The next section discusses the importance of SE for regional development, which in turn points to another kind of designing public policies in order to improve its effects. The third focus on the Galician case, highlighting the development of the Galician's SE Act. Section fourth compiles the assessment of GSEA, focusing on the emergence of an ecosystem favourable to the SE in Galicia. Finally, the last section provides proposals for the improvement of its efficacy and offers some brief conclusions.

2. Social Economy. Local governance as the central axis of local development

2.1 Social Economy and local development.

The beginning of the century was accompanied by a growing concern from private and public stakeholders on the economic activity of companies, stating the need for a more balanced model of economic growth. This concern has generated growing expectations regarding the need to promote more sustainable business models capable to revert socio-economic imbalances.

In this context, both institutions and governments have set their sight on Social Economy (SE), understood as the essence of a new economic paradigm that combines economic growth and sustainability. It should be noted that the growing popularity of SE in recent years has prompted the emergence of a “terminological inflation” (Chaves and Monzon, 2018) referring to a plurality of terms that are related, but not necessarily

synonymous. Thus, both academics and institutions have referred to concepts such as collaborative economy, social enterprises, the third sector, the solidarity economy, the voluntary sector, or social innovation, among others (see Moulaert and Ailenei (2005) and Chaves and Monzon (2018) for a comprehensive review in this topic). However, most of these concepts focuses on dimensions of SE that receive specific names in particular circumstances (Moulaert and Ailenei, 2005) or even different political traditions, which refer to the Anglo-Saxon, Francophone, or Latin theoretical approaches (Vidal, 2010). For example, Chaves and Monzón (2018) noted that while some of the terms refer to areas of system transformation (e.g. social innovativeness), other link to new forms to evaluate economic performance and stablish incentive mechanisms that prioritize social dimension (e.g.common-good economy). A third group focus on new ways of understanding entrepreneurship, for example the fourth sector and solidary economy.

Given that SE seems not enjoy full scientific nor social consensus, in the paper we use the proposal of the Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative (CIRIEC), which incorporates previous scientific contributions (e.g., Demoustier et al. 2006; Bouchard, 2015); Chaves and Monzon, 2018). This definition, which is in line with the Charter of Principles of the Social Economy and with Social Economy Europe, meets also National Accounting Systems' criteria. It defines SE as follows:

“a group of private, formally organised enterprises, with autonomy of decision and freedom to join, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital contributed by each member nor to any membership fee, each member having one vote. The social economy also includes private, formally-organised entities with

autonomy of decision and freedom to join that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.”

In this context, SE comprises private entities strongly rooted in a set of principles and values, such as the prioritisation of people over financial results, democratic management, solidarity, sustainability and commitment to the environment. These organisations put social aims at the centre of their activity (Hudon and Huybrechts 2017; Chaves and Monzón, 2018; Chaves and Savall 2019; Solórzano et al., 2018). SE has been recently enhanced by policymakers in international institutions due the general recognition of the benefits for society as a driving force in this sector. Accordingly, previous research has proven that SE favours general well-being, citizen empowerment, equity, employment and local development (Chaves and Savall 2019; Stiglitz 2009; Utting 2015).

As noted, the principles and values underlying SE (e.g. people’s primacy; prioritization of social results over financial ones; democratic control by entities’ members; solidarity and responsibility, among others) are key elements that surpluses the interest of the partners. In this context, the special suitability of the SE, as a vehicle for the development of economic activity and the promotion of territorial cohesion has been recently highlighted (Mozas and Bernal, 2008). At the same time, several studies have linked the importance of these entities in facilitating access by citizens to economic activity and services on an equal basis, which results in the reduction of inequalities (Coll and Cuñat, 2007; Puentes and Velasco, 2009). These works emphasize the role of the SE entities in generating wealth and employment in the territory in which they are established, which highlights their importance as a vehicle for equality.

According to this approach, a common factor among SE entities is that they prioritize social benefits for their members over other kind of outcomes (Zeuli et al., 2004).

Moreover, people working in these organizations usually live where the companies are located. Thus, SE' organizations have a positive effect in the territory in which they are located, where they use endogenous resources and improve employment with a better income distribution among their members (Bretos and Marcuello, 2017). Additionally, these entities mobilize and reinvest resources, which discourage the delocalization of their activities (Chaves and Monzón, 2012). In addition, it should be noted that most of these activities are carried out under the self-employment formula, taking advantage of the territory's endogenous potential, with the consequent special impact. Summarizing, the values inherent in these entities allow a better use of the territory by guaranteeing a greater knowledge of it and a closer analysis of its strengths and opportunities. Regarding this point, it is important to note that previous research has noted that the relationship between the SE and the territory is not always evident, although it emerges when a case study is carried out. In particular, in a recent thorough study on experiences from European and American countries, Itçaina and Richez-Bastteti (2018) pointed out that the SE makes it possible to design strategies of relevance for the territory in which they are developed. Specifically, the result of this work is that the SE can guarantee an innovative response to challenges in the complex economic context, enabling new ways of international cooperation to be promoted. Although with different levels of success related the heterogeneity of the experiences collected, this work gave support to the link between SE and regional development. Likewise, other studies have reported successful results on the balanced and sustainable development of territories through SE initiatives from a local level, such as the Spanish cases of Galicia, the Basque Country and Castilla-La Mancha (Bastida et al., 2020; Vilalba et al., 2020 and Ariz and Araya, 2020, respectively).

In another note, the knowledge of a territorial reality will make it possible to achieve a more positive impact with a greater multiplier effect. While this is important at any

point in the economic cycle, it acquires greater significance in those periods of economic instability. In fact, the greater flexibility of the SE, the organizational model under which it is designed and its greater integration with the territory mean a clear automatic stabilizer in terms of employment material and value generation in times of recession. Furthermore, it is necessary to point out the important role of the SE in territorial cohesion.

For example, in Spain this type of activity is carried out in municipalities with a population of less than 40,000 inhabitants, which makes it possible to fix the population and to develop the endogenous resources of the area. These are therefore activities that are generated and developed in medium-sized cities and rural areas. Consequently, SE plays a very important role in rural entrepreneurship, which is certainly an additional argument for enhancing its contribution to territorial development. Finally, the SE has a multiplier effect on the territory in which it is inserted. Thus, it is noteworthy that the agents who participate in this type of activities present a high knowledge of the space in which they develop. These individuals and institutions are generally proactive actors characterized by strong territorial dynamism. In addition, these are usually small and medium-sized enterprises that sell and buy from local customers and suppliers. Finally, the entities that make up the SE play a fundamental role in the economic-social structure of the territories. Therefore, the desirability of a SE -Territorial Development binomial should be considered to improve their quantitative and qualitative contribution at local level.

2.2 The need for decentralization.

As can be inferred from our previous subsection, the SE is called upon to play an important role in what it has been labelled as the *new rural paradigm* (Woods, 2011), a new frame aimed at improving the development of rural environment (Kitchen and Marsden, 2009). This role implies important changes in the process of designing and

implementing public policies imperative to favour an approach based in multilevel governance. These changes seem critical since previous experience showed that traditional hierarchical structures not always result on effective administration. Consequently, governance processes also require a multilevel adaptation, with conjoint participation of the different administrations responsible in this issue, in addition to the private actors as a fundamental part of this process.

This change of the processes of designing public policies is especially important when the main objective is the development of the countryside. Initiatives designed by central governments are often too general, and therefore unable to consider the specificities and priorities of each territory. In addition, it must be considering that these actions are sector-focused, and they often overlook both the mainstream effect and the contributions from different departments. Following a logical sequence, a new governance strongly rooted in horizontal coordination seems desirable.

This new approach points to metagovernance, a new way for government based on different mechanisms further those traditional ones, based on a hierarchical functions and competences (Jessop, 2003; 2004; 2016; Beuir, 2012; Martin, 2015). However, this does not mean that the role of central administration be overlooked. Rather its role is critical to determine the level of independence and competence of sub central levels and the degree of intervention of the remain public administrations (OECD, 2006). These actions can condition the success of the sub central initiatives, so the central administration becomes a main actor in this process of governance.

To guarantee the role allotted to central governments it is imperative to develop mechanism aimed at obtaining accurate information, as well as an understanding of the interdependence between economic, social, environmental, cultural and educational contexts. This therefore be an integrated vision encompassing a multiplicity of actions

and a uniformity to avoid contradictions in the design and application of the public politics (OECD, 2006). In turn, they should be very closely linked with an accurate appraisal of the policies, what would allow the achievement of a greater degree of coherence of the measures approved.

Extending this logic further, it can be argued that this multilevel approach is needed when designing actions at a local level. Besides, in this context the role of local associations, public agents and private ones is critical in pooling common knowledge and resources with the aim to guarantee a shared view of the territory (OECD, 2006). In particular, the knowledge of the endogenous resources contributed by these local stakeholders stand out, allowing to apply a model of development from down to up better designed and more likely to success than other models designed from up to down. Moreover, this frame of governance can be beneficial to recover the loss of confidence of the citizenship on the public administrations (Bouckaert, 2012a, 2012b).

The SE summarizes the main factors that surpass the traditional sectorial approach, betting a more local road and integrated path by using endogenous resources of the territory where the entities are located and by combining the traditional aims of economic nature with others of social and environmental content (Woods, 2011). Additionally, the metagovernance framework seems to be useful to accomplish the public policies in this issue. Regarding this point, as Chaves and Monzón (2017) noted, an excessive unilateral downward focus with insufficient integration of the agents involved in the elaboration and application of policies to promote SE constitutes a “major error” in the conception and possibilities of continuity over time of these policies.

The Spanish framework designed to foster SE provides a good example for a better understanding of how to accomplish these new multilevel policies. Since Act 5/2011 of 29 March, on Social Economy (SEL), this legal framework mainstreams the

importance of the Spanish regions in the development and stimulation of SE. This role responds to the Spanish territorial decentralisation of power, together with the assumption of the exclusive competence of autonomous communities in the design and promotion of economic activity, as provided in both article 149.1.13 of the Spanish Constitution (SC) and the express recognitions included in the respective Statutes of Autonomy. In addition, the Spanish Social Economy Strategy (2017-2020) enables the autonomous communities and local authorities to actively participate in activities related to SE entities. This decentralization of powers allows the development of public actions closer to territorial development, taking advantage of the endogenous potential of each zone.

Despite these legal provisions, there is no specific legislation on SE at the regional level. The Galician community is exceptional in this context, since this region has its own Act on SE. The uniqueness of the Galician legislation situates this community as a pioneer in the creation of regulatory norms of the SE (adapted to a particular regional), but also serves as an inspiring text of the general principles of such an adaptation. This reinforces the interest in approximating its effectiveness, which will be developed below.

3. The Galician Social Economy Ecosystem

The basis of our research is an in-depth exploration of a unique framework of support to SE in Galicia, namely the regional ecosystem of SE. Thus, Galician's ecosystem is thoroughly analysed. To do this, we use the regional legal provisions related to SE and the General Budgets of the Autonomous Community of Galicia (years 2008 to 2020) as the main sources of information. In this point, we would like to point out the scarcity of official information on the SE entities and the lack of other alternative sources of information, which have undermined the possibilities to carry out a field study. Nevertheless, we argue that this particular framework can be of interest as an example of

good practices to favour SE from a regional approach, so we base our study in the field of other works based on the study of cases. We selected this research methodology to investigate how to design strategies to improve SE especially suited to a territory and based on an upper-top process. As George and Bennett (2005) noted, case studies are a research methodology particularly suitable for analysing contemporary phenomena within its real context. In addition, case studies allow to analyse processes (Yin, 1994), what is particularly adjusted to our study.

3.1 General considerations

The SE Spanish Act opens the door for the regional development of ES. Nevertheless, as has previously been noted, to date, only Galicia has used this window of opportunity by adopting the Galician Social Economy Act (henceforward, GSEA) becoming the first autonomous community to have a regional regulation. The GSEA includes two principles additional to the Spanish framework: (i) the commitment to the territory; and (ii) the strengthening of institutional and economic democracy through the SE.

The first of these two principles refers to the need to adapt the state regulatory framework to the socio-economic context of Galicia. Accordingly, the legal framework mainstreams social and collective entrepreneurship, indicating the perception of the SE's capability to generate quality employment (Díaz and Marcuello, 2014; Chaves and Monzón, 2018; Chaves and Savall, 2019). This particular concern has a broad development in the Galician legislation, which includes a series of provisions that aim to promote and stimulate self-employment, cooperative-based entrepreneurship and business collaboration.

As can be inferred from these characteristics, the GSEA passed to provide this sector with a specific regulation in line with Galician reality, and to encourage its consolidation and expansion in order to revert one of the prominent problems in this region —namely,

unemployment. Additionally, some other specific objectives underlying this generic philosophy can be summarised as follows:

- (i) To provide the sector with its own regulations based on the Galician context, to improve its consolidation and expansion.
- (ii) To enhance the value of the SE in accordance with its contributions to society, while enhancing its capacity to generate a balanced and sustainable economic and social development model.
- (iii) To respond to the complex social and labour situation through the promotion of self-employment and entrepreneurship, with people as the main focus of this objective.
- (iv) To improve the SE's capacity for dialogue, with a view to achieving greater efficiency in active employment policies and economic and social revitalisation in Galicia.
- (v) To establish coordination tools between public actors and SE entities, enabling the achievement of common objectives, efforts and incentives for the development of the sector.

Taken as a whole, it can be seen that what Galician government does is to adapt a generic legal framework to a particular region, including some particular entities (e.g., common forests) and applying the advantages of SE to specific problems in this territory (unemployment, elderly population and territorial dispersion). Additionally, the law lay the foundations to stablish different levels of governance: national (the general lines provided by the national Act), regional (the GSEA) and local (coordination with associations). In the light of these objectives, the GSEA provides the framework for three main drivers to favour their accomplishment: institutional, social and budgetary drivers. They are briefly explained below.

3.2 Institutional drivers

In order to operationalize the institutional support for SE, Chapter IV of the Act refers to the First Galician Social Economy Strategy (2019–2021), with a budget of around €73 million, which is articulated in 25 measures pivoting around three axes (Table 1): adding capacities; adding sustainability; and adding identity. This strategy was designed with the SE sector by consensus and is specifically aimed at organisations belonging to the four families with the greatest potential for job creation: cooperatives; labour companies; special employment centres; and insertion companies. This focus highlights the basic objective that underlies the design of the strategy: the generation of employment with higher quality, especially enhancing the female presence among the promoters of SE entities. According to the spirit of GSEA, two complementary objectives are added: to guarantee a better redistribution of resources and to favour territorial cohesion.

Insert Table 1 about here

The first block is aimed to promote SE among university and business education students, to favour the emergence of school cooperatives and the approval of incentives for entrepreneurship for start-ups based on information and communication technologies (ICT). It also includes the collaborative and circular economy. The allocation for these actions is set at €24 million. The second block aims to promote innovation and internationalisation and to develop mechanisms for financing, as well as to promote access to public procurement by allocating €46.5 million. Finally, and closing this triad of actions, €2.5 million will be invested to improve the visibility and knowledge of the activities of the SE entities.

This group of legal provisions from GSEA should include the reference to three legal texts intended for the improvement of the activity of SE organisations. Firstly, the GSEA modifies Act 5/1998, of 18 December, of the Cooperatives of Galicia, to incorporate juvenile cooperatives which are comprised by people aged under 29 years of age (35 for people with disabilities) and only need a minimum of €300 in capital to be established. Secondly, the GSEA also modifies Act 5/2017, of 19 October, for the promotion of the implantation of business initiatives in Galicia, by introducing the figure of the micro-cooperatives, which allows reducing minimum number of people necessary to set up a cooperative project from three to two. Finally, the regional Act reinforces the Eusumo Network—a special unit aimed at centralize SE decision under the scope of Galician government—as the specific unit that centralises the measures of promotion and support for Galician SE.

3.3 Social Drivers

In response to another group of basic objectives of the GSEA – the recognition of the interlocutor role of the SE entities and the establishment of mechanisms to coordinate efforts – rapport among organisations is encouraged, and the Galician Social Economy Council (GSEC, articles 8-13) is created. In this sense, the response of the SE associations the Galician’ government one has had different paths. As for the first, on 13 March 2018, the Galician Social Economy Forum (GSEF) was constituted, an institution which seeks to improve the visibility of the SE by defending its interests and by creating the right conditions for the development of the organisations through inter-operation and access to public procurement. The Forum is made up of the five largest associations of SE in Galicia, which represent 371 organisations, employ 9,276 people and had a turnover of €1,616 million in 2017.

However, the institutional role was not finalised until 2019, when the Galician Social Economy Council was set up as a body for the promotion and dissemination of SE in Galicia. This institution is considered as an adviser to the Galician public administrations when making decisions and designing public policies on SE (for example, by participating in the draft regulatory norms affecting SE entities). Thus, the Council has a critical role to introduce a mainstream perspective and to contribute to the visibility of the sector. However, it should be noted that the Council's participation is optional and non-binding, which clearly limits the scope of this measure. This non-mandatory role is surprisingly since the spirit of the norm suggest that the Galician SE norms require a previous and perceptive report from the Galician Social Economy Council.

3.4 Budgetary Drivers

The political and institutional discourse enhancing SE has favoured budgetary support for the social sector (Chaves and Savall 2019). This support may take multiple forms that – following the framework proposed by Chaves and Demoustier (2013) and Chaves and Monzón (2018) – can be classified into hard policies and soft policies.

Soft policies aim to establish a favourable ecosystem for the implantation and development of entities of SE, and can be sub-classified into two groups:

- Institutional soft policies. These measures are designed for the establishment of a legal framework for these organisations; for the elimination of obstacles so that SE entities can engage in economic activity on an equal footing with other agents; for the recognition of their role as co-partner; or for establishing a specific structure within the public administration for the initiation and follow-up of SE activities.
- Cognitive soft policies. This group includes those measures designed to improve the level of knowledge, awareness, research and specialized training on SE.

Hard policies are interventions focused on the improvement of the economic activity of the entities of SE, and they are derived from the supply side, from the development of the activity or from the demand side. The analysis and assessment of the measures of promotion of SE in Galicia, and in particular, those that are included in the GSEA, must be carried out following the aforementioned classification. To do so, we examine the general budgets of the Autonomous Community of Galicia in the three years since the implantation of the GSEA (2016-2018), as well as the biennium after the implantation of the Galician Strategy of SE (2019-2021), derived of the GSEA. Table 2 collects the lines of support and promotion of the organisations of SE in Galicia, classified into three categories. The first is related to destination (promotion, study and diffusion of SE), and remaining two are related to the aim of application (cooperatives and labour companies, and sheltered employment centres and work integration enterprises, respectively).

Insert Table 2 about here

The lines of budget reflected in Table 2 allow us to detect the existence of a combination of measures of support and promotion of distinct typology. Cognitive soft policies are responsible for a significant proportion of the SE budget, through measures of promotion, research, specific training or dissemination. The endowment in this section ranges from 13.6 % (2016) to the current 8.62 % of the total budget.

Hard policies monopolize most of the budget during the period of analysis. Several promotion mechanisms are deployed within this group:

- a) Support to boost employment in entities of SE, both for the entity and for people to become members of the organisations. To this end, subsidies are established

seeking to incorporate unemployed persons. It also includes employees and part-time members who seek to improve their employment situation within the organisation.

- b) The cooperative laboratories in rural areas benefit from another line of support specifically designed for the revitalisation of the local economy, with the identification of business opportunities in specific areas. It comprises two support programmes: (i) for the development of cooperative laboratories in rural areas; and (ii) for the promotion of collective business projects (cooperatives or labour associations).
- c) Several actions are also aimed at young people. This provides for special treatment (based on increased incentive amounts) for establishing, starting and undertaking youth cooperatives (made up of working members under the age of 30, or 35 if disabled). Finally, incentives are provided for the incorporation of persons under the age of 30 as working or probationary partners.
- d) Equally, specific support to associations is included. Cooperation is supported through a program to cover the costs of internal organisation of the representative bodies of the SE (cooperative associations, labour companies, sheltered employment centres and work integration enterprises).
- e) Most of the budget is directed towards hard policies that correspond to SEC and IE, which is remarkable given that they support the entry into the workforce at risk of social exclusion. The subsidies are operationalized through three programs: grants for units that create jobs (creation, maintenance and launch); support for the professional activity and adjustment of human resources to SEC and IE; and grants for units that support professional activities (financing the wage and social security cost in these entities).

The interest of the Galician government on SE can be largely deduced from the analysis of the budgetary evolution of the policies allocated to SE organizations. Figure 1 shows the financial resources allocated to this sector in the last five years (namely, since the approval of the GSEA). As can be seen, the total budget has increased by more than 89 % in this period. Focusing on categories, those lines of support aimed towards soft policies – namely, promotion, study and dissemination of SE – have increased by 20 % since 2016, with the period between 2018 and 2019 standing out (coinciding with the approval of the Galician Strategy of SE), with nearly one million additional euros. Hard policies regarding the support of SEC and IE have more than double. Finally, the lines focused on support to cooperatives and labour companies have increased by more than 19 % in this period. Moreover, the portion of budget allocated to soft policies is clearly lower than that for hard ones.

Insert Figure 1 about here

Figure 2 extends de period of analysis, including the SE budgets in Galicia since 2008 as well as the non-financial spending at the same time. As can be observed, Galicia cannot be isolated from the austerity policies during the financial crisis. Thus, the SE budget suffered a hard cut-off between 2008 and 2013. In this respect, it is important to note that the effects of bankruptcy were slightly delayed in this region, which explains the brief expansion-reduction period between 2010 and 2013. Moreover, the peak in 2012 refers to special provisions to SEC and IE. Nonetheless, the global budget reduction (34%) was smaller than the 48.7% reduction in the Spanish budget (Chaves and Savall,

2019). Since 2013, the budget has increased every year, to reach nearly the maximum amount in the recent 2020 budget, with an increase of 34 % regarding the 2019 budget. Accordingly, the 2020 SE budget will be the highest since the beginning of the data series. It should be noted that the financial resources allocated to SE exceed those on Galician non-financial total expenditure over the entire observed data series.

Insert Figure 2 about here

The analysis of the growth rate —that means, the percentage change of a allocation of resources to SE year per year— shows that both the approval of the GSEA and the Galician Strategy of SE has been supported by the budget (Figure 3). Thus, both 2016 and 2019 have entailed a point of inflection on the amount of SE budget headings.

Insert Figure 3 about here

Finally, it should be noted that the SE budget in the total period of analysis grew at a rate of 1.3% year-on-year. Nevertheless, if we differentiate the aforementioned turning points, this rate doubles with the approval of GSEA (3.9 % and 7.4 %, respectively). Moreover, we found that this rate rose to 12.2% year-on-year in the last three years, coinciding with the recent SE regional legal framework.

Insert Figure 4 about here

4. Discussion

This paper aims to explain how to influence SE development using region-specific policies, assuming that this approach is well suited to the consolidation of the sector. For this research, we choose Galicia as a case study. In recent years, the Galician regional government has implemented a complex system of support for SE organisations. If Spain was the first country to approve an act on SE in Europe (2011), Galicia was the first Spanish region to do so under a regional approach.

With this legal soft policy, Galicia lays the foundations of a complex interconnected ecosystem for the promotion and consolidation of SE. The employment generation through SE entities acts as the main thread inside this institutional configuration. Figure 5 shows the model, where the starting point is the SE regional Act. From this legal provision there were developed a wide range of public policies, both soft and hard, that have consolidated two complementary ecosystems: a) measures to improve the social knowledge, awareness and recognition of this field, acknowledging it as a social partner in the public policymaking process (social ecosystem); and b) budgetary funding to implement the policies, under the scope of a specialized government body responsible for the SE (Eusumo Network). This set of financial support could be labelled as a financial ecosystem. Overall, this set of measures creates a complex system of support based on three fundamental and complementary pillars in the institutional, social and financial axes of support.

Insert Figure 5 about here

As Figure 5 shows, these ecosystems are interconnected to favour the number and conditions of SE organizations. In turn, it is expected that the more SE organizations, the more employment in this sector. Thus, all this system is ultimately focused on increasing the employment opportunities. To do this, several actions are developed to influence different drivers for SE. Firstly, an increase is expected in the number of SE organisations by promoting dissemination actions and also by enhancing specific training in this field, in addition to explicit incentives for the generation of certain concrete categories (e.g. teaching cooperatives or ICT intensives). The assumption underlying these actions is that the likelihood that entrepreneurs will opt for an organisational SE model increases as the degree of knowledge of SE grows. Secondly, actions are established that aim to improve the options of these organisations to compete. These ‘market drivers’ act both to remove any barrier to operate and to improve the economic competitiveness of the entities. In this sense, these measures are directed to the supply side (e.g. improving the access to resources, to new markets or favouring consolidation processes to increase the enterprises size; to the demand side (e.g. by including social clauses in public procurements); or in other value chain fields (e.g. consultancy). Additionally, a flexible regulatory framework is established to adjust the competition area to changing conditions.

All these actions are aimed at consolidating and increasing the efficiency and effectiveness of SE organisations, which in turn is related to the increase in jobs in the sector. In this respect, it is important to note that recent works have shown that some of the values inherent to these entities, such as worker participation in decision-making, ownership and profit-sharing, may affect workers’ motivation and the firm’s organisational efficiency as a result (Pencavel, 2013; Bretos and Marcuello, 2017). In

other words, the generation of employment in SE organisations has a positive effect on the performance of those entities.

In addition, the more employment in the SE sector, the more involvement in the social sector around SE. This means that there is a feedback effect since social ecosystem introduces new demands to be satisfied through new public policies. Also, the role of SE as a stakeholder is reinforced as the number of SE increases. This is particularly important since, as has been previously argued the process of designing actions and measures of support is a participatory decision-making process between government and SE organizations. All in all, it can be expected that the process starts again as a result of a reinforcement loop. Thus, this framework can be twofold characterized: first, there are synergic effects from the three ecosystems since they are interconnected to support each other; second, the system is self-reinforced, in the sense that as their expected results increase —namely, the number of SE organizations and the employment through this sector— the likelihood increase that more actions will be taken to favour SE. The financial and the institutional ecosystem can be considered *pull factors* in the formation of SE entities and the improvement of their operating conditions, efficiency and results. The promotion of collaboration, together with the recognition of the scope and possibilities of SE organisations, forms a social ecosystem that acts as a *push factor* by raising the attractiveness of the sector.

When assessing the results of this promotion system, it should be considered that only three years have elapsed since the approval of the GSEA. This evaluation will focus on cooperatives, since they are referred to as the heart of SE (Chaves and Savall, 2019). Moreover, given that the support measures in Galicia were traditionally aimed to favour these entities, it is conjectured that any change in this supporting system would be reflected in their evolution. In this context, Table 3 notes that the number of new Galician

cooperatives has been annually increasing in the last decade, except for a slight decline in the 2016–2017 biennium. Specifically, the inscriptions of new cooperatives in 2020 doubles those existing at the beginning of the decade. These data are particularly interesting considering that data in this year only run up to October. The analysis of the location of Galician cooperatives reveals that they are in 240 of the Galician municipalities (77% of the total municipalities in Galicia).

In the period between 2011 and 2016 the number of new cooperatives per year was 59 on average, which means that new cooperatives grew at a rate of 8.7 % year-on-year. Surprisingly, in the period when we referenced the ecosystem (2016–2020), there were 79 new cooperatives per year on average, while the rate of growth year-on-year doubled to reach 17.78 %. In addition, SE has been an oasis for employment during the last economic recession, since most of the cooperatives created —521 out of 670, 78 % of new cooperatives— are worker-associated ones (Table 3), a type of entity that allows people to enter the labour market.

Insert Table 3 about here

This is particularly important, considering the conclusions of the study carried out by Díaz and Marcuello (2014), noting that the regions with the highest levels of cooperative employment exhibit counter-cyclical behaviour in terms of employed persons. The recent review carried out by Atienza and Rodríguez (2018) highlighted that cooperative tend to keep more employment than other organisations, and that that employment is also of higher quality. Although regional data on people involved on

worker-associated cooperatives are not disposal, the important number of these entities that have been recently created suggest that people might have found in these organizations a self-employment path. It should be also highlighted that the relative share of the worker-associated cooperatives rose from 42% of the total between 2000 and 2009 to 78% between 2010 and 2020.

During the period of analysis, Spain – and, consequently, Galicia – experienced a period of economic crisis, mainly between 2007 and 2014, and an economic recovery (2014 to date). Nevertheless, cooperatives showed a counter cyclical dynamic, in the sense that in the period starting from 2007, the number of these organisations continues to increase. This reinforces the idea that cooperatives can be viewed as a refuge of employment.

5. Conclusions

This study reveals the creation of an ecosystem favourable to SE from a regional approach. The case studied is Galicia, a north-western Spanish region with a long tradition of supporting measures aimed to improve cooperatives. In this region, the government has implemented a three-axe ecosystem, starting from the adaptation of the national legal framework to the specific Galician socioeconomic context. This is particularly striking according to the report of *Best practices in public policies regarding the European Social Economy post the economic crisis* (Chaves and Monzon, 2017). This report demonstrates the nonexistence of public institutions that are able to improve the SE policies, with the consequent lack of strategies aimed to promote SE organisations. Therefore, SE is not a political priority nor a central item on the political agenda. As shown in this paper, the situation in Galicia is diametrically different since the regional government has a decisive leadership role in forming a complex system of support to SE.

This is a good example of the need for multi-level governance that takes into account not only national but also regional and local guidelines. As have been extensively argued in this paper, the sustainable development of rural areas — one of the most prominent objectives of the SE— makes desirable to consider contributions by different public administrations with responsibility for its development together with the involved private actors.

In this sense, it is necessary to bet not only on territorial actions ‘top to bottom’ but ‘bottom-up’, since those who truly know about the economic and social situation of their territory are the agents who reside there. Therefore, it is crucial to establish a set of formal and informal relationships that allow all the institutions and individuals involved to participate in this decision-making process, building on past experience and the use of the territories' endogenous potential. This may be easier to achieve in those countries, such as Spain, where there is a strong decentralisation. This advantage also makes it possible to establish synergic and coordinated actions. As mentioned above, in Spain, the sub-central (regional and local) administration plays a very important role in the processes of designing, implementation and evaluation of territorial public policies. Of course, in order for all of the above to be possible, there must be interest in carrying out this process.

For all these reasons, we must be cautious about the results of the GSEA. Firstly, because of the relative novelty of the standard, which has not yet been fully developed. As an example of the above, it can be noted that it was not until 2019 that the Galician Social Economy Council was created, three years since the approval of the GSEA. Secondly, it should be noted that there is still a long way to go in terms of SE in Galicia. On this point, it is sufficient to recall that SE represents 4.7 % of GDP in Galicia, compared with the 10% average at the national level (CEPES, 2018). Despite these

limitations, some evidence can be noted in order to argue for the usefulness of the regional approach:

1) The integrative nature of GSEA should be noted. Until its approval, there was a clear dispersion of provisions in this area in Galicia.

2) The GSEA makes it possible to progress in the socio-economic revitalisation of Galicia, an issue which thus far has not had the prominence it deserved. This is, of course, particularly relevant for cooperatives, labour companies, sheltered employment centres and integration enterprises.

3) The GSEA aims to promote the coordination of actions between the public administrations and SE entities. To this end, there are several initiatives that have been identified, based on three axes. Chapter IV of the GSEA, which focuses on the promotion and dissemination of SE, is a must in this respect. Three of these actions are key to developing SE in Galicia: to promote self-employment; to encourage cooperative-based entrepreneurship; and to foster business collaboration. However, this coordination must be clearly improved. As aforementioned, one of the strengths of the ecosystem in the reinforcement effect among the SE social ecosystem and the institutional one. This strength relies on the direct inclusion of special needs of the sector into the process of making decisions to design actions and lines of support. Consequently, the interlocutor role of SE entities has to be translated into real intervention, which means having a prescriptive and executive rather than a merely consultive role. Regarding this point, the analysis of the mechanisms of community involvement on the construction of the institutional and financial ecosystem deserves further research.

4) The GSEA not only has this triad of objectives, but it is more ambitious and seeks to solve some of the problems of the Galician production sector. We are referring to – among others – the need to enhance rural development, the provision of social services, the

promotion of economic entrepreneurship and the improvement in the social integration of the SE. It should be noted that there is an interest in encouraging networking and collaboration.

5) In a more detailed analysis, it is necessary to refer to the limited scope of youth cooperatives in Galicia. Regardless of the assessment of its greater or lesser popularity, which would be premature, a promotion program should be developed to disseminate this professional opportunity to young people. In particular, it seems appropriate to focus on financial flexibility and to draw up a plan specifically for women, given their limited presence in such organisations.

6) It is also necessary to improve the degree of development of some of the precepts specifically contained in the GSEA. In this regard, it is essential to make the Galician Social Economy Council effective by providing it with a budget in order to develop its functions. It is also necessary to conclude and implement the Register of Galician Social Economy Entities and to make progress in the production of comprehensive statistics in this area. Computerisation of registers and access to bureaucratic procedures can contribute to the accomplishment of this outstanding task.

7) Finally, although both the GSEA and the SE Galician Strategy expressly mention the need to improve specific training in this area and to include it in the curriculum of regulated education, progress in this regard is not negligible. In particular, none of the three Galician universities have incorporated training in SE. This absence is particularly relevant, given that knowledge in these matters can determine the organisation preference when deciding to become entrepreneurs (Melian, Campos and Sanchis, 2017). In this regard, the potential to generate synergies between this specific objective and the underlying objective of improving youth' employability through entrepreneurship should be highlighted. A good knowledge of the SE, its potential and results can act as a trigger

in the choice of this path of professional development. In line with previous works (Martín et al,2013; Juliá, Meliá and Lajara, 2015), it should be promoted both from teaching –by increasing the training available – and from research, developing transference patterns in order to improve the capabilities and competitiveness of SE organisations.

These points illustrate the main contribution of this work, which resides in explaining the paths to the consolidation of an ecosystem favourable to SE from a regional approach. It provides the basis of a practical framework to account for how this ecosystem can be implemented by adding efforts from different sides, in order to generate synergies. This focus provides some stages that might be useful to be replicated in other regions, putting the government leadership at the centre of the analysis. In this respect, the assessment of its actions and supporting measures may be crucial to evaluate the outcomes from the ecosystem. Such actions may serve as a road map for further exploration of the individual effect of each measure, as well as provide the basis for evaluating efficiency in the use of public resources. Additionally, we also expect that our results represent a first step in the analysis of whether decentralisation of SE-supporting strategies could be better suited to improve the competitiveness of SE organisations. Further research could add regional development theory, in order to better understand the benefits of this decentralisation. However, it is mandatory to have relevant sources of information to facilitate the study of the results of the actions. This statement is specially adjusted to the case of Galicia since the analysis and monitoring of SE entities beyond cooperatives suffers from a glaring lack of official data.

As a final note, it should be noted that both institutions and academics (Utting 2018; Mozas 2019; Bastida et al., 2020) have recently highlighted the importance of the SE in the implementation of the 2030 Agenda for Sustainable Development and the achievement of the Sustainable Development Goals (SDGs), in that it represents the

plural economy, balance, sustainability and an integrated approach required to meet the challenge. In particular, these studies noted the effect of SE on those SDGs more related to economic activity, namely promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all (SDG 8); and helping to reduce inequalities (SDG 10). In our work we argued that the regional approach when designing measures aimed to favour SE means a path to empower local communities and improve cohesion through the mobilization of local resources, especially when these local stakeholders take part of the process of making-decisions. While these results can be obvious, further research must be developed in order to measure de concrete effects of SE entities to better attain SDGs.

This work has implications for academics, practitioners and policy makers. Firstly, provided that the regional legal framework regarding SE is exclusive in Galicia to date, this is the first work rooted in a Spanish sub-national SE act. Thus, this paper could inspire more academic studies on the comparison with other regional supporting systems, regardless of a formal framework. Secondly, our research may also contribute to increasing the visibility of SE as a model of entrepreneurship with social-oriented results, according to the recent convergence process on the concepts of sustainable development and SE (Picciotti, 2017). Thirdly, we contribute to the scientific debate on the relationship between SE, local development and public policy. Thus, we provide recommendations that may have implications for public policies, both to other regional administrations seeking to replicate this model and for the Galician government in order to better accomplish its goals.

In sum, the implementation of the GSEA has an important challenge in the Galician context in terms of SE. A conscious effort from the regional government appears to be critical. It is necessary to reinforce the future chances of success for the SE, which

allows us to recognize the important contributions that this sector makes to the Galician economy and society, as it is in other autonomous communities. Moreover, we cannot ignore the high levels interest shown by the Community authorities in aspects related to the SE. In fact, in 2019, the European Commission recognized Galicia as a ‘Region Friendly to the Social Economy’. Therefore, we must be very aware of the important contributions of the SE to the whole of Galician society, as well as its capacity to create a model of sustainable and balanced economic and social development, focused on people and benefits to the community, over any financial or business benefits.

However, and without wishing to detract from the efforts made thus far, there is still a long way to go in Galicia (and in the rest of the national territory) in terms of SE. This is a particularly important effort in all matters relating to the empowerment of the SE, its visibility in society and the social recognition of the opportunities for improvement generated by this type of activity. Without a doubt, the great adaptability of this sector, which has successfully weathered the latest economic crises, makes the SE a good bet for the future, in a space where it is increasingly necessary to promote self-employment.

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