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## **EU RESEARCH ON SOCIAL SCIENCES AND HUMANITIES**

***The Contribution of Social Capital in the  
Social Economy to Local Economic  
Development in Western Europe***

***CONSCISE***

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# **EU RESEARCH ON SOCIAL SCIENCES AND HUMANITIES**

## **The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe**

**CONSCISE**

**Final report**

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'Improving the Socio-economic Knowledge Base' of FP5**

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## Preface

Within the Fifth Community RTD Framework Programme of the European Union (1998–2002), the Key Action 'Improving the Socio-economic Knowledge Base' had broad and ambitious objectives, namely: to improve our understanding of the structural changes taking place in European society, to identify ways of managing these changes and to promote the active involvement of European citizens in shaping their own futures. A further important aim was to mobilise the research communities in the social sciences and humanities at the European level and to provide scientific support to policies at various levels, with particular attention to EU policy fields.

This Key Action had a total budget of EUR 155 million and was implemented through three Calls for proposals. As a result, 185 projects involving more than 1 600 research teams from 38 countries have been selected for funding and have started their research between 1999 and 2002.

Most of these projects are now finalised and results are systematically published in the form of a Final Report.

The calls have addressed different but interrelated research themes which have contributed to the objectives outlined above. These themes can be grouped under a certain number of areas of policy relevance, each of which are addressed by a significant number of projects from a variety of perspectives.

These areas are the following:

- ***Societal trends and structural change***

16 projects, total investment of EUR 14.6 million, 164 teams

- ***Quality of life of European citizens***

5 projects, total investment of EUR 6.4 million, 36 teams

- ***European socio-economic models and challenges***

9 projects, total investment of EUR 9.3 million, 91 teams

- ***Social cohesion, migration and welfare***

30 projects, total investment of EUR 28 million, 249 teams

- ***Employment and changes in work***

18 projects, total investment of EUR 17.5 million, 149 teams

- ***Gender, participation and quality of life***

13 projects, total investment of EUR 12.3 million, 97 teams

- ***Dynamics of knowledge, generation and use***

8 projects, total investment of EUR 6.1 million, 77 teams

- ***Education, training and new forms of learning***

14 projects, total investment of EUR 12.9 million, 105 teams

- ***Economic development and dynamics***

22 projects, total investment of EUR 15.3 million, 134 teams

- ***Governance, democracy and citizenship***

28 projects; total investment of EUR 25.5 million, 233 teams

- ***Challenges from European enlargement***

13 projects, total investment of EUR 12.8 million, 116 teams

- ***Infrastructures to build the European research area***

9 projects, total investment of EUR 15.4 million, 74 teams

This publication contains the final report of the project 'The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe', whose work has primarily contributed to the area 'Emerging concepts of work'.

The report contains information about the main scientific findings of this project and their policy implications. The research was carried out by five teams over a period of 3 years, starting in March 2000.

The abstract and executive summary presented in this edition offer the reader an overview of the main scientific and policy conclusions, before the main body of the research provided in the other chapters of this report.

As the results of the projects financed under the Key Action become available to the scientific and policy communities, Priority 7 'Citizens and Governance in a knowledge based society' of the Sixth Framework Programme is building on the progress already made and aims at making a further contribution to the development of a European Research Area in the social sciences and the humanities.

I hope readers find the information in this publication both interesting and useful as well as clear evidence of the importance attached by the European Union to fostering research in the field of social sciences and the humanities.

J.-M. BAER,

Director

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## **Abstract**

The concept of social capital features in recent European policies and programmes for local development and social economy, but is beset with definitional problems making it a concept that is difficult to put to use. The CONSCISE Project - "The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe" – has examined ways in which **social enterprises** in 8 different locations in Europe use and build social capital.

The CONSCISE Project developed a **working definition** of social capital comprising of six elements - trust, reciprocity and mutuality, shared norms, sense of belonging and commitment, social networks and information channels. This was then used in **local socio-economic profiling** to explore whether local social capital had an impact upon the emergence of social enterprises and a **social accounting framework** to examine how social enterprises use and build social capital. The project has produced a number of insights.

A survey-derived **index of local social capital** was produced for each of the eight localities, which compared well to other proxy indicators of social capital for the localities. However, this told us little about whether social capital enhances local development. What was more important than **measurement** was examining the operation of social capital in a **local context**, where aspects of social, political and economic development might effect the level and impact of social capital. While local social capital was in evidence in small, isolated rural localities we found that in large, dense and socially diverse urban locations, social capital was more associated with various communities of interest, groups and organisations. In addition it became clear that the balance and 'management' of **bonding** (within group) and **bridging** (between group) social capital would be important for social enterprises to gain positive advantages from the resource.

A range of **key findings** emerged from the research. Social capital is clearly an important resource for social enterprises in all phases of organisational and local development, as it reduces transaction costs, is appropriable (once built up for one action it becomes available for others), does not diminish with use, and enables social cohesion. In many cases however, social enterprises needed to first develop **awareness** of the importance of building, nurturing and maintaining relationships of trust and reciprocity with all their stakeholders. While social enterprises do **network** with other local social enterprises, they are also often in competition; rarely for market share but most often for public sector support. Of the eight social enterprises in the fieldwork almost all were found to be rooted in social capital that had emerged from people joining together in a

**social movement** to address a local problem/need. Despite the popular idea that individual **social entrepreneurs** are responsible for mobilising social capital to develop social enterprise, there was no evidence of this and more apparent was a sense of **collective entrepreneurship** driving social enterprises as different stakeholder groups subscribed to the **shared values** inherent in their social objectives.

The main **policy implications** of the research were that raising **awareness** of social capital and doing a regular '**stocktake**' of it should become part of the social management 'tool kit'. As part of this a balance needs to be maintained **between bonding and bridging** social capital in order to prevent at one extreme possible exclusivity in local development, as against the risk of diluting local social cohesion and potential loss of commitment on the other. From the public sector perspective, it was clear that social capital could be built by the investment of resources. Enhancing **sociability**, providing **community meeting places** enabling interaction between diverse groups, and supporting **social enterprises with high potential for generating social capital** (credit unions, Time Banks, LET schemes) were just three areas with policy potential.

## I. EXECUTIVE SUMMARY

### 1. Background and objectives

#### 1.1. Background

The concept of social capital has in recent years become increasingly common in debates globally (OECD, World Bank) and across Europe about local economic and social development, social exclusion and the emerging third system and social economy. A definition used by the European Union in its Article 6 Local Social Capital programme describes it as - "features of social organisation such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefits'. Thus, the role of social capital in - "restoring social cohesion, reinforcing local networks and formal and informal groups which seek to facilitate integration of excluded persons into work and start-up businesses and co-operatives" - is increasingly recognised, especially in the development of intermediate organisations under Article 6 Local Social Capital. What is more, the "main drivers of the creation of social capital are people and non-profit organisations that develop initiatives that contribute to the creation of employment and strengthening of social cohesion". But how can we indicate that social capital has been created in such ways?

This has been one of the key tasks of the CONSCISE Project - "The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe" - a Framework V Project operating in the UK (London and Fife), Germany (Berlin), Sweden (Västerbottens) and Spain (Catalonia).

#### 1.2. Objectives

The overarching objective of the project was to examine the extent to which social enterprises in the social economy both use and generate social capital and thereby facilitate local economic development, social cohesion and inclusion. The project aimed to fulfil six **objectives**:

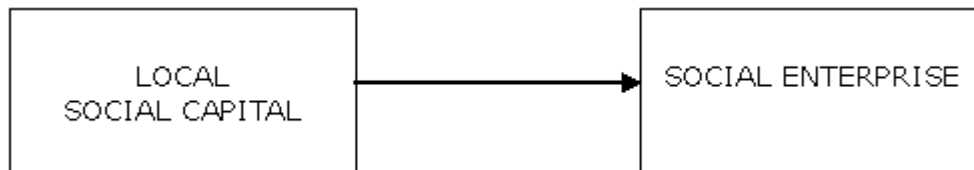
- 1) To model the range of ways in which different social enterprises in the social economy in the four countries can produce and reproduce social capital.
- 2) To identify the ways and extent to which social capital produced and reproduced in family and community networks influences the development of social enterprises in the social economy.

- 3) To generate indicators and measures of the social capital produced by social enterprises.
- 4) To generate a new model of local economic profiling which incorporates a concept of social capital and develop measures and indicators of this.
- 5) To generate an augmented model of social auditing which incorporates a concept of social capital and develop measures and indicators of this.
- 6) To produce an assessment of the role of social capital in the social economy in developing local social cohesion and social inclusion.

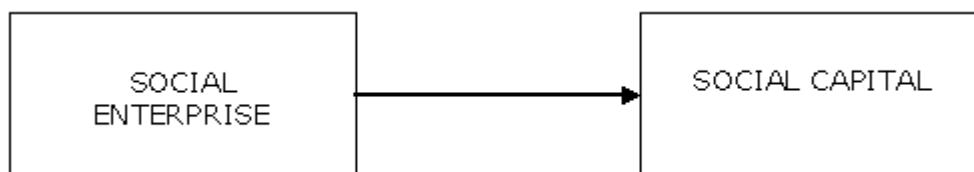
### 1.3. Hypotheses

The CONSCISE Project is specifically concerned to examine how social capital, social enterprise and social economy *relate* to each other, and this is expressed in three **hypotheses**.

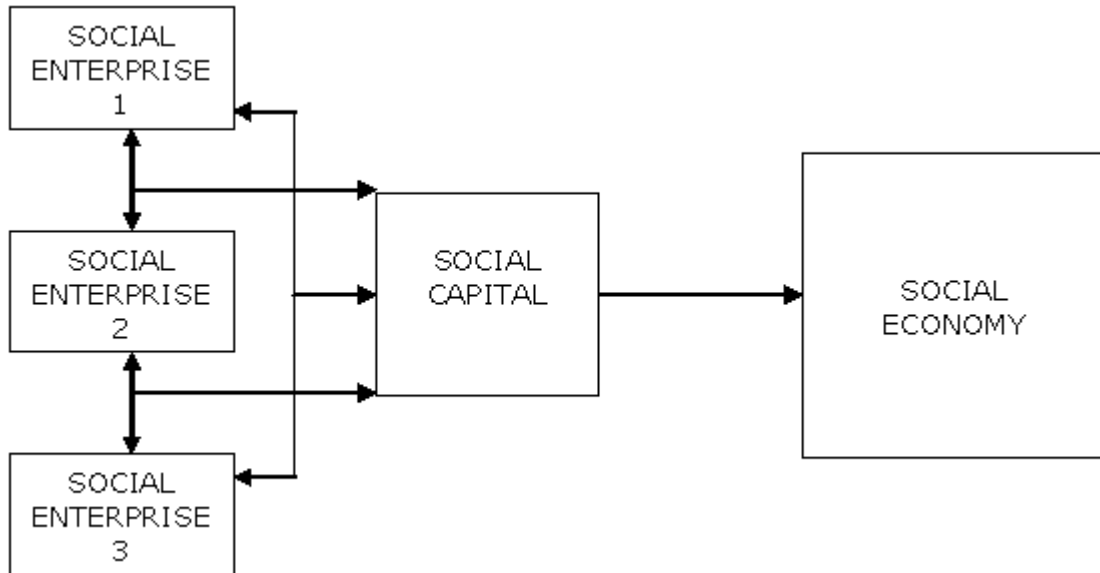
- 1) Local social capital generated by local community networks leads to the emergence and growth of local social enterprises.



- 2) Local social enterprises generate further social capital which is then available for further development.



- 3) A third hypothesis states that via co-operation and mutual support local social enterprises generate a form of social capital characterised by the development of a local social economy.



#### 1.4. Key Concepts

Working definitions of the key concepts utilised in the research design were developed early in the project, through literature review, desk research and project workshops. The following definitions were developed and adopted.

##### 1.4.1. Social Enterprises

- are *not-for-profit* organisations;
- seek to meet *social aims by engaging in economic and trading activities*;
- have legal structures which ensure that all assets and accumulated wealth are *not in the ownership of individuals* but are held *in trust* and for the *benefit* of those persons and/or areas that are the intended beneficiaries of the enterprise's social aims;
- have organisational structures in which full participation of members is encouraged on a *co-operative basis* with equal rights accorded to all members;
- a further interesting characteristic is that social enterprises encourage *mutual co-operation* although whether all social enterprises share this characteristic is

disputed. The CONSCISE Project also confined its focus to social enterprises which are active in the *local* community.

#### **1.4.2. Social Economy**

Defined as that **sector of economic activity** which is **made up of social enterprises** (local and other) organised around -

- **shared values** about the satisfaction of **needs, not for profit principles, co-operation and self-organisation**;
- distinctive types of **inter-organisational relationships**;
- pursuit of a **new mode of production**;
- a **mode of economic integration** characterised by **norms of reciprocity**;
- which make it both a **formalised sub-sector of the broader third sector** and **distinct from the public and private sector**. Specifically, the CONSCISE Project will focus its attention upon '*local* social economy'.

#### **1.4.3. Social capital**

**Social Capital** consists of **resources within communities** which are created through the presence of high levels of -

- trust;
- reciprocity **and** mutuality;
- **shared norms of behaviour**;
- **shared** commitment and belonging;
- **both formal and informal** social networks; and
- **effective** information channels;
- **which may be used productively by individuals and groups to facilitate actions to benefit individuals, groups and community more generally.**

## 2. Methodology

A research framework was proposed whereby Hypothesis 1 would be examined by a method of **local socio-economic profiling** of eight selected localities in Western Europe. Hypothesis 2 and 3 would then be examined through a method of **social accounting and social audit**, augmented to include social capital objectives for eight selected social enterprises, one in each profiled locality. Selected data on each fieldwork location is provided in Table A (Table 3. in main report).

### 2.1. Local Socio-economic Profiling Method

The four essential research instruments chosen for local socio-economic profiling were as follows:

- 1) A **local data profile** constructed from existing available data sources about the area. Among the data collected for each locality was information about its geography, history, population characteristics, housing stock, local employment, economic activity, consumer services, education and training, qualifications and skills, entertainment, sports and leisure facilities, healthcare, transport, community and voluntary organisations, crime, religion, politics and civic engagement and information channels.
- 2) A **social capital survey** was carried out using a questionnaire containing 34 items, which developed proxy measures for the six identified characteristics of local social capital. The questionnaire was distributed to a minimum of 50 local residents in the case of all the 8 localities, and these residents were mainly selected by a snowballing method using initial contacts in local social enterprises and voluntary organisations and developing other contacts with potential respondents through networks. In some locations the method of sampling differed however (see sections on La Val d'en Bas for instance). The questionnaire reserved 12 of its 34 items for information about the respondent in terms of characteristics of gender, age, education, marital status, housing, length of residence (both at present address and in the neighbourhood), household characteristics, children, ethnicity, employment and community involvement. The survey for all the localities was analysed with the specific aim of providing a general index of local social capital. This is of course very approximate and it should be stressed that the main purpose of the survey and index is as a heuristic device.

- 3) A **survey of the social enterprises** in each locality was carried out in an attempt to indicate the size, nature and extent of the local social economy. The survey questionnaire contained 33 main items but due to the variation in locality size it was administered differently in different locations.
- 4) A **soundings group**; the most important element of the method. This group was meant to 'drive' the fieldwork and application of the other three research instruments, but also to generate data in itself. The soundings group was intended to have four main purposes and those people recruited to the group were meant to act as:
- **Discussants** of the data/reports resulting from the use of other instruments in this workpackage;
  - **Informants** in the sense that they will provide qualitative data on the nature of local social capital, the impact of social enterprise and the relationship between social capital and social enterprise in the fieldwork localities;
  - **Gatekeepers** in the fieldwork localities and for potential sources of relevant local data;
  - **Advisors** regarding the direction of the local socio-economic profiling exercise.

In the fieldwork circumstances of the eight localities each of the four research instruments took on varying importance. For instance, in two localities (La Mina and Umeå) it proved impossible to generate interest in and recruit to a soundings group.

## **2.2. Social Accounting and Social Audit Method**

The social accounting and audit methodology developed for the project was constructed in a dedicated workpackage and was based on the five stage social accounting process.

The process provides for an organisation to identify its values, its core objectives and what it does to achieve them (its activities) and to identify its key stakeholders. A social accounting plan is then developed which defines both quantitative and qualitative indicators which require to be collected and how the information will be gathered either through the social bookkeeping system (quantitative) or through consultation with the key stakeholders (qualitative). The quantitative and qualitative data is collected and analysed over a 12-month period. At the end of the year the social accounts are drafted and presented to an independent Social Audit Panel for verification. Each of the eight

social enterprises was assisted to prepare social accounts based on their own values, objectives and activities.

The CONSCISE Project developed two further social capital objectives, which were added to the social audit framework and incorporated into the social accounting procedures for all eight social enterprises. These were -

**Social Capital Objective 1: To use social capital in sustaining our social enterprise by:**

- using relations of trust with social economy and other organisations and with relevant individuals;
- engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis;
- receiving support from a strong local network of support;
- using a sense of shared commitment and belonging to the local area;
- using shared values and norms of behaviour in the local social economy;
- using extensive information channels.

**Social Capital Objective 2: To create and generate social capital for the benefit of the local community by:**

- building relations of trust with social economy and other organisations and with relevant individuals;
- engaging with social enterprises and other local organisations in order to offer help on a reciprocal and mutual basis;
- contributing to and supporting local networks;
- contributing to a sense of shared commitment and belonging to the local area;
- strengthening the shared values and norms of behaviour in the local social economy;
- building up information channels and sharing information.

### **3. Findings**

The project findings are divided into six distinct groups. These are: re-examining the concept of social capital, the impact of social capital on social enterprise (hypothesis one), the impact of social enterprise on social capital (hypothesis two), the impact of social capital between social enterprises on the development of a local social economy (hypothesis three), re-evaluating methods, and modelling the relationship between social capital, social economy and local development.

#### **3.1. Re-examining Social Capital**

- The notion of social capital remains a difficult one due both to its intangibility and to its presence at different levels and scales of relationship. For that reason it serves better as a heuristic device than a precisely defined and measurable concept.
- Although some correspondence between our survey based indicators of local social capital and selected proxy indicators could be found, our research found that it was less relevant to focus upon measurement of 'levels' of social capital.
- The breaking down of social capital into six elements enabled a better understanding of its meaning for research subjects and also had an impact upon the generation of evidence for how it is used in practice. Nevertheless our research enabled us to review these elements and in particular to characterise them in terms of their role in different relationships.
- Distinctions of social capital by type in terms of bonding and bridging have been both evidenced and seen to be useful for analysis and understanding.
- The level and scale of focus in terms of social capital (individual to group, local, organisational, societal) is also a central consideration when operationalising the notion, especially in diverse urban localities.
- The operationalisation of social capital is however heavily influenced by context and this places a premium upon methods that enable such context to be explored.

#### **3.2. The Impact of Social Capital on Social Enterprises**

- From the research evidence it would appear that specifically local social capital has not been a significant influence upon the emergence of the social economies we have examined. In the more remote locations (e.g. La Val D'en Bas, Nästansjö) however the local community has been an important context, mainly due to social, political and economic isolation.

- In the other fieldwork locations local social capital is much less significant than social capital provided by interest groups, organisations, communities and movements which are either contained within the localities or cut across and beyond them.
- Both bonding and bridging forms of social capital were evident in the localities of the research. However, the 'level' of such social capital resources was less important than how they are used to achieve different things in the establishment, growth and consolidation of social enterprises.
- Contextual features, local and wider are an important consideration in examining the relationship between social capital (whether local, communal or organisational) and local social economy. Such contextual features are largely those of social, economic and political structure.
- In terms of the local social structural context, isolation, social homogeneity and small population numbers impact upon the level and type of social capital.
- Furthermore, multiple disadvantage, low skills levels and educational underachievement is reflected in the character of human capital available locally. In such circumstances social capital (and here the balance between bonding and bridging is important) can play an important role in compensating for poor quality human capital by creating both support structures and network diversity to enable the expansion of opportunity.
- In terms of the context of local political structure there was evidence in most localities of the importance of bridging links being built with public sector agencies and officials in particular. The quality of these links as types of bridging social capital may be assured by the reciprocity inherent in them. Whilst the public sector has skills, resources and power that the social economy seeks, the social economy gives legitimacy to meeting policy goals that the public sector also looks for. In this sense the links are horizontal and not vertical.
- Whilst key individuals who have animated groups and others to mobilise social capital and develop the social economy can be readily identified in the research, this is more appropriately called collective entrepreneurship and not social entrepreneurship. The notion of social entrepreneur perpetuates connotations of influential and charismatic individuals who ignite and 'lead' benighted communities. No individual can operate in the collective realm without winning or being given the consent of others to do so, and this requires a relationship of some reciprocity.

### 3.3. The Impact of Social Enterprise on Social Capital

There was evidence -

- of social enterprises using and building social capital;
- of a distinction between the type of social capital, which bonded stakeholders around a specific mission or objective and that which bridged to other social enterprises groups;
- that social capital was especially important at specific junctures of the development of a social enterprise. For instance at the initiation of the organisation or at a time of crisis concerning lack of other forms of capital;
- of the danger of social enterprises becoming too concerned with nurturing bonding social capital at the expense of developing bridging links was evidenced and seen to be a contributory factor in such projects being viewed as exclusive;
- that social enterprises can become complacent about their social capital and therefore can lose it due to not keeping their social capital working;
- that increased awareness within social enterprises of what social capital is and does, brings an understanding of how the social enterprise can use and build it;
- that whilst any of the six elements of the definition of social capital could be seen to initiate the process of building social capital, it was most often values that enabled a group to cohere and initiate a social enterprise. These values may not be intrinsically locally based but are frequently those of a social movement (e.g. green movement, co-operative movement);
- that when social capital became consolidated in the social enterprise the most important element for development became trust and the benefits of building and harnessing trust to the reduction of transaction costs was also evidenced;
- that building social capital links generates the regular operation of networks which becomes the main source of the appropriate characteristic of social capital which increases the likelihood of further developments;
- of collective entrepreneurship, but there was little evidence of what are understood in the Anglo-American literature to be 'social entrepreneurs'. This is not to dispute the importance of key individuals, but our evidence was that such individuals are motivated to mobilise social capital to enable and facilitate collective

entrepreneurship. They are not acting as individual entrepreneurs in their own right regardless of context.

### **3.4. The Impact of Social Capital between Social Enterprises on the Development of a Local Social Economy**

There was evidence that -

- social enterprises networked, but not always with other social enterprises;
- social enterprises were in competition, mostly for public sector support and funding;
- in the more isolated, rural localities networking occurred between social enterprises but usually beyond the locality;
- in some isolated, rural locations networking with the broader third system was important;
- networking of clustered social enterprises came about by the generation of new social enterprises emerging usually from a local manifestation of a social movement (e.g. green networks) that generated appropriable social capital from initial developments;
- networking and co-operation was enhanced by its institutionalisation in intermediary organisations or development agencies;
- reputation and the trustworthiness of social enterprises emerge from its internal operations and the social capital it generates, but it is enhanced by being identified as part of a wider social economy;
- the strength of the reputation of a social enterprise and the networks to support it will be apparent in cases where we observe how a social enterprise deals with a situation of crisis;
- clusters of social enterprise usually confirms that the social capital generated by the development of an initial social enterprise is then utilised to develop further social enterprises; i.e. social capital is appropriable;
- network relations between social enterprises can be formalised through 'membership' and such wider organisations provide social capital that individual social enterprises can then draw upon;

- networking and developing a reputation in the social economy can bring benefits of social capital related to reductions in transaction costs. This is evidenced when the development time to establish a cluster of social enterprises accelerates due to the availability of appropriable (re-usable) social capital.

### **3.5. Re-Evaluating Methods**

- Both fieldwork methods emphasised the importance of establishing context and how social enterprises engaged with that context to use and build social capital.
- Although indicators were generated in the profiling fieldwork they were considered to be of limited use in terms of exploring the research hypotheses because they told us little about the dynamics of how social enterprises both use and build social capital.
- Both fieldwork methods produced action-oriented outcomes in the form of usable local profiles and externally verified audits establishing whether the participating social enterprises met their social objectives and used and built social capital.
- In both cases the methods produced opportunities for the research subjects to reflect and learn from the fieldwork process; a heightened understanding of social capital, its role and importance in the social economy and its place in the social objectives of social enterprises was for the most part achieved by research participants and stakeholders.
- Overall the methods enabled the refinement and emergence of a 'grounded' concept of social capital and a firmer idea of how it operates in everyday development practice, mainly through using qualitative approaches.

### **3.6. Modelling Social Capital, Social Economy and Local Development**

- There was little evidence of social enterprises emerging from distinctly local social capital in our fieldwork. Social enterprises that did emerge from local social capital, such as those in smaller isolated, rural localities (e.g. Nästansjö and la Vall d'en Bas), usually drew upon bonding social capital embedded in the networks of the informal and shadow economy. However bridging social capital to other groups, organisations and communities - both within, beyond and outside the locality - become important as the social enterprise emerges and formalises as part of the social economy.

- The local social capital model does not fit all evidence or address the issues of why such social enterprises however. Another model interprets their origins in the application of social capital, often embedded in social movements, to address collectively experienced problems. The emergence of social enterprises from social capital applied to a need to tackle problems of de-industrialisation (BRAG) and youth unemployment (Kirchbauhof, Zukunftsbau, and Vågbrytarna) supports such a model.
- In some cases however, public sector policy and resources is added to the social capital of social movements to produce a development mixture that generates social enterprise (e.g. HEC, Waltham Forest and CLS La Mina, were rooted partly in Local Agenda 21 and Article 6 Local Social Capital respectively). The relationship of the third system to the public sector is very important here.
- Social capital is important in the start-up, consolidation and sustainability of social enterprise. Social enterprises, once established, also continue to use and build social capital. However its importance relative to other forms of capital may vary over the specific development trajectory. Nevertheless, one common scenario is that a social enterprise which is in crisis and which has failed to maintain its social capital is less likely to survive.
- Social enterprises generate social capital often in a virtuous cycle of development where a social consensus to meet a local need (perhaps a need to solve a problem) leads to the ignition of the other elements of social capital (sense of belonging, values of co-operation, trust, mutuality and reciprocity) in networks of support to address the need.
- Similarly, a social capital cycle is proposed which indicates how two-way relationships between ranges of organisations, groups and individuals generate network linkages that through regular usage strengthen and encourage the sharing of values central to the specific social capital thus creating trust.
- The social entrepreneurial cycle, reliant as it is upon the notion of a charismatic individual leader, is not found to fit with the research evidence and is dismissed as serving a neo-liberal perspective on social enterprise development. Such a model is considered to be at odds with the context, the collective action and the social capital resources in which all social enterprise is rooted.

## 4. Policy Implications

### 4.1. Building Social Capital

- 1) **Building awareness of social capital** – and the elements which make it up – reinforces the value of the community development approach: generating networks, supporting community groups to form and take action, fostering social interactions and so forth. Much of this work appears intangible but it can be seen as vital to building the social networks and the contacts and collaborations through which social capital may build. A community or organisation without social capital will find it more difficult to achieve development.
- 2) Social policy therefore needs to invest both in an awareness of the **processes and practices of community development** and, through it, in the **encouragement of all forms of positive and inclusive social networks at local community level**, especially in areas of disadvantage where social capital may be observed to be low.
- 3) **Networks**, which bring together the institutions of civil society at regional and national levels, are important, not least because they facilitate the bridging which is so important to small organisations at the local, community level. Networking, if done well, can impact on levels of social capital in society.
- 4) In deprived localities it is important to **build the communal infrastructure** as much, if not more, than directly assisting the individuals and families who live there. The reason for this is that if the enhancement of the human capital of individuals and families outstrips the pace of growth of local social capital and other local infrastructure, these assisted individuals and families may use their new found human capital to leave the locality. The locality is then poorer as a result. Human capital that is beneficial to local development emerges from and contributes to social capital, and is not an isolated resource.
- 5) Nevertheless, an appreciation that the more a specific community generates networks of bonding social capital and becomes socially cohesive the more it becomes excluded to other or neighbouring communities is vital. Tolerance of and respect for diversity and its potential in the 'entrepreneurial ecology' is crucial for healthy local development. In this the appropriate **balance of bonding and bridging social capital** for the specific local context needs to be struck.

- 6) **Social Capital is value neutral** and in certain circumstances bonding social capital may become so extreme as to generate social exclusion. There is a 'downside' to social capital and this can be 'built' just as much as positive social capital can. Those wishing to build social capital need to be aware of balancing the bonding and bridging forms of social capital in local development in order to enable and maintain diversity and social inclusion.
- 7) **Indicators** of social capital are of use to direct policy and development focus but should not become the prime focus of attention. Social capital is about the qualities of relationships and what can be achieved by working in co-ordination. Any supposed 'stock' of social capital does not in itself achieve development, but is an indication of potential resources that can be mobilised and co-ordinated for collective action.
- 8) Furthermore, indicators of social capital, because of the intangibility and differentiated nature of the phenomena, are only ever **proxy indicators** and as such should not be mistaken for social capital itself.
- 9) Despite a contemporary preoccupation with 'measurement' of social capital, there needs to be more focus upon understanding the grounded dynamics of how social capital works and what its impacts are. An appreciation of the **local and wider context** in which resources of social capital emerge and are employed is central here.
- 10) A new approach to the resourcing of regeneration, development and capacity-building becomes premised upon the basis of resourcing the potential of **sociability**, of networking for its own sake, rather than seeing it as a secondary justification and a by-product of other resourced policy outputs.
- 11) The importance of **places for interaction** for such 'sociability' in its own right should be recognised. Planning policy needs to ensure that there are "safe" spaces and places where people may meet and interact, talk and plan, share experiences and build up common approaches to tackling local issues. These places may include community centres, village halls and community-owned cafes. Such physical, infrastructural capital is important to the generation and maintenance of social capital.
- 12) Furthermore, if such places for interaction can be under **local community control** then social capital may grow all the quicker. The very fact that local people have local responsibility leads to a greater interest in the development of

their communities and gets people working together and generating higher levels of social capital.

#### **4.2. Building the Social Economy**

- 1) The broad third sector is important to generating social capital and the 'soil' for social economy. In this it is important to **promote opportunities for and actual activity of voluntary groups and volunteering** (both formal and informal) in the local area. Self-help mutual aid groups actively build social capital. In this effort the more localized, informal and with potential to maximize diverse and regular contacts of sociability the better.
- 2) Social enterprises share particular values, which make them different from public and private sector organisations. Without a clear **understanding of these values**, it will be difficult for policy makers to shape policies that can encourage the growth of the social economy.
- 3) Some social enterprises appear more able and **more active at generating social capital** than others. As examples, LET Schemes, Time Banks, community-based Credit Unions and other such organisations are centred around social capital and require a critical mass of people. They are dependent on trust, reciprocity and networks. Support for these types of organisations at a local level may generate levels of social capital, which may then lead on to more cohesive communities that are better equipped to deal with some other social and economic problems that they may face.
- 4) Support for community activists to generate **collective entrepreneurship** thus enabling them to further the social and economic development needs of their local communities. However, care should be taken to nurture entrepreneurship within local communities and amongst local people rather than focus exclusively on the support needs of individuals.
- 5) Educational and **training programmes** which facilitate collective entrepreneurship need to incorporate an understanding of social enterprise and hard skills in local socio-economic profiling, social accounting and building and using social capital.
- 6) The understanding of the values of the social economy implies **new ways of working**, new skills and a new professionalism on the part of public sector and third sector officials and recognition of the central role that the public sector can play in the development of the social economy. In particular the recognition on

the part of such professionals that building trust and reciprocity into their partnership working with representatives from social enterprises is important to effective and inclusive development.

- 7) To promote co-operation between social enterprises, the public sector in particular must reduce the **wasteful competition** between social enterprises for the support of their local authority and promote more strategic approaches and collaboration.
- 8) The value of assisting community organisations to be involved in **partnership** or collaborative work must not only be recognised but also financed. Partnerships are more effective when there is a vision commonly held between partners. Often this common vision is directly related to the shared values of the partners and more work is required in encouraging stakeholders in partnerships to be explicit about their values (both shared and distinct) and how they relate to the work programme at hand.

#### **4.3. For Building Social Enterprises**

- 1) The **education and training** of those employed in the social enterprise field need to incorporate an awareness of the importance of social capital to social enterprise.
- 2) The research found that the social capital available to a social enterprise is important throughout its life cycle, both in itself and relative to other forms of capital (human, financial and physical). This means that a **social capital stock take** carried out in the regular social audit, is recommended as part of the management process.
- 3) **Local socio-economic profiling** (occasionally referred to as community profiling or community audit) has grown to become part of the social economy development process, and is particularly important for establishing awareness of context. An important aspect of context here is the emergence of social enterprise as responses to problems/needs, which as evidenced in our fieldwork was the case in 7 out of 8 of the social enterprises examined. An audit of local social capital resources, incorporating a range of tools and instruments for assessment, some of which are provided by the soundings group in the CONSCISE methodology, is recommended.
- 4) **Social accounting and** audit methods have been augmented by social capital objectives in the CONSCISE research. We would recommend as policy that social

enterprises that adopt social audit methods examine ways in which they can assess how they use and build social capital. This may not involve adopting social capital use and building as objectives, but just the incorporation of a social capital stock take (as recommended at 22). It is also recommended that just one social capital objective, incorporating both use and building, should be adopted.

## **5. Further Research**

There are a number of direct areas where the focus of research should be placed. These are as follows.

- What is the nature of entrepreneurship in the third system? How does it differ from conventional entrepreneurship? What does collective entrepreneurship involve? How does it differ from social entrepreneurship?
- Are there significant differences between horizontal and vertical bridging ties in terms of social capital? Can vertical ties based around clear and open differences of power and ownership and control of resources be perceived as social capital?
- Can there be ties of social capital between groups in the public sector and third system, and between groups in the private sector and the third system? Can social capital be built between groups and individuals of groups who have fundamental differences of value system and objectives?
- What is the connection between human capital and social capital? Is human capital fungible or does it share the characteristics of social capital in being accumulated through further use?
- How might the concept of social capital as an essentially heuristic device be incorporated into policy and development tools to build social capital?

## **6. Final Word**

The development of social enterprise and local social economy are advantageous to both building social capital and local development. The presence of social capital - whether local, community of interest or organisational based - is advantageous to the generation of social enterprises in a social economy for local development. The very characteristics that compose social capital; its appropriability and its propensity to reduce transaction costs make it a vital ingredient of healthy forms of local development. It is not however 'fungible' since using it as leverage to create physical, financial and human capital means

it in fact grows and is not expended. This in itself is a positive feature of social capital; the more it is used the more it grows. The converse is true also however, if it is not used and maintained it is lost and degeneration of networks, groups, organisations and local communities ensues. Policy wise therefore efforts to maintain and enhance social capital for its own sake, not just as an externality of other investments and developments, can be made. They can be made because the other forms of capital *are* in some cases fungible and in other cases can be used to generate social capital. This is the case with human capital (because education makes us recognise the potential of working together in mutuality to solve problems). It is also so with physical capital because buildings and physical resources that are open to access generate places and facilities for people to network. Finally, financial capital can of course be converted to the above two forms of capital - buying education, training, property - we exchange it for these things. Maintenance of social capital must be cognisant of the need to balance the distinct types of it: bonding and bridging social capital. Within the social economy, as with other areas of co-ordinated human action, there are some activities and organisations that are good builders of bonding social capital and others that are ideal for building bridging social capital between different groups. Overall however, the values of mutuality and reciprocity that are embodied within the social economy mean that all of its defined activities will build social capital. But some activities build more social capital and of a different type than others. Above all being aware of what social capital is and the implications and consequences of its growth, enables it to become an important ingredient of local development.

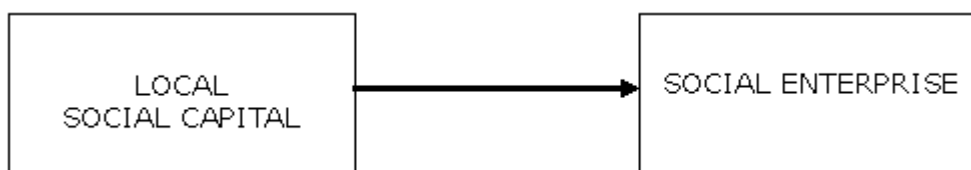
## II. BACKGROUND AND OBJECTIVES OF THE PROJECT

In the context of an emerging European polity and social model and more ubiquitous global economic forces, there has been a growing interest in processes of local development and policy intervention in Europe. Such 'endogenous' forces of local development have coincided with the growth of the social economy in Europe.

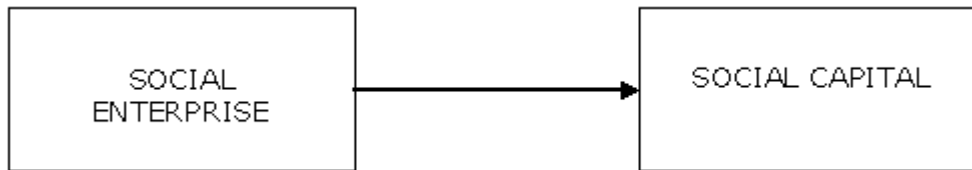
The importance of the development of social enterprises and the growth of the social economy throughout the EU has received much attention in recent years (Defourny and Monzon Campos, 1992; Eurostat, 1997; Birkhoelzer et. al., 1997, 1998; Bauer, et. al., 1998; Molloy, 1999). The potential of social enterprises to: tackle social exclusion and poverty, create employment, provide services, generate and retain wealth and income in distressed localities and regions, provide training and skills, encourage entrepreneurship, develop grass-roots involvement and increase social cohesion and democratic participation has been well documented (Knevett, 1986; Cooper et. al., 1991; Lorenz, 1992; Pearce, 1993; Twelvetrees, 1998; Birkhoelzer, 1997, 1998; Stiftung Bauhaus Dessau: European Network for Economic Self-Help and Local Development, 1996). Interest in the idea of social capital and claims for its importance to local development has also grown, mainly through the work of Putnam (1993a, 1993b, 1995), Coleman (1988, 1990) and Woolcock (1998). Thus the range of claims for the social economy is now augmented by the claim that it is an activity suited to building social capital which has important consequences for economic development, social inclusion and social cohesion especially at the local level. A central claim in the literature (e.g. Putnam, 1993a) is that localities that are somehow 'rich' in social capital become more prosperous with a good quality of life. We would therefore anticipate that places with good stocks of social capital nurture social enterprises within a growing social economy.

The CONSCISE Project was conceived to examine how social capital, social enterprise and social economy *relate* to each other and the relationships between these concepts can be hypothesised in the following ways:

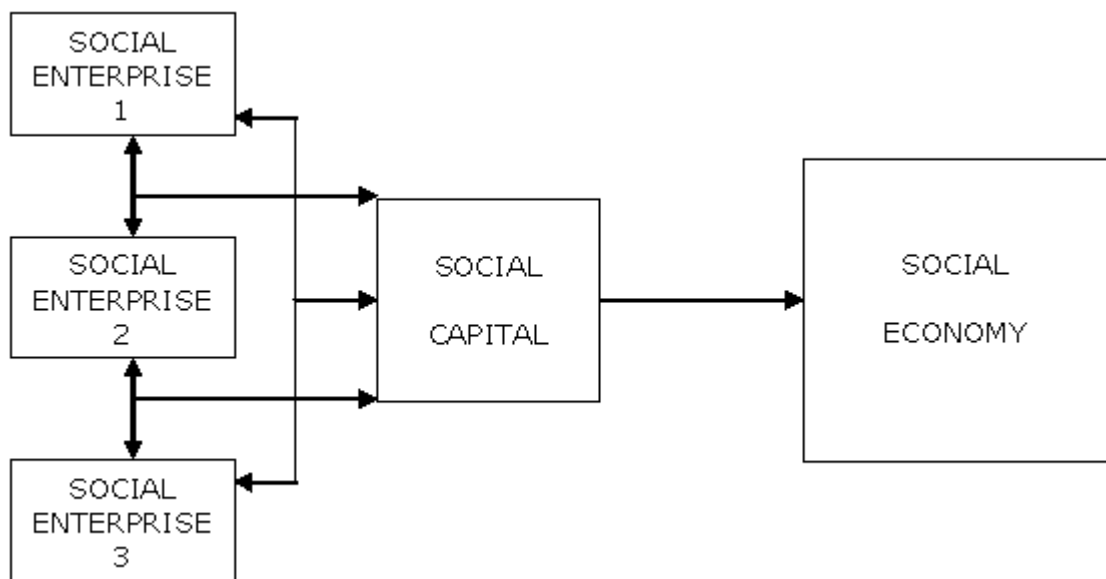
- 1) Local social capital generated by local community networks leads to the emergence and growth of local social enterprises.



- 2) Local social enterprises generate further social capital which is then available for further development.



- 3) A third hypothesis states that via co-operation and mutual support local social enterprises generate a form of social capital characterised by the development of a local social economy.



A different form and type of social capital might be involved in each of the hypotheses however.

**The CONSCISE Project's research examined the extent to which social enterprises in the social economy produce and reproduce social capital and thereby facilitate local economic development, social cohesion and inclusion in four European states: UK, Germany, Spain and Sweden.** The project originally aimed to fulfil six objectives -

- 1) To model the range of ways in which different social enterprises in the social economy in the four countries can produce and reproduce social capital.
- 2) To identify the ways and extent to which social capital produced and reproduced in family and community networks influences the development of social enterprises in the social economy.

- 3) To generate indicators and measures of the social capital produced by social enterprises.
- 4) To generate a new model of local economic profiling which incorporates a concept of social capital and develop measures and indicators of this.
- 5) To generate an augmented model of social auditing which incorporates a concept of social capital and develop measures and indicators of this.
- 6) To produce an assessment of the role of social capital in the social economy in developing local social cohesion and social inclusion.

We claim that the six objectives have been achieved within the three years of the project, with the exception of one element of objective 2. It proved to be beyond the resources of the project to explore how social capital produced and reproduced specifically in family networks influences the development of social enterprises in the social economy. The literature on the role of family in building social capital identifies two approaches: firstly, research upon social capital built within and for the express use of individual families (e.g. Coleman, 1988, 1990); and secondly, social capital built within families which impacts beyond the family network. This second approach, which fits with the concerns of the CONSCISE project, is far less developed (Winter, 2000) and concerns mainly the connections between social and human capital (Coleman, 1988). Project partners considered that the project had neither the resources nor the expertise required to undertake the research needed to meet this aspect of objective 2.

### III. SCIENTIFIC DESCRIPTION OF PROJECT RESULTS AND METHODOLOGY

#### 1. The Key Concepts and Hypotheses

The State of the Art report outlined trends and issues with respect to research and European policy at the outset of the CONSCISE Project in 2000. This report noted the synonymy of the notions of social enterprise and social economy in European research and policy concerned with local development and highlighted the extent to which recent developments have seen the notion of 'Third System' supersede each of these terms.

This section outlines how these concepts are defined, and updates trends in the 'state of the art' with respect to research in the field. The State of The Art report (CONSCISE, 2000a) identified three areas of concentration for future research in the context of social capital, social economy and local development definitions and claims, context and process, and scales of analysis, and these are discussed in our findings and conclusions.

##### 1.1. Social Enterprise and Social Economy

European research tends to use the terms social enterprise and social economy interchangeably (EMES Network, 1999; Borzaga and Defourney, 2001) but there is a case for distinguishing between the two terms so that social economy is not defined simply as the sum total of social enterprises contained within a defined location.

The UK government most recently defined social enterprise as "a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community rather than being driven by the need to maximise profit for shareholders and owners" (Department of Trade and Industry, 2002). This is similar to a recent research project definition of social economy as "not-for-profit activity geared towards meeting social needs" (Amin et.al. 2002). If there is a distinction it is that the former denotes a single business whilst the latter denotes general activity. This captures the spirit of how the CONSCISE Project distinguishes between social enterprise and social economy.

In adopting the definition favoured by the European Network for Economic Self-Help and Local Development (Birkhoelzer, 1997), the CONSCISE Project confines the term social enterprise to discrete projects. **SOCIAL ENTERPRISES:**

- are *not-for-profit* organisations;
- seek to meet *social aims by engaging in economic and trading activities;*

- have legal structures which ensure that all assets and accumulated wealth are ***not in the ownership of individuals*** but are held ***in trust*** and for the ***benefit*** of those persons and/or areas that are the intended beneficiaries of the enterprise's social aims;
- have organisational structures in which full participation of members is encouraged on a ***co-operative basis*** with equal rights accorded to all members.

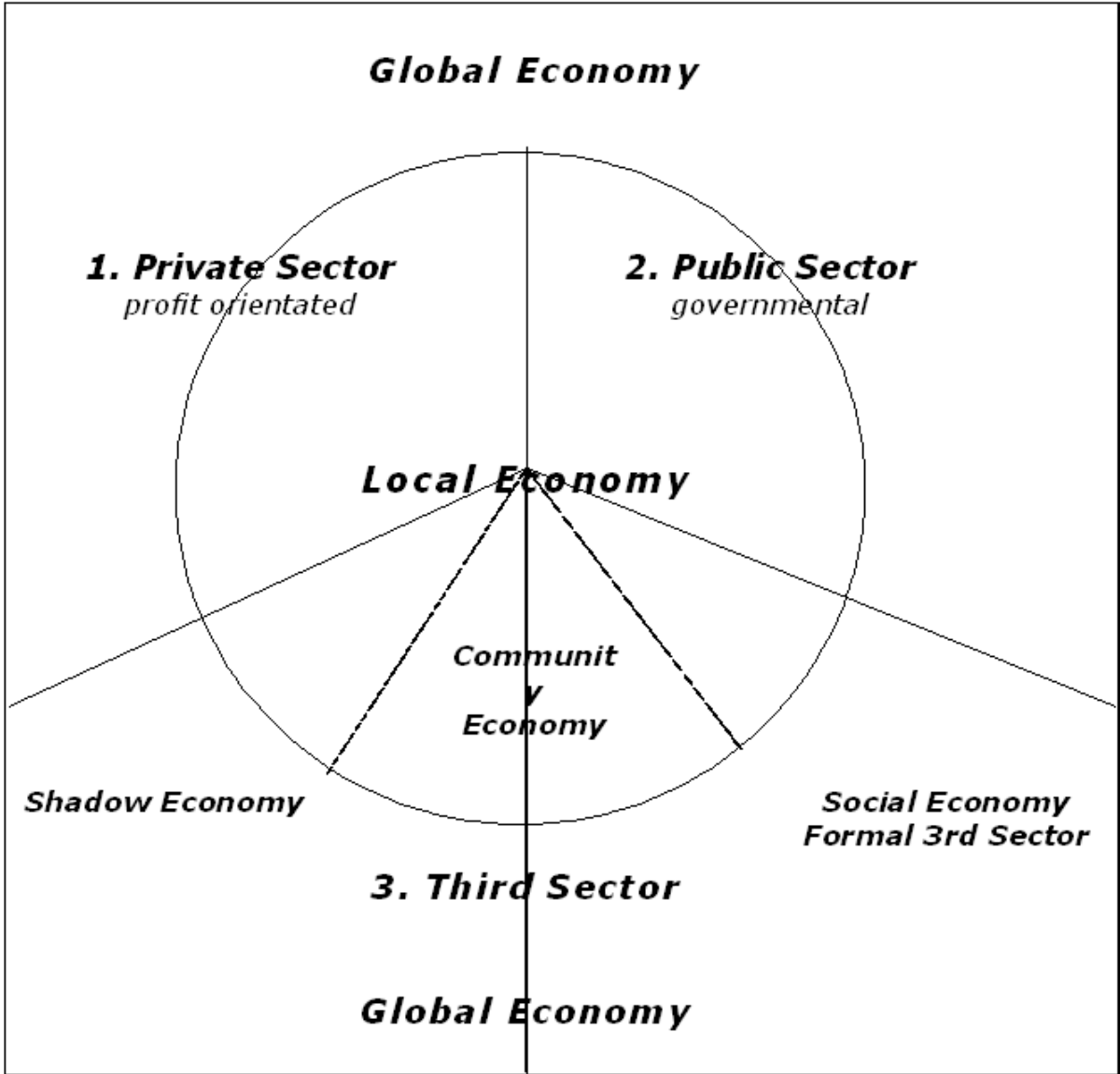
A further characteristic is that social enterprises encourage ***mutual co-operation*** although whether all do so is disputed. The CONSCISE Project confines its focus to social enterprises that are active in the ***local*** community.

The **SOCIAL ECONOMY** is defined as that **sector of economic activity**, which is **made up of social enterprises** (local and other) organised around:

- shared values about the satisfaction of needs, not for profit principles, co-operation and self-organisation;
- distinctive types of inter-organisational relationships;
- pursuit of a new mode of production;
- a mode of economic integration characterised by norms of reciprocity which make it both a **formalised sub-sector of the broader third sector** and **distinct from the public and private sector**. The CONSCISE Project focuses on ***local*** social economy.

Thus the perspective of the CONSCISE Project is that a Social Economy is more than an economic sector composed of the sum of its parts (social enterprises): it is characterised by a specific set of values and a dynamism in the types of relationships it nurtures. The situations of social enterprises and the social economy in relation to other activities in the local economy are indicated in the Diagrams 1. and 2. below, which have emerged from research conducted by the European Network for Economic Self-Help and Local Development (Birkhoelzer, 1997; 1998). Diagram 1. indicates the situation of the third sector (which contains the social economy) in relation to the private and public sectors of the economy.

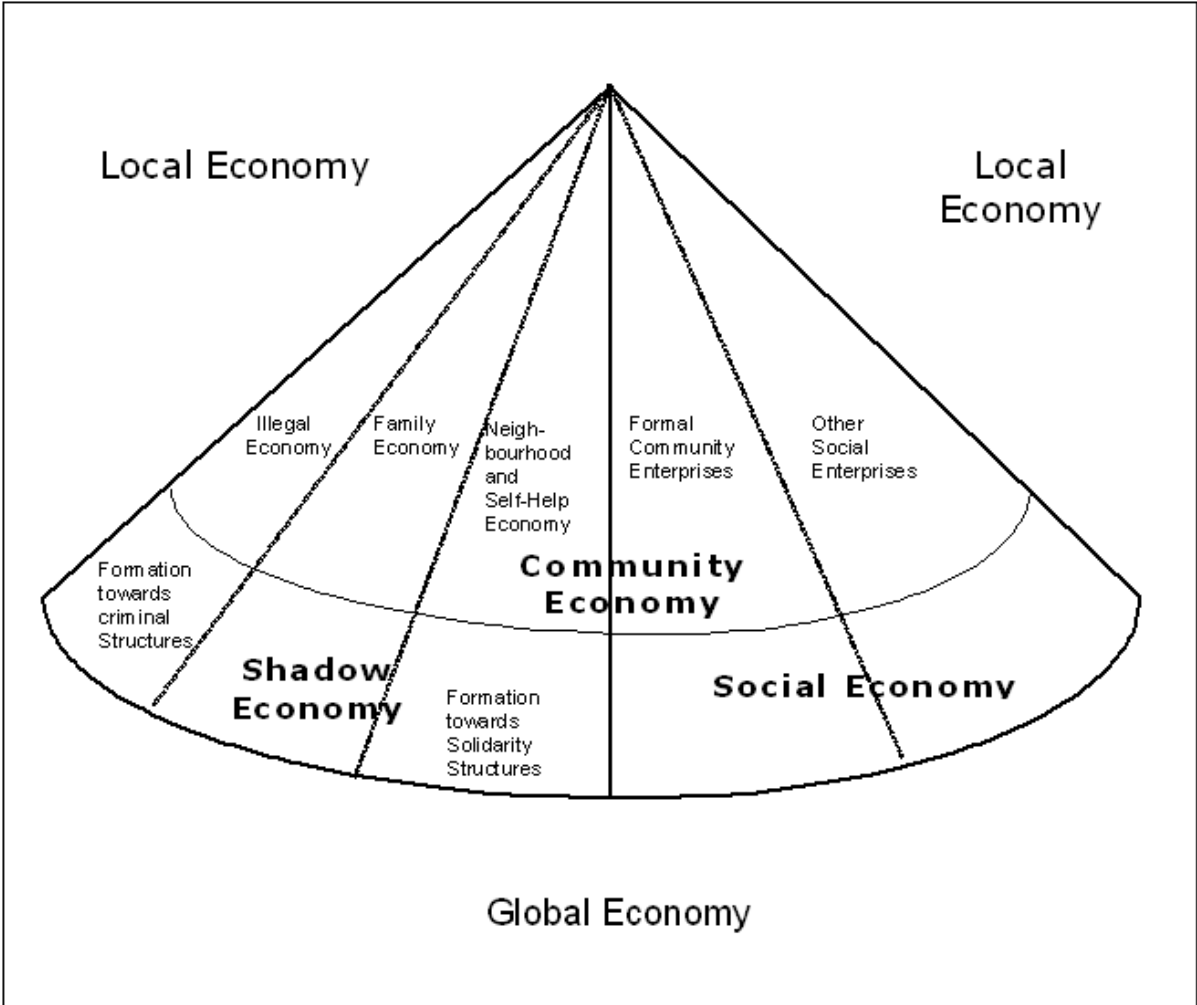
**Diagram 1.** Situating the Social Economy



A focus upon the third sector itself reveals further distinctions, illustrated in Diagram 2.

Specifically there are two main areas – Shadow Economy (informal) and Social Economy (formal) which have local and global spatial manifestations. Mainly as a consequence of the work of the CONSCISE Project, Diagrams 1. and 2. have been refined in a recent book by one of the partners in the research (Pearce, 2003).

**Diagram 2.** Sub-sectors of the Social Economy



Research in Europe since 2000 has revealed an increasing concern with the relationship of the social economy to the state sector in particular and to claims regarding the extent to which social enterprises combat social exclusion (Borzaga and Defourney, 2001; Amin et.al. 2002; Spear, et.al. 2001).

In many European countries and regions the profile of the social economy in economic and social policy has increased, and in particular the EQUAL programme of ESF funding for 2000-2006 includes "Strengthening the Social Economy". The role of social enterprise as a distinct form of micro-enterprise is also being seen as both symptom of and response to globalisation (Birkhoelzer, 2001; Friedman, 2001; OECD, 1999; Cote and Healy, 2001; Smallbone, et.al, 2001; Westall, 2001).

These developments clearly connect with a key hypothesis of the CONSCISE Project. Evers and Schulze-Boeing (2001) assert that social enterprises are effective builders of social capital because they:

- create and make use of the commitment and trust of volunteers and partners;
- build up services which depend on close relationships in a local cultural context;
- are locally credible in the role of re-integrating a clientele (trainees, customers or employees);
- are effective at meeting combined goals (e.g. local development and labour market integration).

Apart from the CONSCISE Project there has however been little research to test such assertions.

The role of social enterprise in building social capital has also entered aspects of policy at local and European levels (DTI, 2002; EC, 1998, 1999; Campbell, 1999). In a recent review of organisational forms of social enterprise the Cabinet Office (2002) of the UK Government, the Strategy Unit identified building social capital as one of the three advantages to government of supporting social enterprise. Woolcock argues that a key feature of micro-enterprise is "their use of social relationships as an alternative source of collateral ... the social capital of the poor thus acts as a substitute for what they lack by way of physical or financial capital" (Woolcock, 2001b). The point is equally applicable to social enterprises.

The converse relationship, that local social capital generates a local social economy (the first hypothesis of the CONSCISE Project), has been examined in recent research carried out by Amin et.al in four UK cities, and found wanting. The authors conclude that: "we have seen very few examples of social enterprise rooted in so-called local society defined as community or local social capital" (Amin et.al. 2002, p.120). However, rather confusingly, the same authors go on to outline six ways in which local context has played an important part for the formation of a social economy in the four cities. Firstly, through 'voiced' and various minority cultures. Secondly, through having an 'associational presence' (i.e. a strong voluntary sector). Thirdly, through having a local state which operates in ways sympathetic to the social economy. Fourthly, through the presence of what is termed 'agonistic' political spheres (Mouffe, 2000) in which difference is accepted and agreements are reached through discursive opposition. Fifthly, through the presence of strong and diverse networks and linkage. Finally, through local socio-economic deprivation being not so harsh as to stifle any potential for the emergence of a social economy.

We have identified little research over recent years on how social enterprises in co-operation and collaboration use and build social capital to generate an identifiable social

economy. Although not the direct focus of the research, the work conducted for the European Commission by the Technologie-Netzwerk, Berlin, e.V examining the role of intermediary support structures in promoting third system employment activities at local level, did highlight the role these support structures played in generating and using social capital within the third system (Technologie-Netzwerk, Berlin, e.V, 2001).

Finally, as identified in the State of the Art report (CONSCISE 2000a), interest in the notion of social entrepreneurship is growing (Leadbetter, 1997), in the context of community leadership in particular, and research on this has flourished (Purdue, 2001; Vangen and Huxham, 1998; Skelcher et.al. 1996; Clarke and Stewart, 1999; Waite, 2000). Purdue in particular highlights the different roles of social capital in terms of bonding, bridging and linking for the effective functioning of the social entrepreneur and how the balance of these roles is essential to local development.

## 1.2. Social Capital

A key concern of the literature on social capital over the past 15 years has been to explore exactly what social capital is. Discussion commonly proceeds from three key sources: the works of Bourdieu, Coleman and Putnam. For Coleman (1990) "social capital is defined by its function. It is not a single entity, like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. ... Social capital is embodied in the relations among persons... [a] group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish more than a comparable group lacking that trustworthiness and trust".

In his early writings Putnam (1993b), considered that "social capital refers to features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions". Bourdieu (1992) defines it as "the sum of resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition".

Most of the controversy over the notion of social capital centres upon whether social relationships can ever be deemed forms of capital. Whilst there is considerable dissent over the view that there are **different types of capital**, beyond the inanimate and material (see Fine, 2001), the view that human, cultural and social capital are forms of capital which share the characteristics of being productive resources has much support. Bourdieu (1986, 1992), is concerned not only with distinctions between forms of capital (economic, cultural and social), but also the extent to which they are convertible one to

the other - the idea of 'fungibility'. This raises a range of issues pertinent to development, since it is often implied that whilst poor 'communities' (whether interest or locality based) are likely to have a scarcity of financial, physical and often human capital, they may have high stocks of social capital. The point is well made that "the social capital of the poor is the one asset that they can potentially draw upon to help negotiate their way through an unpredictable and unforgiving world" (Woolcock, 2001a). But it is also the case that "there is considerable stocks of social capital in ghetto areas, but the assets obtainable through it seldom allows participants to rise above their poverty"(Portes and Landolt, 1996). Thus the extent to which social capital can be converted into other forms of capital depends upon what that social capital can 'lever'. But there is also a problem here. Since a distinctive feature of social capital is that, unlike other forms of capital, the more it is used the more it grows, one would expect that such *conversion* is *not* in fact possible. It can be used to 'lever' or acquire the other forms, but this means a growth in the stock of social capital also. This is exactly what makes social capital important to the debates regarding economic development: that a growing stock of it increases its "appropriability" (availability for further co-ordinated actions).

Even if we accept that social relationships can have the quality of resources that enable co-ordinated actions, we are still left with considerable definitional problems concerning exactly what characteristics of relationships we are concerned with. Despite a trend in the literature to pare the notion of social capital down to the bare bones of networks and norms (Putnam, 2000; Woolcock, 2000; 2001a), eclectic definitions which give latitude for exploration continue to be used in fieldwork (e.g. Pennington and Ryddin, 2000). The existence of such conceptual diversity is largely testimony to the fact that, despite substantial global research, there is little agreement on the definition of social capital (Baron et.al. 2000; Schuller et.al. 2000; Cote and Healy, 2001; Grootaert and Van Bastelaer, 2001; Woolcock, 2000, 2001a). More recently, however, two broad areas of concern have crystallised. Uphoff (2000) refers to these as an objective/subjective divide: on the one hand, a **structural** version of the concept where emphasis is on the roles and networks through which information and norms are conveyed; and on the other hand a **cognitive** version which focuses on shared norms, values, trust, attitudes and beliefs. This view is shared by Foley and Edwards (1999, p.141) who observe a watershed in social capital research between "those who operationalise the concept principally in terms of norms, values and attitudes and those who choose a more social structural operationalisation, invoking social networks, organisations and linkages".

It is quite apparent that the former, cognitive, direction is more favoured by followers of Putnam and those concerned with political science whereas the structural position is pursued by those of a sociological persuasion more influenced by Coleman's writing.

Some however detect a paring down of the notion, an "emerging consensus across the social sciences concerning its definition, one built on an increasingly solid empirical foundation. The definition can be summarized as follows: Social Capital refers to the norms and networks that facilitate collective action" (Woolcock, 2001a, p.13).

The working definition of social capital adopted by the CONSCISE Project is an eclectic one due to the need to explore the notion within the context of the social economy and local development. In this basis the definition adopted is that **Social Capital consists of resources within communities that are created through the presence of high levels of -**

- trust;
- reciprocity **and** mutuality;
- **shared norms of behaviour;**
- **shared** commitment and belonging;
- **both formal and informal** social networks, and;
- effective information channels **which may be used productively by individuals and groups to facilitate actions to benefit individuals, groups and community more generally.**

Recent research has been characterised by further endeavours with respect to **measurement** of social capital, and this connects with disputes regarding the meaning of the concept. This controversy is outlined below. Finally, the emerging recognition of "context" as important for examining social capital and its role in local development is considered.

### **1.2.1. The Continuing Effort to Measure Social Capital**

Given the ongoing debate about defining social capital, it is not surprising that there is some controversy over what to measure, how to measure and whether we can measure at all. Even if we confine our work to the three 'founding fathers' of social capital (Bourdieu, Coleman and Putnam) we have to recognise that "each reflects a different set of assumptions and values which inevitably influences the choice of indicators, the methods employed and the interpretation of results" (Wall et.al. 1998). This dilemma should not mask the other major difficulty with developing measurements of social capital: the very intangibility of the concept. "Like human capital, social capital is difficult, if not impossible, to measure directly; for empirical purposes the use of proxy

indicators is necessary" (Grootaert and Van Bastelaer, 2001, p.9). In line with the major watershed in defining social capital, there is a corresponding division in terms of the proxy indicators utilised. Cognitive definitions focus upon proxy indicators relating to norms – mainly of reciprocity and sharing and of trust in particular. Structural approaches use proxy indicators of associational activity and democratic participation (e.g. membership of mass political parties, electoral turnout). "Experience with the multitude of social capital indicators in the case studies [i.e. World Bank's Social Capital Initiative] suggests that the focus should be on three types of proxy indicators: membership in local associations and networks, indicators of trust and adherence to norms, and an indicator of collective action." (Grootaert and Van Bastelaer, 2001, p.23).

With the emphasis on using proxy indicators to measure social capital, there has been a dependence upon using secondary data sources to develop them. The UK Office for National Statistics' research project on social capital has developed a matrix of UK surveys with a social capital element and this lists, with guidance on the social capital aspects, 18 such surveys (Office for National Statistics, 2001b, p.28). There has been considerable use of the World Values Surveys carried out in 1981, 1991, and 1996 in the broad societal sweep studies of social trust as a proxy of social capital (Cote and Healy, 2001; Knack and Keefer, 1997). One acknowledged problem however is that trust varies in definition and connotation across different countries and cultures (Office for National Statistics, 2001b, p.14). If this applies for trust we have also to ask about the meaning and reality of associational activity (and democratic participation of course) in different countries and cultures, a problem regularly encountered in cross-cultural research.

The range of phenomena being measured as proxy indicators is large and growing. The UK Office for National Statistics' workshop on social capital found that in the UK government relevant "departments were measuring trust, networks, norms, values, perceptions and civic participation (considered the easiest to quantify). Indicators which could be used in measurement were voter turnout, confidence in the police and group membership" (Office for National Statistics, 2001a, p.2). Others however assert that social trust is in fact a proxy measure that is both more policy-relevant and easier to derive than voluntary activity and associational membership; it also provides the necessary 'quick and dirty measurement' that can help in the demanding world of policy implementation and monitoring (Halpern, 1999). A recent report on 'The State of English Cities' takes social capital as an important element in the 'health' of major cities, and turnout at local elections as a proxy indicator, which is about as quick and dirty as indicators come (Robson et. al., 2000). It is clear that the distinctions of definition should still be maintained in any subsequent effort to measure stocks of social capital, but these are difficult to uphold when effort is made to generate a single index. Indeed, social

capital is such a nebulous phenomenon as to be unclear whether different indices of social capital are comparing like forms. "The current fashionable search for evidence of and measures to enhance the stock of social capital ...needs therefore to have a sensitivity to the different forms of social capital that may exist with different purposes." (Forrest and Kearns, 2001).

The most popular approach to measuring social capital is the construction of survey instruments that generate measures of pre-identified 'elements', with a view to the creation of single or multiple indices. The most well known of these is probably Putnam's 14 item composite social capital index used in his seminal study *Bowling Alone* (Putnam, 2000). This groups the 14 elements as measures of: community organisational life, engagement in public affairs, community volunteerism, informal sociability and trust. Green et. al., (2000) associate social capital with resident empowerment and control over decisions relating to the health and economy of South Yorkshire, generating an empowerment index and a trust index via a survey questionnaire with eight sections:

- 1) Neighbourhood context (e.g. how likely it is that residents will stay in the area).
- 2) Network geography (e.g. asking how many people in the area residents know).
- 3) Reciprocal help and trust (e.g. extent to which residents ask favours from a neighbour).
- 4) Trust, both in the system as well as personal trust.
- 5) Civic engagement and efficacy (e.g. being informed about local affairs).
- 6) Health (e.g. amount of long- standing limiting illness).
- 7) Life style (e.g. diet and smoking habits).
- 8) Economy (e.g. labour market status).

The CONSCISE Project adopted a similar style of survey questionnaire as part of its local socio-economic profiling methodology (Conscise, 2001a). Broad groupings in the survey instrument within which attitude statements are set are: trust, reciprocity and mutuality, shared norms and behaviour, shared commitment and belonging, social networks and information channels. An index for each element as well as an overall index can be constructed (see Annex 4).

But beyond the real difficulty is deciding what kinds of proxy indicators are suited to serve as measures of social capital, there are problems with the very idea of using

survey questionnaires at all. If social capital is a property of relationships and not individuals then aggregating the responses from individuals to a survey questionnaire and labelling this a 'community' response is clearly flawed. Portes and Landolt (1996) identify this method as one of the three instances of the 'stretching' of the notion of social capital, and similarly Schuller warns of the "danger of bundling up. It looks clear that the validity of social capital depends critically on its contextualisation, and it takes significantly different colours according to these different contexts" (Schuller et.al. 2000, p.28). A variation on the same theme is presented by Green et.al. (2000) who question whether any survey of individuals can be said to represent the collective characteristics of a neighbourhood or locality.

Perhaps the most frequently voiced concern over the measurement of social capital is whether it can or should be measured at all. The UK Office for National Statistics' social capital research project (Office for National Statistics, 2001a, 2001b) is obviously keen to maintain and enhance the profile of efforts to provide qualitative measurement of social capital, but as complementary to measures of quantity. Others go further and call for a greater use of qualitative methodologies not only to complement quantitative approaches but also to move beyond 'purely descriptive work' (Wall et.al. 1998). Much of the motivation behind such calls for more qualitative approaches is to place the examination of social capital within the social contexts that are said to generate it. This is of course particularly so in research that focuses upon the examination of norms such as general levels of trust that, as noted earlier, only come to have meaning within specific social and political contexts (see Foley and Edwards, 1999). It is a point that has to be borne in mind when considering critiques of the concept.

### **1.2.2. The Growing Critique of Social Capital**

The 'rush' to measure social capital is central to the severest criticism of the notion of social capital to emerge in recent years. Ben Fine (Fine and Green, 2000; Fine, 2001) proceeds from an accusation that the methodological individualism inherent in such a concept is part of a neo-liberal effort to reduce the social to the individual and further the efforts of a utilitarian, rational-choice obsessed discipline of economics to 'colonise' social science. This is such a sweeping dismissal as to warrant far greater attention than can be afforded here. However, we take up Fine's observation that "part of the attraction of the concept of social capital derives from the aspiration that it may be quantified and applied to statistical analysis of economic performance to rival and surpass more conventional analysis" (Fine and Green, 2000, p.89). From the point of view of development, such straightforward quantification of the externalities labelled as 'social' might explain the 'residual' growth that cannot be attributed to the deployment of physical and human

capital. For Fine, such an approach, by drawing in and reducing the complexity of the social to a sub-set in an equation, is not only part of a fanfare for the victory of a bland economic rationality. It also glosses over the case for all capital being understood in its social and political economic context, whether we support the argument for a notion of social capital or otherwise. There is a dividing line, however, between those who, like Fine, would consign any notion of social capital to the dustbin of history and those who remain sceptical, but see an important role for social capital as a 'bulwark' *against* colonisation by the discipline of economics and the irresistible logic of the globalisers (see Fevre, 2000). This divide is centred on the issue, once again, of the recognition of context. For Fine, it is this very issue that has marginalised the work of Bourdieu in the burgeoning social capital field.

Away from the roar of the heavy artillery commanded by Fine, the remaining criticisms to be considered appear like friendly fire, coming as they do largely from within the ranks. But many of these criticisms serve to point the concept in a similar direction. Portes and Landolt identify three what they call "stretchings" of the concept of social capital. The first is about the confusion around whether social capital is a property of individuals or groups: "Collective social capital...cannot simply be the sum of individual social capital. If social capital is a resource available through social networks, the resources that some individuals claim come at the expense of others." (Portes and Landolt, 1996). The second conceptual stretch is the confusion of the sources of social capital with the benefits derived. This well-documented criticism has led many to jettison the notion of trust from definitions of social capital and see it instead as an outcome. The third conceptual stretch concerns the focus on only the positive benefits of social capital as opposed to the now infamous 'downside' that emerges from the overzealous social capital building of the bonding variety within very exclusive and well-policed networks. While the impact of these criticisms is still working through, much of the more recent theoretical development has taken these points on board and adjusted accordingly.

Schuller et.al. (2000) have reviewed a range of the criticisms that have been levelled at the concept of social capital. Without going into any real detail here, it is claimed that social capital:

- is too diverse in definition, leading to it being unintelligible;
- is being applied to the examination of too many social issues to be taken seriously and;
- presents real problems of measurement due to being definitionally diverse and reliant on proxy indicators, making it prone to validation problems.

These criticisms are examined but refreshingly no over-zealous, defensive rebuttal is presented. Rather, Schuller and his colleagues prefer, for the time being, to employ 'social capital' as mainly a heuristic device, alongside the concept's role in analysis and policy prescriptions, enabling challenges to existing thinking about social issues and exploration of new paths of examination.

The re-assertion of the importance of context in the social capital project is central here and the call for more contextualised approaches to the examination of social capital is documented in this section. Stolle and Lewis (forthcoming) make the case for reviving Coleman's approach to social capital for providing greater potential for contextualised examination. Foley and Edwards (1999) criticize the survey-based approach to social capital of Putnam (amongst others) for ignoring the context-dependent nature of the responses of individuals to survey questionnaires. Grootaert and Van Bastelaer (2001, p.10) caution against the drive to construct universal best indicators because of "the strong contextual nature of social capital". Dekker, in his regression analysis of whether social capital can be conceived as a relational asset or a personal quality, concludes by pondering "whether it makes much sense to use 'uncontextualised' general social survey data to study social capital" (Dekker, 2001, p.12).

### **1.3. Local Development, Context and Social Capital**

The CONSCISE Project argues that the manifest connections between social capital and local development are two-fold (CONSCISE, 2000a). Firstly, as argued by Coleman (1990), social capital resources are appropriable (i.e. once generated are available for further co-ordinated actions). Secondly, the most obvious economic impact of social capital is that it reduces transaction costs (Collier, 1998; Szreter, 1999). Both of these consequences are best evidenced in concrete circumstances and contexts. Perhaps the most important case for a contextual approach is that presented by Fortunata Piselli (2000). Like Stolle and Lewis (2002), Piselli asserts the importance of Coleman's work: "The situational character of the concept is evident from Coleman's argument... Social capital is not an object. It is not an 'entity' that can be identified, isolated, circumscribed by a formula, or given precise definition... It is an array of potential resources which exist – become social capital – only when they are activated for instrumental purposes." (Piselli, 2000, p.3). She adds that many of the criticisms referring to vagueness of definition and imprecision of the concept ignore "the ambiguous, multiple and even contradictory nature of the forms that social capital assumes" (Piselli, 2000, p.3), and which are in fact its strengths. Only by recourse to context, argues Piselli, are we able to explain apparently contradictory findings, and she goes on to explore effectively some examples of this, including the study by Putnam et.al. (1993b) of Italy.

The range of applications to social issues that social capital focuses on increases our awareness of the need to situate our research and development activities in context, rather than trying to proceed on an abstract basis, using a universalised and unitary definition and operationalisation of the concept. Woolcock (2001a) warns of the dangers of an abstract notion of social capital that focuses on social networks but may be blind to the institutional context within which these networks are situated. Trigilia asserts the importance of state-private partnerships: "policies for local development are more effective when they are formulated and implemented through a close co-operation between public and private actors" (Trigilia, 2001). It is such a context that has also emerged as important in the CONSCISE Project research.

Identifying social capital as important in local development policy assumes a desire and will somewhere (whether bottom up or top down) to promote improvement. This however is no guarantee that it becomes part of policy or that it will have a positive influence. The possible presence of 'downside' social capital, the relationship to other types of capital and the developmental context (state role for instance) may conspire to suppress positive outcomes.

"Informal ties do not necessarily promote improvement in material well-being any more than wealth or technology is necessarily used to promote human betterment, but if people can't trust each other or work together, then improving the material conditions of life is an uphill battle" (Evans, 1996).

An awareness of the role and impact of social capital might permit the generation of measures to enhance and direct such a role, to make of it a tool of policy and this is our concern in this section of the report. The first task in this regard is to recognize its social roots in networks; to 'socialise' it as Ralph Fevre advises.

"One of the consequences of socializing social capital is that networks, norms and identities are rescued from relegation. There is a welcome irony in the fact that when this is done we seem to learn more about economic development than we do when working with the reductionist conceptions of economics. It seems that by refusing to succumb to the logic of economic rationality we might begin to understand more about the way in which development occurs." (Fevre, 2000, p.109).

The second task is an awareness of empirical findings and theoretical work as well as what frameworks have already been developed. The important contribution that Woolcock (1998) has made in the latter endeavour and an awareness of the role and

potential to mobilize different types of social capital (bonding, bridging and linking) within the context of the availability of other types of capital and the role and policy of state, markets and 'third sector' is important here. Woolcock (2001b) identifies the roots of this theoretical framework in a more recent paper on two major research projects. The first of these was the work on immigration, ethnic entrepreneurship and urban poverty sponsored by the Russell Sage Foundation and led by Alejandro Portes (1995). As observed earlier, a key finding of this work was the presence of 'downside' social capital, but also important was the recognition of the role of intra-group ties and extra-community networks in generating different types of social capital, each useful in the development of micro-enterprises.

"Economic development, these authors concluded, took place when an ongoing, dynamic 'coupling and de-coupling' social mechanism was in place that allowed individuals initially to draw on the benefits of close community membership, but in doing so also ensured that they acquired the skills and resources to participate in more extensive networks that transcended their community, thereby progressively incorporating them into mainstream economic life." (Woolcock, 2001b, p.195).

The exact blend of bonding and bridging social capital would vary according to situation, context and time, and would thus produce different development outcomes. This also illustrates the close working relationship of human and social capital.

The second set of research studies, sponsored by the American Academy of Arts and Sciences and led by Peter Evans, examined how social relationships contribute or otherwise to development at institutional level and "the conditions which foster development 'synergies' – dynamic alliances based on personal, professional social ties between and within state bureaucracies and civil society (i.e. both firms and civic groups)" (Woolcock, 2001b, p.195). Three main hypotheses are identified emerging from this work, that:

- state, corporations and civic groups are variables in terms of the impact they can have on 'collective' goals;
- neither state, firms or communities have the full complement of resources necessary to promote broad based, sustainable welfare-enhancing outcomes; in short therefore, partnerships are important;
- of the three 'sectors', the state's role in facilitating positive development outcomes is the most problematic but also the most important.

Above all, effective economic development requires “coherent, credible and competent public institutions that are simultaneously actively engaged with the day-to-day affairs of their constituents” (Woolcock, 2001b, p.196). Woolcock identifies these two features as autonomy and embeddedness, or what elsewhere he calls synergy and integrity (Woolcock, 1998), which are enabled at institutional level by bridging and bonding social capital respectively. It is on the basis of these and other studies that Woolcock derives an important hypothesis for the role of social capital in local development.

“In short, for development to proceed in poor communities the initial benefits of intensive intra- community integration, such as they are, must give way over time to extensive extra-community linkages: too much or too little of either dimension at any given moment undermines economic advancement” (Woolcock, (1998, p.175).

This hypothesis, as a development nostrum, has been carried over into the new development economics for the developing world ([www.worldbank.org/scapital](http://www.worldbank.org/scapital)) and the central plank of the argument has been stressed since Putnam completed his study of civics in Italy in the early 1990s (which was essentially about economic development issues).

“Social capital is coming to be seen as a vital ingredient in economic development around the world. Scores of studies of rural development have shown that a vigorous network of indigenous grassroots associations can be as essential to growth as physical investment, appropriate technology or ...‘getting prices right’” (Putnam, 1993b, p.139).

But often the absence of such grassroots, indigenous organisations in poor communities has to be tackled before any process is put in place to foster and grow extra-community linkages. Uphoff (1993) argues that informal local groups are vital as important channels for development when both state and market fail to meet people’s expectations and needs.

“To revive and expand collective action will require public policies that capitalize on complementary relationships this third sector can have with state and market institutions, filling the gaps between the public and the private sectors and helping each of them become more effective.” (Uphoff, 1993, p.619).

Such a process of development, and policies to promote it, are not now the monopoly of the developing world. Throughout Europe policies to combat both social exclusion and promote employment are being put in place through the open method of co-ordination by annually agreed National Action Plans prepared by member states in accordance with the Lisbon summit/process (e.g. in the UK the National Strategy for Neighbourhood Renewal – see Social Exclusion Unit, 1998).

“Social capital, we are discovering, is also important in the development of advanced Western economies. Granovetter has pointed out that economic transactions like contracting or job searches are more efficient when they are embedded in social networks even in mainstream economics the so-called ‘new growth theory’ pays more attention to social structure (the ‘externalities of human capital’) than do conventional neoclassical models” (Putnam, 1993b, p.139).

In the same article Putnam also points to the need to situate strategies for building social capital in the vacuum of social policies in the former communist states of Eastern Europe.

For Carlo Trigilia (2001) the Fordist-Keynesian model of economic organisation and management in the Western economies of the post-war period reduced the role of social capital, which was crucial to the phase preceding the emergence of ‘organised capitalism’ (Lash and Urry, 1987). The new roles for the firm, the state and civil society in the flexible economy following the decline of Fordism have provided the soil for the re-emergence and cultivation of social capital and strategies and policies to promote and enhance it.

“It is only in the last twenty years... that the focus has turned once more to social capital. Stability was the key word for the old model, which guided the ‘golden age’ of post-war development. In the last twenty years it has been increasingly substituted with another: flexibility. The search for greater flexibility – viewed as the rapid adaptation to a market which is increasingly fragmented and variable –together with the emphasis on higher quality of products became necessary choices for firms producing in developed countries, and therefore with higher labour costs.” (Trigilia, 2001).

Social capital had a growing role in this new economy as flexibility required the agents and institutions in the economy (firms, workers and local state) to look outwards for external co-operation. In such conditions small firms, working together in local systems with a degree of specialization (industrial districts such as Emilia Romagna) were the first

to take advantage of the new opportunities by developing networks. But Trigilia stresses that social capital is not a sufficient condition for local development. Supplies of physical, financial and human capital are also important (and social capital obviously has an impact on the latter). He also emphasises that:

“it is not only the network of relations between individuals but that between organisations, or collective actors, which is important policies for local development are more effective when they are formulated and implemented through a close co-operation between public and private actors” (Trigilia, 2001).

Trigilia concludes that for local development it is “the supply of social capital at aggregate level in a particular territory that is more important”. But he warns of two risks here. Firstly, of slipping into a ‘culturalist’ explanation that, whilst correct in highlighting the importance of history to development, is unable to highlight and therefore mobilise the ingredients for further development. Secondly, of underestimating the degree to which the forms of local social capital can be of the ‘downside’ variety, which excludes new entrants, limits extra-community linkages, and may lead to collusion, patronage, corruption or even a criminal economy. To reduce these risks he suggests that:

“one should ask not only whether networks of social relations tied to family, kinship, ethnic or religious communities do exist, but whether politics has favoured their transformation into positive resources for local development” (Trigilia, 2001).

Trigilia therefore emphasises modernising local political structures to direct local social capital resources for local development: a view which echoes that of Evans (1995, 1996) and stands in stark contrast to that of Fukuyama (1995) who sees the formal, bureaucratic organisation of the state as ‘crowding out’ the informal networks for building social capital.

The policy questions therefore become not only what kind of modernized local political structures need to be put in place, but also what sort of things should be done to build and direct local social capital for local development. A pessimistic but none the less quite realistic response to such questions, is that:

“It is not the lack of social capital, but the lack of objective economic resources – beginning with decent jobs – that underlies the plight of impoverished urban groups. Even if strengthened social networks and community participation could help overcome the traumas of poverty,

no one knows how to bring about the results.” (Portes and Landolt, 1996).

These questions still vex many: “The question of *how* to re-build social capital in regions of poor economic performance and low levels of trust has not yet been tackled by the literature.” (Engime, 2002). Woolcock (1998, p.167) shares the concern at the enormity of the task and considers that: “while the emerging interest in ‘investing in social capital formation’ is a potentially useful component of better economic development theory and policy, it is nonetheless problematic”. Furthermore, many of those involved at the policy and development end of things are perplexed and in need of guidance as to how to harness the assumed benefits of social capital in appropriate ways.

“While social capital theory has important implications for local economic development, it does not clearly specify which associational activities translate into economic development.” (Midgley and Livermore, 1998, p.32).

There are however a number of areas and pointers for a potential focus for policy and development activities to build and enhance local social capital and many specifically for community economic development. The task of the CONSCISE Project was to explore how the social economy both uses and builds social capital, with one intended outcome being to assist policy makers and community activists and development workers to get to grips with how to use social capital for healthy forms of local development.

## **2. Research Methods**

In this section the elements of the fieldwork methodology constructed for use in the local socio-economic profiling research and the social audit research are outlined.

### **2.1. The Method of Local Socio-economic Profiling**

Following the preparation of a draft report on profiling methodology and a workshop in Barcelona in November 2000, a report on Baseline Local Socio-economic profiling method was prepared and submitted to the EC Research DG as a deliverable of Workpackage 2 in January 2001 (CONSCISE, 2001a). This report outlined an agreed methodology, with four essential components or research instruments.

#### **2.1.1. Local data profile**

A local data profile constructed from existing available data sources about the area. These included information about its geography, history, population characteristics,

housing stock, local employment, economic activity, consumer services, education and training, qualifications and skills, entertainment, sports and leisure facilities, healthcare, transport, community and voluntary organisations, crime, religion, politics and civic engagement and information channels (See Annex 1 for format).

**2.1.2. Social capital survey**

A social capital survey using a questionnaire containing 34 items, which used proxy indicators for the identified characteristics of local social capital (see Table 1. below). Twelve of the 34 items covered information about the respondent: gender, age, education, marital status, housing, length of residence (both at present address and in the neighbourhood), household characteristics, children, ethnicity, employment and community involvement (See Annex 2).

The questionnaire was distributed to at least 50 local residents in each of the eight localities, selected mainly by a snowballing method using initial contacts in local social enterprises and voluntary organisations and developing other contacts with potential respondents through networks. In some locations the method of sampling differed however (e.g. see sections on La Vall d’en Bas in Annex 6).

The survey for all the localities was analysed by ISSR at Middlesex University using SPSS (Statistical Package for the Social Sciences) software with the aim of providing a general index of local social capital. This was of course very approximate and it should be stressed that the main purpose of the survey and index is as a heuristic device (See Annex 4).

**Table 1.** Indicators of Local Social Capital

Characteristics of Social Capital	Indicator/Proxy Indicator
Trust	Personal trust, safety, responsibility, political legitimacy
Reciprocity and Mutuality	Helping others, sense of duty, doing favours
Shared norms and Behaviour	Values, consensus, diversity, tolerance
Shared commitment and belonging	Neighbourhood satisfaction, commitment, loyalty, civic duty
Social networks	Mixing inside/outside locality, density of acquaintance, opportunities for networking
Information channels	News sources, support information, awareness/commitment

### **2.1.3. Survey of the social enterprises**

A survey of the social enterprises in each locality was carried out to identify the size, nature and extent of the local social economy. The survey questionnaire contained 33 main items but due to the variation in locality size was administered differently in different locations (a contrast between a postal survey and face- to- face interviews). (See Annex 3).

### **2.1.4. Soundings group**

The construction of a soundings group was the most important and unique element of the method. This group was meant to 'drive' the fieldwork and application of the other three research instruments, and itself to generate data. The soundings group was to have four main purposes and the intended multiple roles of the people recruited to the group were to act as:

- **Discussants** of the data/reports resulting from the use of other instruments in this workpackage.
- **Informants** in the sense that they would provide qualitative data on the nature of local social capital, the impact of social enterprise and the relationship between social capital and social enterprise in the fieldwork localities.
- **Gatekeepers** in the fieldwork localities and for potential sources of relevant local data.
- **Advisers** on the direction of the local socio-economic profiling exercise.

The eight baseline local socio-economic profiles produced (Workpackage 4; see Annex 11 for full list of Workpackage Reports) were constructed using data derived from the application of the four research instruments in each fieldwork location over a period between January and May 2001.

## **2.2. The Method of Social Accounting and Social Audit**

### **2.2.1. Social Audit Methodology**

The social accounting and audit methodology developed for the project was constructed in a dedicated Work Package 3 (CONSCISE, 2001b). The methodology used was based on the Five Stage Social Accounting process as described in Pearce (1996b, 2000) (see Box 1.).

The process provides for an organisation to identify its Values, core Objectives and what it does to achieve them (its Activities) and to identify its Key Stakeholders. Under this process a social accounting plan is then developed which defines both quantitative and qualitative indicators to be collected and how the information will be gathered either through the social book-keeping system (quantitative) or through consultation with the key stakeholders (qualitative). The quantitative and qualitative data is collected and analysed over a 12-month period. The social accounts are then drafted and presented to an independent Social Audit Panel for verification. Each of the eight social enterprises was assisted to prepare social accounts based upon their own values, objectives and activities.

**Box 1. Stages of the Social Accounting Process**

**Stage One: Introducing Social Accounting and Audit**

- What is it?
- Why do a social audit?
- What are the key principles?
- Understanding the jargon;
- What do we already do – towards a social audit?
- What do others do? – history and current practice in different sectors;
- Do we want to do it?
- Managing the Social Audit.

**Stage Two: The Foundations**

- Clarify the social Objectives and the Activities undertaken to achieve them;
- State the Values which underpin the purpose and work of the organisation;
- Prepare a Stakeholder map of the organisation; and
- Identify the Key Stakeholders;
- Determine the Scope of the social audit.

### **Stage Three: The Nuts and Bolts – Social Book-keeping**

- Agree the indicators which will allow performance to be assessed;
- Identify what existing records and data can be used;
- Decide what new, additional data will be collected and how;
- Agree how and when to consult which stakeholders, and about what;
- Organise the resources needed to carry out the social book-keeping and the stakeholder consultation;
- Produce a Social Accounting Plan and timetable;
- Implement the Plan and monitor progress.

### **Stage Four: Preparing and Using the Social Accounts**

- Draft the Social Accounts using existing information, the data collected and the views of the stakeholders;
- Identify the key issues on which the organisation should act;
- Review the Objectives and Activities, and the Values;
- Set targets for the future;
- Review the social accounting process and make necessary adjustments;
- Plan dialogue and discussion with stakeholders;
- Review the social accounting process and make necessary adjustments;
- Plan how to publish (a summary of) the audited Social Accounts to all stakeholders.

### **Stage Five: The Social Audit**

- Appoint the members of the Social Audit Panel;
- Present the social accounts to the Social Audit Panel;

- The Panel arranges to verify a sample of the data used;
- Assesses the interpretations given in the accounts; and
- Comments on the quality of the social accounting and reporting;
- The Social Accounts are revised in accordance with the Panel's recommendations; and
- The Social Audit Statement is issued;
- Publish (a summary of) the audited accounts to all stakeholders;
- Continue with the next cycle of social accounting.

In selecting the social enterprises that took part in the CONSCISE Project, it was agreed to work only with those that had not carried out a social audit in the past. Hence, each social enterprise was new to the process, framework and, to a certain extent, the techniques.

### **2.2.2. Social Capital Element of the Social Audit**

The CONSCISE Project partners agreed two additional Objectives about social capital, each with six activities that related to the six elements of the CONSCISE definition of social capital (see Box 2.).

#### **Box 2. Social Capital Objectives**

***Social Capital Objective 1: To use social capital in sustaining our social enterprise by:***

- using relations of trust with social economy and other organisations and with relevant individuals;
- engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis;
- receiving support from a strong local network of support;
- using a sense of shared commitment and belonging to the local area;
- using shared values and norms of behaviour in the local social economy;

- using extensive information channels.

***Social Capital Objective 2: To create and generate social capital for the benefit of the local community by:***

- building relations of trust with social economy and other organisations and with relevant individuals;
- engaging with social enterprises and other local organisations in order to offer help on a reciprocal and mutual basis;
- contributing to and supporting local networks;
- contributing to a sense of shared commitment and belonging to the local area;
- strengthening the shared values and norms of behaviour in the local social economy;
- building up information channels and sharing information.

Each of the eight social enterprises adopted these social capital objectives and included in its social accounting plan a range of methods to gather information and consult stakeholders. The full social accounts of each social enterprise, including a section on methodology, can be accessed on the CONSCISE website (see Annex 11).

The fieldwork also involved central co-ordination based upon the following processes, information and documentation:

- regular assessments by the partners at the CONSCISE Project workshops at intervals throughout the life of the project;
- a focused discussion at the workshop held in Scotland in September 2002 based on presentations made by each partner. These presentations:
  - described what methodology each had used in respect of the social capital objectives and activities;
  - critically reviewed how effective the social accounting process had been in exploring and reporting on the social capital objectives and activities;
  - identified (at least) ten key findings with regard to social capital and social enterprises in the local social economy;

- following the workshop the presentations were revised and submitted in writing. (See Annex 6 for text);
- a questionnaire was circulated to all partners containing questions about:
  - the social accounting process in respect of the social enterprises; and
  - the effectiveness of using the social accounting and audit process to examine the use and creation of social capital by the social enterprises.

A copy of the questionnaire can be found in Annex 7 of this report and the analysis of the survey in Annex 8.

- Certain key sections from the social accounts relating to social capital written in Swedish, Spanish and German have been translated into English. These may be viewed on the CONSCISE web-site alongside the full social accounts in the language of their country of origin. The key sections translated were:
  - how the social audit was organised;
  - the history of the social enterprise and a summary of the social capital findings from the original scoping study;
  - the detailed findings relating to the social capital objectives and activities;
  - key findings regarding social capital and the social enterprise and the local social economy;
  - conclusions and recommendations; and
  - review of the social accounting and audit process.

### **3. Local Socio-Economic Profiles of Eight Localities: Findings**

In this section of the report a very brief summary of findings from the profile of each locality is presented, paying particular attention to the context of local social capital for the emergence of a local social economy. The key characteristics of each locality are displayed in section Table 3.

#### **3.1. Local Socio-Economic Profiles of Eight Localities**

##### **3.1.1. Bakers Arms neighbourhood, Waltham Forest, London, UK**

###### **The Area and its Population**

The area known as the Bakers Arms (the name of a landmark public house, which in turn is named after the almshouses of the Society of Bakers nearby) is based at the junction of important north-south and east-west highways through the London Borough of Waltham Forest in north east London. The demarcation of the area is difficult, but we took the five wards bordering on or close by the Bakers Arms with a population of around 61,700 (within a Borough total of 220,793) contained within approximately 15 minute walking distance from the central point at Bakers Arms. This distinctly urban and densely populated area is culturally very diverse. Some 31% of the residents are members of an ethnic minority group, a figure that is on the increase and in addition there is a high proportion of refugees and asylum seekers (there are an estimated 9,000 in the borough as a whole), of which many are not English speakers.

###### **The Local Economy**

The area borders the Lea Valley, one of London's most important sites for light manufacturing. As elsewhere however, manufacturing employment has declined in importance since the 1960s, and today the public sector (health and local government) is the largest employer. The area has experienced a growth in small-to-medium businesses (SMEs) and micro-enterprises, many of them retail. Some 36% of Waltham Forest's SMEs and micro-enterprises have black and ethnic minority owners and this figure is probably higher in Bakers Arms. There are pockets of high unemployment despite a borough average of 6.7% at the time of the research.

###### **Local Social Infrastructure**

The area is one of mainly late nineteenth century terraced housing, which is mainly owner occupied (although private renting has increased), interspersed with 1960s built council housing, such as at the nearby Boundary Estate. This estate is one of the Housing

Action Trust (HAT) estates in the borough. HATs were local council housing estates that were taken out of local council ownership and subject to refurbishment by the provision of central government funding to the HAT. The Trust has also become involved recently in community regeneration, mainly through its offshoot company Oregon has initiated some community based employment and training schemes, and some opportunities for social economy development. The area displays quite low levels of educational achievement and low qualification levels. Educational underachievement and high rates of pupil exclusion has led to the privatisation of the management of the borough's educational provision. The area also experiences poor health as instanced by high infant mortality rates and increasing rates of tuberculosis.

### **Local Society and Civil Culture**

Cultural and religious diversity provide an important vibrancy to the Bakers Arms shopping area and is also influential in the local voluntary sector (there are some 692 formal voluntary associations registered and known to the local voluntary agencies council). Local society should therefore be seen as a range of communities, which have largely separate social networks. Crime however, and street crime in particular, remains a major concern to most local residents. At the time of the research the area was under the political control of a New Labour administration in Waltham Forest, and this authority is trying new forms of local governance - a 'cabinet style' administration. In addition new forms of neighbourhood management are being examined (in line with the government's National Strategy for Neighbourhood Renewal) and Bakers Arms is one of the first neighbourhood's to be focused on, with a Neighbourhood Forum being formed. Participation in national and local elections has (as in most of the UK, especially urban areas) reached very low levels (only 53 and 55% at the 2001 general elections in both local constituencies, and as low as 33% at the 1998 local elections).

### **Local Social Economy**

The research identified 12 local social enterprises in Waltham Forest and of these four were working men's clubs affiliated to the Club & Institute Union (registered as Friendly Societies). In the Bakers Arms area there are eight social enterprises, most of these 'networking' with each other; in particular the six that are 'green or environmentally related' enterprises. This particular cluster of social enterprises has been generated by a value-driven 'interest' network (mainly white, mainly middle class) that extends beyond but focuses in Waltham Forest. In other words, the social capital that generated the development of this cluster of social enterprises is largely interest based and is not intrinsically local.

## **Local Social Capital**

Following on from this, the general observation of the local socio-economic profile is that whilst there are stocks of local social capital they are mainly confined to and accessed by members of specific interest groups (e.g. green networks), or religious or ethnic minority communities. The survey results showed that sharing of norms and commitment was higher than trust and reciprocity, and this probably reflected the extent to which those involved in 'green' networks were well represented in the survey. Low levels of social capital in terms of information channels and networks probably reflect the complex size, density and heterogeneity of such areas of London.

### **3.1.2. Benarty and Lochgelly, Fife, Scotland, UK**

#### **The Area and its Population**

The area contains a population of 13,437 and is composed of five villages, four of which are referred to collectively as Benarty, the other being Lochgelly. The area is mainly one of former coal mining communities, and as might be anticipated, it has an ageing population (although the age profile concurs with that of Scotland as a whole). It is predominantly white and Scottish in race/ethnicity (only 0.45% are non-white).

#### **Local Economy**

Most of the local coal pits were closed following the 1984-5 miners' strike and much activity is now centred on ensuring regeneration and recovery. There are 221 active businesses in the locality and of these 13 are social enterprises. The local unemployment rate at the time of the study was 7.7%.

#### **Local Social Infrastructure**

Although owner occupancy has increased in recent years (it is now at 32%), the dominant form of housing tenure remains local authority rental (64%). There are a few 'sink' estates within this housing stock, and many young people in the area feel a pressure to move out due to the lack of acceptable rented housing (and employment opportunities of course). High levels of unemployment and poverty resulting directly from pit closures are reflected in a disproportionately high level of incapacity benefit claimants. Car ownership is low and although public transport is available, it is scarce in the evening, which curtails some sociability and travel for hospital visits. The working men's clubs and miners' welfare are declining due to pit closures and changing social habits. Educational attainment is low with only 15% of school leavers going on to full-time further or higher education

## **Local Society and Civil Culture**

There is a healthy associational life in Benarty, and the 60 local groups listed are thought to be an under-representation of the real number (this was the case in most other locations). A community forum generates local networking among groups and key social entrepreneurs. This is not to say that there are not social problems. Crime is a local concern – and the rate in Benarty (102 cases per 1,000 population) is higher than for Fife as a whole (94). The crime is thought to be mainly ‘internal’ to the poorer neighbourhoods. Although there is evidence of a thriving associational life, participation in local politics as measured by turnout at elections is low (only a 50% turnout at the last local elections and around 70% for the 2001 general election) but not so much in decline as in some parts of the UK.

## **Local Social Economy**

There is a recent ‘tradition’ of community and social enterprise development in Scotland as a whole, and this is reflected in a healthy local social economy of 13 social enterprises, of which Benarty Regeneration Area Group (BRAG) is at the core, with 2000 members; 100 of who take management responsibility. Eight of these enterprises employ 38 full-time and 21 part-time staff. Most of these enterprises are recent in origin, mostly established since 1990.

## **Local Social Capital**

There are clear relationships between on the one hand the long established local social networks involved in mining, trade unionism and the welfare of the mining community and on the other hand embedded local social capital. This was reflected in a high level of involvement in and enthusiasm for the soundings group and a relatively high index score on the local social capital survey (see Table 2.). Such local social capital has clearly been available for the development of the local social economy as the previous industrial base declined. The assistance and involvement of the local state in mobilising and augmenting local social capital has been crucial however. There is also evidence of inter-group rivalry in the strong associational sector of Benarty as there is competition between groups for scarce financial and support resources. The local social capital survey revealed higher levels of social capital apparent in social networks and shared communication than in trust and reciprocity. Local social capital therefore appears stronger among networks of key individuals than in networks between groups. Overall, Benarty seems to display high levels of ‘bonding’ social capital but insufficient ‘bridging’ social capital both between its own groups and beyond its boundaries.

### **3.1.3. Wrangel Kiez, Kreuzberg, Berlin, Germany**

#### **The Area and its Population**

The area of Wrangel Kiez (Kiez means 'neighbourhood') in Kreuzberg in the Berlin district of Friedrichshain-Kreuzberg is an inner urban neighbourhood of 12,449 people (June 2000). It is very diverse with 41% of the population recorded as non-German. Indeed 53% of Berlin's Turkish population live in Kreuzberg (this is thought to constitute the densest population of Turkish people living outside Turkey.) The Turkish and German populations are highly segregated and this leads to some tension, although there are strong senses of community within the groups. In addition the Kreuzberg area has become renowned for its 'alternative' and squatter movements and more recently there has been some gentrification (the 'Kreuzberg mixture' which originally referred to the combination of housing and industry in one block is also referred to today for the attractions of working and living as 'artisans' in the same environment). There is a polarisation within the population between those with few or no qualifications and those who are well qualified.

#### **Local Economy**

Apart from the 'Spree belt' (industry beside the river) much of the industry has long left Wrangel Kiez. Most of the 79 businesses are small or medium enterprises (SMEs) and 79% of these are retail, employing 347 people of whom only 38% were in fulltime jobs. Public sector employment is low compared with the public sector employment in the whole borough. Many of the private businesses here are also relatively young, set up since 1990. In 1999 there was an unemployment rate of 25% of whom 61% were males. Whilst only 29% of local people are without any qualifications, there is a high level of absence of basic qualifications amongst these. But of the young people 23% do have a university education. The human resources of non-qualified and highly qualified people could perhaps be combined, which, if harnessed, might provide a good basis for social economy activity.

#### **Local Social Infrastructure**

Most of the housing stock of the area is private rented flats, although recently some condominiums have been bought up and gentrified. Wrangel Kiez has no 'grammar' school, high school, college or university. Of the 16,200 pupils in Kreuzberg in 1999, 46% were Turkish. There are four state run nurseries in the neighbourhood, and 10 self-managed children's shops. The latter form a cornerstone of the local social economy. In the Kreuzberg area the level of poverty and social exclusion means that the average life

expectancy is 74 years. Also, Kreuzberg has the second highest number of tuberculosis cases in Berlin (Wedding has the highest) and incidence of lung cancer and alcoholism is well above the German average. Most facilities within the Kiez are within walking distance and there are two underground stations and limited bus services enabling real access outside the area.

### **Local Society and Civil Culture**

Under the Berlin Senate's re-organisation of local government, Wrangel Kiez has been identified as one of the 15 areas with "a particular need for renewal" and selected for Neighbourhood Management (QM09). In preparation for this, a "Planning for Real" programme was established by local activists and run by a local social enterprise CENTRUM. This led to the establishment of 3 core groups focusing on youth, intercultural living and waste disposal. A Neighbourhood Association was officially established in April 2001 and provides an important focus for local activity. There remains much suspicion of the new Neighbourhood Management amongst residents however. There is a reasonable level of associations in the neighbourhood; 35 associations with offices were identified but there are almost definitely more than 50 in the area. These associations have a good level of interaction with the local social enterprises; some of them are directly linked to social enterprises. The level of tension and fear of crime are sensitive issues and the police do not publish particular crime statistics. But it is also the case that statistics for the whole borough do not provide evidence for any rise in crime. The fear of crime, however, means that Wrangel Kiez is said to be experiencing a high level of 'white, middle class flight'

### **Local Social Economy**

Of the 580 business units in the neighbourhood 22 (about 4%) are occupied by economically active associations we might refer to as social enterprises. In addition there are the 10 children's shops. There is also a thriving 'alternative' business culture, but many of these are one-person (private) businesses and not social enterprises. The largest social enterprises operating in the area are work integration and qualification companies:

- GFBM is a social firm qualifying and integrating handicapped people.
- KEBAB is a company combining employment with ecological services.
- KirchBauhof is a social enterprise being active mainly in employing and training people in the construction sector. And

- KreuzWerk is a social business that houses and trains young people and several industries.

The area did contain one of the largest social businesses in Berlin, ATLANTIS, which employed 450 people at its height, but this went bankrupt in 1997 due to a decline in state funding and the dependence of the social enterprise upon it. Many of the social enterprises are actually involved in running state supported training programmes, and at least 50% are successful in employing local people. There is a high turnover of staff, however, and it is considered that this (along with the relative youth of most of the enterprises (most were formed within the last 10 years) hampers the building of local social capital. It is felt by the research team however that high levels of staff involvement and membership of the enterprises in other local organisations and their support are of benefit and helps to generate social capital.

### **Local Social Capital**

Despite a relatively low index score indicating low levels of local social capital, it is felt that there is some evidence of direct and indirect efforts to build social capital due mainly to staff and member involvement (although there is evidence of less networking among organisations since some strategic agencies – *Gewerbe- und Ladengewerbe* – AG and the *Kooperationsverbund Kreuzberg* have ceased their activities). The original Neighbourhood Management (QM) placed residents at the centre of efforts to build social cohesion and combine structures and gain synergy effects to generate social capital. In addition there are a number of projects being developed which have potential to build local social capital. These include a neighbourhood/community meeting place, a cultural community centre with mosque/Islamic prayer room, a community café to reduce tensions at Curvyplatz and a Local Exchange Trading Scheme (LETs) group. The role of an EU Article 6 local social capital programme with funds managed by the intermediate structure of the Micropolis group is hoped to assist in these new projects, but it is unclear whether this will actually be a 'bottom up' process mobilising local residents and groups.

#### **3.1.4. Soldiner Kiez, Wedding District, Berlin, Germany**

##### **The Area and its Population**

Soldiner Kiez is a neighbourhood situated within the district of Wedding in western Berlin (formerly the Borough of Wedding, but which under re-organisation has become part of the Borough of Mitte). The neighbourhood contains 29 blocks of multi-storey housing stock, and the study area contains 5500 dwellings. Within the statistical area of Soldiner Kiez (statistical area 006) there are 22,364 residents (14.6% of the Wedding population

of 153,742). Within the Kiez there is also another of Berlin's 15 Neighbourhood Management Areas (QM 03) containing 13 housing blocks. Soldiner Kiez suffers from a range of urban socio-economic problems and is considered to have a poor image. As with Wrangel Kiez in Kreuzberg there is a degree of polarisation between German and non-German population in the area and an increasing phenomenon of 'white middle class flight'. Most of the non-German population (mainly Turkish) have arrived since the 1970s - initially as *gastarbeiter*, but later joined by their families. In the QM area 36.8% of the population is non-German (in Berlin as a whole it is 13%) and over half of these are Turkish. In keeping with many immigrant areas, the population profile is young.

### **Local Economy**

The Wedding area was once an important industrial district of Berlin and from the late nineteenth century contained plant of firms such as Schering AG, Schwartzkopf and Rathenau. Schering AG, concerned with chemicals and photography, remains a global enterprise with 20,000 employees worldwide and 5,000 of these are in Berlin. Rathenau, an electrical goods company which became AEG, employed 10,000 people in Wedding in the 1960s, and Schwartzkopf (involved in iron and mechanical engineering), both left the locality and closed in the 1970's de-industrialisation which effected Wedding very harshly and saw also the loss of companies like Siemens, Nixdorf and Osram from the area. However 553 enterprises remain in the area and 1,720 residents of Soldiner Kiez are employed in them. The area still had an unemployment rate of 22% in 1998.

### **Local Social Infrastructure**

Owner occupation is thought to be increasing amongst the 5,000 dwellings of the study area in Soldiner Kiez, although there are no figures available, and private renting remains dominant. As a result of unemployment and poverty, health problems exist and Wedding has highest rate of tuberculosis in Berlin. Educational provision is weighted towards kindergarten and crèches of which there are 16 in the area. There are also two primary and one secondary school, and a vocational college. Wedding has the lowest proportion in Berlin of the population with higher-level education. Educational achievement is hampered by the lack of language competence and illiteracy and this is an important issue to be addressed in the Kiez. The area is well served for access to outside services and work with 12 underground railway stations.

## **Local Society and Civil Culture**

Changes in economic fortunes and social and ethnic composition of Soldiner Kiez in the 1960's and 70's led to the emergence of the citizens' initiative movement locally and much of their work focused on childcare provision. This became the embryo of a social and self-managed economy in Wedding, firstly in areas of childcare and education and later in housing, social services and cultural activities. The importance of the presence of artists, artisans and the 'alternative' movement in this local economy should not be underestimated. The citizens' initiative movement, which went through a phase of opposition to borough council policies and avenues pursued by certain political parties during the 1980's, has over the 1990's become more involved in developing partnerships between actors from all three economic sectors.

There is much emphasis on local self-help potential and projects of civic engagement. As a consequence the QM area contains around 36 social and community projects concerned with children and parents, youth, seniors, women, job finding and training, drug abuse, disability and housing. Some of these projects are closely connected to social enterprises locally (e.g. Zukunftsbau e.V, Casablanca gGmbH and L.I.S.T gGmbH are all connected to Zukunftsbau gGmbH).

In addition the squatters movement, which has been present in Soldiner Kiez since the 1960's, were successful in ensuring that the Gattel hat factory was saved from demolition in the 1980's and the ground floor of the factory is now a neighbourhood house. The association Verein Nachbarschaftshaus Prinzenallee 58 was set up to convert the three floors of the building to space for neighbourhood and community work, managing local events for the Kiez and for rental to artisans and other groups. Networking of the growing range of organisations in Soldiner Kiez is now seen as more important than it was in the 1980's. Clearly central to much of this networking is Das Kommunales Forum Wedding e.V. (Wedding Community Forum) which now employs 23 full time and 9 part time staff and 4 volunteers and recently recorded an annual turnover of 800,000 DM. Civic engagement and voluntary work in Wedding and Soldiner Kiez has grown in line with the rise in self-help initiatives over the 1990's.

Since the 1970's the presence of a larger Turkish population has influenced local society and civic culture through the establishment of an Islamic Cultural Centre in 1980. Mosques are now larger in number in the area (4) than churches (3).

Political engagement in Soldiner Kiez has for many years had a focus around 'alternative' political culture. Voter turnout for the most recent City Council and Borough elections in

1999 for the Borough of Wedding was 57%, which was a reduction from the previous election where it was 62%. This decline is not unique to Wedding or Berlin. Declining levels of voter turnout in the FRG as a whole is felt to be an indication that citizens are demanding other, alternative forms of political representation.

### **Local Social Economy**

The fieldworkers made close links between social enterprises, socially useful groups, community organisations and self-help organisations in the QM area. The first of three groups are considered social enterprises, while self-help organisations are also important to the functioning of the social economy. There are seven social enterprises in Soldiner Kiez and of these the four most important are:

- Zukunftsbau gGmbH, which comprises five sponsor companies that are social enterprises, four of which are in Wedding, employ 124 staff and have 200 trainees and 40 people in placements. The combine has an annual turnover of 40 million DM. Within this combine there are 11 different projects concerned mostly with training and education of young people.
- Union sozialer Einrichtungen gGmbH (U.S.E), which is mainly a workplace for disabled people.
- Stadtteilgenossenschaft Wedding für wohnortnahe Dienstleistungen e.G., which is a neighbourhood co-operative providing local services set up in 2000 by Das Kommunales Forum Wedding e.V. (Wedding Community Forum) and aims to establish socially useful local services.
- Gesellschaft für Stadtentwicklung, Nachbarschaftszentren, Beschäftigung und Bildung gGmbH (GSE-NBB), which was established as a limited company by the Berlin Labour Welfare Agency and Institute for Social Pedagogy and has operated since 1989. GSE-NBB is today mainly involved in employment creation, training programmes and labour market development, employs a staff of 22 and has around 300 individuals involved in a wide range of projects.

There is clearly a close relationship between the growth in social and community groups and self-help organisations and civic engagement in them and the emergence of social enterprises.

## **Local Social Capital**

Although the Soldiner Kiez area did not record a particularly high score on the index of local social capital (see Table 3.) there is evidence from the fieldwork that social and community and self-help organisations and related social enterprises are generating local social capital in an identifiable social economy. The identified requirement is state intervention in the form of provision of funding and resources to strengthen local potential for further development. Such a view is supported by a study of the Wedding area carried out by Kaphan (1998), a sociologist at Humboldt University in Berlin.

“In the long term only the integration of the local population into the development of their community can bring about identification with the area and stabilization. Funding is required for supportive intervention, as well as trust in local ‘experts’ and the local initiatives... Above all, intervention must focus on strengthening local potential and resources....” (Kaphan, 1998, pp.18-19).

### **3.1.5. Umeå, County of Västerbotten, Sweden The Area and its Population**

The city of Umeå is situated on the north east coast of Sweden in the County of Västerbotten, which has a population 255,000. Most of Umeå’s 70,000 residents are Swedish-born: of about 4,500 foreign residents 1,500 are Finnish and 1,650 are non-European. The city grew rapidly from 5,000 residents at the start of the twentieth century, and particularly over the latter half of the century with a 50% population increase since 1970, due mainly to the establishment of the University in 1965. The University of Umeå is now the fifth largest in Sweden and has 24,000 students. As a consequence the city has a very young population (over represented in the 20-35 age group) and experiences considerable in-migration of this age group.

## **Local Economy**

Although Sweden is generally a prosperous country with unemployment nationally at around 6%, this figure is even lower in Umeå with a 5% unemployment rate. In 1999 only 5,200 of the Umeå population received social grant and 1,500 of these were in the age group 18-24. Trade and transport/communication employ 17% of the local workforce, but the public sector is by far the largest employer with 24% working in health care and 15% in education and research. However, the university is no longer expanding at the same rate and there has been some local stagnation in economic growth as a result. It is considered that Umeå needs to diversify its economic growth base and in particular to attract more private investment.

## **Local Social Infrastructure**

Apartments to rent dominate the housing stock of Umeå and there are broadly four types of neighbourhood found in the city by the 'klustering' method (Pettersson, Persson and Wiberg, 1996) utilised by the fieldwork team to characterise the seven types of neighbourhoods found in Västerbotten. These four types of neighbourhood are: attractive urban cores, newly built urban areas, mixed urban areas and attractive suburban areas. It is clear that Umeå is generally an attractive place to live and has many benefits. This includes an exceptionally well-educated population, although high school drop-out rates are reportedly on the increase. The health of the area, measured by the number of persons in ill health, is average for Sweden. The main transport utilised in Umeå is the bicycle, the bus (there are 8 routes) and of course the car. An airport provides 12 flights to Stockholm per day, although internal flights are expensive. A new rail route connecting north and south Sweden is due to open in 2008 and this should improve the speed and cost of external mobility.

## **Local Society and Civil Culture**

Umeå has 691 voluntary organisations, social enterprises and a very active associational life. This parallels many of the developments in Sweden as a whole, where the people's movement has been active since the 1800s, mainly through free churches, building societies, the temperance movement and study groups. The Protestant church, although declining in Sweden as a whole, has dominated religious observation in the city, although a Catholic Church and Islamic Association were founded recently. There is very little crime in Umeå compared to most urban centres, and in Västerbotten overall the crime rate is 35% lower than the national average. Local communications are good; there are two local newspapers and internet usage is particularly high.

Electoral turnout is also high, with 80% voting in the 1998 municipal elections and 81% in the national election (1% above national average but a decline from the 91% who voted in 1982). In the EU elections, however, only 35% voted in 1999 (four percentage points below the Swedish average). It should also be noted however that there have long been radical and alternative political movements active in Umeå, probably because of the youth of the population and the presence of the university.

## **Local Social Economy**

The Free Church movement, the labour movement and the temperance movement were together responsible from the eighteenth century onwards for starting the classic non-profit people's movement. Begun as a movement of general revolt it was initially concerned mainly with establishing educational, cultural and leisure enterprises, with consumer co-operatives following later. In later years the people's movement, collaborated more with the government and was an important educational breeding ground for democrats. At the same time, consumer and producer co-operatives, especially in farming communities continued to grow, some would say to the detriment of member influence. Similarly, 'institutionalisation' of the third sector broadly has led to difficulties in mobilising cooperation and engagement amongst members. In very recent years there has been a further change in the relationship between the third sector and the state, as public spending has been reduced. This has been a shift in relationship between public sector and third sector from one of grant funding to contract for services provided. So the third sector is losing some of its role as educator and opinion former and becoming more of a producer of welfare services. In Umeå, new types of citizens associations are emerging to produce services, especially in childcare with enterprise run by staff and parents together. This reflects a national trend in the Swedish social economy where 332 co-operative childcare projects have been established recently and 940 co-operative daycare centres set up during the 1990s in health care and social services. The number of elderly care co-operatives has also increased. Some therefore see the third sector in Umeå (and Sweden) as an arms length, cheaper and less risky way of providing public services.

Local development groups, especially in rural areas, have also increased recently (to 4,000 with 72,000 members across the whole of Sweden). Development of locality (and thereby its social economy) has become the main concern of such groups and some (Herlitz, 2000) consider that area ideology is replacing party political ideology.

## **Local Social Capital**

There are high levels of local social capital in Umeå; high trust, high civic engagement, low crime and a clear sense of safety and security. However, there is also a high turnover of people, due mainly to the presence of the university, and sharing of norms is quite limited. Information sharing is also recorded as quite low, with local media rather than friends or neighbours being relied on for information. To what extent the types of social capital present in Umeå should be viewed in the context of national cultural networks, or forms of social capital that are locally produced and reproduced is difficult to ascertain.

### **3.1.6. Nästansjö, County of Västerbotten, Sweden**

#### **The Area and its Population**

Nästansjö is a small village in the Vilhelmina municipality in the County of Västerbotten, in the north east of Sweden. The actual village contains just 159 residents, but nearby settlements boosted this figure to 590 at the last count in 1995. There was, however, a population decline of 5% between 1985 and 1995, due mainly to a low birth rate and some out-migration. The Vilhelmina municipality has 8,000 residents half of whom live in the small town of Vilhelmina itself, which is 25km. from Nästansjö. The village, indeed the municipality, is ethnically homogenous. There are only 32 people in Vilhelmina who have lived in Sweden for less than four years and the only cultural division is with the Sammi - the nomadic Lapplanders. Nästansjö is very isolated, set in a wider sparsely populated area, with a homogenous and ageing population.

#### **Local Economy**

Although logging and farming constitute the main economic activities, there are only three farmers in Nästansjö now. In Vilhelmina municipality the main employer is the public sector; the local council employs 857 people (75% of these are women) and wages are quite low. Local unemployment at 7.4% is higher than the Swedish average of 5%. There are few businesses in the village itself and for most villagers who work, the work they do often involves a mixture of activities. The carpentry shop is a two-man business involved with tree felling. The village has one of North Sweden's few osteopathy practices. The largest business is a haulage contractor and a taxi/bus company employs four people. Koopra, the local social enterprise which is a co-operative store, provides the only retail service in Nästansjö, and is in fact quite multifunctional.

#### **Local Social Infrastructure**

The dwelling stock in Nästansjö is composed mainly of privately owned houses, all occupied at the time of the fieldwork, but a few are empty most of the year as they are used as summer houses by people living the rest of the year elsewhere. There are no new housing developments, and most of the municipality's flats and apartments are in Vilhelmina town. The only apartments in Nästansjö are in a community house owned by the village interest association, which rents them to young people looking to move from home. The area suffers from quite high levels of ill health, due partly to a tradition of manual work in physically demanding jobs. But mainly the population is an ageing one with many residents in the age group 55-64 years. Poor access to health services probably also contributes. There is a primary school in Nästansjö; school education from

the age of 13 is found only in Vilhelmina town. The nearest university is in Umeå. Educational achievement levels are quite low in the municipality, where only 13% are educated to university level, and only 10% in Nästansjö compared to a 24% national average. This is explained partly by the manual work traditions, and by the difficulties of accessing higher education, but the most important factor is that young people who move out of Nästansjö for university education have no incentive to return, as there are no real economic opportunities. Isolation is a major problem for residents of Nästansjö and car or bus is the only real means of transport in or out. The nearest large city to Nästansjö in Sweden is Umeå, 250 km. to the south east.

### **Local Society and Civil Culture**

Given the small, ageing and fairly stable local population and a lack of local services and other facilities, it is perhaps inevitable that Nästansjö is described as a community displaying close and 'tightly knit' sets of social networks. Much is made of the Nästansjöspirit with traditions observed at Christmas time and evidenced in the effort to co-operatively maintain the "community house" (which is used by visitors and guests and occasionally as a place where teenagers can start their independent living) and the growth of the co-operative store. In addition, there are eight voluntary organisations active in Nästansjö. There is a clear sense of belonging locally and most people feel secure – often leaving doors unlocked and keys in car ignitions. The crime rate for the region as a whole is very low. Electoral turn out to vote was 72% in the last municipal and 73% in the last parliamentary compared to the national turnout of 81%. The turnout for the 1999 EU elections was very low, with only 35% voting. Many people in the Nästansjö electoral district are thought to see most elections as distant from and irrelevant to their daily lives.

### **Local Social Economy**

The co-operative store, Koopra, has been run by the villagers since 1907. Rooted in the mutuality of independent farmers coming together to fulfil their needs, Koopra soon started to become involved in other developments. For instance in 1920 it initiated the building of a road between the village and the railway, and in the 1930s became instrumental in providing books for local children. Apart from providing basic food and household supplies, the store still runs a small library and provides some of the services of a post office. It is the mainstay of the community where many people meet and exchange information. Various related associations own and maintain the local roads and the water supply.

In the last 10 years the wider area (and indeed Sweden as a whole) has seen an expansion in the co-operative provision of elderly and childcare centres, mainly in response to state cut backs in provision. Politicians now welcome this kind of initiative and discussions are being held about the provision of more of these in Vilhelmina. There is also increased interest in the possibilities for co-operative provision of tourist facilities, with more private businesses starting to see the benefits of working mutually to develop this trade.

### **Local Social Capital**

Although isolated and lacking in bridging ties, especially for a declining younger population, Nästansjö has considerable resources of local (bonding) social capital and this has been crucial to the development not only of the co-operative store but a range of other civic initiatives. There is ample evidence to back up these claims (local spirit, crime levels, strong feelings of security etc.), and it is interesting to note that the kind of civic engagement displayed by local residents is not manifested by formal political engagement through voting. Indeed there is suspicion and low regard for the claims to legitimacy of state structures. It is difficult to know whether the high levels of generalised trust displayed (e.g. by not locking doors) is attributable to strong bonding social capital or just limited numbers of people in the village and surrounding area, along with high levels of mutuality and reciprocity, tight networks and clear senses of local attachment and shared belonging.

#### **3.1.7. La Vall d'en Bas, Catalonia, Spain**

##### **The Area and its Population**

La Vall d'en Bas is a complex of four villages in Catalonia that merged in 1968. The population stands at 2,501 but is considered to be stagnating, or even to be in decline (the under 15 population is declining whilst that over 65 is increasing). La Vall d'en Bas is an isolated rural, agricultural settlement, which is ethnically homogenous (97% Catalan, 2.5% Spanish and only 0.5% 'other').

##### **Local Economy**

Although la Vall d'en Bas is a rural area, as is the case in similar areas of Catalonia today people no longer live by agriculture alone, but this sector is still important largely thanks to la Cooperativa. However la Vall d'en Bas has not been able to avoid most of the problems from which rural areas currently suffer: the processes of depopulation and demographic ageing. The phenomena of land concentration through the merging of farms reduced the number of farms from 442 in 1966 to 230 in 1982. Farm mergers, together

with new technology and rural depopulation led to a decline in the farm labour force from 410 in 1989 to 199 in 1999.

### **Local Social Infrastructure**

La Vall d'en Bas has 1,233 dwellings in its area although 20% of these are second homes and/or empty dwellings (i.e. there are 774 first dwellings). This imbalance, and an increase in number of households from 774 in 1991 to 814 in 1996 due mainly to an increase in single person households, are issues common to many Western European rural areas. Although levels of educational achievement and professional qualification are above those required in the local economy (except for women, who are less likely to achieve at higher levels of education), local educational provision is limited. There is one primary school and a co-operative nursery. Secondary education and vocational training can be accessed only in Olot, 7 km away. Health problems have increased, as would be anticipated with an ageing population. This is not assisted by isolation: only one of the four villages has a regular system of public transport.

### **Local Society and Civil Culture**

Given the ageing population and isolation there is surprisingly little poverty. This is perhaps helped by high educational and qualification levels for men, which mean that those in work earn well. There is sense of community among those who have resided in la Vall d'en Bas for many years and this is reflected in the relatively high number of voluntary organisations (26) for such a small place. Most of these are subsidised. Despite obviously strong social networks, the relative isolation means that television is an important source of information. Religion locally is formally Catholic. There is a very low crime rate. Levels of political engagement appear strong at the most local level: whereas 76% of eligible voters turned out to vote in the 1999 municipal elections, only 72% turned out for the 2000 regional election and only 69% for the national elections in the same year.

### **Local Social Economy**

One of the results of land concentration was the creation of la Vall d'en Bas agricultural co-operative (la Co-operativa) in 1971, five years after land concentration commenced and three years after the merger of the four villages. La Cooperativa was started by 20 persons and now has more than 400 members, with 80% of farm owners in la Vall d'en Bas being members, covering 200 household farms and the 600 people living on them. La Cooperativa directly employs 35, mostly local, staff (eight of these in jobs created in

four new small enterprises since 1998), and has a financial turnover of 7.8 million euro. Its activities are:

- production or purchase of articles and materials needed by its members for agricultural, stock or forestry;
- commercial distribution in the 'agroshops' of the farm and forestry products manufactured by co-operative members;
- loan of machinery to co-operative members;
- advice and strategic and technical guidance for the farms associated to the co-operative;
- administrative and management services for co-operative members;
- promotion of the technical and cultural training of co-operative members;
- promotion of any improvements for the rural areas and the environment.

La Cooperativa is an important part of local society and there is a regular 80% plus attendance at meetings. Although profits (surplus) could be distributed amongst members they have traditionally been reinvested in new activities and services for members and the community in general. There is also evidence of cross-subsidisation from the most profitable activity (the agroshops) to cover less profitable activities (counselling, training, recreation, cultural activities) or products (e.g. feed).

The second social enterprise in la Vall d'en Bas is a co-operatively run nursery, which has 21 places for children aged 1-3 years old, and is staffed by two full-time and one part-time staff (all local); there are also seven volunteers. The management of the co-operative is by AMPA, an association composed of parents of the children at the nursery, and a management board composed of five AMPA reps and two staff. AMPA was set up in 1995 to defend the educational rights of children under six, and has established a good relationship with the local town council, which is seen as important.

### **Local Social Capital**

La Vall d'en Bas appears rich in local social capital. There is considerable local trust, low crime, much civic engagement, and a lot of voluntary effort, good networking and considerable co-operation. It is clear that the two co-operatives composing the local social economy, particularly the agricultural co-operative, have emerged from and contribute to nurturing such roots.

### **3.1.8. La Mina neighbourhood, Catalonia, Spain**

#### **The Area and its Population**

La Mina is a physically isolated and deprived neighbourhood in the municipality of Sant Adrià de Besòs at the edge of Barcelona. La Mina officially contains 9,810 residents in its 2,902 housing units 2,696 of which are flats in 29 blocks of 5 -12 storeys built between 1969 and 1974. Unofficially however it is thought to contain a population of anything between 15,000 to 18,000 and the resultant high density is a major problem. La Mina is predominantly Spanish but within this 20-30% are gypsies. Around 5% of the population is of immigrant origin, among which there are Portuguese and Greek gypsies. The population is thought to have grown at a rate of 8% between 1991-6, which is higher than Sant Adrià as a whole. It is also a very young population, with 24% under the age of 16 and around 50% under the age of 30.

#### **Local Economy**

Sant Adrià is a very industrial district with 16% of its enterprises in manufacturing, but 60% of the employed population in both Sant Adrià and La Mina are in the service sector. La Mina has a small industrial area of medium sized business on 13 hectares of land. There are 312 jobs here, although it is unclear how many of these are held by residents of La Mina. The local population is young but is characterised by low levels of literacy (illiteracy is at 10% compared to 2% for Catalonia as whole), high levels of unemployment and considerable poverty and delinquency. Official La Mina unemployment stood at 31% in 1997, an improvement on 1986 when it reached 55%. The neighbourhood also has a high level of employment precariousness with 8% of population PIRMI (state minimum income scheme) recipients compared to 0.5% for Catalonia. This is a reliable index of poverty and so shows the poverty rate for La Mina is 16 times higher than in the rest of Catalonia, although in New Mina it is far worse (11.5%) than in Old Mina (where it falls to 0.5%, the same as for Catalonia as a whole<sup>1</sup>).

#### **Local Social Infrastructure**

The housing conditions coupled with population density, overcrowding, educational underachievement (only 1% of La Mina residents are university graduates) and poverty contribute to high levels of crime and anti-social attitudes. Educational provision includes two nurseries (one private and one public), a primary school, a secondary school and an adult school. The former is the largest with 350 student places, and is popular with

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<sup>1</sup> New Mina mainly comprises the public housing scheme of the neighbourhood.

young residents as it provides accreditations; e.g. driving licences and auxiliary nursing certificates. The main health problems encountered in La Mina are associated with drug addiction. It is reckoned that 14% of adult males between 17 and 40 years are heroin consumers and this constitutes 3% of the local population. Although there is evidence that the number of addicts is at least stabilising, there is evidence of a growth in traffic and consumption of new toxic substances such as cocaine and synthetic drugs. The connection of this to the informal/illegal local economy is very clear. Given the catalogue of problems it is little wonder that this neighbourhood, which suffers from a very poor image, has been earmarked for renewal by the local state and the aim is to turn it into a more privileged part of Barcelona (i.e. to gentrify). There are therefore six strands of local policy: combat delinquency, promote economic activities, structure the environment, ensure sustainability, improve neighbourhood image and revitalise physical space and dwellings.

### **Local Society and Civil Culture**

Understandably, the civil society of La Mina is very weak and there are only 12 voluntary organisations, of which eight can be considered social enterprises. Although this is very few, given the number of residents it is thought that one advantage is that they are all groups well rooted in local society and two of these, Radio La Mina and the magazine Mira La Mina, provide important sources and networks of information, particularly for young people. Among the other associations there are two catering for gypsy culture and encouraging young gypsy involvement in school; organisations for out of school activities, young unemployed, and an adult literacy project. An important project in this neighbourhood CLS La Mina has been developed by the CIREM Foundation and is the intermediary body for European Social Fund Article 6 Local Social Capital (translated in La Mina as 'Local Capital with a Social Aim') that aims to build local civic society and engagement. Such projects face an uphill struggle however as crime and delinquency remain a real social problem. It is estimated that the underground economy involves some 30% of the local population. Organised gangs are active, prepared to commit violence and are thought to be involved in 'protection rackets'. Gun crime is an increasing local problem. The dominant religion remains Catholicism, but there are also two evangelical churches. One, the Church of Filadelfia, is known locally as the 'Cult' and remains popular among local gypsies. It is through the 'cult' networks that members of the opposite sex are able to get in touch and this can be difficult in gypsy culture, where gender separation has an important role. Finally and perhaps understandably given local social problems, civic engagement as expressed by voter turnout at elections is low. For the 1996 national election only 60% voted. However, this was higher than for the local elections in the previous year, when only 57% turned out.

## **Local Social Economy**

It is thought that the social and economic characteristics and problems have hindered the development of a strong social fabric and consequently any real social economy. Most of the small voluntary organisations that have elements of social enterprise focus mostly on specific problems (see above) to do with children and youth, especially those of gypsy origin, and around issues such as out of school activity, drugs, literacy and employment. Most of these organisations rely on a small staff, attract very few volunteers and are viewed mainly as service providers. This is not to say that they do not have a very important impact.

## **Local Social Capital**

Inevitably the stock of local social capital is very low. La Mina is a relatively recent creation which grew by the relocation of a more marginalised population, among whom were gypsies excluded from other neighbourhoods in Barcelona. There has been a steady haemorrhage of the most able residents, leaving a weak civil society further weakened. High levels of crime, delinquency, educational underachievement, illiteracy and drug abuse conspire to create a low trust, low security, disorganised neighbourhood which suffers from a poor image and a lack of mutual action. The Article 6 Local Social Capital project has had some success in developing locally rooted projects, but at present these involve relatively few people.

### **3.2. Reflections on Using Local Socio-Economic Profiling Methods**

The local socio-economic profiling method (Conscise, 2001a) that was used in the fieldwork was new in the sense that it augmented and adapted existing approaches to profiling (Cooper, Evans, and Snaith, 1991; Burton, 1993; CEPCESA/CBS Network, 2000). It was augmented by introducing the notion of social capital and a questionnaire survey to examine this, by bringing together other methods and by bringing in a 'soundings group' approach to research organisation and conduct. The soundings group were formed of local individuals usually representatives from different stakeholder constituencies in the locality (e.g. representatives from the social economy, politicians, voluntary sector workers and unpaid members, resident representatives, other professionals etc.) who had a commitment to the fieldwork and project. They were to act in four simultaneous roles. As -

- Discussants of the data/reports resulting from the use of other instruments in this workpackage.

- Informants to provide qualitative data on the nature of local social capital, the impact of social enterprise and the relationship between social capital and social enterprise in the fieldwork localities. Gatekeepers in the fieldwork localities and potential sources of relevant local data.
- Advisors regarding the direction of the local socio-economic profiling exercise.

There was however local variability in the adherence to the methodological framework when it came to fieldwork.

From the review of the implementation of the methodology in each of the 8 localities a number of points can be made.

### **3.2.1. Contextualising Social Capital**

The aim of constructing local socio-economic profiles of each of the locations for the fieldwork was to enable a concentration on the dynamic relationship between local social capital and local social enterprises in a local social economy. The intention behind the adoption of four research instruments in our local socio-economic profiling method was to approach the issue of the dynamic relationship between local social capital and local social enterprises in a local social economy, from a number of angles. The creation of soundings groups (by no means successfully established in all locations) in particular has enabled this study to emphasise the importance of context in research into local social capital. For instance, all the fieldwork teams agreed on the vital importance of understanding the history of the localities for any assessment of local social capital. This may sound obvious in a context of local development, but it is something often not captured in applying survey research or using secondary data to generate proxy indicators.

### **3.2.2. Incorporating Multiple Interpretations**

A further feature of the methodology was that in drawing both secondary and new data together, and in generating discussion of this data in Soundings Groups, the profiles not only utilised both quantitative and qualitative data but also generated further qualitative data by the act of interpretative discussion in such meetings. For instance, data (or the reluctance to produce it) on crime rates in Wrangel Kiez amplifies the existing concern about the 'image' of the neighbourhood and this has an impact in turn upon local development and local social capital.

### **3.2.3. Data is not Neutral**

The awareness of the importance of data to the local development process grew amongst those involved in the soundings groups. On more than one occasion, soundings group members reported how having this updateable source of information was a benefit to the process of producing accounts about the locality to potential funders, investors and policy makers. Its existence also reduced the time costs of searching for the data were it not available in the profile (a textually embodied form of social capital?). However, of greater importance was the recognition that such data is constructed and composed of interpretations as much as 'facts' and that these interpretations were in local 'ownership'.

### **3.2.4. Making Connections**

The act of interpretation, usually individualistic but often collectively engaged in with respect to the soundings group method, both enables and necessarily involves making connections between different data (e.g. education and economic opportunities and vice versa). The 'holism' made possible by local socio-economic profiling in this way again 'contextualises' and makes alive the use and purpose of the method.

### **3.2.5. Observing and Building Social Capital**

The focus of the research is clearly upon the individuals, institutions and groups that build local social capital largely via the social networks they form and inhabit. Nevertheless it soon became clear to fieldworkers that by –

- 1) raising the awareness of what social capital is said to be and concentrating upon this;
  - 2) using existing social networks;
  - 3) instigating new social networks.
- the fieldwork was also strengthening existing and building new local social capital. This is not a new finding (e.g. Groundwork/NEF/Barclays PLC (2000)) but it is one most regularly confined to those who have addressed the issue of studying social capital contextually.

### **3.2.6. Connecting Research and Action**

The Sounding Groups were not foremost in every location. In Umeå and La Mina for instance, they proved impossible to form and had more limited influence in the fieldwork in Wrangel Kiez and Soldiner Kiez. In most cases their role in the profiling exercise has given an 'organic' life to the profiles and in some cases led to new developments, which will both build social capital and generate new co-ordinated actions.

### **3.2.7. The Local Socio-Economic Profiles as Indicators**

Such is the importance of variation in the activities of soundings groups that fieldworkers consider the documenting of the subsequent fortunes of the profiles produced and the level of local interest shown in them as a useful proxy indicator in itself for local social capital. In Benarty the involvement of local social enterprises and the interest of the local authority in local regeneration is very high.

There was in fact a presentation of the profile to the Lochgelly Regeneration Forum in February 2002. In the Bakers Arms neighbourhood the findings of the profile are to be presented to a meeting of the new Bakers Arms Neighbourhood Forum. In the Wrangel Kiez there is interest in producing a German version of the profile for local distribution. This has already been done in Soldiner Kiez. In Nästansjö three working groups formed out of the soundings group and profiling exercise will continue to meet.

### **3.2.8. Summary**

Above all the seven points here illustrate the importance of constructing methods to contextualise the study of social capital and highlight a range of standard dichotomies; for instance those between subject and object, quantitative and qualitative data, observation and participation and research and action. The important point here is that social capital is embedded to a variable depth in unique local socio-economic contexts, the very involvement in which by researchers, local state officials and local activists will inevitably affect subsequent levels of social capital and development. This is not to suggest that examinations of local social capital by survey methods or the use of secondary data and construction of proxy indicators are not of any useful purpose, as shown by some of our substantive analysis of the local socio-economic profiles earlier.

### 3.3. Local Socio-Economic Profiles of Eight Localities: Conclusions

A major concern of this research was the extent to which the presence and activation of local social capital generated social enterprise and led to the development of a local social economy. The Key Statistics of the profiles are drawn out in the chart in Table 3. The issues that we wish to highlight are -

- geography and the difference between rural and urban networks;
- the varying roles of bonding and bridging social capital;
- social capital and the public sector;
- efforts to build social capital;
- the importance of studying social capital in context;
- the use and relevance of proxy indicators.

The notion of *local* social capital implies of course a form of social capital which is generated by geographically/spatially situated and defined social networks as opposed to non-geographic networks (Debertin, 2001). It is apparent from the sketches provided above and borne out by the albeit crude index of local social capital derived from the local social capital survey (see Annex 4) that there is seemingly an **urban-rural continuum** in terms of stock of local social capital. The most rural locations (Nästansjö and La Vall d'en Bas) scored highest on the index of local social capital followed by Benarty, the semi-rural group of former mining villages in Fife. The locations displaying the lowest stocks of local social capital in the index are the urban areas of Kreuzberg, Waltham Forest, Wedding and La Mina (see Table 2. below).

The common sense conclusion might be that rural populations are usually quite small and socially and ethnically homogenous, have close knit social networks, are quite stable, and therefore have high levels of trust and reciprocity. What we might have identified once as a strong community of place is now also characterised as one with high levels of local social capital. The type of social capital here appears as a type of **bonding social capital**, which can be characterised as exclusive and might in the longer term be to the detriment of development opportunities. Nevertheless it is quite clear that the local social enterprises present in both of the rural locations (Nästansjö and la Vall d'en Bas) appear to have roots in such strong bonding social capital and to have emerged 'organically' from needs identified and addressed by local people. But, as Debertin (2001) notes, in rural locations geographic and non-geographic networks are not easy to separate. Whilst

isolation can make high levels of intra-community networking and bonding inevitable, developing services in the face of such isolation is also a shared interest uniting in collective actions what otherwise may be disparate people.

**Table 2.** Local Social Capital (LSC) Index scores

Location	LSC Index Score (1-5)
Nästansjö	1.88
Val D'en Bas	2.18
Benarty	2.33
Umeå	2.36
Kreuzberg	2.68
Waltham Forest	2.75
Wedding	2.85
La Mina	3.03

In Benarty the high level of local social capital is characterised by the fieldworkers as identifiably of the **bonding** variety at the expense of bridging social capital. Nevertheless, the roots of the local social enterprises in Benarty are such that **linking** social capital (in terms of both the role of local groups in leveraging external resources and the extent of development assistance and ideas from networks wider than the locality) can also be identified.

The importance of **bridging social capital** can be identified for the social enterprises in Umeå where, in the absence of an indigenous bonding social capital, national movements provided the impetus for the development of social enterprises. This was augmented, however, by the high levels of bridging social capital provided by the networks, particularly of young people, around the University. For the distinctly urban, deprived, heterogeneous and multi-cultural locations in Kreuzberg, Waltham Forest, Wedding and La Mina the crude LSC index indicates quite low levels of bonding social capital in particular<sup>2</sup>.

The roots of the social enterprises in Wrangel Kiez and Soldiner Kiez show the importance of the squatters and alternative movements since the 1970s. These groups have unquestionably forged networks both with and for the more spatially restricted

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<sup>2</sup> It could persuasively be argued that our survey, the index and indeed much of the literature on social capital are biased towards a focus on bonding social capital to the detriment of other forms.

groups (both Turkish and German) and these have clearly generated forms of **bridging** social capital. The same case can be made for the cluster of environmental social enterprises in the Bakers Arms area of Waltham Forest. In La Mina, the social capital and social enterprises emerging, dependent as they are on state sponsorship and promotion, are rooted in local social networks. It may be that these emergent enterprises are generating more social capital than was invested in their creation. The role of the **public sector** and networks of government officials (both local, national and European) in assisting the generation of social capital in the localities means that the important network links between the third system/sector and the state/public sector are characterised by bridging social capital. This is an explicit intention with regard to the ESF Article 6 Local Social Capital intermediary bodies in both Barcelona and Berlin, and can also be evidenced in the role of the local authority in Benarty and Waltham Forest. In addition the resources of bridging capital in the 'alternative' and 'green' movements have clearly benefited social enterprises in Berlin and Waltham Forest.

We must however be cautious in our analysis here. There can be no clear-cut indicators of a unilinear, path-dependent causality in the development (or lack of it) of local social economy from local social capital in these or any other locations. There are a number of good reasons for this. Firstly, the ongoing synergy between social enterprises and the local social networks cannot be isolated in a 'laboratory' state; they have to be examined in context. Secondly, there is an arbitrary line between what constitutes local and what does not. Thirdly the role of the other systems (private and especially public) must be taken into account with respect to developments in the third system. (There is clear evidence that the role of national and local government policy and resources is most important in developing the social economy in most of the locations of our research and bridging social capital is crucial here.) Fourthly, the notion of social capital itself is difficult to operationalise. Finally, the different processes and effects of social capital engage at individual, group and organisational level and this complicates the development process. For instance, the Benarty fieldwork illustrated a general point that whilst social capital was generated in networks of individuals, it was less apparent at organisational level where there was reduced trust owing to competition for scarce public sector resources. Furthermore, the tendency of surveys about social capital (including the one here) to aggregate data derived from individuals to make generalisations about the group(s) risks misreading the different ways individuals, groups and organisations network and generate social capital.

The approach we have taken to examining local social capital prioritises interpretation over measurement (when the trend in most social capital research is for the former). **Contextualisation** is thus enabling a situated examination of the relationship between

social capital and social economy, and incorporating the possibility that the very act of research fieldwork will amplify the notions of social capital and social economy in employing them. It is in this sense that 'social capital' can be considered a heuristic device; serving to stimulate investigation of, in this case, the development of local social economies. Features of social capital as both **appropriable** and capable of reducing **transaction** costs are important here.

Using social capital as a heuristic tool (Schuller et. al., 2000) does not bar the use of measurement tools however, as the survey in our fieldwork shows. The local social capital index, crude as it is, is in keeping with the findings produced by other instruments in the fieldwork. Furthermore, the results obtained in this way are in keeping with those produced by the use of other popular **proxy indicators of social capital**. The ratio of number of voluntary organisations per head of population is frequently used (Smith, 1998; Knight, 1998, p.134). If we construct this ratio for each of our eight fieldwork locations and list them in order with the lowest ratio first (see Table 4.), the order generated is almost the same as that of the local social capital index (with only Benarty and Umeå changing places). This may perhaps serve as just one instance of 'quick and dirty' indices that Halpern (1999) considers useful.

**Table 3.** CONSCISE Project: Fieldwork Locations: Key Statistics 2002

<b>Research Location</b>	<b>Bakers Arms Neighbourhood, Waltham Forest, London, England</b>	<b>Benarty, Fife, Scotland</b>	<b>Wrangel Kiez Kreuzberg, Berlin, FRG</b>	<b>Soldiner Kiez, Wedding, Berlin, FRG</b>	<b>Umeå, County of Västerbotten, Sweden</b>	<b>Nästansjö, County of Västerbotten, Sweden</b>	<b>la Vall d'en Bas Barcelona, Spain</b>	<b>La Mina, Barcelona, Spain</b>
Population Size	61,700 222,000 (Waltham Forest)	13,437	12,449	22,888	70,000	200	2,501	9,810
Unemployment Rate	6.7%	7.7%	25.2%	22.2%	5%	7.4%	4%	33%
Ethnic Composition	34% Waltham Forest ethnic mixed (black Caribbean & Pakistani over half) 66% white European	0.5% ethnic minority 99.5% white European	40.9% ethnic minority - (mainly Turkish) 59.1% white European	36.8% ethnic minority - (mainly Turkish) 63.2% white European	4.3% ethnic minority 95.7% white European	0% ethnic minority 100% white European	0.5% ethnic minority 99.5% white European	30% ethnic minority - (mainly Spanish gypsies) 70% white European
Main Economic Activities	Mixed - light industry in Lee Valley. Largest employer is the public sector. Retail in immediate area.	Redundant mining industry with predominance of retail and service industries mainly outside the immediate area	'Alternative' economic activities and related enterprises	Old industrial neighbourhood	Public sector, health care, trade and communications, education and research	Mining, forestry, farming, wood processing & engineering	Food, textile, furniture & publishing sectors. Bars, restaurants, hotels	Metallurgy, publishing and furniture, chemistry & textiles
Number of Social	16	13	22	7	17	1	2	8

Enterprises								
Social Enterprise in social audit fieldwork	Hornbeam Environmental Centre	Benarty Area Regeneration Group (BRAG)	Kirchbauhoff	Zukunftsbau	Vågbyrtarna/Break	Koopra	La Cooperativa	CLS La Mina
Most Recent National Electoral Turnout	54%	70%	79%	56%	81%	79%	69%	60%
Most Recent Local Electoral Turnout	33%	50%	58%	57%	80%	79%	76%	57%
No. of Voluntary Organisations	692	50	35	50	691	8	26	13
Size of the area (hectares)	3,965 hectares (Waltham Forest)	2,033 hectares	46 hectares	52.7 hectares	9,000 hectares	150 hectares	90,500 hectares	20.6 hectares
Population Density (Per hectare)	56 (Waltham Forest)	6.6	270.6	244.6	7.7	1.3	0.028	476.2
Rural/Urban	Urban	Rural/Mining	Urban	Urban	Urban	Rural	Rural	Urban

**Table 4.** LSC Index Scores and Voluntary Organisation Density Index compared

Location	LSC Index Score (1-5)	Ratio of Voluntary Organisations per Head of Population
Nästansjö	1.88	1:74
la Vall d'en Bas	2.18	1:96
Benarty	2.33	1:223
Umeå	2.36	1:101
Kreuzberg	2.68	1:249
Waltham Forest	2.75	1:320
Wedding	2.85	1:300
La Mina	3.03	1:817

Another popular proxy indicator is electoral turnout (the proportion of those eligible to vote who actually do so), which is said to indicate a level of civic engagement and duty, and was used by the UK Department of Environment, Transport and the Regions (DETR) as a proxy indicator for social capital in English cities (Robson, et.al. 2000). The problem is one of which level of election to use as indicators: national, or local. The DETR report suggested using local election turnout and we reproduce both local and national turnout figures in Table 5., adjacent to the results in Table 4. and adding position (POS) for each locality.

**Table 5.** All Social Capital Indices compared

Location	LSC Index Score (1-5)	POS	Ratio of Voluntary Organisations per Head of Population	POS	Turnout at Last Local Election	POS	Turnout at Last National Election	POS
Nästansjö	1.88	1	1:74	1	79%	2	79%	2
Val D'en Bas	2.18	2	1:96	2	76%	3	69%	5
Benarty	2.33	3	1:223	4	50%	7	70%	4
Umeå	2.36	4	1:101	3	80%	1	81%	1
Kreuzberg	2.68	5	1:249	5	58%	4	79%	2
Waltham Forest	2.75	6	1:320	6	33%	8	54%	7
Wedding	2.85	7	1:300	7	57%	5	56%	6
La Mina	3.03	8	1:817	8	57%	5	60%	8

The close correlation between the first proxy indicator and our local social capital index declines dramatically when both local and national electoral turnout figures enter the picture. An interesting phenomenon of electoral turnout is an urban-rural one: how in the rural areas local elections secure greater or at least equal interest as national elections, and how this is reversed in urban areas. A more critical issue however is exactly what connection these proxy indicators have to social capital.

The number of voluntary organisations may be more a function of state investment and political patronage than any organic manifestation of civic engagement or community involvement. Electoral turnout may have little connection to the levels of trust, mutuality and reciprocity displayed in local social networks. Where there is a long history of single party dominance, resignation on the certainty of the result often produces voter apathy.

All of this leads to a major finding: that studies of local social capital require **contextualisation**. In this research we did not only generate, and look at other 'rough and ready' proxy indicators but tried to get to grips with what actually happens within and between organisations in the social economy.

The production of case studies on this basis does not mean that comparative analysis cannot be undertaken, or that the research findings are discrete and idiosyncratic and unable to advance generalised knowledge. As 'social capital' is a heuristic device rather than a precise scientific concept it is more amenable to interpretative approaches than definitions favouring measurement that spread across diverse cultural contexts rendering 'meanings' worthless. The focus on the notion of social capital used in this research has enabled an examination of the emergence of local social economies in their context. It has produced useful insights into the importance of the rural-urban distinction, the distinctions between bonding, bridging and linking social capital and the role of the state in attempts to build local social capital and develop the local social economy.

However, a further finding appears to be that whilst levels of local social capital identified in the fieldwork varied across the eight localities, there appeared to be no clear connection between this level and the local social economy. This does not suggest that the social enterprises in the localities have not emerged from social capital but that this social capital is not intrinsically 'local', emerging instead from specific groups and communities who may be contained within the locality and/or spread beyond its boundaries.

## 4. Social Audits of Social Enterprises: Findings

### 4.1. Using the Concept of Social Capital

From the efforts to operationalise the concept in the social accounting fieldwork 'social capital' emerged as an abstract term which most of the research subjects had difficulty in understanding. To add to the confusion the term is increasingly present in the lexicon not only of academics but also policy makers, politicians, development workers and activists, often being used by different groups to mean quite different things. It was therefore important to clarify what the CONSCISE Project meant by social capital and this was done through the device of specifying six rather more concrete elements. Even so, the research found that people did not really get to grips with these concepts until they had the opportunity to discuss them and when examples were put to them. Once that happened then 'social capital' became a concept to which they could easily relate and recognise in what they do (or sometimes do not do) in their daily lives. They begin to see how it translates into actions and behaviour, which may be adopted for the benefit of their organisation or community.

One important implication of this is that the written word is not sufficient and that, in turn, means that questionnaires are less useful than face-to-face (and less structured) methods of inquiry.

Although the research project was based on the notion that social capital could be explored separately from the other objectives and activities of the social enterprises the findings challenge this by suggesting that social capital is closely woven into what organisations do and how they do it. Thus social capital is more akin to the values of the organisation, influencing all that it does. The German partners expressed the point in this way: "Social capital should be part of the Leitbild (mission) or the strategy of the social enterprise because it seems important for the development not only of the social enterprise but also for the local economy as a whole to include values which state the social capital development."<sup>3</sup>

The research also demonstrated that it is difficult to distinguish between *using* social capital and *creating* social capital, not least because when you are using it you are also creating it. "What seems obvious is that whenever social capital is used, social capital is also created" (Vågbrytarna). This illustrates a unique feature of social capital – it does not diminish but will always grow with use.

Differentiating between the elements of social capital was also found to be difficult. For now though, each of the elements are considered separately.

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<sup>3</sup> All comments from research teams quoted in Section III., 4., can be found in Annex 6.

## **4.2. The Elements of Social Capital**

### **4.2.1. Trust**

Trust is generally agreed to be an essential aspect of social capital, maybe the most essential without which the other elements of social capital cannot be developed. La Vall d'en Bas Cooperativa expressed a sentiment common to all eight social enterprises: "Trust supports all the fabric of internal and external relations, which keep the co-operative afloat." In Nاستانجو one of the outcomes from exploring trust was the decision to start talking to those villagers who seemingly were mistrustful of the co-operative and therefore not involved, in order to try and build new trustful relationships with them.

It was also generally agreed that trust is not something that can be taken for granted. It has to be worked at and nurtured. La Vall d'en Bas again: "The cooperativa has to win and constantly renew trust among its partners (members), as everyone will agree that trust is more easily lost than won."

And indeed there was also agreement that trust is delicate, taking time and effort to build but all too easily lost.

"Trust is fragile and can be destroyed in a moment while taking an age to develop and establish". (BRAG)

Trust between organisations seems to depend largely on trusting relationships that develop between individuals. Kirchbauhof reports how a change of management team was able to start a process of rebuilding trust that had been seriously lost by the previous directorate, even to the extent of threatening the very existence of the social enterprise. It means also that changes of personnel will impact on levels of trust between organisations.

Partners reported how the competitive climate within which social enterprises find themselves bidding against each other for scarce physical, human and financial resources, can seriously damage relationships of trust between them, and also diminish scope for collaboration and other mutual working. By contrast, Cooperativa la Vall d'en Bas explained how trust and working together allowed its members to compete more effectively in the market and that this in turn strengthened local social capital.

Trust between an organisation and its different stakeholders will vary and so it is important to consider all stakeholder relationships from a trust perspective. The fieldwork in Catalonia emphasised that trust can also develop when there are joint commercial ventures between organisations. These are likely to derive from shared interests and, if successful, can greatly enhance a trusting bond between organisations.

Trust can only develop and grow if people meet, talk and interact in networks. Thus the opportunities to meet through such networks, social events and the daily round are an essential prerequisite to the building of trust within an organisation or community, and between an organisation and other agencies.

#### **4.2.2. Reciprocity and Mutuality**

All partners were able to give examples of reciprocal help and mutual collaboration, demonstrating that it is the way in which social enterprises work. Zukunftsbau referred to preferring “co-operative norms of conduct to competitive behaviour”. Organisations such as BRAG and Hornbeam seek to create an atmosphere in which helping and working with other organisations is expected: “It is part of its ethos to generate a climate of mutual help. In this respect BRAG leads by example offering (and taking) reciprocal help to (and from) social enterprises in the area”. (BRAG)

La Vall d'en Bas emphasised co-operation as one of its core values and as the key to survival in the contemporary economic climate: “adopting co-operation and/or joint work as an essential value is nothing less than a defensive answer in face of a global economic system which demands a steady increase in economic growth and particularly productivity”. By working together the farmers can survive.

In the case of BRAG reciprocity and mutuality was far stronger between BRAG and local social enterprises and between the social enterprises themselves than it was between BRAG and private businesses based in the same workspace. It was also noticeable that reciprocal help could be multi-lateral rather than bi-lateral: in other words one social enterprise might help another without expecting a direct pay-back, but knowing that at some point in the future they might draw assistance from within the social enterprise group. This finding reinforces the characteristic of reciprocity described in the early project reports (CONSCISE, 2000a, 2000b) which refers to “*balanced*” and “*generalised*” reciprocity – the former being a favour for a favour while the latter refers to favours given without any certainty of when they will be repaid or who within the given “community” will ‘repay’ them.

Reciprocal help is more likely to occur between organisations that already know and trust each other and this, of course, means that there are individuals in the organisations who know and trust each other.

The rural social enterprises emphasised a tradition of reciprocity that is still alive, although la Vall d'en Bas observed a reduction in reciprocal behaviour between both partners (members) and between partners and the co-operative. This suggests that the smaller and more remote the community, the greater the likelihood that reciprocal help will still be the norm. This is one

of the key findings of the local socio-economic profiling fieldwork referred to in Section III., 3.3., that the most isolated and rural locations score the highest on the index of local social capital" while the urban areas displayed a lower score.

Although the general sense was that trust is a prerequisite for reciprocal and mutual behaviour, CLS LA MINA suggested that it may work the other way: "Reciprocity and/or collaboration may be the starting point from which trust may be derived."

#### **4.2.3. Formal and Informal Social Networks**

Networks, formal and informal, are recognised as being essential to the building of social capital and social enterprises invest considerably, some more than others, in building contacts.

It is clear that trust grows from people meeting people and so investment in social activities and events can be important: "...the cooperativa promotes meetings, parties and other activities which lead people to get acquainted and to know one another." (Cooperativa La Vall d'en Bas)

It is also clear that the UK, Swedish and Spanish social enterprises saw themselves as a key part of several networks and indeed in some cases as the instigator of new networks. They were conduits of information to other local social enterprises, to members and to partners. In other words the networking of the social enterprise was expressly used to benefit others.

In the case of BRAG, its staff were able to foster networking by attending meetings within and outwith the local community and so develop a wide range of relationships at the same time as acquiring valuable information and intelligence. Much of this was then shared with other local social enterprises and indeed some of the most frequently quoted examples of reciprocal help from BRAG were to do with the sharing and use of information and contacts first obtained by BRAG.

#### **4.2.4. Shared Norms of Behaviour**

The CONSCISE Project definition of social capital refers to "norms of behaviour". In the course of the research, this was often regarded as "values" that can be held by individuals or organisations. It was felt that the values held actually govern the behavioural norms and in the course of the research the distinction became blurred.

The research confirmed that values are a key element in social capital in that people who share similar values may more easily develop relationships of trust faster and be more willing to work together: "...trust cannot be expected to appear easily when there is not a system of common or shared values and a sense of commitment and belonging". (CIREM)

Sometimes a common way of thinking about the area and what might be done for the common good may be more to the point than a set of shared values: "...it also seems that at local level people can coalesce around a 'way of thinking' about their community (vision) and commitment to it (sense of belonging) which may transcend otherwise conflicting value systems" (BRAG). Local politicians from three different political parties worked together to help create BRAG.

Through engaging with the social accounting and audit process and with the exploration of social capital the social enterprises became more aware of their values and the crucial role they may play in strengthening social capital. The need to be clear about values and to express them becomes therefore an important issue.

It was less certain whether values belong to an organisation or to the people within the organisation. Hornbeam Environmental Centre noted: "There are a number of shared values and norms that are integral to it (HEC) and its workforce. There is some suggestion however that those are not shared, at least not to the same extent, by all Hornbeam personnel", while BRAG questioned whether staff who may simply work for the organisation 'just as a job' should be expected necessarily to share the values of the organisation.

It was also noted that a strong value base can serve to make an organisation inward-looking, or at least to be less aware of others who perhaps do not share exactly the same values: "Whilst there is a lot of bonding on the basis of shared environmental values with other organisations and individuals, there is no evidence to indicate that this bridges to non-environmental community groups or individuals." (HEC)

Vågbrytarna expressed the concern that the shift from being a voluntary organisation to becoming a social enterprise might threaten the core values which had been inherited from the parent body: "The transformation from a voluntary organisation into a social enterprise has not been entirely uncomplicated. Some of those involved in KFUM Norrbyskar (the Swedish national YMCA movement which established the social enterprise Vågbrytarna) have been worried that its 'soul' would be difficult to maintain in the new organisation with employees instead of volunteers. The maintenance of the shared commitment and the shared norms has been and is very important to Vågbrytarna in its relation to the mother organisation."

There was a general emerging view that shared values "may be at the very core of social capital" (BRAG) and that "other elements of social capital are in part dependent upon the shared values....the reputation of the organisation is based on its shared values". (Vågbrytarna)

#### 4.2.5. Shared Commitment and Belonging

The sense of belonging to an area and consequently being committed to it, also emerged as important features of social capital and were particularly noted in the social capital scoping studies completed as part of the social accounting fieldwork, which explored the role social capital may have played in the formation of the social enterprises.

“Historically, social capital was very important in the initial stages of the enterprise’s development – it was built up entirely on volunteer labour driven by shared values and commitment to a common goal and facilitated through effective networking and shared communication and information channels.”  
(HEC).

Historical context is important here. Understanding how in the past social capital contributed to the establishment of the community or organisation can show up gaps in the current stock of social capital and suggest ways of tackling that. In Nasthanjo, for example, the decision was taken to make contact with those members of the community who were critical of and no longer involved in the co-operative. Exploring the history of the community will show how social capital is not a new phenomenon and how it has determined the way the community functioned in the past. This was perhaps especially noticeable in the BRAG area, which was a tight-knit mining community in the past, and in la Vall d’en Bas.

Where there is a strong sense of belonging or commitment then it is easier to develop relations of trust between people, sharing as they do a common desire to build a common purpose. That, in turn, will lead to identifying at least a common way of thinking about the area, if not to recognising some shared values.

Cooperativa La Vall d'en Bas emphasised that the sense of belonging was to do with “being a peasant rather than the fact of living in a certain area”. This introduces the notion of social capital being built within a ‘community of interest’ or across a class of interests. Communities are not always locality focused. This finding also raises the notion of what a community actually is. The local socio-economic profile process clearly defined the communities in which the social enterprises operated and detailed the socio-economic conditions within those communities. However, it social enterprises often operate to benefit people who are not necessarily resident in a particular local community, similarly social capital may affect people in wider localities than the immediate community.

The other side of the sense of belonging ‘coin’ for social enterprises is that of accountability to the local community: they belong to it and so they must be accountable to it. In this context the social accounting process has a key role to play.

The sense of belonging might lessen, or appear to lessen, over time for a social enterprise such as BRAG, as it builds up its external, bridging, social capital, making contacts and working with bodies beyond the locality. CLS LA MINA identified the opposite problem: "When exaggerated this sense [of belonging] may be contrary to the interests of development, particularly if it moves those who hold it to close over [off] themselves and to disregard the external world, with which bridges and connections are absolutely necessary to generate new patterns of social and economic growth.." These points regarding bonding and bridging social capital are explored later in the report.

#### **4.2.6. Effective Information Channels**

Having channels of access to information was clearly important to all the social enterprises, but such channels depend on having contacts and knowing people; that is they depend on networks and trust. It became apparent therefore that, while access to information is important, it is not an element of social capital in the same way as the others. Indeed being able to access information depends on having access to social capital as defined by the other five elements.

The Zukunftsbaue social audit reflected that if a social enterprise does not provide sufficient information, say to its internal stakeholders, then their sense of belonging and commitment to the enterprise can be lessened. Poor internal communications, and by implication lack of information, was an issue raised in the social accounts of several social enterprises. Zukunftsbaue also identified how failing to give information to external stakeholders can result in a diminished reputation for the enterprise. These points seem to reinforce the notion that obtaining and using information are *tools* with which to build social capital rather than an integral element of social capital.

Social enterprises are likely to adopt a culture of sharing information as part of the networking role with other social enterprises and this was especially noted by BRAG, HEC and Cooperativa La Vall d'en Bas.

The Cooperativa la Vall d'en Bas social audit also emphasised that information needs to be person-to-person if it is to be used effectively. When the co-operative sends out information circulars it notes: "After receiving one of such circulars, the usual thing for many partners (members) is to get in touch with those responsible in the co-operative to look for an explanation of its contents."

### 4.3. Origin and History of the Eight Social Enterprises

Examining the origin and history of the social enterprises that are summarised in Table 6. we can see that all the social enterprises included in the fieldwork started in different ways. All except CLS LA MINA were formed in direct response to a particular need or problem evident in the area. Cooperative la Vall d'en Bas, Koopra in Nästansjö and BRAG were set up primarily by local people to counter difficulties in the local community. Kirchbauhof GmbH, Zukunftsbau GmbH and Vågbrytarna/Break were set up by larger, 'parent' organisations to address youth unemployment and training. The HEC was created by two environmental activists working with a number of voluntary organisations and the local council. CLS LA MINA was different in that it was a project set up through a public sector (local government and the EC) initiative to distribute small grants in an area experiencing a range of socio-economic problems (Article 6 Local Social Capital).

In two cases (Nastanjo and HEC) the activists who took the initiative to form the social enterprise might be identified taking a role as 'social entrepreneurs', although the fieldwork in both cases reveals that they both emerged from a local and organisational context. In the other cases it was more usual that local people and/or existing organisations operated collectively to form social enterprises in response to specific needs. The research evidence suggests that in all cases these local people and/or organisations had to use social capital creatively in order to set up the social enterprises.

**Table 6.** Origin and History of the Eight Social Enterprises

Social Enterprise	Origin
Spain	
La Vall d'en Bas	Created as a result of three circumstances: crisis in the agricultural sector; land concentration into larger farms; and the union of four local municipalities. These circumstances (or indeed threats to the local economy) along with support from public officials at national and local levels brought the agricultural owners together, using social capital, to form a local co-operative. The co-operative resulted from circumstances, need and local people acting together. It did not emerge from another organisation.
CLS LA MINA	Created in response to funding from the European Social Fund and administered through the life of the project by Fundacion Cirem (a non-profit, private organisation) a large organisation established in 1990. This project was a partnership between the local municipality and the Catalan government employing Fundacion Cirem to administer the micro-project grants.

Germany	
Kirchbauhof GmbH	Created in response to high local unemployment and set up by a local church to provide training and employment. This organisation was created as part of the outreach work of the church.
Zukunftsbau GmbH	Created as part of a wider enterprise, Zukunft Bauen, to foster youth training and counter high unemployment. The social enterprise was created by an existing social organisation.
Sweden	
Vågbrytarna/Break (Umeå)	Created in response to the needs of young people for education and employment. Set up by the local YMCA (KFUM Norrbysskar) with inspiration from a similar organisation in a neighbouring town.
Nästansjö Kooperativa	Created by local people in order to obtain cheaper goods and influence the selection of goods within the village co-operative store. It was originally initiated by a temporary resident and is an independent part of the large co-operative movement in Sweden.
UK	
Hornbeam Environmental Centre and Gannets Café	Created by two local environmental activists and voluntary groups to provide a focus for a wide range of community-led environmental activities that use the facilities.
BRAG Enterprises	Set up by local activists working with local councillors from different political parties to take over a local school that was closing down to provide a workspace and training for employment. Support was further provided by a social enterprise support organisation and council officials but the main driving force was local residents working together.

#### 4.4. Social Enterprises and Social Capital

It has become clear from the research studies that the social enterprises all made use of social capital in their day-to-day operations and an examination of their initial establishment demonstrated very clearly that social capital **was essential in their formation**. Once the concept is understood and 'operationalised' by identifying the constituent elements, social enterprises are able to interpret their past in terms of social capital and, more importantly, see how they may build and use social capital in their present and future operations.

The notions of **bonding** and **bridging social capital** were also shown to be relevant. In most cases the importance of strong **bonding** social capital was emphasised at the time of establishment of the organisation. For instance in the case of –

- Cooperative la Vall d'en Bas the need for small farmers to come together in the face of structural changes.
- Koopra, the decision of the Nastanjo villagers to set up and, later, remain as an independent co-operative.
- BRAG the community determination to fight back after the closure of the local mines.
- Vågbyrtarna the strong social capital and values of the parent organisation, KFUM Norrsbyskar.
- HEC, the aspiration and shared values of local environmentalists to establish an information centre and meeting place.

However it was also noted that as social enterprises develop and strengthen their position they need to develop much more **bridging** social capital in order to survive in the wider world of markets and government contracts. Developing external contacts may then be at the expense of nurturing the local, bonding social capital. In BRAG this was described as the shift from the *start-up phase*, when the community came together to fight to get the social enterprise off the ground, and the *sustaining phase* when the emphasis is more on keeping the enterprise afloat. Obviously, moving from *start-up phase* to the *sustaining phase* is not entirely the same as moving from bonding to bridging social capital. Both are required in both phases, but the start-up phase often involves a concentration on bonding while the sustaining phase requires a shift to the use of more bridging social capital.

Recent work has suggested that there may be a third dimension called '**linking**' social capital, to focus on connections between different levels of power or social status. While there may be merit in distinguishing *linking* social capital from *bridging* social capital, it does introduce a sense of hierarchy where stakeholders with power may be treated differently from others and this runs contrary to the more democratic concept of bridging social capital with and between all stakeholders. Further research might explore whether 'linking' is distinct from 'bridging', or no more than a function of bridging, and also how social capital works in a hierarchical or class-based context.

The relationship between social capital and the **reputation** of an organisation was also identified. An organisation which is trusted by a range of stakeholders will develop a reputation as a dependable, effective organisation and that reputation itself will help strengthen social capital. But reputation and image cannot be taken for granted. They depend on people being told what the organisation is doing (information) and on relationships being developed and

refreshed (networks) so that trust is maintained. In other words social capital must always be nurtured in all its dimensions.

Reputation, based on **trust**, may easily be damaged. Indeed, in the case of social economy organisations it is possible that the loss of trust by one organisation can deleteriously affect the reputation of others. Thus in Fife, a scandal known locally as 'Officegate', centring on one social economy organisation which ultimately led to the resignation of Scotland's First Minister, created a generalised climate of uncertainty about the social economy across the region. The context, political, cultural and historical, is therefore very important to the development and use of social capital by social enterprises. CLS LA MINA and Kirchbauhof both reported how the local reputation of a social enterprise could be positive while at official, political administrative level the reputation was poor.

It became clear during the research that **engaging people** in the social accounting process to examine social capital in itself also created social capital. Kirchbauhof referred especially to the involvement of young people: "The most impressive focus group was with young people from ZB where it became clear that the youngsters were keen to learn more about the social enterprise's objectives and asked the management to delegate more responsibility to them."

It was also confirmed that social capital could contribute to the **reduction in transaction costs** between social enterprises and their stakeholders. Cooperativa La Vall d'en Bas, for example, reported that "red tape is reduced to very low levels".

There was also evidence that some of the social enterprises (BRAG, Cooperativa la Vall d'en Bas, HEC) have assisted with the **creation of other social enterprises** within the locality and in this sense social capital has been used to grow the social economy. This corresponds to similar findings described in Section III., 3.

#### **4.5. Social Entrepreneurs and Social Capital**

The research of the CONSCISE Project revealed that the relationships that generate social capital often relate to individuals. It is individuals that use social networks, build up trust and engage in reciprocal arrangements. It would appear that the social capital links between individuals is stronger than the links between organisations of which the individuals are part and which they represent. This leads to discussion about the role of social entrepreneurs and to what extent individuals may be treated separately from their organisation or community.

The formation of social enterprises and the development of a vibrant social economy rely both on individuals and organisations using social capital and on individuals building social capital on behalf of their organisation. It is not sufficient to rely on business plans, market-place

opportunities and knowledge of enterprise development. The building of relationships within a community (bonding) and outwith the community (bridging) is also required. A successful social entrepreneur can use social capital and particularly trust between him/herself and other individuals to develop social enterprises, but always working on behalf of and as part of a host organisation or community.

In this way a social entrepreneur is the individual manifestation of the more collective social enterprise. However, they are not the same entity and there is a danger in considering the individual social entrepreneur to *be* the social enterprise. The dynamics of the relationship between social enterprise, social entrepreneurs and the use and generation of social capital is a potential area for further research.

#### **4.6. Social Capital in Action**

It seems that the six elements of social capital can be examined in three categories:

- *Trust, reciprocity and mutuality*, and both formal and *informal social networks* are about relationships **between** individuals and organisations.
- *Shared norms of behaviour*, and *shared commitment and belonging* are about people **sharing** a way of thinking or having a common vision about an area or a group.
- Effective *information channels* are about individuals and organisations **accessing** information both from within the community and organisation and from outwith.

As mentioned above, the sixth element is fundamentally different, as it is not to do with how people and organisations relate to each other. It is about finding a way around systems and acquiring relevant information, which comes through effective networks, building trust and so forth.

In the ongoing debate about social capital our first two bullet points above would be described as 'cognitive' and the last bullet point as 'structural' relating to Putnam and Coleman's definitions of social capital respectively (Uphoff, 2000; Foley and Edwards, 1999). While networks have also been described in the literature as 'structural', the findings from the social audits suggest that the quality of the person-to-person contact, which comes through networking, means that these could also be considered as 'cognitive'. The interpretation of how the six elements are grouped can provide insights into the way social capital works and how it can be used.

The first five elements of social capital are very closely linked and, while it is useful to identify them as separate, concrete elements to aid in the understanding of social capital, it is necessary

to recognise that they are integrated. The Koopra report observed that “the social capital of the store cannot be separated from the social capital in general in the community”, and all partners reflected on how the different elements blurred the one into the others.

Several of the CONSCISE Project researchers have suggested that of all the elements trust is the most important, the foundation stone of social capital. Without trust people will not work together and may not share information. But for trust to grow people have to make and build contacts through networks. Furthermore, people who find they share norms or who share a strong sense of belonging and commitment to their community or to a particular idea are more likely to trust each other sooner and therefore start working together. Above all however, our research found that it is adherence to shared values that are important to the social capital of the social enterprises we encountered. But we found social capital to be a close-knit weave of five crucial ingredients each nurturing the other. This generates two of our models of social capital and social economy (see Section IV., 3.).

CONSCISE partners came to view values as central to the concept of social capital, not just in the sense that shared values help build trust and confidence and facilitate mutual working, but in the sense of seeing the idea of social capital and how its elements are operationalised as being a key part of the value system which determines how the organisation behaves. In this way, *building* (and therefore *using* since there is no clear distinction) social capital becomes integrated into the values of the social enterprise.

It can also be observed, at local neighbourhood level in particular, that social capital exists not only within the social economy, but also in all aspects of community life. For social enterprises, healthy social capital will exist between people and agencies working within the public sector and in the private sector (see Diagrams 1. and 2.) and there will be people and organisations with a stake in all three sectors. While the research has focused on social capital of social enterprises within the local social economy, it is often quite hard to distinguish this from local social capital that transcends that which is apparent in the social economy.

Social capital of itself is value free. It is neither benign nor malignant, for it is how it is used, the purpose to which it is put, that matters. Furthermore the problems of local communities may not be addressed simply by building social capital. As the Koopra social audit report observes: “Maybe Nästansjö is doing a bit better than other villages in the region but social capital alone is not enough to turn (around) a structural negative development.” Social capital can help a community to access and make better use of other ‘capital’ such as finance, natural resources (infra-structural and human) but it cannot operate in place of them.

Whether the social enterprises do build a greater stock of social capital within their local social economy remains unclear. We may assume so, from the evidence that the enterprises used

social capital. One, Hornbeam, argued that it creates more social capital than it uses but other enterprises tended towards recognising that it is important, and that, once recognised, it may be found everywhere. Identifying a measurable stock of social capital remains, however, very difficult. At root, it is an idea, a way of thinking about relationships (a "heuristic device"; Schuller et. al., 2000), which may be operationalised so that it influences the behaviour of organisations and the people working within them.

#### **4.7. Social Accounting and Audit Methodology in Relation to Social Capital**

The social audit methodology was a version of the Five Stage Social Accounting Process pioneered by Pearce and CBS Network (1996b, 2000) augmented to include two 'imposed' social objectives to measure how social enterprises firstly used and then built social capital. The five stages and the social capital objectives are fully outlined in Section III., 2.2. above. Concluding reflections on implementing the social accounting method in the CONSCISE research reveal the following points.

##### **4.7.1. On Social Accounting**

- The social accounting process has been used quite effectively in all eight locations by eight quite different social enterprises.
- The process has been adapted to suit local needs and cultural traditions, confirming that the basic framework is sufficiently flexible.
- It is encouraging that five of the seven continuing social enterprises intend to produce some form of social accounts in the future. This suggests that the process may become embedded in these five enterprises.
- The question of the resources needed to engage effectively with social accounting is clearly an important issue. Because the resources of the CONSCISE Project research teams were available, the scale and scope of the social accounts prepared was far greater than might have been managed by the social enterprises on their own. Therefore social accounts in future cycles are likely to be less comprehensive. This has implications for those who seek to finance social enterprises and they should be willing to ensure that social enterprises are enabled to engage thoroughly with social accounting.

#### **4.7.2. On Social Accounting for Social Capital**

- Finding quantitative indicators for social capital proved elusive, partly because the methods proposed were too demanding of time and partly because of a growing sense that quantitative indicators are not really relevant.
- Instead the emphasis in the research was on qualitative indicators but this was handicapped by the problems people had of simply understanding the concept. It needed to be 'broken down' into concrete elements that people could relate to and was best discussed in face-to-face consultative situations.
- The social accounting process was able to accommodate looking at social capital in a uniform way across eight social enterprises. However, the research also demonstrated that social capital is so very closely entwined with the values, objectives and activities of the social enterprises that it became questionable whether attempting to look at social capital as an abstract entity had been in fact the best way of doing it. A future project might better take the route of exploring social capital as embedded in the day-to-day work of the enterprise.
- Nonetheless the research did demonstrate that the social accounting process is capable of looking at certain issues in a uniform way across a number of social enterprises at the same time as allowing the enterprises to explore and report on their own values, objectives and activities. That has important implications for the way social accounting might be used to explore the collective impact of a group of social enterprises in relation to specific societal goals (e.g. the building of social capital for social cohesion and social inclusion).

#### **4.8. Social Audits of Social Enterprises: Conclusions**

- Social capital is a relatively new concept but it encapsulates familiar phenomena. The advantage of branding characteristics of relationships like trust, reciprocity, networks and values as social capital has been to make people aware of what it is and what it might be, not that the term itself is instantly understood. It has to be 'unpicked' and turned into concrete elements to which people can relate and the relevance of which they can see in their day- to- day work. Once understood it has an important value for social enterprises (and other organisations) and may guide the way they manage their affairs.
- The CONSCISE Project definition unpicked social capital into six elements: trust; reciprocity and mutuality; social networks; shared values and norms; sense of belonging and commitment; and effective information channels. A future definition might focus

specifically on the first five and drop the sixth on the grounds that it is a tool to be used, which is a consequence of effective social capital developed through the other five elements. In addition a redefinition may refer more accurately to “shared values” in addition to or possibly instead of “shared norms of behaviour”.

- The *values* held by a social enterprise appear to be critical in development of that organisation. Shared values and a commitment to the enterprises and/or to the local community may lie at the core of social capital. It is through individuals and organisations sharing values that a common vision can be agreed. This may then lead on to using social networks, forming trustful relationships in a reciprocal way. There could be merit in exploring values within and amongst social economy organisations, as it is these values that distinguish a social enterprise from a private or public sector organisation.
- The CONSCISE Project explored social capital by defining two common social capital objectives to add to the values and objectives identified for each of the eight social enterprises. The research findings from the social accounting and social audit fieldwork have shown how social capital is closely entwined with the day-to-day work of the social enterprises and have suggested that it might be more appropriately seen as part of the value system of social enterprises, affecting the way organisations behave and relate to their different stakeholders.
- Trust is a key ingredient of social capital and it is on relations of trust *between individuals* that the social capital between organisations is built. Trust also exists between organisations but not to such a strong degree as it exists between individuals.
- Social capital is a ‘value neutral’ resource: its characteristics can be used to positive or negative effect.
- Social capital can be seen both as bonding (‘glue’), which binds a community together, and as bridging (‘grease’), which helps to access experience, skills and knowledge from others in order to get things done. The trick is to keep these two aspects in some form of harmonious balance.
- The more social capital is used the more it is strengthened and created. But at the same time no organisation can take for granted its stock of social capital. It requires nurturing. In Annex 10 we offer an attempt at a *social capital stocktake* which social enterprises might employ to ensure that they keep themselves aware of social capital and take continual steps to nurture – and use – it.

- Social capital is not a substitute for other forms of capital: physical, financial or human. But being aware of social capital and building it can help organisations and communities' access and make more effective use of other forms of capital.
- In the course of the interviews the research noted that some communities appeared to have low levels of social capital. Paradoxically it may be argued that we become more aware of the value and impact of social capital when we can observe locations where there is a clear absence of it. When there are few social networks, a lack of trust, little effective mutuality, no shared norms and no commitment to the area, community cohesiveness is weak and social under-development is likely to occur. This is often indicated by a high crime rate, a desire to leave the area, mutual suspicion, lack of information, few social facilities, lower health standards, a degraded physical environment – in short all the hallmarks of a disadvantaged neighbourhood. By recognising the existence of social capital, understanding of the way communities operate and how they function might be enhanced and this could direct community development strategies towards interventions that will help (re)build social capital.

## IV. CONCLUSIONS AND POLICY IMPLICATIONS

The final part of this report contains four sections as follows. Firstly, there is a section summarising the **key findings** of the CONSCISE research project. This section also incorporates an assessment of the 3 main **hypotheses** of the research, which address Objectives 1, 2, 3, 4 and 5 of the project (see Section II.). Secondly, there is a section **re-examining social capital, social economy and local development**, which specifically considers a number of models addressing how the creation of social capital in the social economy contributes to social cohesion and inclusion (objective 6). The third section deliberates upon the **policy implications** of the research, and the relevance of the research findings to the **contemporary policy environment** at European levels. Finally we consider some areas for **further research** arising from the CONSCISE Project.

### 1. The CONSCISE Project: Key Findings

This section considers the key findings of the CONSCISE Project under five sets of findings on; the concept of social capital, the impact of local social capital upon the development of social enterprises, the impact of social enterprises upon the development of social capital, social enterprises using social capital to build a social economy and finally issues of method.

#### 1.1. The Concept of Social Capital

The CONSCISE Project developed an eclectic working definition of social capital for use in the fieldwork (see Section III., 1.2.). In putting the definition to work a number of lessons have emerged which lead us to reconsider the concept. Progress in the state of the art of social capital research over the past three years in Europe and the USA has expended much effort upon ways to **measure social capital** and develop **indicators**. Our research finds that survey based efforts to produce albeit crude single indicators of 'level' of social capital in localities produce results which favourably compare to commonly used **proxy indicators** of social capital. Nevertheless such findings should be treated cautiously for a number of reasons. Firstly, it is doubtful whether an aggregation of responses from individuals to a survey questionnaire is a valid indication of a local or community response. Secondly, the notion of social capital is intangible and this means it is always reduced to a number of proxy elements (as in the working definition). Debates over the validity of certain proxy elements and their relative importance within the overall notion and variation in understanding (especially across Europe) of what they denote and connote, blunt the accuracy of any efforts to actually measure levels. Thirdly, we have found, in agreement with other commentators (e.g. Schuller et. al., 2000), that social capital serves better as a heuristic device than as a precise tool of measurement.

Furthermore, there is a question of **scale and focus**. Whether we are dealing with social capital as a characteristic of: places, of relationships between individuals, within organisations and groups or between organisations and groups will have an impact upon what we find. In the local socio-economic profiling fieldwork the focus was very much upon defined localities and therefore a notion of **local social capital**. However, our findings indicate not only the difficulty of composing a local notion of social capital from aggregating the perspectives of individuals, but also that localities can be composed of many different and distinct networks and groups. Therefore social capital may emerge from only one tightly networked group within a locality. Additionally, the networks that form groups and connect individuals may stretch far beyond the boundaries of the locality. The social capital that may emerge from such networks and indeed give rise to specific projects such as social enterprises may therefore not be intrinsically local. It should however be noted that this finding is more appropriate to the urban field locations, where significant population size and diversity made such a range of distinct networks more likely both within and beyond the locality.

In contrast to this, in the social accounting fieldwork the focus was very much upon discrete social enterprises and therefore we were dealing with **organisational social capital**. Whilst distinct stakeholder groupings could be observed, a focus upon single organisations enabled a much more manageable notion of social capital to be identified. The sharing of objectives and values in particular meant that social capital here was more tangible as it could be observed in use. This however is not to say that it was a commonly acknowledged phenomenon. Indeed all fieldwork teams again found that it was only by fragmenting the notion into the **elements** and then by discursive examination, with different stakeholders, of how these characteristic elements were used and produced that any observation of social capital in action was enabled. The research therefore found that awareness of the meaning of social capital by the stakeholders involved was built from a familiarity with the six elements and this awareness produced manifestations of social capital as well as conscious efforts then to build it. Furthermore, the connection also emerged between social capital and **other forms of capital** (i.e. physical, financial and human), that were more readily viewed as essential to the start up, sustainability and growth of a social enterprise.

Of the six elements of social capital operationalised in the social accounting fieldwork with social enterprises in particular, there emerged **distinctions between the six elements**. Firstly, there were those that were concerned with the relationship between individuals and organisations (trust, reciprocity and mutuality, and social networks). Secondly, there were those elements that were concerned with shared values (which might be attributed to or embodied in a place or an organisation) around which individual relationships cohered (shared norms and shared commitment and belonging). Information channels were found to be a different type of element concerned with issues of access to information to inform co-ordinated

actions. These distinctions can be compared to distinctions about forms of social capital that are either structural (e.g. networks and information channels) or cognitive (e.g. meanings and values like trust, mutuality, reciprocity, belonging) as noted in the work of both Foley and Edwards (1999) and Uphoff (2000). The importance of such distinctions lies in observing **how social capital operates**. What bonds individuals within groups and what bridges or links enable this bonding?

The social capital evident and used in both the localities and groups within them and the social enterprises that we worked with could take two further different forms which coincide with the distinctions found by other commentators and researchers. In both phases of the fieldwork (whether concerned with local or organisational social capital) our research found that **bonding social capital** (which connects members of a group to each other) and **bridging social capital** (which connects different groups to each other) was in use. It should be noted that due mainly to the focus of our survey work in the local social and economic profiling fieldwork, bonding social capital came to appear more prevalent.

Finally, a major finding of the research is the importance of a **contextualised** understanding of social capital and its relationship to the co-ordinated actions (such as social enterprises) which it enables. Whether we were concerned with the presence of social capital resources within localities, groups or organisations it was clear that the specific context of social, economic and political structure shaped exactly why, when, how and by whom social capital was used.

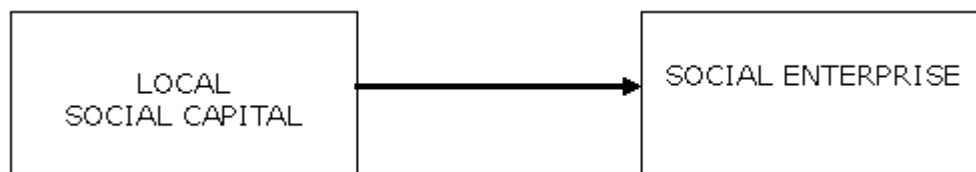
**In summary:**

- The notion of social capital remains a difficult one due both to its intangibility and to its presence at different levels and scales of relationship. For that reason it serves better as a heuristic device than a precisely defined and measurable concept.
- Although some correspondence between our survey based indicators of local social capital and selected proxy indicators could be found, our research found that it was less relevant to focus upon measurement of 'levels' of social capital.
- The breaking down of social capital into six elements enabled a better understanding of its meaning for research subjects and also had an impact upon the generation of evidence for how it is used in practice. Nevertheless our research enabled us to review these elements and in particular to characterise them in terms of their role in different relationships.
- Distinctions of social capital by type in terms of bonding and bridging have been both evidenced and seen to be useful for analysis and understanding.

- The level and scale of focus in terms of social capital (individual to group, local, organisational, societal) is also a central consideration when operationalising the notion, especially in diverse urban localities.
- The operationalisation of social capital is however heavily influenced by context and this places a premium upon methods that enable such context to be explored.

### **1.2. The Impact of Local Social Capital upon the Development of Social Enterprises**

The first hypothesis of the CONSCISE Project was that local social capital generated by local community networks leads to the emergence and growth of local social enterprises.



Our task here is to examine what conclusions the CONSCISE Project research can reach with regard to this hypothesis.

#### **1.2.1. Evidence from Survey Indicators**

The single index scores on local social capital derived from the CONSCISE survey produced a ranking of the eight localities which was comparable to the rank achieved by using other proxy indicators (numbers of voluntary organisations per head of the population and local electoral turnout see Table 5.). Although all of these are admittedly 'quick and dirty' indicators (Halpern, 1999; and veer towards local bonding social capital, they arguably have a place in enabling a rapid appraisal of the local context. We should however be aware that the survey was only exploratory and was very limited in terms of sample size (see Annex 4).

Whether we can say that localities with a higher index of local social capital have produced local social enterprises is disputable. It is certain that the two localities with the highest local social capital index score (Nästansjö and la Vall d'en Bas) had social enterprises (one and two respectively) that were rooted in the locality and emerged to serve local needs, and while there was no indication of new social enterprises emerging in these localities, the size and relative importance of the two main social enterprises in each locality (Koopra and Cooperativa La Vall d'en Bas) give credence to the idea that in these cases high levels of local social capital had generated the local social economy. The impact of local social capital on social enterprise and social economy may not be a quantitative one (in terms of numbers in or size of the sector) but qualitative (how such qualities as importance, strength and sustainability are mobilised and used).

The remaining five localities had lower local social capital index scores but still displayed evidence of a local social economy. It is clear however that the social economy was often not intrinsically local, nor did it draw specifically on local social capital. The environmental sector in Waltham Forest and state-sponsored projects in La Mina relied on external inputs, and in both Wrangel Kiez and Soldiner Kiez many of the social enterprises had clear links to borough or Berlin-wide 'alternative' movements, but the church are also involved. The social economy of Umeå, as with much of urban Sweden, was linked historically to the people's movement, but also had other nationally networked projects like KFUM Norrbyskar (the Swedish YMCA – again a church connection) from which Vågbrytarna was developed.

### **1.2.2. Types of Social Capital**

Reviews of the research and academic literature on social capital reveal a prevailing concern with 'types' of social capital (see Section III., 1.2.). Whilst work proceeds to clarify the notion of social capital on the assumption of it being a unitary phenomenon, there is a clear sense in which divisions in 'type' of social capital in terms of bonding, bridging and even linking makes such an effort difficult. Thus one of the problems of deriving indices of social capital is whether such a venture represents an attempt to indicate bridging social capital, bonding social capital (as is the case with the CONSCISE index) or both. The usefulness of such differentiation of type of social capital however is that it enables a more sophisticated analysis of how social capital might generate local social economy. Furthermore, much of the discussion on social capital, despite closeness to notions of community, is aspatial and local/global distinctions that cut across the 'types' of social capital outlined must be recognised. Although it helps, we do not have to be spatially close to 'bond'. For instance, there is little indication that an expressly 'local' bonding type of social capital generated the social economy of the environmental sector in Waltham Forest. There is however clear evidence that it grew and benefited from bridging social capital in the environmental movement both within and beyond the borough boundaries, and arguably also from links to the local government via Local Agenda 21 policies in particular. We have indicated already the importance of squatter and alternative movements, as well as the influence of the church, in both Wrangel and Soldiner Kiez that have forged networks of bridging social capital both with and for the poorer and more spatially restricted groups in the localities (both Turkish and German). The bridging social capital links provided by the policy networks of state officials (local, national and European) is both evident and important in the development of the local social economy in Waltham Forest, La Mina, and Benarty. The requirement to acknowledge and understand variation in type of social capital and the role it plays in generating a local social economy is part of a need to provide a contextual understanding of the relationships in question.

### 1.2.3. Contextual understanding

When analysis moves beyond the level of collecting data to form indicators and into the realm of trying to understand the grounded processes by which networks and norms generate coordinated actions, then we are dealing with social capital as a heuristic device. This has consequences for research methods (see Section IV., 1.5.) particularly in terms of the distinctions and convergence of lay and technical language. For instance, we have observed that in order to operationalise the concept of social capital we have had to convert the concept to proxy elements of it, which have a presence in lay language. The growing recognition that there is no unitary model of social economy that fits all circumstances of local development (Amin, et. al. 2002) is also in keeping with this conclusion. There is growing awareness of the need to understand social capital contextually (Piselli, 2000; Schuller et. al., 2000; Woolcock, 2001a; Trigilia, 2001) and two specific aspects of contextualisation are highlighted below: social structure and political structure.

### 1.2.4. Differences in Local Social Structure

In Section III., 3., the findings of the local socio-economic profiling fieldwork and the social capital survey in particular were discussed. There were clear indications of an **urban-rural distinction** in terms of local social capital. The most rural locations (Nästansjö and la Vall d'en Bas) scored highest on the index of local social capital, followed by Benarty, the semi-rural group of former mining villages in Fife. The locations displaying the lowest stocks of local social capital on our index were the urban areas of Kreuzberg, Waltham Forest, Wedding and La Mina. These distinctions in the character and quality of social relationships are obviously contextual and not purely the consequence of any rural isolation. It is the small size and homogeneity of population and tightness of community networks found in such localities that also give rise to a significant presence of social capital. Furthermore, as we recognised through the survey questionnaire, these were essentially an exhibition of bonding social capital. The isolation and internal population homogeneity indicated very limited, if any, bridging social capital links to other communities. This in turn was consistent with the low levels of educational attainment and skills (human capital indicators) in Nästansjö, la Vall d'en Bas and Benarty. The 'stock' of social capital in each place was mainly of the bonding variety which enables 'getting by' (support and solidarity), but little in the way of the opportunities to 'get on' enabled by stocks of bridging social capital which provide leverage for individuals and groups. Indeed this suggests that localities where human capital stocks are 'low' bonding social capital is both high and important in facilitating support to compensate for this.

These characteristics are also reflected in the type of social economy that has developed in each location. As quite small places Nästansjö and la Vall d'en Bas had only one and two social

enterprises respectively, but these had a high level of structural importance to local society and emerged organically to meet local needs and provide support. Conversely, the larger, denser, ethnically and socially diverse localities at the other extreme of the spectrum on the local social capital index (i.e. in Kreuzberg, Waltham Forest, Wedding and La Mina) displayed low levels of bonding social capital when perceived as specific places. The case can be made, however, that different and distinct communities (whether ethnic or interest based, 'alternative' communities in Kreuzberg, links to wider religious groups in Kreuzberg or Umeå, and the 'green' community in Waltham Forest) have high levels of bonding social capital. There is less evidence that any bridging capital - despite any good intentions to build it - existed between such communities within these localities. For example, the bonding social capital evident in the 'green' networks that created, ran and used the Hornbeam Environmental Centre in Waltham Forest recognised that they had few bridging links to minority ethnic communities. Furthermore, the networks of these different communities were not spatially confined to these places but extended beyond. This is not to say that we did not see a social economy in such localities. It is more that the kind of social economy we saw was not organically rooted in any 'local' social capital, but emerged from more dispersed bonding social capital networks of religion (e.g. Kirchbauhof in Kreuzberg), interest (e.g. green movement and HEC in Waltham Forest), or ethnicity. This is not to say that such social enterprises have not emerged from bridging social capital links either. Much of the social economy in both Wedding and Kreuzberg was composed of social enterprises that were part of wider networks of social economy extending across Berlin. Furthermore, from the CONSCISE Project research it can be postulated that localities that contain diverse communities have more potential to generate bridging social capital links to the locality, opening people up to alternatives within and beyond their locality<sup>4</sup>.

#### **1.2.5. Local Political Context: The relationship between the social economy and the state**

A second feature of local context with respect to how local social capital generates a local social economy is the role played by the public sector. Indeed, in many western European countries the social economy has grown in direct response to the reduction of public welfare systems. It can also be argued that the impact of various regeneration schemes (e.g. in Benarty, Fife), Local Agenda 21 (e.g. HEC, Waltham Forest), and Article 6 Local Social Capital (e.g. Berlin and La Mina, Barcelona) has been more than the resources they made available to support the development of the local social economy. It also directly involves public sector officers and politicians making links with new and existing social enterprises and thereby generating

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<sup>4</sup> This is a view supported by the work of Jan Flora and colleagues (see Flora, Sharp and Flora, 1997) who see the greater likelihood of a local Entrepreneurial Social Infrastructure emerging if the community is more 'diverse', for the opportunities it affords to make bridging connections to other places and communities.

**bridging social capital.** Evidence of such social capital, which when effective is very important for local development, was prevalent in Benarty, Waltham Forest, la Vall d'en Bas, Umeå and Wedding. Bridging networks of trust, reciprocity and mutual support are most often assumed to be horizontal, i.e. between people and groups of similar conferred status and standing. However, it can be argued that bridging social capital can also develop from networks of people and groups where one or some parties have power and resources from which the others benefit. These are viewed as 'vertical' linkages in much contemporary literature (e.g. Woolcock, 2001a; Cote and Healy, 2001) and are often termed 'linking' social capital (a vertical form of bridging social capital). The CONSCISE Project research, whilst recognising that bridging social capital can develop between groups that have differential levels of power and other forms of capital, refutes the idea that these should be conceived as vertical links and thereby somehow distinct from conventional bridging links. The basis of this refutation is that for social capital to remain as such elements of reciprocity and mutuality must be involved. Access to the capital resources that such 'higher status' groups hold can be acquired only if there is something that the more powerful want from those who have little or no power (e.g. consent to be governed, deference). Without this it would not be a form of social capital, and to refer to networks between groups with differential access to power and other forms of capital as 'social capital' would otherwise be to legitimate the perpetuation of unacceptable inequalities and dependency relations.

The involvement of government officers and politicians in building social capital is something that characterises modern forms of governance (e.g. Stoker, 1995) and partnership even if it describes practices that have been in place for much longer (Wilson, 1997; Gittell and Vidal, 1998). The importance of the character of links between the third system and the public sector in the development of the social economy (as opposed to the idea that the social economy develops in isolation from or opposition to the public sector) is an issue that emerges from recent research in the field (e.g. Amin et. al., 2002).

A 'downside' of public sector involvement in supporting and resourcing social enterprise also emerged in the CONSCISE fieldwork however. The kinds of support that local government provided to social enterprises in Waltham Forest, Benarty, and, with the extra help of the European Community, in Berlin and Barcelona, also tended to generate competition for resources between social enterprises. Thus, while the support of local government provides individual social enterprise success stories in social capital generation, there is evidence that it can be detrimental to generating links and relationship between different social enterprises that may be competing for scarce resources. This has an impact on the extent to which social enterprises work together and use social capital to generate a social economy (see Section IV., 1.3.).

### **1.2.6. The Role of Collective Entrepreneurship in Building and Mobilising Local Social Capital**

One specific model of local development through social economy, and one especially prevalent in the UK, is that which makes the social entrepreneur the effective motor of development and social capital mobilisation (Leadbetter, 1997; Purdue, 2001). However in this research it was more the case that the role of key individuals (or in some cases networks of them) as opposed to individual social entrepreneurs, was evidenced in the social enterprises of BRAG, HEC, and Kirchbauhof to name just three. It may be significant that the role of what we shall term 'collective entrepreneurs' in generating social capital for building the social economy seems to be more prevalent in localities where there is less local bonding social capital. Certainly there appeared to be more networking between individuals than between organisations and groups (see Section IV., 1.4.).

#### **In Summary:**

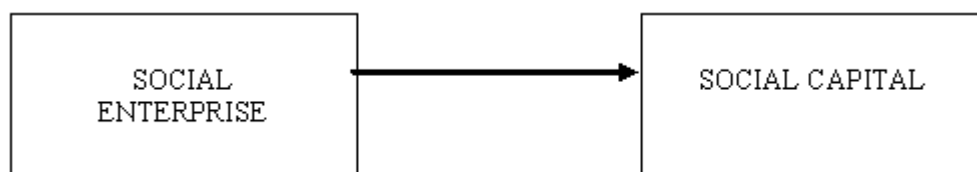
- From the research evidence it would appear that specifically local social capital was not a significant influence on the emergence of the social economies we have examined. In the more remote locations (e.g. la Vall d'en Bas, Nästansjö) however the local community was an important context, mainly due to social, political and economic isolation.
- In the other fieldwork locations local social capital was much less significant than social capital provided by interest groups, organisations, communities or movements, which cut across and beyond the locality.
- Both bonding and bridging forms of social capital were evident in the localities of the research. However, the 'level' of such social capital resources was less important than how they were used to achieve different things in the establishment, growth and consolidation of social enterprises.
- Contextual features, local and wider are an important consideration in examining the relationship between social capital (whether local, communal or organisational) and local social economy. Such contextual features are largely those of social, economic and political structure.
- In terms of the local social structural context, isolation, social homogeneity and small population numbers impact upon the level and type of social capital.
- Furthermore, multiple disadvantage, low skills levels and educational underachievement were reflected in the character of human capital available locally. In such circumstances social capital (and here the balance between bonding and bridging is important) can play

an important role in compensating for poor quality human capital by creating both support structures and network diversity to enable the expansion of opportunity.

- In terms of the context of local political structure there was evidence in most localities of the importance of bridging links being built with public sector agencies and officials in particular. The quality of these links as types of bridging social capital may be assured by the reciprocity inherent in them. Whilst the public sector has skills, resources and power that the social economy seeks, the social economy gives legitimacy to meeting policy goals that the public sector also targets. In this sense the links are horizontal and not vertical.
- Whilst key individuals who have animated groups and others to mobilise social capital and develop the social economy could be readily identified in the research, this is more appropriately called collective entrepreneurship and not social entrepreneurship. The notion of 'social entrepreneur' perpetuates connotations of influential and charismatic individuals who ignite and 'lead' benighted communities. No individual can operate in the collective realm without winning or being given the consent of others to do so, and this requires a relationship of some reciprocity.

### **1.3. The Impact of Social Enterprises on Social Capital**

The converse of the first hypothesis is that local social enterprises generate more social capital, which is then available for further development.



The evidence from the CONSCISE fieldwork relating to this hypothesis has mainly emerged from the social audits of the eight social enterprises.

#### **1.3.1. How Social Enterprises use and build different types of Social Capital**

The social audit fieldwork, working intensively with different social enterprises in each of the eight research localities, proceeded on the basis of operationalising and embedding the working definition of social capital adopted by the CONSCISE Project in the social audit framework. Through the social audit process it became clear that social enterprises could be evidenced using and building social capital (it was difficult to distinguish between these two phases, since to use social capital is essentially also to build it). However, there was also evidence that there was again an apparent distinction between social capital that served to bond stakeholders within

the social enterprise and social capital that bridged between different stakeholder communities or connected the social enterprise to other groups.

Furthermore, the research found that social enterprises in the early, more informal, emerging stage are likely to depend more on bonding social capital, and only in later phases of development to move to generate bridging and linking social capital as connections of trust, mutuality and reciprocity are formed with other social enterprises, groups and public sector officials. This was certainly the case with the HEC. Moreover examination of the historical roots of each of the social enterprises proved important to understanding the role that social capital played in their development (see Section III., 4.3. and Table 6.).

There was however also evidence that an over-reliance on bonding social capital, or remaining at the phase of development where this is dominant, can lead to social enterprises being seen as exclusive and only 'for' a distinct group or set of stakeholders. There was evidence of this in the research. This may also lead social enterprises to take their stock of social capital for granted and there was also evidence that this was the case with Kirchbauhof at one stage of crisis. The situation of crisis however can also be important for renewing and bringing to the fore social capital resources. Again this was apparent at both Kirchbauhof and HEC.

### **1.3.2. Social Enterprises and Social Capital in Action**

Almost all field researchers reported that there was a difficulty among the stakeholders of the social enterprises in understanding the concept of social capital. It was therefore both useful and important to unpick the CONSCISE definition of social capital into its six elements: trust; reciprocity and mutuality; social networks; shared values and norms; sense of belonging and commitment; and effective information channels. This made the notion comprehensible to stakeholders and produced findings that enabled an analysis of social capital use and generation by social enterprises as a process whereby certain elements of social capital both supported and generated other social enterprises. This also produced two related models of how social enterprises use and build social capital, which are outlined in the next section. Furthermore, working with social enterprise stakeholders to clarify the concept of social capital initiated a process whereby a heightened awareness of what social capital actually is generated in turn an increased recognition of the importance of using and building social capital.

Through operationalising the concept of social capital in this way the connections between the six elements came to be understood differently. The fieldwork broadly revealed that whilst *trust* was the most important element for social capital building, and led to reduced transaction costs (frequently through the ready input of voluntary effort often in crisis situations), it was often *values* (mainly operationalised in the research as shared norms) that served to *initiate* the social enterprise (e.g. shared 'green' values, concerns about youth unemployment) and the

process of social capital building. The sense of belonging and commitment (usually to a locality) is also, of course, a value. By sharing values and then building and using networks, the qualities of trust, reciprocity and mutuality are nurtured. Through familiarity within such networks appropriate stocks of social capital emerge for other development.

Analysis of the findings from the social audits indicate that a useful way of analysing the 'process' of social capital use and building is to consider trust, reciprocity and mutuality and networks as relationships between individuals and organisations; whereas shared norms, shared commitment and belonging are about sharing a way of thinking or having a common vision about an area or group. Effective information channels are different and are about access to information within the community and without. This is the basis of the model outlined in Section IV., 2.2.3.

A different way of describing how the six elements operate to collectively use and build social capital as a resource is to conceive the elements of trust, reciprocity and mutuality, shared values and norms, and sense of belonging and commitment as **cognitive** aspects around which groups cohere. Social networks and information channels are effectively the **structural** framework that the group uses to communicate information about their shared cognitive factors. This division is one familiar in the recent literature (Foley and Edwards, 1999; Uphoff, 2000). This enables at least two ways of approaching the analysis of social capital as either a cognitive content or a structural form. The emphasis depends upon how social capital is viewed and which definition is adopted.

Certainly however, having disaggregated social capital into six elements most of the stakeholders in the research observed such strong connections between the elements as to reintegrate them; many would not even distinguish between the social capital used and generated by the social enterprise and that present within the wider local 'community'. Whilst recognising the importance of social capital for 'getting things done' those involved in the social audit fieldwork saw social capital as a complement to, and a compensation for, other forms of capital. This contrasts to social capital being considered a substitute for them, even though social capital is recognised as important for securing access to financial and human capital (see Portes and Landolt, 1996).

### **1.3.3. Social Enterprises, Collective Entrepreneurship and Social Capital**

Whilst much focus was upon networks and values being 'group' resources in and beyond social enterprises, the trend was observed that the networks through which values were shared and trust built were networks mainly of individuals and not of groups/organisations (see also Section IV., 1.4.). This is not to say that all these individuals could be labelled 'social entrepreneurs', a particular 'brand' of individual involved in initiating and developing social enterprise and who are

considered particularly adept at mobilising social capital to do so (Leadbetter, 1997). In fact of the eight social enterprises studied it could be said that only one of them (HEC) could be said to have developed from the work of individuals who mobilised social capital to develop the organisation, but even in this case the context of a wider environmental movement proved crucial. This does not mean that the social enterprises did not rely on the efforts of numerous individual stakeholders. It is just that they could not be termed, nor would they generally term themselves, social entrepreneurs. A core value which most of those involved in social enterprise cohere around is the co-operative spirit and the liberal ethos of an individual social entrepreneur is antithetic to that. Key individual actors and 'leaders' are able to succeed in mobilising social capital because they are embedded in the context of a wider community, group, organisation or movement that generates this social capital.

### **In Summary:**

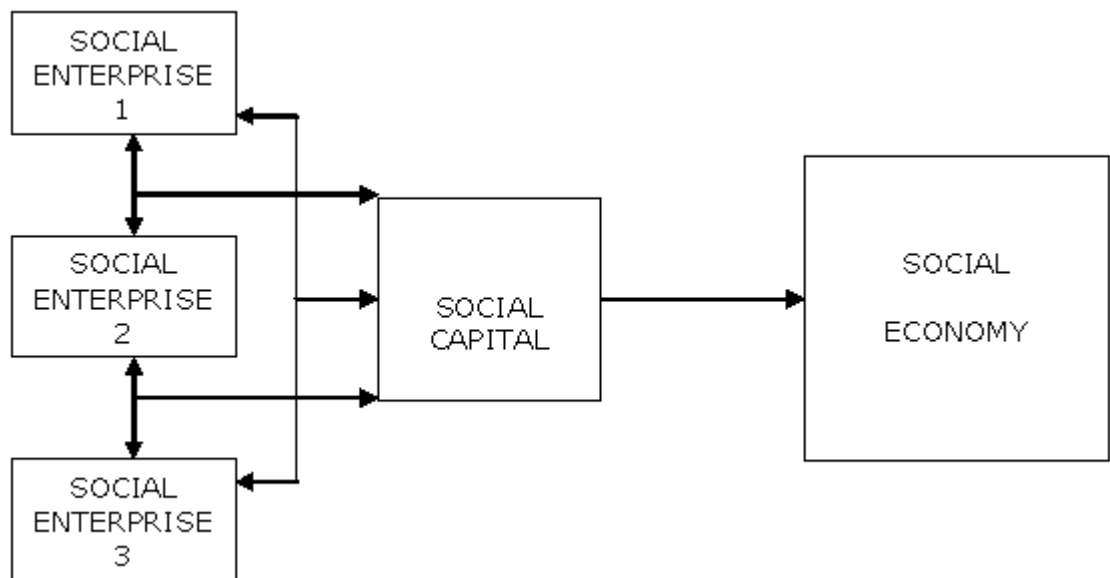
- There was much evidence in the fieldwork of social enterprises using and building social capital.
- There was also evidence of a distinction between the type of social capital that bonded stakeholders around a specific mission or objective and that which bridged to other social enterprise groups.
- There was also some evidence that social capital was especially important at specific junctures of the development of a social enterprise, for instance at the initiation of the organisation or at a time of crisis concerning lack of other forms of capital.
- The danger of social enterprises becoming too concerned with nurturing bonding social capital at the expense of developing bridging links was evidenced and seen to be a contributory factor in such projects being viewed as exclusive.
- Our findings produced some evidence that social enterprises can become complacent about their social capital, not keeping it working and therefore losing it.
- In many social enterprises increased awareness of what social capital is and does generates an understanding of how social enterprise can use and build it.
- The research found that whilst any of the six elements of the definition of social capital could be seen to initiate the process of building social capital, it was most often values that enabled a group to cohere and initiate a social enterprise. These values may not be intrinsically locally based but are frequently those of a social movement (e.g. green movement, co-operative movement).

- When social capital became consolidated in the social enterprise the most important element for development became trust, and the benefits of building and harnessing trust for the reduction of transaction costs was also evidenced.
- Building social capital links generates the regular operation of networks, which become the main source of the appropriable characteristic of social capital, which increases the likelihood of further developments.
- There was little evidence of what are understood in the Anglo-American literature to be 'social entrepreneurs', but much evidence of collective entrepreneurship. This is not to dispute the importance of key individuals, but our evidence was that such individuals are motivated to mobilise social capital to enable and facilitate collective entrepreneurship. They are not acting as individual entrepreneurs in their own right regardless of context.

#### **1.4. Social Enterprises using Social Capital to Build a Social Economy**

A third hypothesis, a progression from that outlined in Section IV., 1.3., is that through co-operation and mutual support local social enterprises generate a form of social capital characterised by the development of a local social economy (see diagram below). In originally formulating this hypothesis (see Conscise, 2000a) it was recognised that relationships between social enterprises may be characterised by competition as much as by co-operation. Whilst we would anticipate some market competition between social enterprises competing for the same customers, it is recognised that this would be less likely at local level where some degree of strategy with respect to the development of a local social economy might pre-empt duplication of social enterprises in a crowded market. Competition is more likely to occur around public sector support for contracts to deliver services, especially funding to provide support in areas such as welfare, training and education for specified client groups. Indeed our research found little evidence of significant co-operation between social enterprises at local level.

We shall examine evidence from the fieldwork regarding this relationship.



#### 1.4.1. Social Enterprises and 'Networking'

The social audit fieldwork found that the social enterprises that the CONSCISE Project studied did considerable networking, investing heavily in building contacts. There are two clear divides in terms of such networking however and these are to do with the type of local social structure. The social enterprises in isolated areas understandably had fewer group contacts to network with outside their own locality, but were also excellent at ensuring that members did network and 'celebrated' that. In the case of the smaller more rural localities there was an absence of other social enterprises with whom to network or compete. However, in Nästansjö it was reported that co-operation prevailed between the main social enterprise (Koopra) and other organisations in the broad third system (voluntary and mutual aid groups). Furthermore, the research in la Vall d'en Bas indicated that co-operation and networking with other social enterprises took place on a regional and national scale. Also, in these rural localities much networking took place between stakeholders within the organisation. Cooperativa La Vall d'en Bas held regular social events to enable people to integrate and network. The UK, Swedish and Catalan social enterprises viewed themselves as part of several wider networks, which 'traded' important mutual and reliable information. Such information constitutes an aspect of the social capital from which social enterprises are able to form an identifiable local social economy.

Two other aspects of networking emerged in the fieldwork. Firstly, a cluster of social enterprises emerges, often involving members of the same group who have generated appropriable social capital and gone on to develop new projects. For instance, the green cluster around the Hornbeam Environmental Centre in Waltham Forest grew from the initial establishment of Forest Recycling Project in the late 1980s into a cluster incorporating the environmental centre, Gannets Café, a training co-operative, a Local Exchange Trading scheme, and (more peripherally) Home Energy Efficiency Training (HEET) and OrganicLea. Similarly, a cluster of social enterprises was also emerging around the activities of BRAG in Benarty. Secondly,

networking develops which is afforded by the establishment of an intermediary organisation or development agency, the major objective of which is to initiate new social enterprises and support existing ones. These organisations almost always serve a defined locality and inevitably involve the role of facilitating networking of existing local social enterprises (see Technologie-Netzwerk, 2001).

#### **1.4.2. Social Enterprise, Social Capital and 'Reputation'**

Their reputation and image as dependable, effective organisations concerned the social enterprises studied, and were found to be important in strengthening the mutual social capital of the local social economy (see Section III., 4.4.). Perhaps the best way to illustrate the importance of this trust based reputation and its importance to social capital is through examples of where this breaks down. The operational crisis at Kirchbauhof and the renewal of social capital through the appointment of a new manager is a case in point. In Fife, the region where Benarty is located, a scandal emerged (known locally as 'Officegate', and concerning alleged misuse of public funds) centred on one social economy organisation and ultimately led to the resignation of Scotland's First Minister. This created a generalised climate of uncertainty across the region about the social economy. So we can see that image and reputation is a sensitive issue for social enterprises, since this is based upon the faith that stakeholders may have in the social enterprise adhering to its stated social objectives.

#### **1.4.3. Developing New Social Enterprises and 'Spreading the Word'**

Social enterprises were also seen to generate social capital by their membership of wider social economy networks (in most instances except for Nästansjö and la Vall d'en Bas which had to rely largely on upon their own strong but locally restricted networks), attendance at conferences to speak about their own and hear about other social enterprise initiatives, and of course receive and tolerate a high level of visits from other interested parties keen to learn about social enterprise. Furthermore, there was evidence that the social enterprises of BRAG, la Vall d'en Bas and HEC were all involved in the creation of other social enterprises in the locality and this was evidence of the social capital between such organisations generating a local social economy. The area around the HEC contained a cluster of closely connected environmental projects all of which emerged since the creation of the Forest Recycling Project in the mid 1980s. This is evidence of appropriable social capital made available from one successful development of social enterprises being built upon to generate other new social enterprises. Furthermore, the reduction of transaction costs is evident in the process of utilising such social capital when development collaborations happen more quickly and efficiently than might be otherwise anticipated. Again this was evident in the 'green' cluster of social enterprises around the HEC, which accumulated at an accelerated rate over a 15-year period.

## **In Summary:**

- There was considerable evidence of social enterprises networking, but not always with other social enterprises.
- There was also evidence however that social enterprises were in competition, mostly for public sector support and funding.
- In the more isolated, rural localities networking occurred between social enterprises but usually beyond the locality.
- In some isolated rural locations networking with the broader third system was important.
- Networking of clustered social enterprises was seen to have come about by the generation of new social enterprises emerging usually from a local manifestation of a wider social movement (e.g. green networks) that generated appropriable social capital from initial developments.
- Networking and co-operation was also enhanced by its institutionalisation in intermediary organisations or development agencies.
- Reputation and the trustworthiness of social enterprises emerge from the internal operation of a social enterprise and the social capital it generates but is enhanced by being identified as part of a wider social economy.
- The strength of the reputation of a social enterprise and the networks to support it will be apparent in cases where we observe how a social enterprise deals with a situation of crisis.
- Clusters of social enterprise usually confirm that the social capital generated by the development of an initial social enterprise is then utilised to develop further social enterprises; social capital is appropriable.
- Network relations between social enterprises can be formalised through 'membership' and such wider organisations provide social capital that individual social enterprises can then draw upon.
- Networking and developing a reputation in the social economy can bring benefits of social capital related to reductions in transaction costs. This is evidenced when the development time to establish a cluster of social enterprises accelerates due to the availability of appropriable (re-usable) social capital.

## **1.5. Issues of Method**

### **1.5.1. Introduction**

There were two main methods utilised in the CONSCISE Project fieldwork: local socio-economic profiling and social accounting. Both of these methods involved the incorporation of innovative features and both were to emphasise the importance of contextualisation and the involvement of the research subjects in the actual process of the research. Also, although the methods were concerned with fieldwork to examine different research hypotheses and with social capital at different scales (the profiling being concerned specifically with 'local' social capital and the social accounting with 'organisational' social capital) both developed a concern about how social capital is used and built as opposed to establishing the 'level' of its presence.

### **1.5.2. Local Socio-Economic Profiling**

By using different methods (surveys and desk research) within a context of a soundings group involving selected participants who acted as fieldwork gatekeepers, discussants, informants and advisers regarding research direction, the local socio-economic profiling method set the context for the relationship between social economy and social capital in each location. This approach enabled an action orientation to the research, and some flexibility in adaptation to local circumstances. The local social capital survey, although very limited in representativeness due to low population samples, and secondary data collected provided a range of comparable proxy indicators of social capital.

In retrospect, more effort to involve local social enterprises and groups in the profiling design might have resulted in a greater sense of ownership of the profile and greater commitment to producing and using it, although in some instances this did happen (e.g. Benarty). It was the case that the level of involvement in soundings groups varied across different fieldwork locations (see Annex 6).

### **1.5 3. Social Accounting and Social Audit**

The social accounting framework was established with the co-operation of the participating social enterprise in each locality. An innovative and successful addition to an established framework for approaching social accounting was the addition of two social capital objectives (how the social enterprise first uses and secondly how it builds social capital). On reflection the research teams agreed that it was difficult to disentangle these two new objectives and a single social capital objective covering both might be more appropriate. Nevertheless, this would seem to indicate that social accounting frameworks can be adjusted to incorporate common and thereby comparable objectives that are agreed and shared between a group of social

enterprises. The social accounting process was able to secure the active engagement of stakeholders in the fieldwork in most locations. The most useful data and indicators were qualitative and arose from interviews with selected stakeholders. A major advantage of the social accounting fieldwork was that active engagement of stakeholders in discussion of the six elements of social capital generated an understanding and heightened awareness of the concept. A 'grounded' understanding of the notion of social capital began to emerge which informed the findings of the research.

On reflection, the research teams agreed that a greater emphasis on how social enterprises use social capital as denoted by the six elements would provide better data and this could be achieved by exploring how the elements of social capital were embedded in the values of the given social enterprise. The research teams were also sceptical regarding the extent to which the eight social enterprises would go on to pursue a social audit process in the future without the availability of the human resource provided by the CONSCISE fieldwork staff.

### **In Summary:**

- Both fieldwork methods emphasised the importance of establishing context and how social enterprises engaged with that context to use and build social capital.
- Although indicators were generated in the profiling fieldwork they were considered to be of limited use in exploring the research hypotheses because they conveyed little about the dynamics of how social enterprises both use and build social capital.
- Both fieldwork methods produced action-oriented outcomes in the form of usable local profiles and externally verified audits establishing whether the participating social enterprises met their social objectives and used and built social capital.
- Both methods produced opportunities for the research subjects to reflect and learn from the fieldwork process. A heightened understanding of social capital, its role and importance in the social economy and its place in the social objectives of social enterprises was for the most part achieved by research participants and stakeholders.
- Overall, mainly through using qualitative approaches the methods enabled the refinement and emergence of a 'grounded' concept of social capital and a firmer idea of how it operates in everyday development practice.

## **2. Social Capital, Social Economy and Local Development Re-Examined**

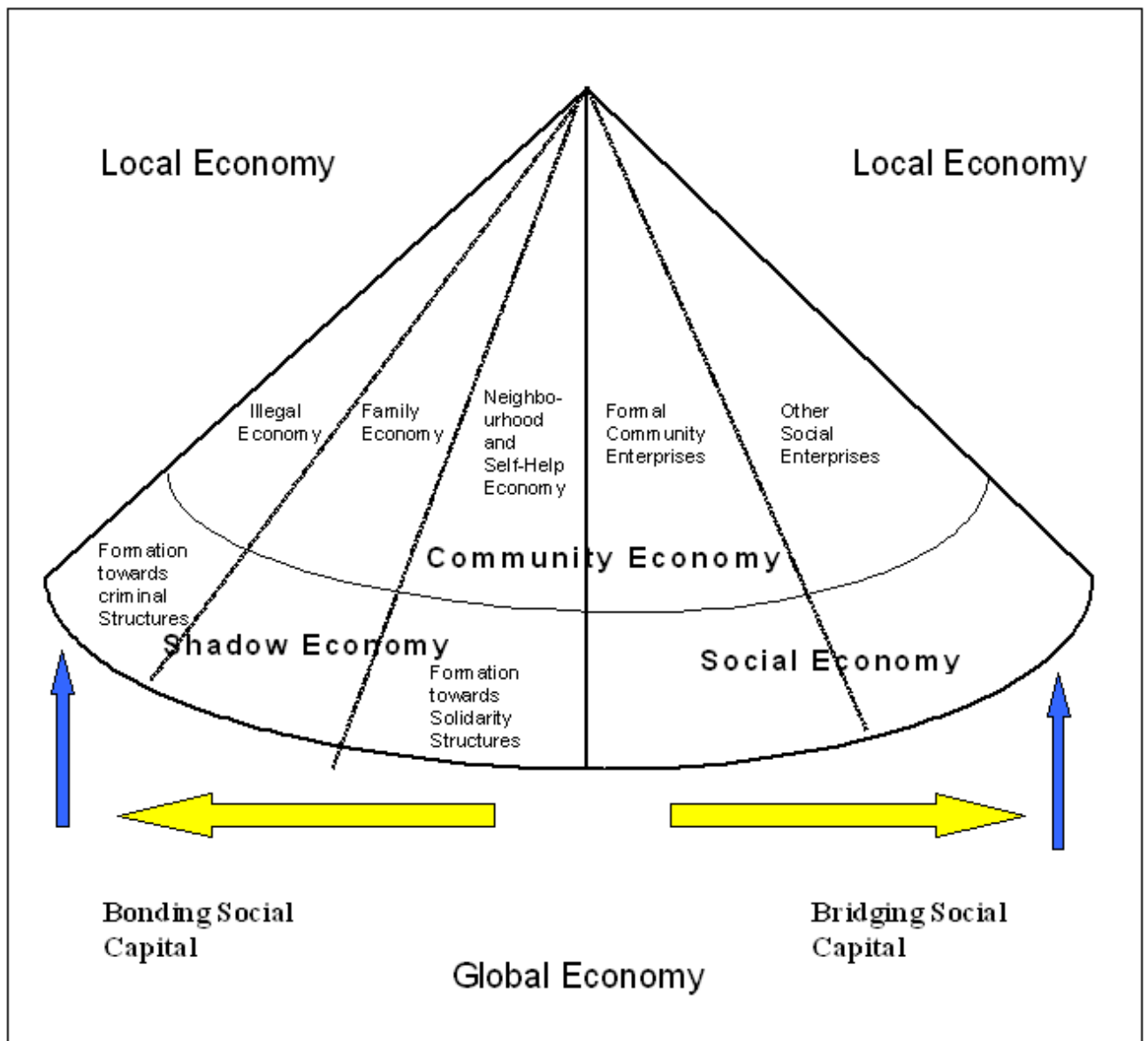
A strong case has been made for the potential of the social economy to build social cohesion and social inclusion through developing strong and balanced bonding and bridging social capital respectively and this corresponds with trends in recent literature (Woolcock, 1998, 2001b). The potential of an imbalance between bonding and bridging social capital however also raises the possibilities of the social economy generating conditions of cohesion for some at the expense of excluding others. In other words, there is a risk of creating too much bonding social capital for groups cohering around and identifying with a set of values and norms, to the detriment of building bridging links to other groups who then become increasingly excluded. One way to assess these tendencies is through examining a number of models, some arising from this research, of how social enterprises use and build social capital for local development. Each of the following models involves a particular perspective on these issues. Furthermore, each of the models examined connects to the working hypotheses of the project in some way, and will therefore be considered in terms of each of the hypotheses in turn.

### **2.1. Modelling the Impact of Local Social Capital on Social Enterprise**

We have indicated that there was in fact little evidence that the level of distinctly local social capital had an impact upon the emergence and growth of the social enterprises in our fieldwork. Most of these drew from the social capital of distinct communities within the locality, or from social movements which, whilst having a local presence, drew membership and resources from areas wider than the immediate locality (e.g. the YMCA in Umeå, training and qualification companies in Kreuzberg and Wedding, the public sector in La Mina, and the green movement in Waltham Forest). It was in the smaller and more isolated, rural localities (la Vall d'en Bas, Nästansjö and to some extent Benarty) that a sense of local social capital could be detected. Even here it was important to establish that there was a distinction in terms of bonding and bridging social capital which reflected how even strong and distinctly local social capital needs to be augmented by bridging links. This can be modelled in terms of our diagrammatic representation of the third system and the emergence of a formal social economy as distinct from the more informal, 'shadow' economy (see Diagram 2., Section III., 1.1.).

The model postulates that the formal social economy emerges from the informal neighbourhood economy through the initial utilisation of bonding social capital and by generating an increasing relative proportion of bridging social capital connections as other forms of capital are accessed and developed (shown in Diagram 3.). The informal economy in the shadows relies more upon bonding social capital, whereas the development of a formal social economy requires that the networks of trust, mutuality and reciprocity extend and bridge to other groups and institutions within and beyond the immediate locality.

**Diagram 3.** Social Capital in the Context of the Social Economy

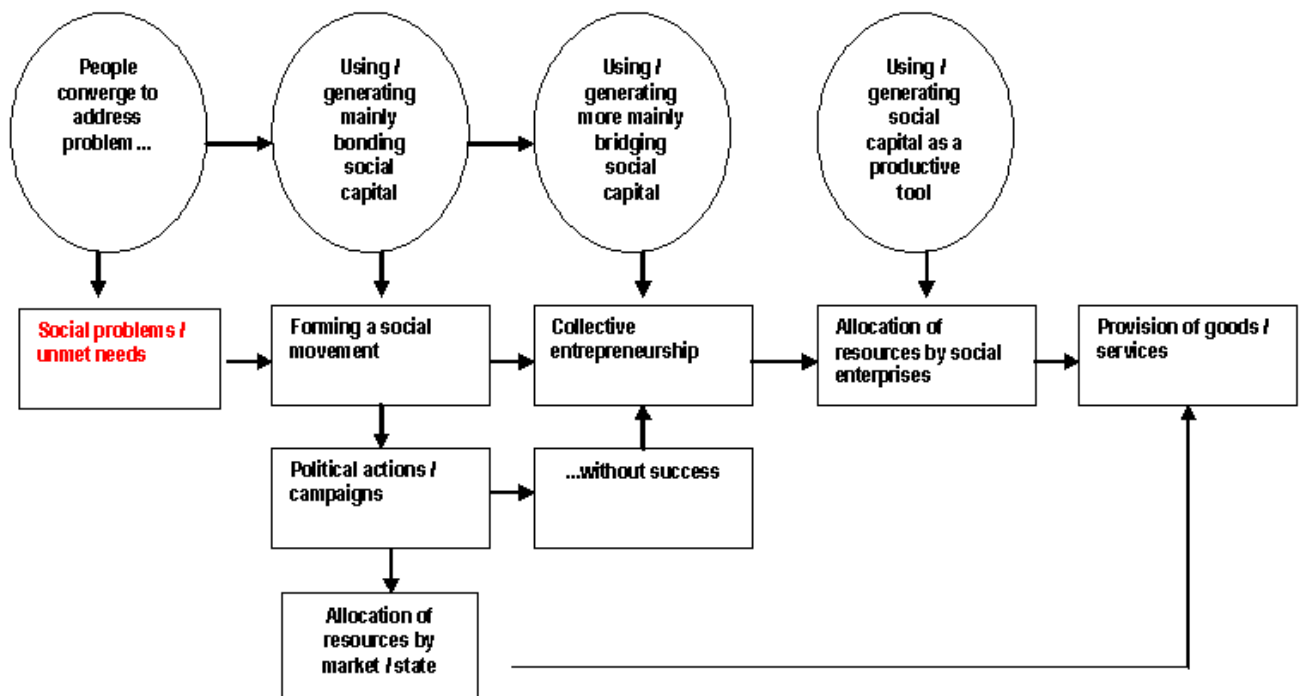


This model provides a more satisfactory understanding of the emergence of social enterprises from a context of social capital networks (whether locally or organisationally oriented, or dominated by bonding or bridging) than that put forward by Flora with the premise that an entrepreneurial social infrastructure "built upon a bedrock of trust, social networks and norms favouring group reciprocity" (Flora, 1998, p. 489) is crucial to local development. The claim that "communities with moderate to high levels of entrepreneurial infrastructure are more likely to have successful, locally-initiated economic development projects than those without" (Flora, 1998) might seem self-evident, but does not provide an understanding of how or why such an infrastructure emerges in the first place.

In the model in Diagram 3, entrepreneurialism is seen as something that emerges from existing networks and relationships whether locally embedded or otherwise. By contrast, one of the

CONSCISE Project partners, Karl Birkhölzer, drawing from research he carried out in association with Ludwig Kramer, has addressed the issue of why such collective entrepreneurialism emerges from 'out of the shadows' to become formalised as social enterprises and a social economy (Birkhölzer and Kramer, 2002). The existing social capital shared by residents of a locality or embedded in social movements that have both a presence in the locality and stretch beyond its boundaries enables people to cohere around addressing a particular problem that has emerged. That problem might for instance be industrial closures, environmental pollution, withdrawal of public sector services, or rising crime. The result of people coming together to address the problem is that social capital grows both to bond the group and enable it to make bridging links to other groups and institutions. The action to address the problem does not always result in a social enterprise however: a campaign may ensue and the action may take an overtly political turn. But if the problem remains unresolved people may consider the option of economic self-help through collective entrepreneurship and form a social enterprise. In this context, a series of case studies has proved the hypothesis that the economic performance of social enterprises depends heavily on using social capital as a productive tool either to compensate for the shortage or to create new forms of physical and/or financial capital.

**Diagram 4.** Social capital and the emergence of social enterprises (based upon Birkhölzer and Kramer, 2002)



Birkhölzer's research illustrates that the social capital embedded in social movements in particular provides a base (an appropriable stock of social capital resources) to enable action to be taken and this goes on to add to social capital for other actions and developments. Obviously

in localities where the social capital embedded in social movements is not harnessed to local residents' concern over a problem, the problem worsens and this leads to further social and economic decline.

While each of these models shows that social capital, whether local, organisational or movement based, is mobilised to generate social enterprises, Birkhölzer's model is an endeavour to pinpoint the reason why social enterprises emerge; i.e. to address a commonly recognised local problem. This model therefore provides one particularly appropriate interpretation of the emergence of the social enterprises in the CONSCISE Project fieldwork. It was reported that seven out of the eight social enterprises emerged to address particular problems/needs (see Section III., 4.3.). The third system model on the other hand illustrates how the establishment of social enterprises requires the addition of bridging social capital to an initial resource of bonding social capital.

The role of the public sector, in terms of contextualised policy goals and resources to meet them, should not be disregarded in this relationship however. Identifying problems, the need and political will to tackle them and the provision of resources and means to do so are most often the functions of government. Social enterprise however emerges where both the private and the public sector fail to address problems and meet needs. Nevertheless this does not stop the public sector from providing the policy context and resources to assist and partner third system organisations in doing so. The emergence of the Hornbeam Environmental Centre in Waltham Forest in connection to Local Agenda 21 and the CLS La Mina via ESF Article 6 Local Social Capital are cases in point.

## **2.2. Modelling How Social Enterprises Use and Build Social Capital**

Three different models of how social enterprises use and build social capital are examined here. The first situates the use of social capital relative to the use of other forms of capital. The final two examine the relationship between the different proxy elements of social capital.

### **2.2.1. Social Capital in the Capital Mix**

Having utilised social capital resources social enterprises, once established, are found to build more social capital, simply by using it<sup>5</sup>. From our research we can assert that social capital is important throughout the life cycle of a social enterprise. This was established through the social accounting fieldwork in particular (see Section III., 4.4.). It also appears that different types of social capital have greater or lesser importance in different phases, as indicated in the

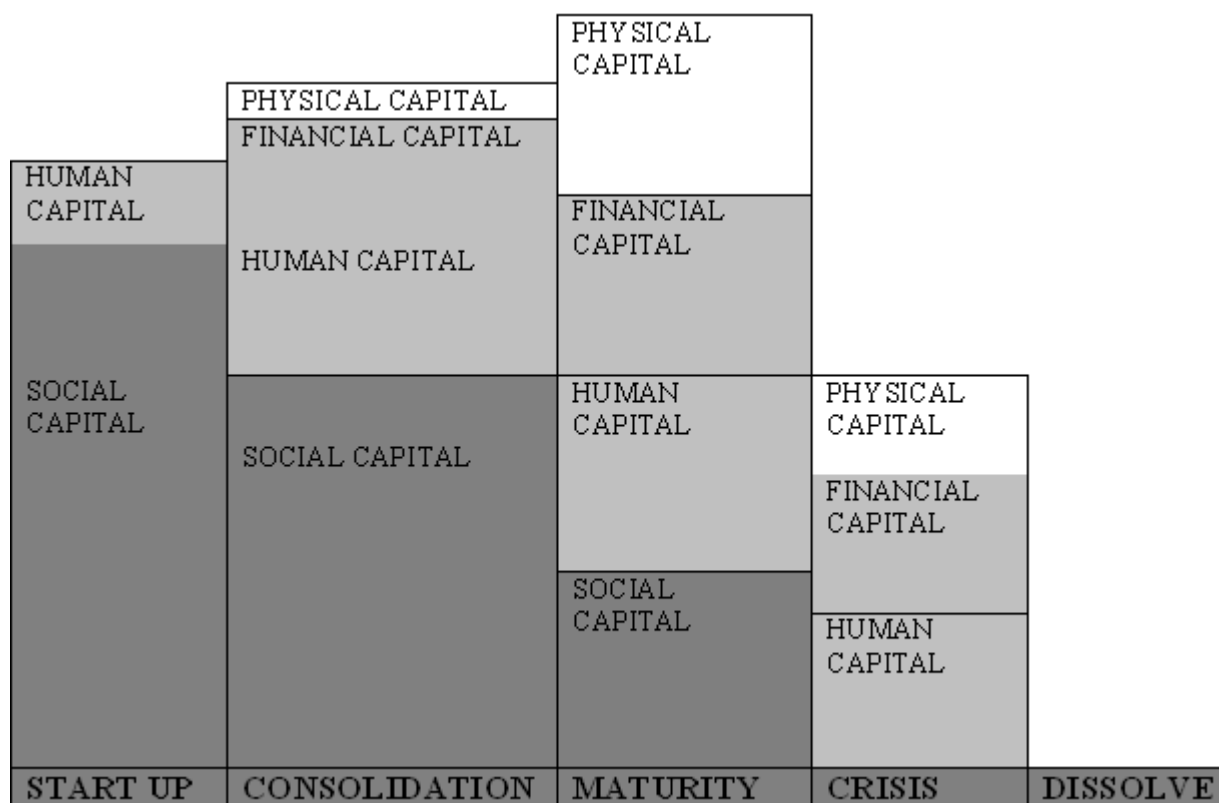
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<sup>5</sup> It has been established in the literature that social capital, unlike other forms of capital, does not diminish with use but uniquely accumulates the more it is brought into use (Coleman, 1990; Woolcock, 1998).

model in Diagram 3. However in the development of a social enterprise, through its phases of start-up, consolidation, and maturity, it is likely that the importance it places on social capital relative to the use and importance of other forms of capital will vary. Of course different social enterprises may experience different paths of development, but one possible trajectory is illustrated in Diagram 5. where it is postulated that a social enterprise is usually characterised by the initial mobilisation and dominance of social capital in the **start up phase** of development. The **consolidation phase** is one where social capital has been effectively mobilised to access finance capital and the creation of human capital, and perhaps a small amount of physical capital (i.e. land, buildings and machinery). The **mature phase** may be characterised by the accumulation of financial, human and physical capital assets, sometimes at the expense of social capital. Finally, a possible **crisis phase** might be envisaged which is generated by failure of financial, human or physical capital (or a combination of these). In such circumstances it is often the case that due to the consolidation and maturing of the social enterprise, the social capital that initially generated it has declined. The crisis however will not be resolved without the re-accumulation and mobilisation of social capital. The four phases are shown in Diagram 5. below. A fifth phase is indicated to show the social enterprise unable to recover from crisis and therefore **dissolve**.

At the other extreme, a social enterprise nurturing social capital for development and which experiences growth and a propensity to generate new social enterprises can also be envisaged.

**Diagram 5.** Social Capital in the Capital Mix: One possible development trajectory

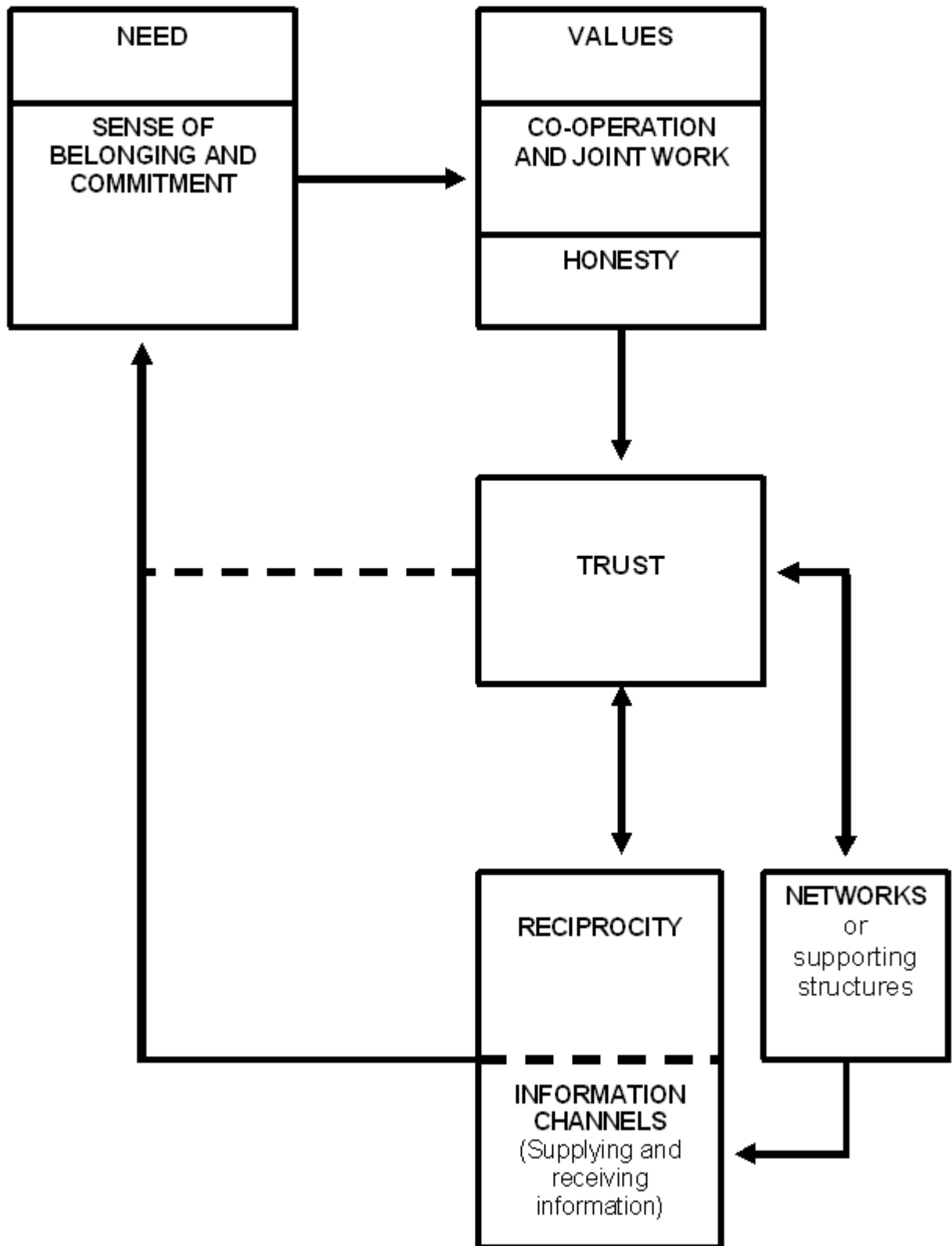


### 2.2.2. The Virtuous Cycle of Social Capital

This model considers the creation of social capital by a social enterprise as an *internal process* that involves an examination of how the six elements of social capital work together in a cyclical way to produce and reproduce more social capital for the benefit of the social enterprise. This is represented in Diagram 6., which is explained as follows.

The starting point of the cycle is **Need** or the **Sense of Commitment and Belonging** (which, for example, in Cooperativa La Vall d'en Bas lies in serving a peasantry). This strong sense of belonging facilitates **co-operation** and **joint work** within the group and the establishment of relations based on **honesty and trust**. It is this sense of belonging that selects and/or favours the basic **values** in which the organisation is rooted. These values are applied to the practical work of the organisation. Through applying values to the practical work of the organisation, **trust** increases. Increasing trust brings about the emergence of relations based on **reciprocity** and the creation of **networks or supporting structures**. Reciprocity leads to the exchange of information and knowledge through **information channels**. As reciprocity and the relationships through the supporting networks increase, trust also increases and is reinforced. Reciprocity and trust contribute to strengthening the sense of belonging and commitment. The cycle is completed and continues to expand as a model for the production and reproduction of social capital.

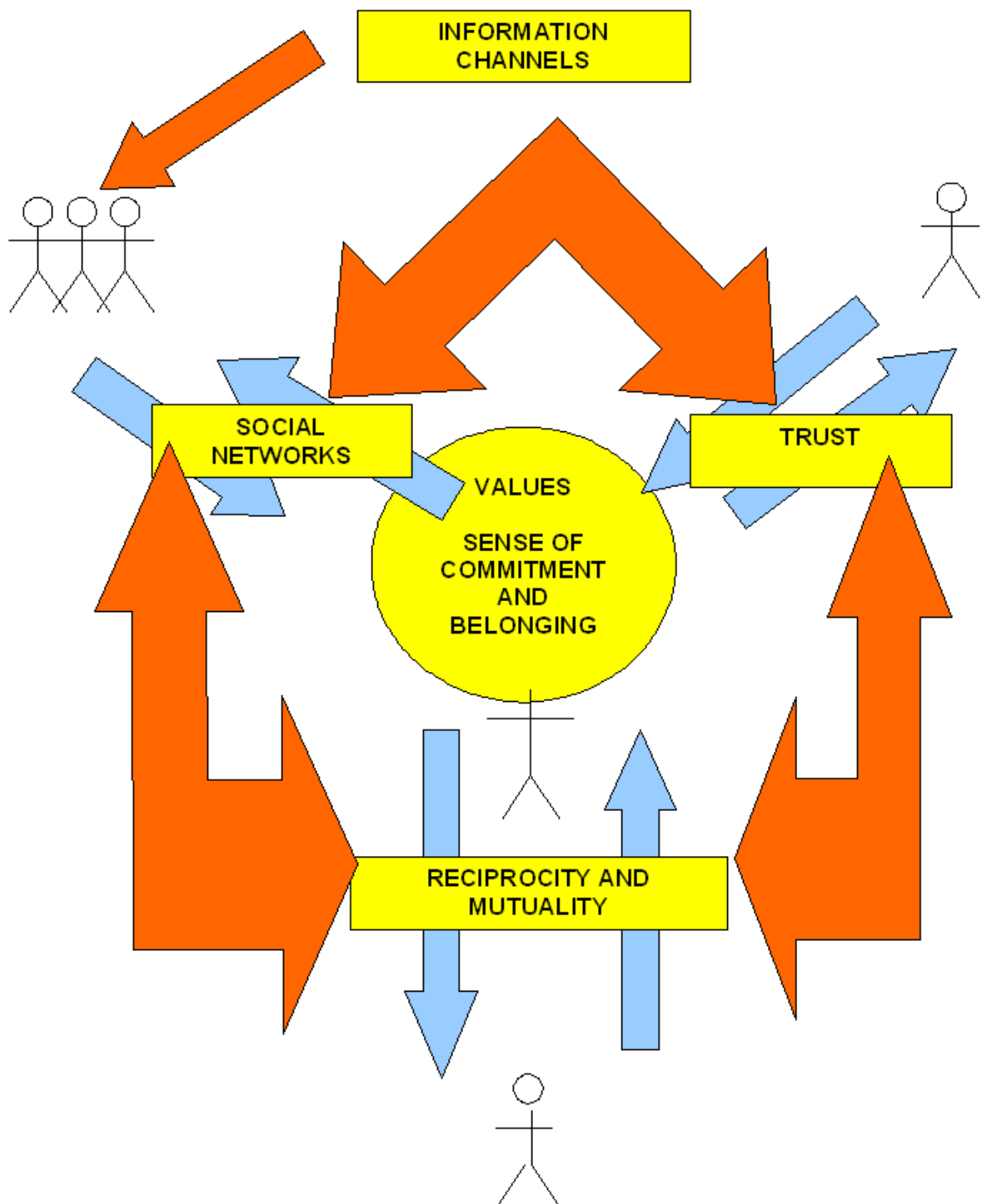
Diagram 6. 'The Virtuous Circle of Social Capital'



### 2.2.3. The Social Capital Cycle

This model again develops an understanding of how a social enterprise generates social capital for the benefit of that social enterprise or the wider locality and social economy. It also observes a cyclical dynamic but one that can be entered at any of the six elements, and operates on the basis of a dynamic between either individuals and/or organisations. The model is diagrammatically represented at Diagram 7. and explained following the diagram.

**Diagram 7.** Social Capital Cycle



At the centre of the diagram is an entity – either an individual or an organisation. That entity possesses **values, norms of behaviour** and/or a **sense of commitment and belonging**. It develops **trust** with other entities. This is a two-way relationship. It also has **reciprocal** and **mutual** relationships with other entities again, two-way and between entities. It also develops **social networks** with a series of other entities. This is two-way in that the central entity is part of the network and receives from it as well as gives to it. **Information channels** are developed through networks. There are two-way links between **social networks, trust and reciprocity and mutuality** and the cycle linking these three elements can be entered at any point.

For example, trust between entities can lead to reciprocal understandings that can link into other networks; social networks can lead on to reciprocity and then on to trust between entities. Central to the diagram are the inherent **values, norms of behaviour** and/or a **sense of belonging and commitment**. What this model indicates in particular is the mutual reinforcement of each of the six elements of social capital in the CONSCISE Project definition for generating further social capital.

#### **2.2.4. The Social Entrepreneurial Cycle**

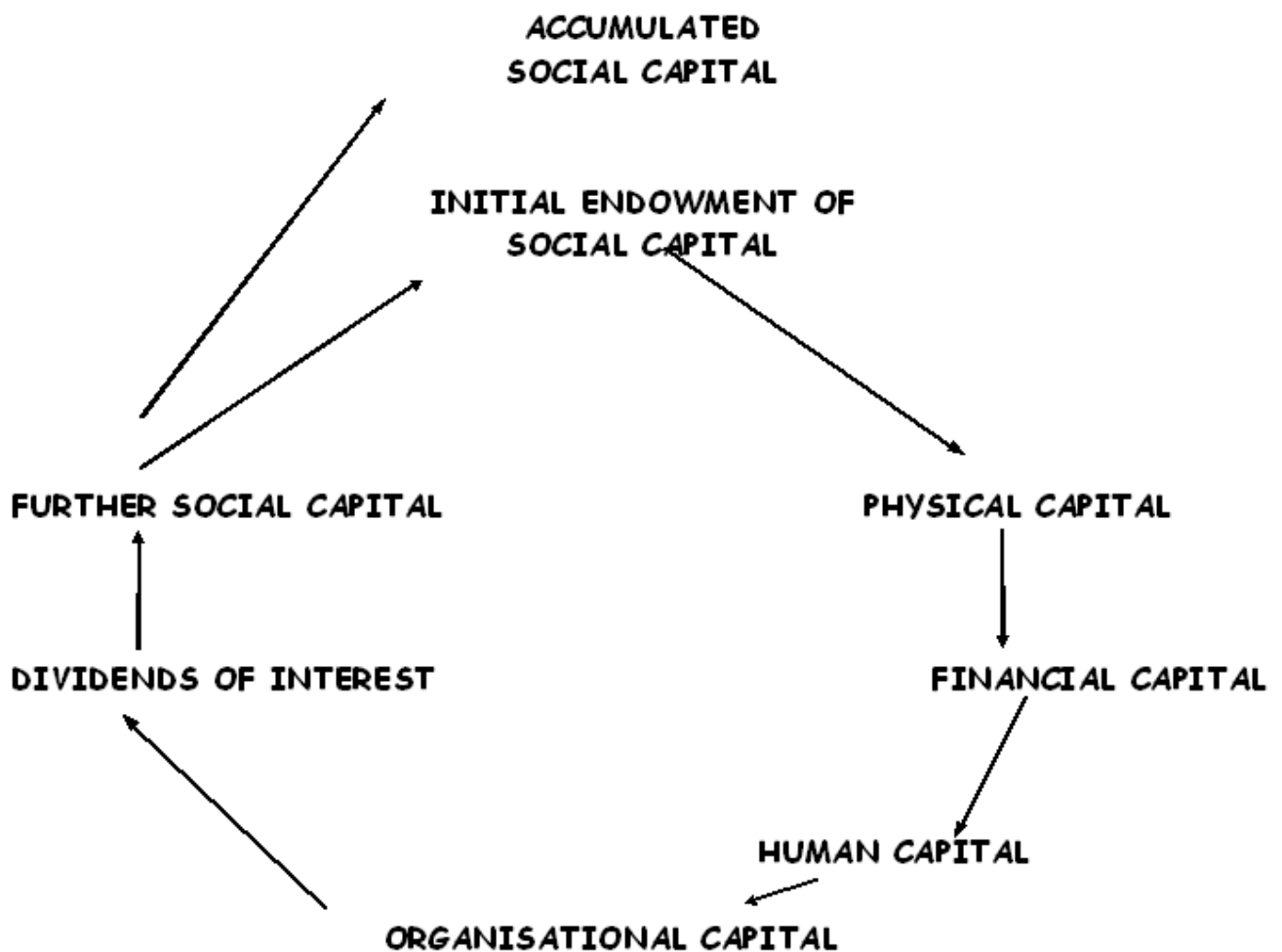
The role of the 'social entrepreneur' as the animator of social capital for the purposes of social enterprise and local social economy development has been proposed mainly in the contemporary UK and US literature on community leadership and entrepreneurship (Leadbetter, 1997; Purdue, 2001; Vangen and Huxham, 1998; Skelcher et. al., 1996; Clarke and Stewart, 1999). It is not a concept with a high profile in the European approach to social economy development.

This model (see Diagram 8.) describes how an initial endowment of social capital (often the only capital assets a local community owns) is 'converted' (by the skills and energy of the social entrepreneur) into other types of capital (Leadbetter, 1997). It describes the role of the individual 'leader' in a social enterprise, which raises issues of how the active individual or leader fits with the aims of the group. It attempts to indicate how access to and application of different types of capital for development is determined by an initial stock or endowment of social capital and the role of the social entrepreneur in mobilising this.

This model does not correspond with the findings of the CONSCISE Project (see Section IV., 1.2.6. and 1.3.3.). There were no instances identified where an individual entrepreneur was responsible for the manipulation and conversion of a stock of social capital in the way the model suggests. This is not to say that 'key individuals' were not vital in animating others and showing leadership in the development process. It is rather that the context set the problem and provided the opportunity and the fund of social capital to initiate a social enterprise, and focusing on this is more important for understanding the development process. An emphasis on

the individual social entrepreneur risks downplaying, the rationale for the establishment of a social enterprise and the collective social capital resource to the benefit of 'charismatic' individuals upon whom communities become dependent and to whom they should presumably be grateful. The various pitfalls of such a neo-liberal notion and interpretation are well established (see Waite, 2000 for example) and this project is more persuaded by evidence from the fieldwork of the presence of 'collective entrepreneurship'.

**Diagram 8.** The Social Entrepreneurial Cycle of Development (Leadbetter, 1997)



**In Summary:**

- There was little evidence of social enterprises emerging from distinctly local social capital in our fieldwork. Social enterprises that did emerge from local social capital, such as those in smaller isolated, rural localities (e.g. Nästansjö and la Vall d'en Bas), usually drew upon bonding social capital embedded in the networks of the informal and shadow economy. However bridging social capital to other groups, organisations and communities - both within, beyond and outside the locality - become important as the social enterprise emerges and formalises as part of the social economy.

- The local social capital model does not fit all evidence or address the issues of why such social enterprises however. Another model interprets their origins in the application of social capital, often embedded in social movements, to address collectively experienced problems. The emergence of social enterprises from social capital applied to a need to tackle problems of de-industrialisation (BRAG) and youth unemployment (Kirchbauhof, Zukunftsbau, and Vågbrytarna) supports such a model.
- In some cases however, public sector policy and resources is added to the social capital of social movements to produce a development mixture that generates social enterprise (e.g. HEC, Waltham Forest and CLS La Mina, were rooted partly in Local Agenda 21 and Article 6 Local Social Capital respectively). The relationship of the third system to the public sector is very important here.
- Social capital is important in the start-up, consolidation and sustainability of social enterprise. Social enterprises, once established, also continue to use and build social capital. However its importance relative to other forms of capital may vary over the specific development trajectory. Nevertheless, one common scenario is that a social enterprise which is in crisis and which has failed to maintain its social capital is less likely to survive.
- Social enterprises generate social capital often in a virtuous cycle of development where a social consensus to meet a local need (perhaps a need to solve a problem) leads to the ignition of the other elements of social capital (sense of belonging, values of co-operation, trust, mutuality and reciprocity) in networks of support to address the need.
- Similarly, a social capital cycle is proposed which indicates how two-way relationships between ranges of organisations, groups and individuals generate network linkages that through regular usage strengthen and encourage the sharing of values central to the specific social capital thus creating trust.
- The social entrepreneurial cycle, reliant as it is upon the notion of a charismatic individual leader, is not found to fit with the research evidence and is dismissed as serving a neo-liberal perspective on social enterprise development. Such a model is considered to be at odds with the context, the collective action and the social capital resources in which all social enterprise is rooted.

### **3. Policy Implications: The Role of Social Capital in the Social Capital in the Social Economy for Local Development in Europe**

In this final section two issues are considered: firstly, issues from the CONSCISE Project research findings which have **policy implications** and practical implications for development; and secondly, the **policy areas** at European and regional level to which the CONSCISE Project findings have relevance.

#### **3.1. Policy Implications**

##### **3.1.1. For Building Social Capital**

- 1) **Building awareness of social capital** – and of the elements which make it up – reinforces the value of the community development approach: generating networks, supporting community groups to form and take action, fostering social interactions and so forth. Much of this work appears intangible but is vital to building the social networks and the contacts and collaborations through which social capital may build. A community or organisation without social capital will find it more difficult to achieve development.
- 2) Social policy therefore needs to invest both in an awareness of the **processes and practices of community development** and, through it, in the **encouragement of all forms of positive and inclusive social networks at local community level**, especially in areas of disadvantage where social capital may be observed to be low.
- 3) **Networks** which bring together the institutions of civil society at regional and national levels are important, not least because they facilitate the bridging which is so important to small organisations at the local, community level. Networking, if done well, can impact on levels of social capital in society.
- 4) In deprived localities it is important to **build the communal infrastructure** as much, if not more than, directly assisting the individuals and families who live there. The reason for this is that if the enhancement of the human capital of individuals and families outstrips the pace of growth of local social capital and other local infrastructure, these assisted individuals and families may use their new-found human capital to leave the locality. The locality is then poorer. Human capital that is beneficial to local development emerges from and contributes to social capital, and is not an isolated resource.

- 5) Nevertheless, an appreciation is vital that the more a specific community generates networks of bonding social capital and becomes socially cohesive the more other communities are excluded. Tolerance of and respect for diversity is crucial for healthy local development, and for this the appropriate **balance** needs to be struck **between bonding and bridging social capital** for the specific local context.
- 6) **Social Capital is value neutral** and in certain circumstances bonding social capital may become so extreme as to generate social exclusion. There is a 'downside' to social capital and this can be 'built' just as much as positive social capital can. Those wishing to build social capital need to be aware of balancing the bonding and bridging forms of social capital in local development in order to enable and maintain diversity and social inclusion.
- 7) **Indicators** of social capital are of use to direct policy and development focus but should not become the prime focus of attention. Social capital is about the qualities of relationships and what can be achieved by working in co-ordination. Any supposed 'stock' of social capital does not in itself achieve development, but is an indication of potential resources that can be mobilised and co-ordinated for collective action.
- 8) Furthermore, indicators of social capital, because of the intangibility and differentiated nature of the phenomena, are only **proxy indicators** and as such should not be mistaken for social capital itself.
- 9) Despite a contemporary preoccupation with 'measurement' of social capital, there needs to be more focus upon understanding the grounded dynamics of how social capital works and what its impacts are. An appreciation of the **local and wider context** in which resources of social capital emerge and are employed is central here.
- 10) A new approach to the resourcing of regeneration, development and capacity-building becomes premised upon the basis of resourcing the potential of **sociability**, of networking for its own sake, rather than seeing it as a secondary justification and a by-product of other resourced policy outputs.
- 11) The importance of **places for interaction** for such 'sociability' in its own right should be recognised. Planning policy needs to ensure that there are 'safe' spaces where people may meet and interact, talk and plan, share experiences and build up common approaches to tackling local issues. These places may include community centres, village halls and community-owned cafes. Such physical, infrastructural capital is important to the generation and maintenance of social capital.

- 12) Furthermore, if such places for interaction are under **local community control** then social capital may grow more quickly. The very fact that local people have local responsibility increases their interest in the development of their communities and gets them working together and generating higher levels of social capital.

### **3.1.2. Building the Social Economy**

- 1) The broad third sector is important to generating social capital and is the 'soil' for social economy. Hence it is important to promote opportunities for and actual activity of voluntary groups and volunteering (both formal and informal) in the local area. Self-help mutual aid groups actively build social capital and the more localised, informal and with potential to maximise diverse and frequent contacts of sociability the better.
- 2) Social enterprises share particular values, which make them different from public and private sector organisations. Without a clear understanding of these values it will be difficult for policy makers to shape policies that can encourage the growth of the social economy.
- 3) Some social enterprises appear more able and more active at generating social capital than others. As examples, LET Schemes, Time Banks, community-based Credit Unions and other such organisations are centred on social capital and require a critical mass of people. They are dependent on trust, reciprocity and networks. Support for these types of organisations at a local level may generate levels of social capital, which may then lead on to more cohesive communities that are better equipped to deal with some other social and economic problems that they may face.
- 4) Support for community activists to generate collective entrepreneurship enables them to further the social and economic development needs of their local communities. However, care should be taken to nurture entrepreneurship within local communities and amongst local people rather than focus exclusively on the support needs of individuals.
- 5) Educational and training programmes which facilitate collective entrepreneurship need to incorporate an understanding of social enterprise and hard skills in local socio-economic profiling, social accounting and building and using social capital.
- 6) The understanding of the values of the social economy implies new ways of working, new skills and a new professionalism on the part of public sector and third sector officials and recognition of the central role that the public sector can play in the development of the social economy. In particular, the recognition on the part of such

professionals that building trust and reciprocity into their partnership operations with representatives from social enterprises is important to effective and inclusive development.

- 7) To promote co-operation between social enterprises, the public sector in particular must reduce the wasteful competition between social enterprises for the support of their local authority and promote more strategic approaches and collaboration.
- 8) The value of assisting community organisations to be involved in partnership or collaborative work must not only be recognised but also financed. Partnerships are more effective when there is a commonly held vision. Often this common vision is directly related to the shared values of the partners and more work is required in encouraging stakeholders in partnerships to be explicit about their values (both shared and distinct) and how they relate to the work programme at hand.

### **3.1.3. Building Social Enterprises**

- 1) The **education and training** of those employed in the social enterprise field need to incorporate an awareness of the importance of social capital to social enterprise.
- 2) The research found that the social capital available to a social enterprise is important throughout its life cycle, both in itself and relative to other forms of capital (human, financial and physical). This means that a **social capital stocktake** (along the lines of Annex 10) carried out in the regular social audit is recommended as part of the management process.
- 3) **Local socio-economic profiling** (occasionally referred to as community profiling or community audit) has grown to become part of the social economy development process, and is particularly important for establishing awareness of context. An important aspect of context here is the emergence of social enterprise as responses to problems/needs, which as evidenced in our fieldwork was the case in 7 out of 8 of the social enterprises examined. An audit of local social capital resources, incorporating a range of tools and instruments for assessment, some of which are provided by the soundings group in the CONSCISE methodology (see Section III., 2.), is recommended.
- 4) **Social accounting and** audit methods have been augmented by social capital objectives in the CONSCISE research (see Section III., 2.). We would recommend as policy that social enterprises that adopt social audit methods examine ways in which they can assess how they use and build social capital. This may not involve adopting

social capital use and building as objectives, but just the incorporation of a social capital stock take (as recommended at 22 above). It is also recommended that just one social capital objective, incorporating both use and building, should be adopted.

### **3.2. The Relevance of the Findings to European Policy**

There are four areas of contemporary European policy to which the CONSCISE Project findings have direct relevance.

#### **3.2.1. The European Structural Funds (ESF)**

There are two policy areas of the ESF under Agenda 2000-2006 to which our research findings are important.

##### **Equal:**

The ESF EQUAL Programme tests new ways of tackling discrimination and inequality experienced by those in work and those looking for a job. One of the thematic fields of the programme under which appropriate development partnerships can bid for funding is 'D. Strengthening the social economy (third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs'. This is situated in the programme under the second pillar of the European Employment strategy - 'Entrepreneurship' (the others are employability, adaptability and equal opportunities for women and men).

- Understanding how the social economy uses and generates social capital as an important component of local development and the specific local profiling and audit tools used in the CONSCISE Project are important in development partnerships working to strengthen the social economy.

##### **Article 6 Local Social Capital (LSC)**

LSC is a pilot programme of the European Social Fund under the direction of the Employment and Social Affairs DG of the European Commission. The LSC programme identifies Intermediary Bodies in each of the localities in which it operates (some 31 projects have been involved) whose role is to establish and resource local projects which build local social capital.

- The 'rolling out' of this programme within member states has had low take-up so far and it may be that there has been a lack of understanding of what social capital is and what the programme can provide. We await the external evaluation report for the Article 6 pilot programme. However, there is a case for a programme to address the issue of a heightened European understanding and awareness of the concept and impact of social capital as indicated in CONSCISE research findings and policy implications.

- One incentive to encourage an activity focused on the development of social capital in Europe would be to generate a budget line in the next round of ESF in 2006 for promoting and developing social capital.
- In this endeavour the methods for examining social capital generated by the CONSCISE project would form a useful part of the tool kit.

### **3.2.2. The European Employment Strategy**

The **European Employment Strategy** was created in 1999 and requires member states to prepare and adopt National Action Plans to take forward the strategy. This is in the context of the method of open co-ordination adopted at the Lisbon Summit in 2000 and now referred to as the Lisbon process. The EC Communication of November 2001 on 'Strengthening the Local Dimension of the European Employment Strategy' makes the point that "member states increasingly address the social economy as an important factor for local development along with enterprises and an appropriate institutional framework" (EC COM (2001) 629 final, p.6).

- The understanding that the CONSCISE Project research provides about social capital use and generation by the social economy is important in this respect. It is also part of an ongoing concern to clarify understanding of the nature and role of the social economy in Europe. As the EC Communication states, "the National Action Plans 2001 show widely differing understanding of the meaning of social economy" among the members states (EC COM (2001) 629 final, p.6).

**Acting Locally for Employment - A Local Dimension for the European Employment Strategy** (COM (2000) 894) is an EC Communication promoting the mobilisation of structures at local level for the development of employment under the ESF programme for 2000-2006. The Communication highlights the requirement for further methodological work on indicators and benchmarks, and identification of good practice and exchange of experience (COM (2000) VI 29). The EC also conceives an important role for the Third System within 'Acting Locally for Employment', and the focus of the CONSCISE Project is in this specialism.

- In particular the methods and tools generated by the research are relevant to the requirements of the EC Communication.

The Lisbon Summit 2000 prioritised the fight against poverty and the creation of full employment in a **European knowledge economy** of more and better jobs. In this direction an understanding of the importance of human capital has become central. The relevance of social capital is also recognised in terms of the need to generate an inclusive knowledge economy. However, there is awareness within the European policy community that there is still

some way to go in developing an appropriate understanding of social capital and an awareness of its implications for the development of the knowledge economy and society.

- The research findings are a contribution to the understanding of the role of social capital and social economy in the knowledge economy.
- Further research (see 4.3.3) is proposed on the relationship between human capital and social capital in the social economy in Europe.

### **3.2.3. Enterprise Europe**

DG Enterprise produced a Draft Consultation paper on 'Co-operatives in Enterprise Europe' on 7/12/01. The paper makes the point that "Co-operatives as associations of people and/or enterprises and as equitable and democratic economic associations are an important means of creating the necessary building blocks of social capital" (Section 2.2. of the Draft Consultation paper). The paper indicates that - "in many of the candidate countries co-operatives play an important role in the development of a sustainable market economy and democratic institution. In central and eastern Europe they can have a particular contribution to make both as schools of entrepreneurship and of civil society" (Section 2.2.). The paper suggests that measuring the success of co-operatives should not be "only on the basis of indicators such as returns on investment or market share" (Section 2.5.) and lists ways in which co-operatives may be suited as a vehicle for achieving diverse European Union or Commission objectives (Section 4.1.).

The CONSCISE Project research provides direct and relevant input to the development of Enterprise Europe in the following ways:

- An important analysis of how the function of co-operatives and other social enterprises can be harnessed in policy and development.
- An understanding of how social capital used and generated in the social economy connects the two 'schools' of entrepreneurship and civil society.
- The development of specific profiling and audit tools, which will be of assistance in developing alternative measures of success.
- The research would support an addition to the list of what co-operatives and social enterprise can achieve as European Policy vehicles: "Co-operatives and other social economy organisations generate appropriable networks for future forms of economic development which are effective in combating social exclusion".

### 3.2.4. Combating Social Exclusion

Article 137 of the Treaty of Amsterdam prioritises efforts to combat social exclusion and this has been developed into a **European Social Inclusion Strategy** including review of preparatory measures to combat social exclusion and a requirement for member states to produce National Action Plans to Combat Social Exclusion.

- The CONSCISE Project research contributes to the development of knowledge for combating social exclusion via promoting social capital and social economy.
- The examination of how local social capital is both used and built by local social enterprise provides important frameworks for means to enable social inclusion.

## 4. Areas for further Research

In line with the key findings of this research there are a number of questions on which the focus of research should be placed. These are as follows.

- What is the nature of entrepreneurship in the third system? How does it differ from conventional entrepreneurship? What does collective entrepreneurship involve? How does it differ from social entrepreneurship?
- Are there significant differences between horizontal and vertical bridging ties in terms of social capital? Can vertical ties based around clear and open differences of power and ownership and control of resources be perceived as social capital?
- Can there be ties of social capital between groups in the public sector and third system, and between groups in the private sector and the third system? Can social capital be built between groups and individuals of groups who have fundamental differences of value system and objectives?
- What is the connection between human capital and social capital? Is human capital 'fungible' (i.e. can it be transformed) or does it share the characteristics of social capital in being accumulated through further use?
- How might the concept of social capital as essentially a heuristic device be incorporated into policy and development tools to build social capital?

Ranges of discrete areas for further research are therefore foreshadowed below.

#### **4.1. Deepening Research on Social Capital and Social Economy**

In common with much research, the concepts and hypotheses and the methods that have been used to explore them need to be revisited and examined, namely:

- revisit notions of social capital, social enterprise and social economy in the light of the research;
- examine the debate about bridging and the notion of linking social capital;
- further explore the use of proxy indicators and concrete examples (especially in questionnaires and interviews);
- further examine incorporating a social capital objective into the social audit framework;
- try out new and more innovative techniques to assess the use and generation of local social capital;
- enhance the understanding by local communities of social capital as a local resource;
- develop a typology of different social enterprise in Europe and their propensity to generate social capital, what type and for what purpose.

#### **4.2. Partnerships for Local Development in Europe**

Modern governance is empowering regimes and partnerships as of increasing importance to local development. The open co-ordination methods increasingly favoured by the EC are an encouragement to these developments in governance. Future research should explore the operations of such partnerships for local development and in particular how they use and build social capital for local governance. The aim of this research would be to enhance knowledge and produce a tool kit for less powerful stakeholders in partnerships to improve their effectiveness.

#### **4.3. Third System Organisations, Welfare Services and Local Democracy**

The major aim of this research would be to examine the changing role of organisations and institutions in the third sector/system with respect to:

- new frameworks for local governance and democracy;
- the delivery of welfare services;
- local development in terms of physical, human and social capital.

The third system is used in the widest sense to refer to economic activity that is neither within the private sector (integrated by profit orientation) nor the public sector (integrated by reproductive concerns) of the economy.

#### **4.4. The Embeddedness of Entrepreneurship in the Third System**

The CONSCISE Project has critiqued the neo-liberal notion of the social entrepreneur popular in the USA and the UK, and begun to foreshadow an idea of collective entrepreneurship, centred on the values of reciprocity inherent to social capital, in the third system. The research findings promote an argument that such collective entrepreneurship is of the grass roots and is thus organic or embedded, ultimately in the social capital of the informal economy. This research would explore this thesis and its findings would be important to lifelong learning and entrepreneurship training and education across Europe. It would have particular importance for the East European new member states.

#### **4.5. Human and Social Capital in the Knowledge and Social Economies**

The work of DG Employment and Social Affairs has identified that, whilst much is now known about the role of human capital in the knowledge economy, little work has yet been done to explore how important social capital is to the production and reproduction of the knowledge economy. In particular the thesis of this research is that the third system and social economy, embedded as it is in the informal economy, generates important resources of social capital, which have important consequences for building human capital. There are some problems however: as social capital strengthens at local level, the more it bonds those who are involved in its formation the more it excludes others who are not. Polarisation is increased as social capital becomes stronger, running the risk of not alleviating but exacerbating social exclusion.

## **V. DISSEMINATION AND EXPLOITATION OF RESULTS**

### **1. Introduction**

The dissemination strategy for the outputs of the CONSCISE Project research, adopted at the outset of the project, had a number of elements. These were as follows:

- project Workshops;
- periodic Reports to DG Research at the European Commission;
- workpackage Reports;
- findings documents;
- conference;
- web site;
- use of project partners Networks.

### **2. Project Workshops**

The five project workshops that were scheduled all took place as indicated in the Table 7. below. All workshops were evaluated and an evaluation analysis has been provided via Periodic Reports to the European Commission. End-user involvement in the appropriate workshops for such involvement involved those on local socio-economic profiling consolidated findings and social audits of social enterprises consolidated findings (see Deliverables 8. and 11. Table 7.) was not as expansive as we would have liked, there was effective involvement of end-users in both the workshops described. In addition however, a further presentation of the local socio-economic profiling consolidated findings was made to DG Research Officers in Brussels in April 2002.

The early workshops on Key Concepts also had some limited end-user and external academic involvement.

### **3. Periodic Reports to DG Research at the European Commission**

All periodic reports at 6 month and 12 month intervals have been prepared and delivered to DG Research Officers at the European Commission within the time requirements. As the project received a three-month extension a final Periodic Report is scheduled to be delivered by July 2003 at latest.

#### **4. Workpackage Reports**

All Workpackage reports have been delivered as required. List of these and other supplementary reports are provided in Annex 11. The State of the Art Report, originally constituted as the Workpackage I report, has been re-organised and submitted as a new draft. In addition research dissemination activities including publications, conference papers, presentations, seminars, workshops, and educational materials are listed in Annex 12.

#### **5. Findings Documents**

A four-page project brief for dissemination was prepared and widely used for in the early stage of the research. It is also available on the project web site (see below). In addition to the Abstract and Executive Summary prepared as part of this Final Report a short and user-friendly 'Findings' pamphlet is to be prepared for widespread dissemination with end-users in mind.

**Table 7.** List of deliverables

<b>Deliverable</b>	<b>Month</b>	<b>Draft/ Final</b>	<b>Distribute/ Restrict</b>	<b>Issue Date/ New Due Date</b>
1. Baseline indicators/measures of social enterprise, social economy & social capital. Workshop	03	N/A	Restricted to group specified by consortium	Month 06 (September 2000)
2. Baseline indicators/measures of social enterprise, social economy & social capital: Report	03	Final	General Distribution	Month 06 (September 2000)
3. Baseline Socio-economic profiles: Methodology Workshop	07	N/A	Restricted to a group etc.	Month 10 (January 2001)
4. Baseline Socio-economic profiles: Methodology Report	07	Draft	Restricted at this stage.	Month 10 (January 2001)
5. Social Audits of social enterprise: Workshop on Methodology	07	N/A	Restricted to a group etc.	Month 10 (January 2001)
6. Social Audits of social enterprise: Report on Methodology	07	Draft	Restricted at this stage	Month 10 (January 2001)
7. Baseline Socio-economic profiles: Reports	13	Draft	Restricted at this stage.	Month 15 (June 2001)
8. Baseline Socio-economic profiles: Workshop	13	N/A	Restricted to a group etc.	Month 15 (June 2001)
9. Baseline Socio-economic profiles: Consolidated Report.	16	Final	General	Month 24 (March 2003)
10. Social Audits of Social Enterprises: Reports	30	Draft	Restricted at this stage	Month 33 (December 2002)
11. Social Audits of Social Enterprises: Workshop	30	N/A	Restricted to a group etc.	Month 30 (September 2002)
12. Social Audits of Social Enterprise: Consolidated Report	33	Final	General distribution	Month 33 (December 2002)
13. Final Report of Programme	36	Final	General distribution	<i>Month 36/37</i>
14. Conference to Launch Report	36	N/A	Open	<i>May 2003</i>

## **6. Conference**

The end project conference in May 2003 in London is a three-day event that involves academics, researchers, students, those involved with policy-making and implementation, development officers and end-users. Details of this are provided in Annex 12.

## **7. Web site**

The project web site contains all workpackage reports and various supplementary materials. It has also been used as a means as of announcing the conference and enabling registration. The web site is at -

[www.conscise.mdx.ac.uk](http://www.conscise.mdx.ac.uk)

## **8. Use of Project Partners Networks**

Project partners are involved in a range of networks and all are involved in one in particular – the European Network for Economic Self-Help and Local Development (TECHNET). TECHNET organised a conference on Social Capital and Regeneration in Edinburgh in September 2000 at which the CONSCISE Project gave a presentation. They also co-organised the end of project Conference in London in May 2003. TECHNET has provided an important means of dissemination of project material amongst a range of academics, researchers, students, those involved with policy making and implementation, development officers and end-users with interests appropriate to the CONSCISE research project.

## **9. Other**

A range of output is being planned through discussions at the CONSCISE end of project conference. These are likely to include further academic papers, conference papers and presentations, educational materials, end-user materials for training/education and for appropriate end-user journals and literature.

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