

Third sector innovation and local development

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Analysis of local development
focuses mainly on the relationship among
→ local productive systems (e.g. clusters, industrial districts, networks of specialised firms)
→ innovation
→ territorial dynamics

but

It could be suggested that **THIRD SECTOR ACTIVITIES**
can also contribute to
innovation and local development

Nevertheless, some questions arise

- *Which are the main differences between profit and non-profit economic activities?*
- *Which forms of innovation can distinguish each activity?*
- *How to measure the impact of non-profit innovation on local development?*
- *What is the role of governments in supporting these forms of innovation ?*

This study highlights the innovative aspects of Third Sector as well as its contribution to local development

The presentation is structured in two parts:

PART 1

provides a comparison between local productive systems and Third Sector economy as two different sources of local development

Four aspects are discussed :

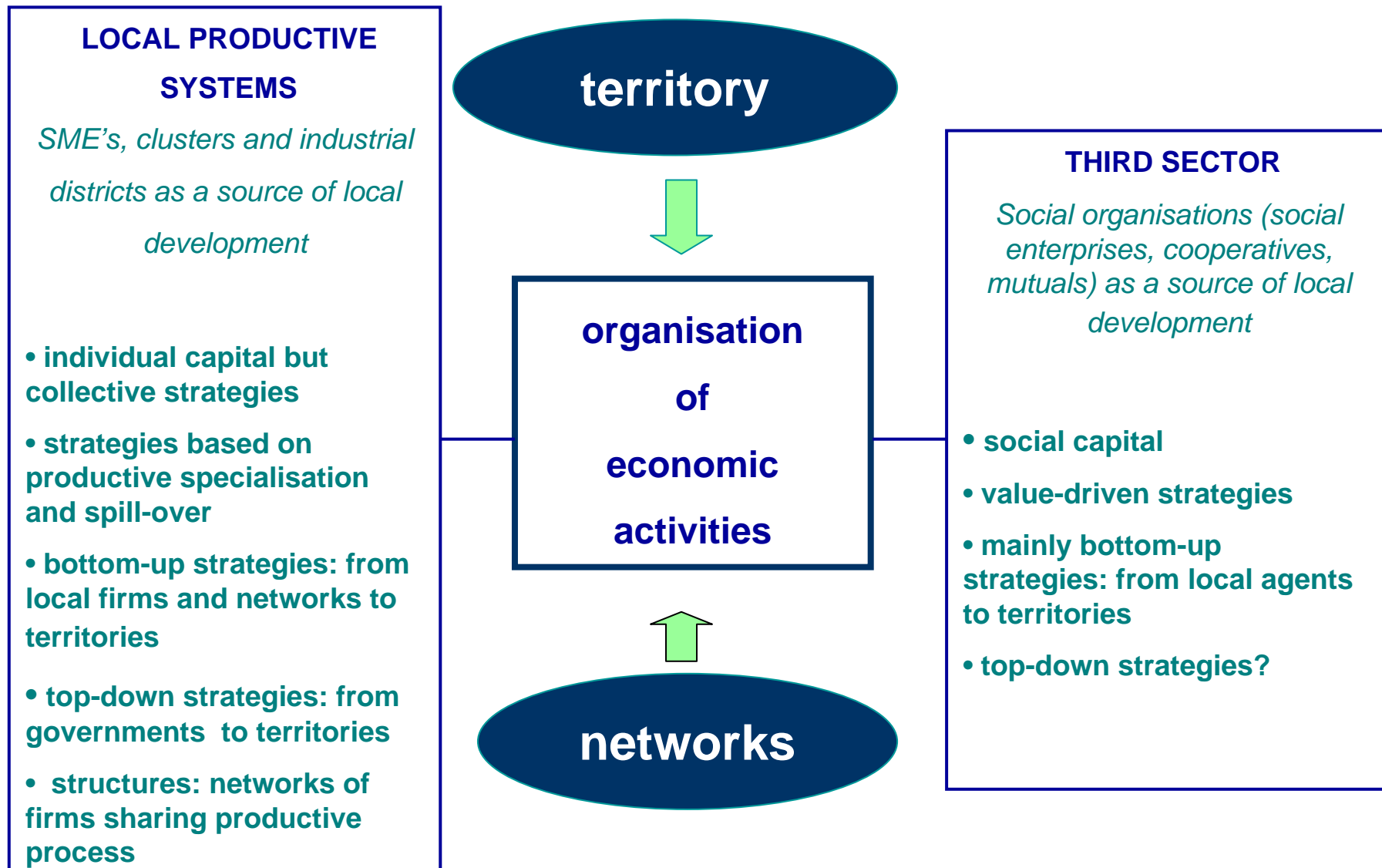
- **the main differences in terms of organisation of economic activities**
 - **the forms of innovation**
 - **the impact of innovation on local development**
 - **the role of governments**

PART 2

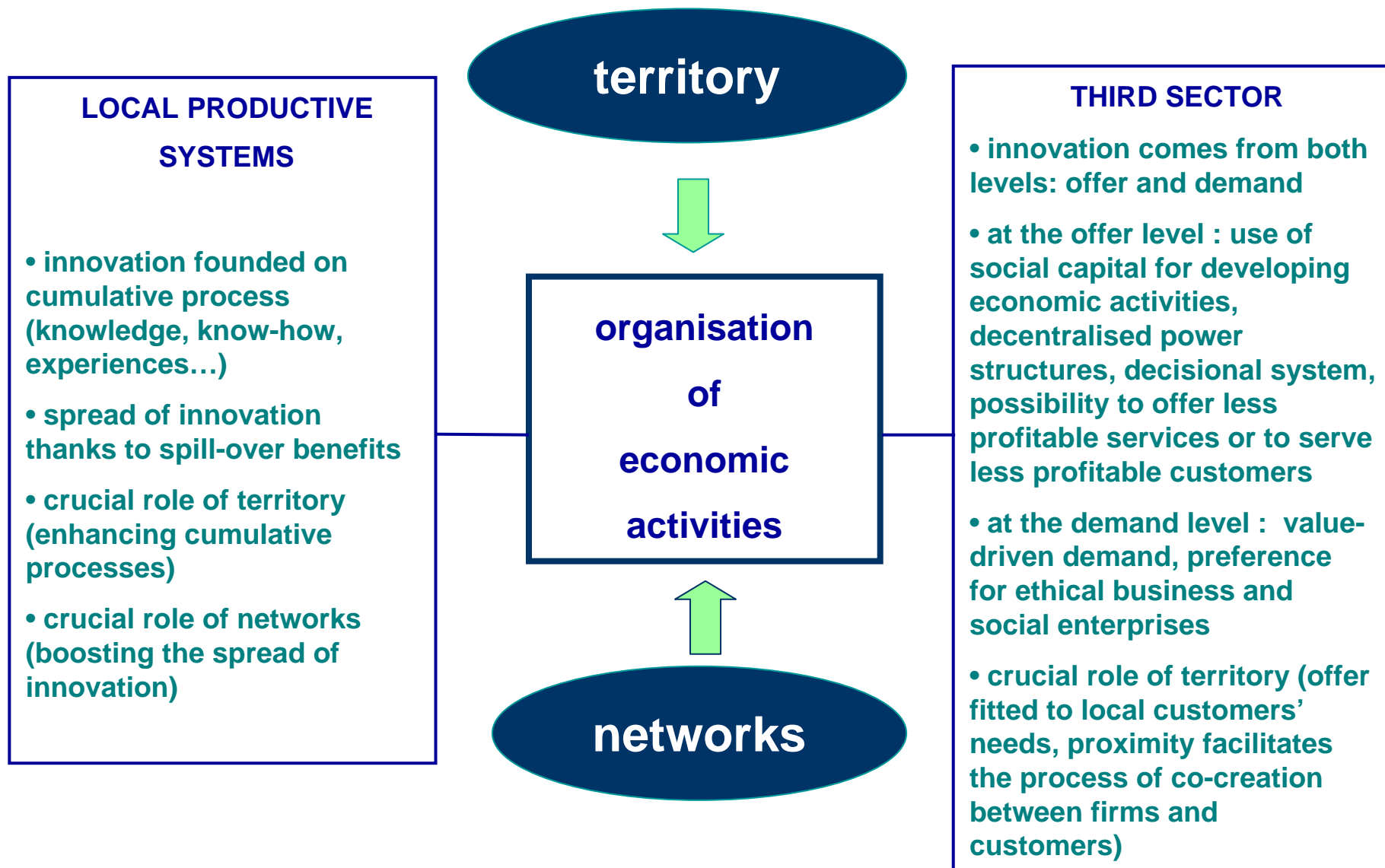
proposes some of the conclusions of the research concerning the role of Third Sector in the economy of the Champagne Region in France

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1 - some differences



2 - forms of innovation



3- measuring the impact of innovation on local development

LOCAL PRODUCTIVE SYSTEMS

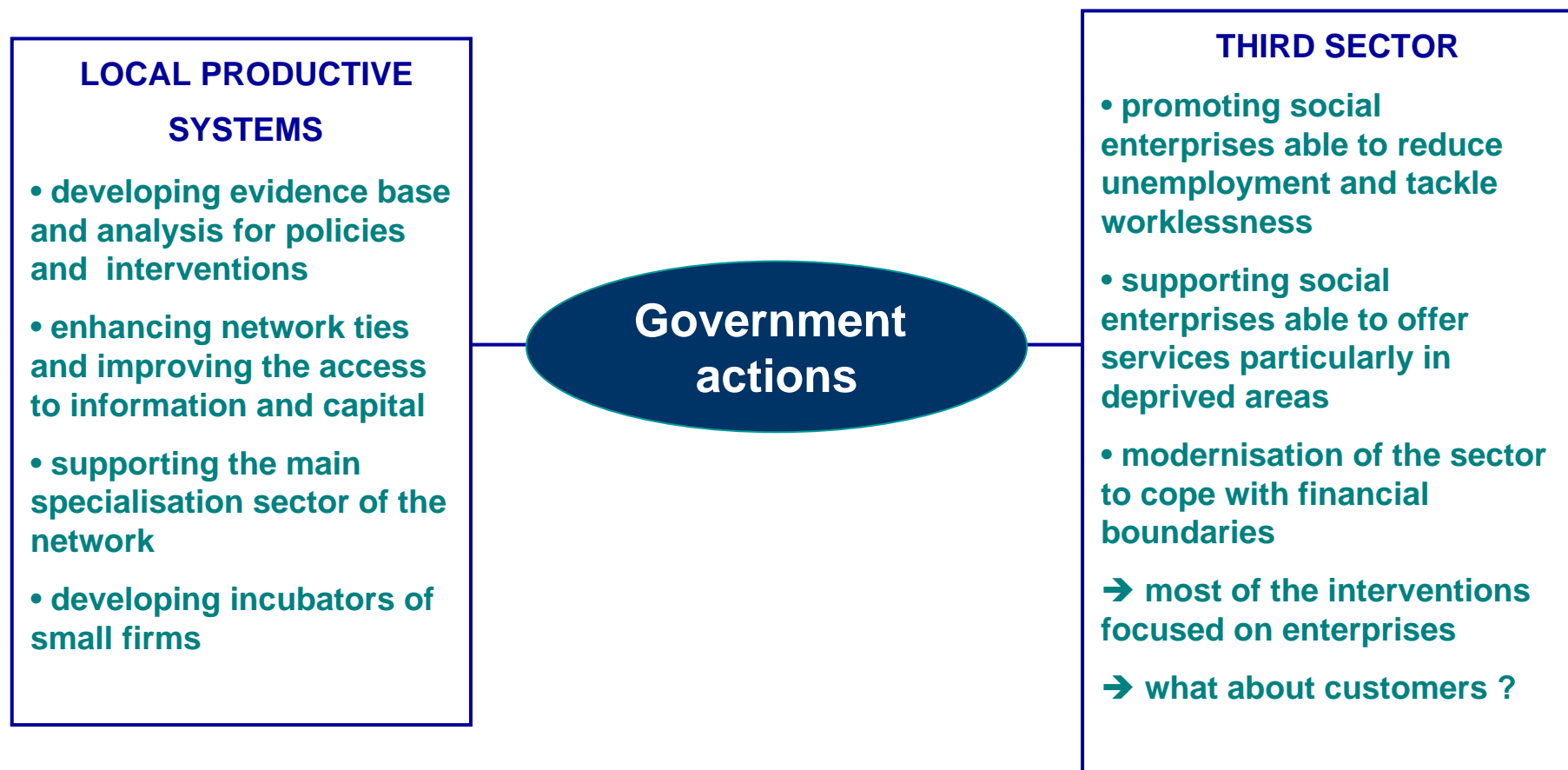
- data about local output, employment, incomes, education, workers' skills and employability
- some difficulties to measure collective cumulative resources (e.g. know-how and experience)
- indicators about spill-over benefits (e.g. patents)
- how to measure the role of territory as an instrument for enhancing the cumulative process?
- how to measure the contribution of networks in the spread of innovation?

measures of impact

THIRD SECTOR

- data about sector output, employment and incomes
- at the offer level : difficulties to measure enterprises resources such as
 - social capital
 - advantages related to decentralised power structures
 - effectiveness of decisional system
 - social benefits related to work with less profitable services or less profitable customers
- at the demand level: difficulties to estimate demand as well as consumption evolution (principally for value-oriented consumption)
- how to measure the role of territory (e.g. proximity, co-creation of service between enterprises and customers)?

4 - the role of governments



**A common element:
ensuring a good policy and regulatory environment for enterprises**

**The case of social enterprises in
the Champagne Region
in France**

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The Third Sector in the Champagne Region : organisation of economic activities

- **social capital: considered alternatively as**
 - a value-based choice
 - a second choice
 - a tool for supporting social cohesion and tackling social exclusion
- **value-driven strategies:**
 - long tradition in Third Sector organisation (agriculture cooperatives, workers' mutuals)
- **mainly bottom-up strategies: from local agents to territories**
 - the Third Sector provides approximately 12 percent of the jobs in the region
 - using social ties for creating standard business and employment
 - using social ties for providing services in non-urban areas
 - saving jobs through cooperatives structures
- **top-down strategies**
 - the inclusion of Third Sector in public policies is relatively new
 - a positive point: Third Sector's involvement in European Structural Funds

The Third Sector in the Champagne Region : forms of innovation

- **use of social capital for developing economic activities**
 - in less developed areas, social capital is viewed as an alternative to the lack of financial resources
- **decentralised power structures and decisional process**
 - the principle of “one person, one vote” favors the participation of a large number of residents in economic activities and reduces exclusion from decisional process
 - one exemple of shared power and decisions: cooperatives created to save jobs and activities after firms bankruptcies
- **possibility to offer less profitable services or to serve less profitable customers**
 - strong specialisation in home care services in direct competition with profit sector firms
 - evidence of growing activity in environmental areas (e.g. recycling)
- **value-driven demand, preference for ethical business and social enterprises**
 - specific phenomenon: customers creating small social businesses or involved in existing social enterprises in order to assure the quality of services and the destination of benefits.

The Third Sector in Champagne Region : impact on local development

- **output and employment**
 - approximately 15 percent of the regional GDP and 12 percent of the employments
 - sales have increased about 6 percent per year
 - jobs have increased about 5 percent per year
 - case of home assistance services: number of jobs increases but working hours remain rather stable (because of part-time jobs and temporary jobs).
 - Growing part of social enterprises in the creation of new enterprises
- **incomes**
 - low wages, often averaging below the minimum wage (but “compensated by quality of jobs, social objectives as well as direct and indirect results”)

The Third Sector in the Champagne Region : the role of governments

- **promoting social enterprises able to reduce unemployment and tackle worklessness**
 - associations and social enterprises are involved in programs which combat unemployment and social exclusion financed by the European Social Funds (principally in the areas of the region hit by de-industrialisation)
- **supporting social enterprises able to offer services particularly in deprived areas**
 - support to social enterprises (mainly cooperatives) delivering services in rural areas
 - rise in the commissioning of the Third Sector services by governments as well as more confidence in the sector's ability to deliver public services
 - legal innovation : a new form of cooperative allowing public authorities to take part as an active member
- **modernisation of the sector to cope with financial boundaries**
 - traditional financial support: subventions
 - new financial logic: financing project by project
 - some suspicions concerning the modernisation encouraged by public authorities (does modernisation imply the reduction of financial supports?)
- **what about customers ?**
 - lack of programs targeting customers and demand of services from the Third Sector (but some new proposals are being discussed).