



International  
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# ► South Africa's social and solidarity economy

A study of its characteristics and conditions

November 2021

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*South Africa's social and solidarity economy: A study of its characteristics and conditions*

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Photos: Shutterstock; Hein le Roux

## ► Foreword



**Director: Enterprises and Chair of the UN Task Force on the Social and Solidarity Economy**

**Vic van Vuuren**

Solidarity has been a crucial pillar of the ILO's work since its founding in 1919, and with the establishment of its Cooperatives Unit the following year, the ILO has worked closely with the social and solidarity economy (SSE). The SSE's principles of mutualism, reciprocity and solidarity remain very relevant, as the world battles growing inequality and poverty, and the social and economic devastation caused by environmental and public health crises.

The organizations that make up the SSE are important elements of any society's fabric and can contribute to decent work and inclusive growth at the local and national levels. At the ILO we commend the Government of South Africa for its recognition and acknowledgement of the critical role of the SSE in addressing the triple challenge of inequality, poverty and unemployment, and for the transparent and consultative process that underpinned the development of the draft Green Paper for an SSE Policy.

This study is one of the country's largest SSE-focused research initiatives and is particularly salient as it collates the perspectives and views of South Africans who live and work in uniquely different parts of the country. South Africa's high levels of inequality mean there is no one-size-fits-all approach and this creates a dilemma for policy development which should be based on an understanding of contextual nuances in order to create effective and appropriately targeted mechanisms for support.

Research, such as this that captures views from across the inequality and poverty spectrum of South African society, is paramount as it provides unique insights such as the micro-nature of social and solidarity economy organizations and economic units, their sources of funds, their levels of contracting

and their reliance on trust. This study shows the importance of locality and sense of community and the value of community-driven work that creates local jobs. It confirms the value generated by the SSE, as people mobilize to provide the goods and services that their communities need. This work ranges from early childhood development and care for our elderly, to cooperatives providing fresh food and critical services such as finance and transport. Clearly the SSE is not just important for job creation but is vital for community well-being and cohesion.

This report is a milestone in our understanding of the SSE in South Africa and more widely in the African context. It is yet another demonstration of the importance of the SSE and the value of a human-centred approach to work.

## ► Foreword



### Diplomatic Representative of Flanders in Southern Africa

**Dr Geraldine Reymenants**

The COVID-19 pandemic has placed an extraordinary burden on the global social, environmental and economic system. As we transition from emergency response to recovery and rebuilding, we have an opportunity to build back better by addressing the lack of inclusivity and sustainability in our economic system, which has resulted in growing inequality and accelerated the climate emergency.

The social and solidarity economy (SSE) is a means to find better ways to organize our societies and to achieve more inclusion, as it brings together principles of solidarity, reciprocity and social cohesion, whilst providing goods and services for the common good.

Because of this, the SSE has been central to the development cooperation programmes of the Government of Flanders (GoF) in South Africa for several years. Our aim is to help build an economy which is based first and foremost on people – all people – instead of revolving around capital, profit and consumption. In 2009, the ILO and the GoF hosted the first regional conference in Africa to explore the role of the SSE in responding to the financial crisis. This led to a raft of support by the GoF to various organizations, which included the setting up of the Social Enterprise Fund by the Industrial Development Cooperation (IDC), projects around entrepreneurship education and skills development, business incubators and mentorship, as well as a body of research and publications. These experiences and lessons helped us better understand how we create an enabling environment for the SSE allowing it to grow and create decent work.

But we are still in crisis. There is an urgent need to reduce inequality, promote employment,

especially for young people, and address the climate emergency. But to address inequality, we need to understand what the SSE looks like in areas that have different levels of access to opportunity and services. One of the key motivations of the SSE is the creation of sustainable employment and integrated opportunities for people from vulnerable and marginalized groups, whether these are people with disabilities, migrant workers, older workers or people living in poverty, to name a few target groups.

Through collaboration, partnership and an iterative approach to learning, we have been able to colour in the dots. This report confirms what we assumed at the beginning, that the people working in the SSE bring extraordinary benefit to their communities, as they find better solutions to society's challenges. It shows the scope of work they do, and the value they bring in building tolerance, trust and togetherness. As we navigate out of the economic shock that has been wrought by COVID-19, social and solidarity economy organizations have opened the doors to the rebuilding phase by keeping people together, continuing to provide goods and services, and working in a spirit of solidarity, mutualism and reciprocity.

By understanding what the SSE looks like in South Africa, we can tailor our support and maximize effectiveness of this support. Together with the SSE Policy that is currently being developed by the Department of Trade, Industry and Competition, in collaboration with the ILO and the IDC, and supported by the GoF, this report represents an important milestone in our journey to developing inclusive societies that are socially, environmentally and economically responsible.

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## ► Abbreviations

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<b>the dtic</b>	Department of Trade, Industry and Competition
<b>Brand SA</b>	Brand South Africa
<b>EU</b>	European Union
<b>GDP</b>	Gross domestic product
<b>GoF</b>	Government of Flanders
<b>ICSEM</b>	International Comparative Social Enterprise Models
<b>IDC</b>	Industrial Development Corporation
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labour Organization
<b>ILO COOP</b>	ILO's Cooperatives Unit
<b>MoU</b>	Memorandum of Understanding
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SSE</b>	Social and solidarity economy
<b>UK</b>	United Kingdom
<b>UN DESA</b>	United Nations Department of Economic and Social Affairs

## ► Glossary of terms

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<b>Social and solidarity economy organizations</b>	An umbrella term that captures the organizations within the SSE, such as cooperatives, social enterprises, mutuals and stokvels as well as organizations that may not have a registered identity.
<b>Practitioners</b>	The term is used to broadly describe people involved in the SSE, although their roles are not specified in the study.
<b>Informal</b>	Informal mechanisms in this report refer to the institutional environment, where organizations rely on societal and cultural systems to function. These systems are highly relational, drawing on local networks and trust-systems. For example, transactions are managed through kinship rather than through formal market mechanisms. Informal systems can happen instead of or together with the formal (regulatory) systems of the state.
<b>Formal</b>	Formal mechanisms in this report refer to the institutional environment where the rules of engagement are established by the state. Here organizations work to comply and conform with state-sanctioned mechanisms to function. Therefore, they are registered, have bank accounts, contract their workers and adhere to regulations.

## ► Executive summary

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This research report analyses data collected between July–December 2019, during the Social and Solidarity Economy draft Green Paper consultation process. The research goal was to better understand the social and solidarity economy (SSE), recognizing that the country's contextual diversity results in extraordinary diversity in the SSE. The research question around which the study was designed was: 'What does the SSE look like in South Africa?'

The insights from these data allow for recommendations on how to support the SSE. The SSE is a large and important part of many developed and developing market economies and is regarded as an important mechanism to achieve inclusive economic growth that addresses South Africa's inequality, unemployment and poverty. Getting the policy mix 'right' to enable the SSE will unlock benefits, such as more and better jobs, especially in communities that are excluded or marginalized from economic centres.

To this end, this report identified six research questions:

- 1     What characterizes SSE practitioners and their organizations?**
- 2     How do social and solidarity economy organizations fit into the institutional framework?**
- 3     What sectors do social and solidarity economy organizations operate in, and where do they fall short?**
- 4     How do social and solidarity economy organizations access funding?**
- 5     What is the skills profile of social and solidarity economy organizations?**
- 6     What did respondents say about their struggles and potential solutions?**

The Social and Solidarity Economy Policy team travelled to all nine provinces, targeting people working in the SSE in the country's most poor and least poor districts. This report is based on the survey responses of n=506 people, with respondents working in districts that plot across the multi-dimensional poverty index of Fransman and Yu (2019).

## Summary of findings

### ► 1     Characteristics

Social and solidarity economy organizations are mostly microentities employing less than 10 people. They are registered as for-profit organizations, not-for-profit organizations and cooperatives. People live and work locally, and few work outside of their local district.



## 2 Institutional framework

Organizations are mostly registered and have organizational bank accounts, complying with formal-institutional dimensions. However, they do not all rely on contracts to manage agreements, which is a sign of their dependence on informal dimensions. Instead we see trust and localness playing a role. Municipalities and community have almost equal importance to social and solidarity economy organizations.



## 3 Sectors of work

Social and solidarity economy organizations are developmental in their approach, working across sectors that range from education to health to care for our elderly. Many have a business identity, aligning with sectors of work such as manufacturing and catering.



## 4 Funding

Organizations are financially insecure, with either no income, or low income from the previous month. They rely mostly on single sources of funding and financing, which is a risk to their sustainability. Many are personally vested in their work or derive income from community sources. Grants remain the primary source of funding to social and solidarity economy organizations.



## 5 Skills profile

Organizations mostly report a skills match between employees/volunteers and the work that is needed. However, access to practical enterprise management skills training is one of the top requests from respondents, when identifying what support they would request from the President if they had the opportunity.



## 6 Struggles and potential solutions

Three pillars of support are identified to enable the ecosystem for the SSE in South Africa: A helpful environment, access to resources and access to a range of support packages, including skills training.

This was developed from a thematic analysis that identifies access to resources (particularly access to finances) as the primary barrier social and solidarity economy organizations experience.

## Recommendations: The enabled ecosystem

Based on the findings, the study models what an enabled ecosystem looks like for the SSE in South Africa. In doing so, it provides a template for policymakers, identifying the need to build an **ecosystem** that provides a **helpful environment, access to resources** and **access to a range of support services**, whilst recognizing the value of local-level interventions that support the community-driven responses of social and solidarity economy organizations.



## Structure of the report

This research was conducted as part of [wider efforts](#) by the Department of Trade, Industry and Competition (**the dtic**), ILO, the Industrial Development Corporation (IDC) and the Government of Flanders (GoF) to develop a policy for the [social and solidarity economy](#) (SSE) in South Africa.

This report is structured as follows: it describes the research approach including a description of the final sample and then sections 3–8 detail the results to each of the above research questions. Sections 9 and 10 bring together the report's recommendations.

A photograph of a young Black man with short hair, wearing a bright blue t-shirt, smiling warmly at the camera. He is wearing light-colored, translucent plastic gloves and is holding a clear plastic bottle. In the background, several other people in blue shirts are working in a grassy field, some bending over. The scene suggests a community service or environmental cleanup event.

## ▶ Introduction

---

## ► 1. Background to the SSE in South Africa

The SSE refers to a broad set of activities inspired by the pursuit of economic, social and environmental objectives and characterized by inclusivity, sustainability and democracy (Steinman 2017). As important as these activities are in all country contexts, they are especially important in an emerging economy like South Africa, where public goods and services are often underprovided (Urban 2013) and where poverty and inequality are pronounced (Stats SA 2019; Sulla and Zikhali 2018).

It follows that social and solidarity economy organizations fill an important gap by meeting unfulfilled needs and increasing social welfare and environmental protection. A study by **the dtic** as part of the development of the draft Green Paper for the Social and Solidarity Economy found that between 4%–6% of total jobs are in the SSE. A follow-up national household survey by Brand South Africa (Brand SA) conducted during the COVID-19 lockdown in late 2020 found that approximately 3.5 million South Africans participate in the SSE, contributing to employment and producing social goods and services (2020).

SSE activities are community-centred, often focused on the most deprived communities. They are often championed by women and young people (Lovasic and Cooper 2020; Myres et al. 2018; Hanley, Wachner and Weiss 2015). Their inclusive nature means that they are an important employer of marginalized people, such as those with disabilities or refugees (Kummitha 2016).

But the SSE's inclusivity is also in its democratic structures, where principles of mutualism and reciprocity inform decision-making and accountability (Borzaga, Salvatori, and Bodini 2017). Hence, furthering the SSE agenda is critical in South Africa where economic exclusion remains, and social cohesion and trust building is a priority (Ballard 2019; Conceição 2019).

 **Furthering the SSE agenda is critical in South Africa where economic exclusion remains, and social cohesion and trust building is a priority.**

A purpose of the SSE policy process was to bring clarity to our understanding of the sector, and its size and scope. Because of its cross-cutting nature, the SSE is informed and governed by a regulatory framework that is the mandate of various social, environmental and economically focused government agencies.

This fragmentation means that the SSE is underappreciated, and still in need of support to realize its potential. International experience suggests that this underappreciation is common, but short-sighted.

The SSE is a large contributor to the economy, surpassing other more well-known contributors to gross domestic product (GDP). Globally we see the relevance and impact of the SSE, with 6.4% of the European Union's (EU) workforce employed within its more than 2.8 million social and solidarity economy organizations. In the United Kingdom (UK) 5% of the national workforce is in the sector, with peaks of 9%–10% in Belgium, Italy and France (CIRIEC 2017; OECD 2020; UK Cabinet Office 2017). We also see a growth in SSE activity in Asia with policy development in countries such as Thailand, Malaysia, the Republic of Korea and Indonesia.

Policy is also being developed across South America, in Africa and by regional bodies such as the African Union, whilst global research initiatives such as the International Comparative Social Enterprise Models (ICSEM) project are consolidating our understanding of the SSE (Defourny, Nyssens and Brolis 2020; Gaiger 2018).

The SSE's importance in South Africa has become increasingly clear (Littlewood and Holt 2015; Urban and Kujinga 2017; Visser 2011). However, there are measurement problems, given the SSE's scope and broad definition, which is one area of much-needed work (Economic Development Department 2019).

Work on the SSE has been ongoing in South Africa for more than a decade, although its origins date back much further (Littlewood and Holt 2015)<sup>1</sup>. Key milestones for South Africa came in 2009 via a regional conference held in Johannesburg, [The Social Economy – Africa's response to the Global Crisis](#). This conference created a platform for SSE practitioners to come together and brought recognition to the SSE by raising its prominence. Conference participants agreed on the following definition of the SSE:

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 [T]he social economy is a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity (ILO 2009, para. 1)

In 2010, the [New Growth Path](#) formally acknowledged the SSE's importance and the need to support it (Republic of South Africa 2011). Work continued on the SSE via a series of conferences and academies, such as the [ILO Academy in SA, 2015](#), and the [Decent Work Academy](#), between 2013–2017.

The GoF expanded its programme of support to the SSE, with the IDC coordinating a study visit to the UK which led to the establishment of a dedicated [Social Enterprise Fund](#) in 2012, as well as provincial work by the ILO in the Free State and KwaZulu-Natal provinces. University centres, awards programmes, enterprise development support and incubation programmes followed and in 2017 a signing of a Memorandum of Understanding (MoU) between Minister Ebrahim Patel, and the ILO and the GoF, marked the beginning of the policy development process. Teams were appointed by **the dtic** and the ILO to develop the policy in 2017, and the National Social Economy<sup>2</sup> draft Green Paper was published for public consultation in February 2019<sup>3</sup>. It has the following South Africa-specific description of the SSE:

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 The Social Economy is a people-centred approach to economic development based on the principles of sustainable economic activity that stimulates socially and environmentally responsible growth by leveraging and simultaneously building solidarity and social inclusion (Economic Development Department 2019, para. 22)

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1 See also: [Social and Solidarity Economy \(SSE\) at the ILO](#)

2 The terms 'social economy' and 'social and solidarity economy' are used interchangeably in this report.

3 The ILO report 2009 outlines the process followed in developing the SSE policy.



Between July and December 2019, consultations on the draft Green Paper took place and data were collected, which informed its revision and this study. To support and advance the SSE, the updated draft Green Paper of May 2021 has four focus areas:

- ▶ Access to Markets;
- ▶ Finance Mechanisms;
- ▶ Social Innovation; and
- ▶ the Legal and Regulatory Environment.

The draft Green Paper on the Social and Solidarity Economy, together with background reports on the consultation process can be found at [www.socialeconomypolicy.org](http://www.socialeconomypolicy.org)

## ► 2. Research approach

The research design focused on identifying what dimensions of the institutional system social and solidarity economy organizations were responding to. This followed a literature review process, which continues to highlight that organizations in constrained environments respond to both formal and informal dimensions (see, for example, Amoako, Akwei, and Damoah 2020; Amoako 2019; Webb, Khoury, and Hitt 2020; Bruton, Sutter and Lenz 2021).

- ▶ Formal dimensions are those that represent the legal-regulatory environment. For example, are organizations registered? Do they have organizational rather than personal bank accounts? And to what degree do they use contracts to manage transactions and agreements?
- ▶ Informal dimensions are those that use intangible, cultural methods to operate. For example, do people rely on trust or their personal networks instead of contracts to manage transactions and agreements? How do they finance their work? Do they know their community well, and does this translate into support?

Often policy development is focused on strengthening the legal-regulatory dimension. By understanding how social and solidarity economy organizations operate in both the formal and informal dimension, a model of what is needed to enable the environment for the SSE could be done.

### 2.1 Research questions

The following research questions were identified for the study.

**Figure 2: Research questions**

- 1 What characterizes SSE practitioners and their organizations?**
- 2 How do social and solidarity economy organizations fit into the institutional framework?**
- 3 What sectors do social and solidarity economy organizations operate in, and where do they fall short?**
- 4 How do social and solidarity economy organizations access funding?**
- 5 What is the skills profile of social and solidarity economy organizations?**
- 6 What did respondents say about their struggles and potential solutions?**

There is an established body of literature that characterizes poverty and inequality at provincial, district and municipal level in South Africa, which aligns with national census protocols (David et al. 2018; Fransman and Yu 2019; Stats SA 2019; Sulla and Zikhali 2018). Districts are administrative boundaries, and are the second level of administrative division (David et al. 2018). The study therefore focused on capturing district-level data to assess where social and solidarity economy organizations were operating and to compare if and how they were affected by working in the country's least and most poor and unequal districts.

## 2.2 Data collection

After the draft Green Paper was published, a consultation process ensued; the ILO, **the dtic** and the IDC cofacilitated 22 policy-consultation workshops across the country. These workshops provided a unique opportunity to collect data. The data were needed to enhance the understanding of a diverse sector, and to address the general lack of data in the SSE, especially across poverty and inequality dimensions. Attendees were invited from publicly available databases ( $n=154,601$  entries) and through a wide range of networks, such as those of local government officials, and via social media channels. At the end of each workshop, the attendees ( $n=766$ ) completed an English-language pen-and-paper questionnaire that gathered a wide range of information covering demographics, organizational characteristics and approaches.<sup>4</sup>

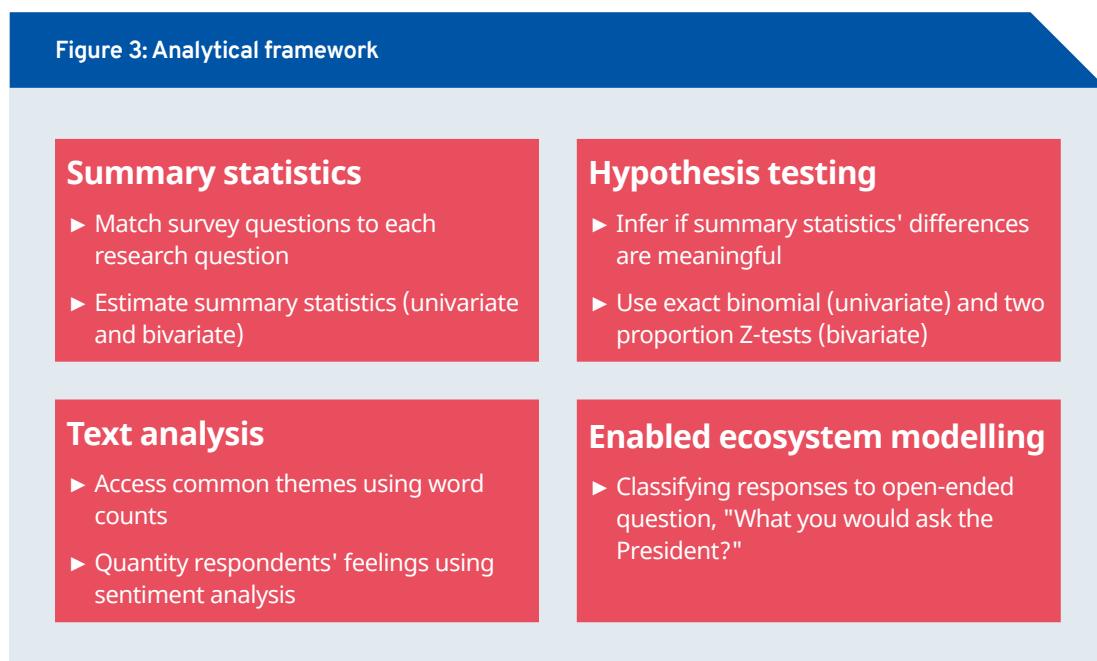
The steps taken in developing the sample for this study and the data collection processes are outlined in Appendix 1.

## 2.3 Analytical approach

DNA Economics was commissioned to analyse the data. Both quantitative and qualitative techniques were used which are described throughout this report.

The analytical framework for this research is presented in Figure 3, which summarizes the methods used.

The DNA Economics research team engaged with a panel of project partners as well as with Brand SA's research team, which provided rich qualitative information to supplement the analysis.



4 The dataset comprises responses from 506 respondents. All statistics presented in this report are based on these data, hence data sources are not reported for any figures. Further information on the data collection process and sample is in Appendix 1.

## 2.4 Description of the final sample group

The final sample following data cleaning is n=506.

Respondents work in 35 of 51 districts, which plots as a bell-curve across the multi-dimensional poverty district rankings published by Fransman and Yu (2019). Consequently, we can draw nationally relevant insights on the SSE, as the respondents live and work in districts that reflect South Africa's very different poverty and inequality realities. Figure 4 shows where the districts respondents work. Forty-four percent of social and solidarity economy organizations work in the poorest districts (districts ranked 31–40 and 41–51), and 37% in the least poor districts (districts ranked 1–10 and 11–20), which is dominated by the metropoles. As such, the **findings in this report represent a wide variety of contexts** and enable us to draw insights on the SSE from across different poverty and inequality contexts.<sup>5</sup>

 Consequently, we can draw nationally relevant insights on the SSE, as the respondents live and work in districts that reflect South Africa's very different poverty and inequality realities.

Figure 4: Work location by multi-dimensional poverty index ranking

Respondents work in districts across the multi-dimentional poverty index



**Note:** Respondents were asked: "Please write which district/local municipality you work from". Answers to where respondents work were matched to 2016 district multi-dimensional poverty rankings calculated by Fransman and Yu (2019).

<sup>5</sup> Poverty and inequality are often discussed together, but the relationship is correlated, not causal. The indicators for multi-dimensional measures of inequality are similar to those used to assess multi-dimensional poverty: education, healthcare, economic activity and standards of living. Because of South Africa's spatial inequality and poverty, this district-level analysis allows conclusions to be drawn on social and solidarity economy organizations in the context of poverty and inequality. See Stats SA (2019), Sulla and Zikhali (2019) and Fransman and Yu (2019) for more.

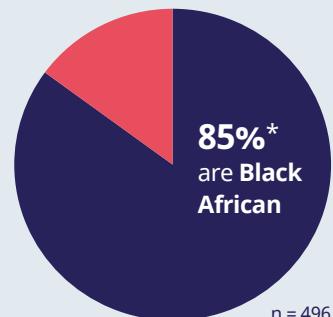
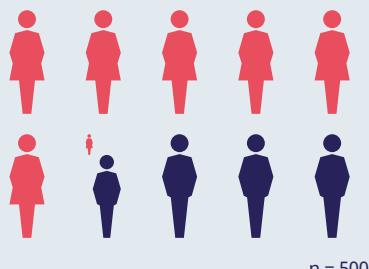
### Textbox 1: The multi-dimensional poverty index explained

The multi-dimensional poverty index by Fransman and Yu (2019) ranks districts by poverty levels. Those that are most poor have the highest rankings (for example, Alfred Nzo in the Eastern Cape is ranked 51 out of 51 districts), while the least poor districts are ranked lowest. Poverty and inequality are often discussed together, but the relationship is correlated, not causal. The indicators for multi-dimensional measures of inequality are similar to those used to assess multi-dimensional poverty specifically access to education, healthcare, economic activity and standards of living. See Stats SA (2019), Sulla and Zikhali (2019) and Fransman and Yu (2019) for more.

Figure 5 shows that the sample consists of mostly females (62%), with the large majority Black Africans (85%), of which 17% are young people (29 years or younger<sup>6</sup>). Thirty-three percent of the sample are over the age of 50, with 26% aged 40–49 years, and 24% 30–39 years.

**Figure 5: Summary statistics of gender, race and age**

**62%\*** of respondents are **female**



Only **17%\*** of respondents are **29 years or younger**

18-24 y/o:

6%



**Note:** Exact binomial tests were conducted to infer whether [i] the percentage of females in the sample (62%) is meaningfully higher than the South African population percentage of 51%, [ii] the percentage of Black Africans in the sample (85%) is meaningfully higher than the South African population percentage of 81%, [iii] the percentage of 18-29-year-olds in the sample (17%) is meaningfully less than the South African adult population percentage of 31%, and [iv] the percentage of 25-29-year-olds in the sample (11%) is meaningfully less than the South African adult population percentage of 14%. All hypothesis tests resulted in p-values below 1%, indicating a very small chance that the observed differences are due to random variation, but rather that sample characteristics are actually different from the overall population characteristics. For example, these estimates suggest a greater proportion of Black Africans (85%) in the SSE than in South Africa in general (81%). However, a four percentage point difference is not necessarily large enough to constitute a consequential difference, despite the low p-value. The results are sufficiently reflective of the national demographic for us to be able to draw inferences from them in general. South African population percentages were obtained from Stats SA's mid-year population estimates (Stats SA 2020).

<sup>6</sup> We do not know the percentage of respondents that are 35 years or younger – which is the common cut-off for young people in South Africa – due to the formulation of the question regarding age.

### Textbox 2: A note on hypothesis testing and p-values

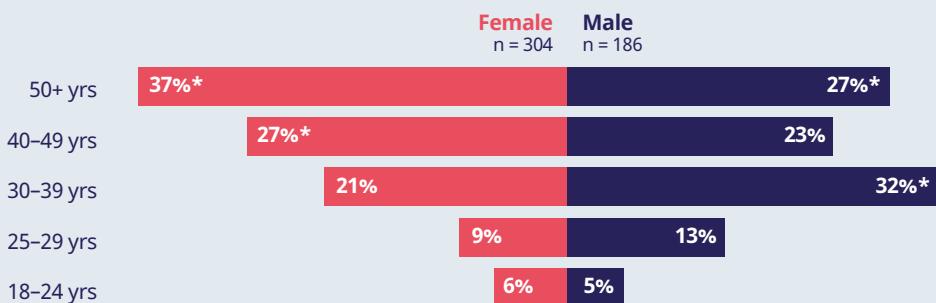
Hypothesis testing is a common statistical procedure to assess whether statistical result, such as percentages calculated from survey data, are meaningful. An example best explains this. We know from Statistics South Africa's (Stats SA) mid-year population estimates that 51% of South Africans were female in 2020 (Stats SA 2020). Now suppose we collected data and calculated that 55% of respondents in our sample were female. This variance could be due to chance – some random occurrences – that a few extra females completed our survey and drove up the percentage. Hypothesis testing is useful because it allows us to quantify this uncertainty (chance). For example, if the hypothesis test produces a p-value of 1%, the test indicates a 1% chance that some random occurrences drove our findings. However, a 1% chance is very low. We can then conclude that there is greater female representation in our sample than in the South African population. Hypothesis testing also allows us to compare two percentages within our sample. For example, suppose that 37% of females in our sample are 50 years or older, whereas the corresponding estimate for males is 27%. Hypothesis testing allows us to estimate how likely the observed difference may be due to chance. If this percentage is small (the p-value), we can conclude with some confidence that there are more females than males in the 50 years or older age category in general.

Note: Since the data used in this report are from a convenience sample, hypothesis testing will be more valid for within sample comparisons than comparing summary statistics with population estimates.

Females in the sample are mostly older than males, except in the 30–39-year age category. Gender and age characteristics even out in the younger age brackets.

**Figure 6: Age by gender**

**Females are older** than males in this sample



**Note:** Two proportion Z-tests were conducted for each age category, which tests whether the percentages of females and males within each age category are meaningfully different from each other. A statistically significant result (p-value less than 5%) is indicated with an asterisk (\*) next to the percentages for females and males within an age category. This indicates that the observed differences between females and males within age categories were unlikely due to chance and that the difference is large enough to constitute a meaningful difference.

### ► Comment

The sample reflects a spread of responses from people working across South Africa's poverty and inequality realities. As a result, nationally relevant conclusions can be drawn. It is encouraging that there is no obvious skew in terms of the spatial socio-economic context of respondents. In addition, the multi-dimensional poverty index categories were cross-tabulated with organizational size and registration type but did not reveal any notable trends. This implies that the summary statistics in this report are somewhat generalized.

Young people (17% are under the age of 29) are underrepresented in these data compared to the general population. This is consistent with other large mapping studies of the sector, for example, Teles and Schachtebeck (2019) and Lovasic and Cooper (2020), which both report predominantly older respondents. It is important to note that non-representativeness matters to the extent that age is correlated with variables analysed. This means that if age is unrelated to a specific variable being analysed, it may not matter that there are more older respondents in this sample than in the SSE population. However, it is recommended that further studies focus on national representativity, and deliberately target responses from young people. A nationally representative sample of the SSE with a large sample size will go a long way to informing these and many other questions about the SSE. This is a key recommendation of this report.

**Figure 7: Sample group summary**



The sample draws people from across the multi-dimensional poverty index, and nationally relevant conclusions can be drawn



The sample is mostly female, Black African, and older but with limited experience. Young people are underrepresented



They work across the socio-economic spectrum in South Africa

### ► Textbox 3: A note on future data collection

The SSE is broad and diverse. Hence the data collected need to enable the analysis of various subsamples. Of course, there is no single correct answer for how large the sample should be. Still, a larger sample has the benefit of answering various specific questions and ensuring greater representativity of the population with a lower margin of error. The target population would be the working-age population – employed or not – since the SSE comprises many activities. Data must then be collected from a stratified sample according to demographics and potentially other SSE indicators, if known, with relative certainty.

A woman with a warm smile holds a clear plastic bag filled with light-colored beans. She is wearing a patterned headwrap and a blue apron over a yellow shirt, standing in front of a vibrant mural of various fruits like strawberries, oranges, and plums.

## ▶ Results

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### ► 3. What characterizes SSE practitioners and their organizations?

This section describes respondents and their organizations. Beyond a description of social and solidarity economy organizations, insights from these data reveal potential challenges and considerations regarding how the SSE could be supported.

#### 3.1 Live and work

In terms of where respondents are located across the country, Figure 8 shows that the sample comprises respondents living in all nine provinces. This is also true for where respondents work, with a similar distribution of responses. Overall, an average **98% live and work in the same province**, an early indicator that social and solidarity economy organizations are local.

This is supported when analysing respondents' responses regarding which district they work in. Out of the 458 responses to this question (data not shown), 95% indicated that they operate in just one district. As such, these data indicate that social and solidarity economy organizations operate **in their immediate locale**.

Figure 8: Provincial distribution of where respondents live and work

Number of respondents that live and work in the same province (n=509)



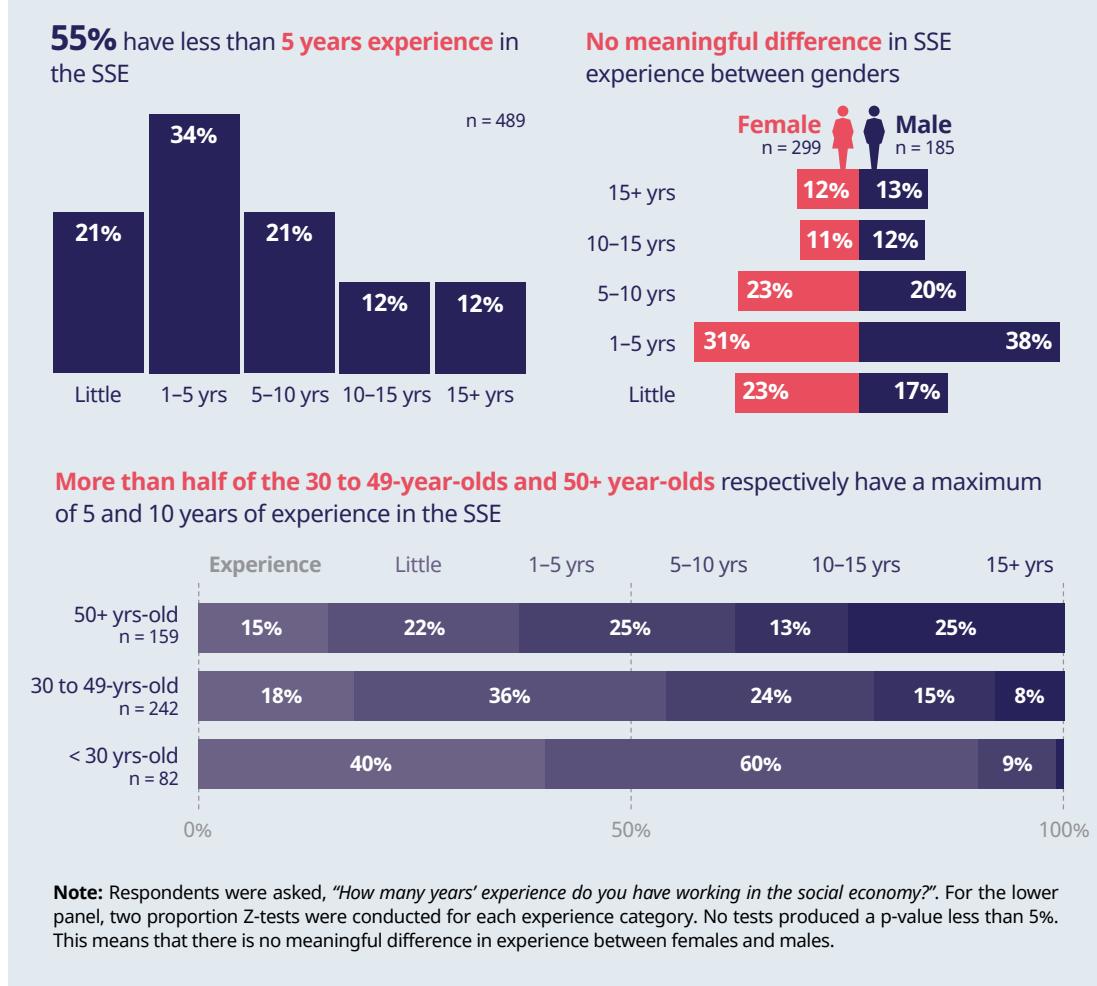
#### ► Comment

People are **local to their area, living and working in the same place**. A picture begins to emerge when comparing the sample profile to other large-scale studies, such as Myres et al. (2018) and Lovasic and Cooper (2020): That older people are active in the SSE, and that individuals and organizations are very localized.

### 3.2 Experience in the SSE

Despite an older sample group, reported levels of experience are low (see left panel Figure 9), with 55% of people having less than 5 years' experience. Analysing experience levels across age categories **indicates that people are entering the SSE later in life** (see bottom panel Figure 8). This is supported by the finding that 62% of respondents 50 years or older have less than 10 years' SSE-specific experience. When analysing years of experience by gender, there is a similar pattern of low experience, with the most frequent experience category being 1–5 years for both males and females. Further, there are notably fewer SSE practitioners for the 5–10-year experience category relative to the 1–5-year experience category for the full and gendered samples.

**Figure 9: Experience, experience by age, and experience by gender**



#### Comment

The study did not explore reasons behind this, but there may be some factors driving SSE practitioners out of the SSE after five or fewer years: possible causes may be enterprise failure or a liability of newness, which according to Rutherford, Mazzei, Oswald and Jones-Farmer (2018) is especially pronounced in the SSE. This could be creating a-typical movement in the SSE. In contrast, it could be that skills gained in the SSE offer respondents opportunities outside the SSE, or conversely that those with non-SSE experience are drawn to it later in life. This is an avenue we recommend for future research.

### 3.3 Organizational size and legal form

Analysing social and solidarity economy organizations' characteristics in Figure 10 reveals that they are mostly (86%) micro-organizations, classified as having 10 employees or less (Daroll 2019). A majority (38%) have between 1–5 employees, and 20% are owner-only. Fourteen percent fall into the small to medium enterprise category, having more than 11 employees.

In South Africa, there are three primary legal forms that organizations register as: for-profit companies, not-for-profit companies, and cooperatives. Most (94%) of the sampled organizations are registered. The most common legal form is the for-profit company at 33%, closely followed by the not-for-profit company (31%), and approximately one quarter (24%) are cooperatives. A small component (6%) of social and solidarity economy organizations are registered as more than one legal form, which we term hybrid organizations for the purposes of this study. An equal percentage (6%), report not being registered.



A cross-tabulation of organizational size and legal form provides insights into whether there is a work advantage to organizations that are registered. The results are shown in Figure 11. **Non-registered organizations employ the least number of people**, with 26% operated by just one person, and **none employing more than 10 people**. They also have the greatest reliance on volunteers: 41%, compared to 17% volunteering in cooperatives and 13% not-for-profits.

Among registered organizations, the most common organizational size category is 1–5 employees, which is highest among for-profit companies (47%). Not-for-profit companies tend to be larger than other legal forms. Nevertheless, the majority of organizations are microenterprises, irrespective of legal form.



### ► Comment

These findings align with other national studies such as Myres et al. (2018) and Lovasic and Cooper (2020), which both had samples dominated by microenterprises, with high for-profit and not-for-profit legal forms. Hybridity was also lower than expected: 14% in the multi-country study by Hanley et al. (2015), 8% in Myres et al. (2018) and 16% in Lovasic and Cooper (2020). Clearly, social and solidarity economy organizations are micro in nature but the high number of registrations shows that they are conforming to formal dimensions, and the legal requirement to be registered. Registered organizations employ more people and are more likely to transition from micro to small enterprises.

The higher number of for-profit registrations also raises an interesting perspective on the SSE. A review of the literature shows that for-profit entities are more familiar to people, and therefore preferred. It is also easier to set up subsidiary support systems, such as bank accounts, as the for-profit legal form is 'mainstream' (Amoako and Lyon 2014; Kistruck, Webb, Sutter and Bailey 2015; Webb, Tihanyi, Ireland and Sirmon 2009). There is clearly an advantage to the for-profit legal form for social organizations, and an advantage to a single legal form over hybrid structuring. More research is recommended on whether a new organizational form is needed as has been proposed for social enterprises, or whether there is sufficient flexibility within current for-profit, not-for-profit and cooperative legal forms to accommodate the diverse social, economic and democratic goals of the SSE.

 More research is recommended on whether a new organizational form is needed as has been proposed for social enterprises.

<sup>7</sup> No obvious trends were observed for hybrid organizations. They were excluded for brevity.

## 3.4 Findings: Individual and organizational characteristics

Respondents have low experience in the SSE and as an older sample are coming to the sector later in life. Understanding their prior working experience would help reveal the type of support they need.

SSE practitioners are local to their areas, working in the same province and district. They run mostly micro-organizations (a maximum of 10 employees). **Organizational hybridity is low**, with few organizations registered as two or more legal forms. An encouraging finding from these data is that many social and solidarity economy organizations are registered. Future research could investigate what drives social and solidarity economy practitioners, the benefits of being local and the barriers to growth and organizational size. Determining the value of volunteerism as well as quantifying the economic and social returns associated with community-led, community-based work is also needed.

Interestingly, employee numbers in this sample are small when compared to social enterprise-specific studies from Lovasic and Cooper (2020) and Richardson et al. (2020) where average employment is estimated at 18 and 21 employees respectively. Their projections that focus on a specific organizational type (social enterprises) within the wider SSE are heartening. These projections, together with this study and the subsequent Brand SA (2020) study, affirm the **decent work and job creation potential of the SSE**.

The **SSE must remain a priority sector for meaningful intervention in addressing South Africa's employment crisis**, especially if organizations offer an opportunity for embedding principles of decent work and sustainability.

## 3.5 Implications and future research

Figure 12: Research question 1 summary

What characterizes SSE practitioners and their organizations?



Social and solidarity economy organizations are local: People live and work in the same province, and mostly work in one district only.

Supporting the SSE implies promoting inclusion across the country. But low participation of young people and limited experience may require further investigation to inform a policy response.



Most social and solidarity economy organizations are microenterprises. They are registered as required by law and employ less than 10 people.

Non-registered social and solidarity economy organizations employ the fewest number of people and are more likely to have volunteers. It points to the possibility of a relationship between registration and employment.

## ► 4. How do social and solidarity economy organizations fit into the institutional framework?

### Textbox 4: The formal and informal dimensions of the institutional environment

The institutional environment is described as having two dimensions: a regulatory dimension where organizations benefit from and are validated by operating within state-sanctioned rules. Compliance to legal rules – such as organizational registration, or paying tax – equates to good practice, and organizations benefit by being deemed credible and legitimate. The second dimension is informal, where organizations adhere to rules codified through cultural value-systems, norms and standards. Often unwritten, these values determine right and wrong and typically require local knowledge, and credibility that is built through trust and networks (Amoako and Lyon 2014; Webb, Khoury and Hitt 2020; Webb, Kistruck, Ireland and Ketchen 2010). Bridging these two dimensions are normative systems that are developed from cultural values and morals, but are not enforced by the state, for example, the King Codes.

Because not all entrepreneurship occurs within the regulations governed by the state, it is important to understand how social and solidarity economy organizations interact with both the formal and informal dimensions. In this way, we can draft policy that best supports and enables social and solidarity economy organizations.

This section describes respondents and their organizations. Beyond a description of social and solidarity economy organizations, insights from these data reveal potential challenges and considerations regarding how the SSE could be supported.

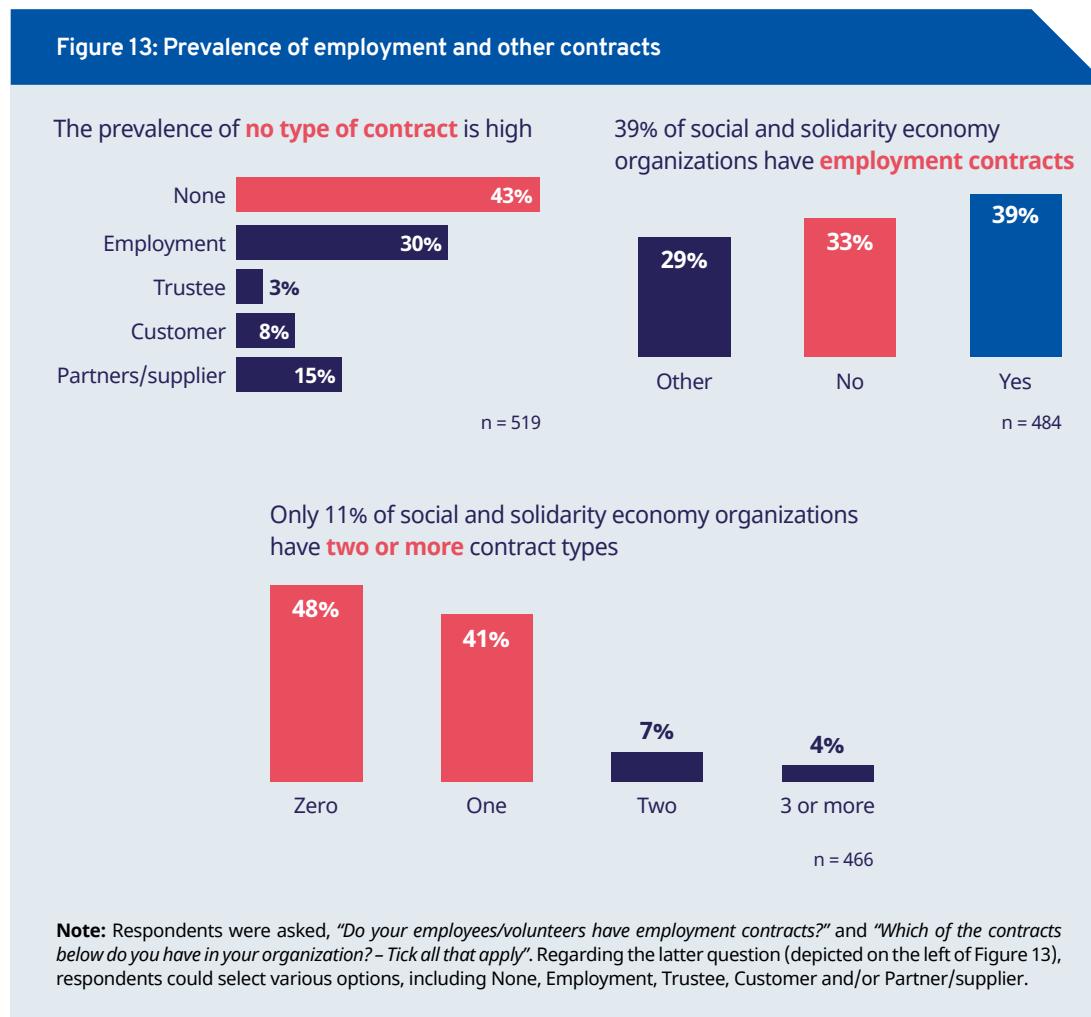
This section expands on our understanding of social and solidarity economy organizations by investigating the institutional environment they operate in. Our goal was to understand what dimensions – formal or informal – organizations are conforming to, as this has an important bearing on what **policy levers can be introduced to better support the SSE**. For example, we need to ask whether more regulations are required? Or would policy benefit from strengthening informal mechanisms such as localized networks and communities of practice, to achieve enabling outcomes?

The study does this by exploring proxies for the formal dimension, by asking whether organizations use contracts, have bank accounts and pay taxes. It assesses how agreements are governed, and whether entities have access to information to be competitive. Based on this, we can draw conclusions on how social and solidarity economy organizations are interacting with the formal and informal systems.

## 4.1 Formal dimensions

### 4.1.1 Contracting

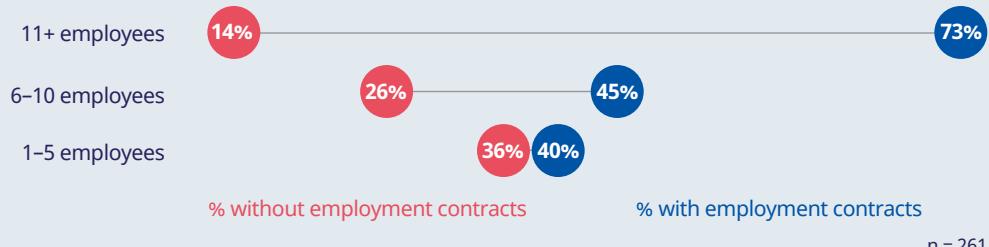
Figure 13 analyses the prevalence of contracts, showing that social and solidarity economy organizations use contracts, but they are not a defining feature in this sample with 43% not using contracts (left panel on Figure 13). When contracts are present, they are most likely to be employment contracts (39% of organizations have employment contracts). Other types of contracts are rare, with 15% having contracts between partners and suppliers, 8% with customers and 3% with trustees. Only 11% have two or more types of contracts.



Analysing the presence of employment contracts by organizational size in Figure 14 reveals a more nuanced picture; the **presence of contracts is strongly related to organizational size and legal form**. Figure 15 shows that organizations that are not registered are least likely to have employees, and least likely to have contracts (65%), compared to 31% of not-for-profit companies that do not have contracts.

**Figure 14: Employment contracts by organizational size**

The percentage point gap between **no employment contracts** and **employment contracts** is higher for larger organizations



**Figure 15: Contract presence by registration type**

Not-for-profits have the lowest percentage – **31%** – of social and solidarity economy organizations that have no contracts

Percentages indicate the prevalence of no contracts for each registration type

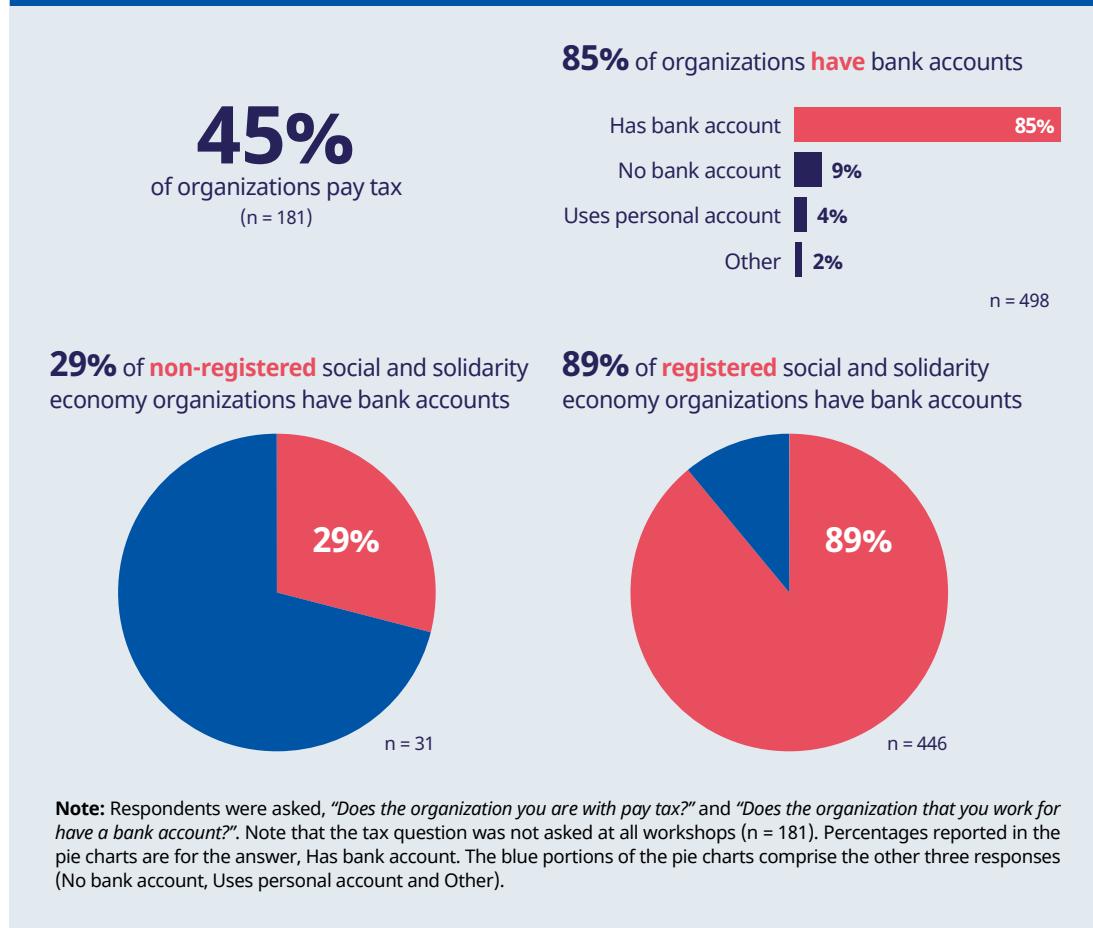


## 4.1.2 Bank accounts and taxes

This section considers two other proxy measures of the formal dimension: whether social and solidarity economy organizations have organizational bank accounts and pay taxes. As shown in Figure 16, 85% of social and solidarity economy organizations have organizational bank accounts, with just 4% of respondents using their personal account. A cross-tabulation analysis shows that **89% of registered organizations have bank accounts**, compared to 29% of non-registered organizations.

Insights into taxation are included although there are caveats for interpretation<sup>8</sup>, including a smaller sample group. Here, only 45% of respondents say they pay taxes, a result that is likely amplified considering people are likely to respond that they pay tax, even if they do not.

Figure 16: Prevalence of taxpayers and bank accounts, and bank accounts by registration



### Comment

These findings, when considered together with the high rate of organizational registration, show that social and solidarity economy organizations operate within formal legal-regulatory dimensions: they are registered and have organizational bank accounts. However, the varied use of contracts to manage and enforce transactions and agreements, and payment of tax, implies that they are not entirely operating within the formal system.

<sup>8</sup> There is much at play behind this estimate. Certain organization types are tax exempt or have special tax status, meaning they are less likely to pay tax. Further, since most social and solidarity economy organizations are small organizations, they may not be required to pay taxes anyway. In contrast, respondents may have felt that they should respond favourably to the tax question, given that they were at a government workshop. This statistic also suffers from a small sample bias as it was not asked at all workshops.

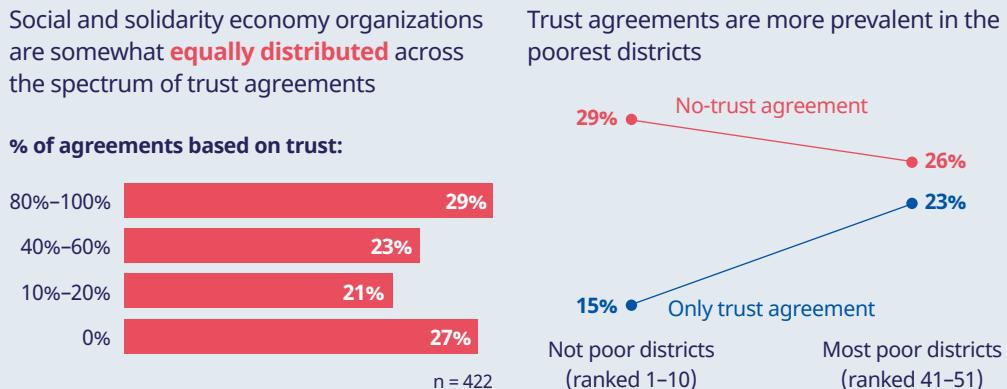
## 4.2 Informal dimensions

### 4.2.1 Trust

To test how organisations interact with informal dimensions, we asked the percentage of agreements that are done through trust, and a handshake.

Figure 17 presents this analysis, showing that social and solidarity economy organizations are almost equally distributed across the spectrum of trust agreements (left panel). While there is no clear trend, 73% run at least some of their agreements on trust, relying on local relationships to facilitate transactions and agreements. A cross-tabulation shows that the prevalence of trust agreements differs between least poor and most poor districts with a greater percentage of trust agreements occurring in the poorest districts (right panel of Figure 17).

**Figure 17: Trust agreements and trust agreements by district poverty ranking**



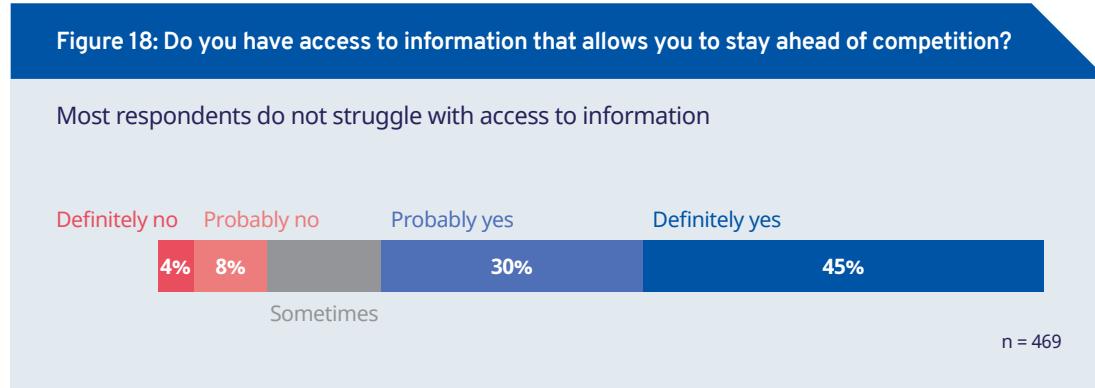
**Note:** Respondents were asked, "What percentage of your agreements do you run on trust and a handshake?". For the analysis of trust agreements by district poverty ranking, No trust agreements mean 0% of agreements are run on trust and a handshake while Only trust agreements mean 100% of agreements are run on trust and a handshake.

### Comment

The results show that many social and solidarity economy organizations adhere to some of the rules of the formal-regulatory system – they are registered, have bank accounts and follow rules and regulations – but not all of them comply. Instead of using contracts to manage and enforce transactions and agreements, social and solidarity economy organizations are also using trust, a characteristic of the informal dimension. Clearly social and solidarity economy entrepreneurs benefit by working across both formal and informal dimensions, and policymakers keen to enable the ecosystem should implement measures that address both dimensions. Social and solidarity economy organizations operating in poorer districts require additional support, if they are to be encouraged to engage more meaningfully in the formal dimension.

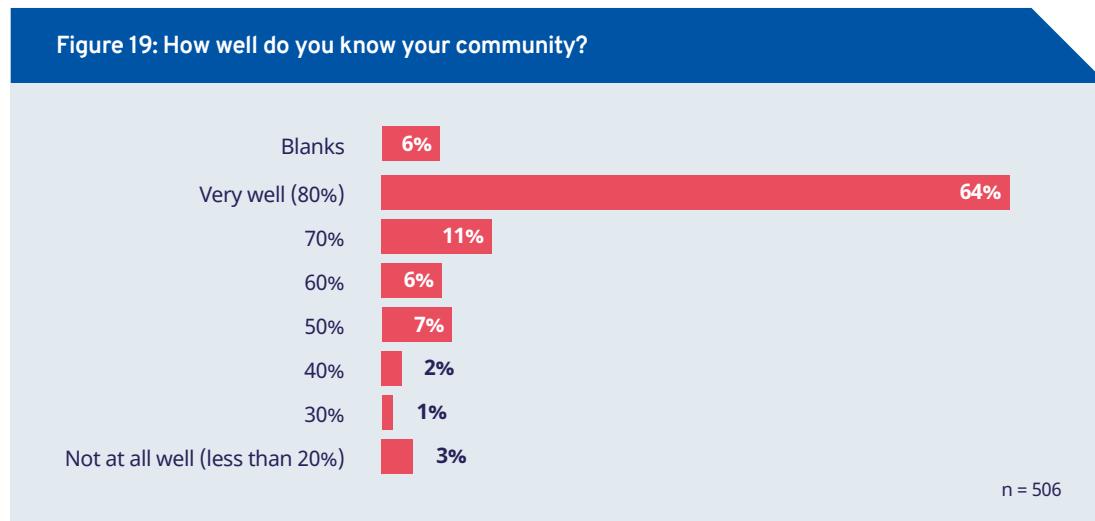
## 4.2.2 Access to information

Access to information is crucial for the success of any organization and is regarded as a key pillar of a functioning ecosystem. It enables people to make decisions, to innovate, and to navigate the hierarchies of the institutional environment (Ebrashi and Darrag 2017; Kolk 2014; Parmigiani and Rivera-Santos 2015). Figure 18 shows that 75% of respondents report positively that they have access to the information that they need to stay ahead of the competition.



## 4.2.3 ‘Localness’

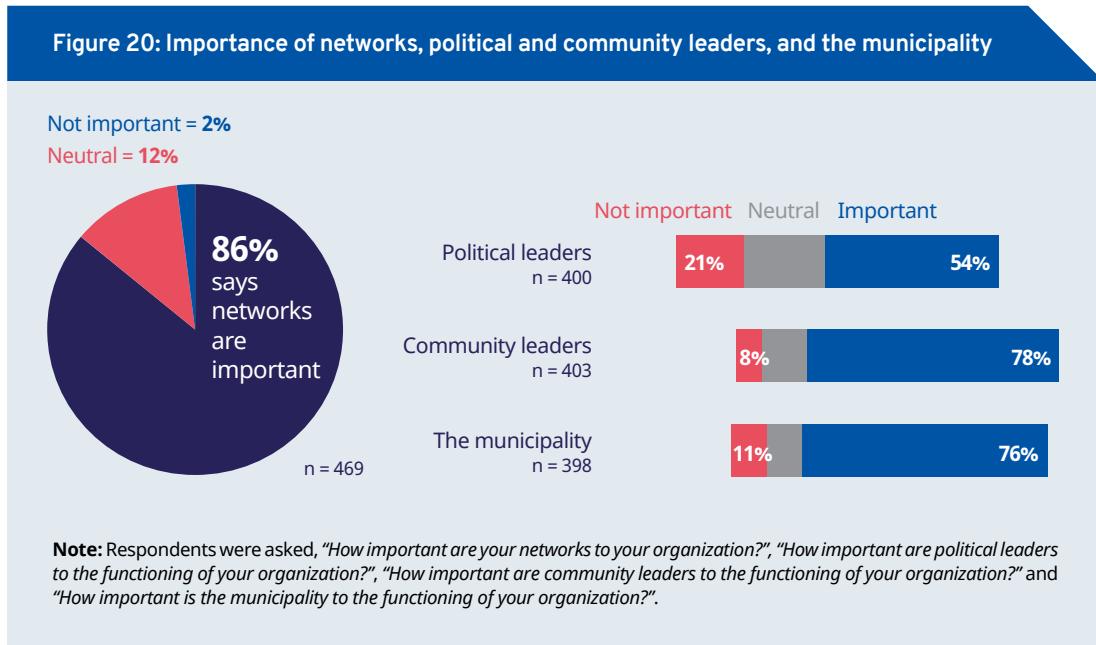
Localness – or embeddedness – is another proxy of the informal dimension. The results in section 3.1 showed that 98% of respondents live and work in one province, and 95% (437 out of 458) of respondents work in one district only. To help determine the value of being local, respondents were asked to rate how well they know their local community. Sixty-four percent rate their local knowledge at 80% and above, as is shown in Figure 19.



The importance of local networks and the type of networks social economy entrepreneurs rely on, were

also tested.

The right panel of Figure 20 shows that community leaders are important to social and solidarity economy organizations **but almost equally important are municipalities**. This is another indicator of social and solidarity organisations operating across formal and informal dimensions, and the value

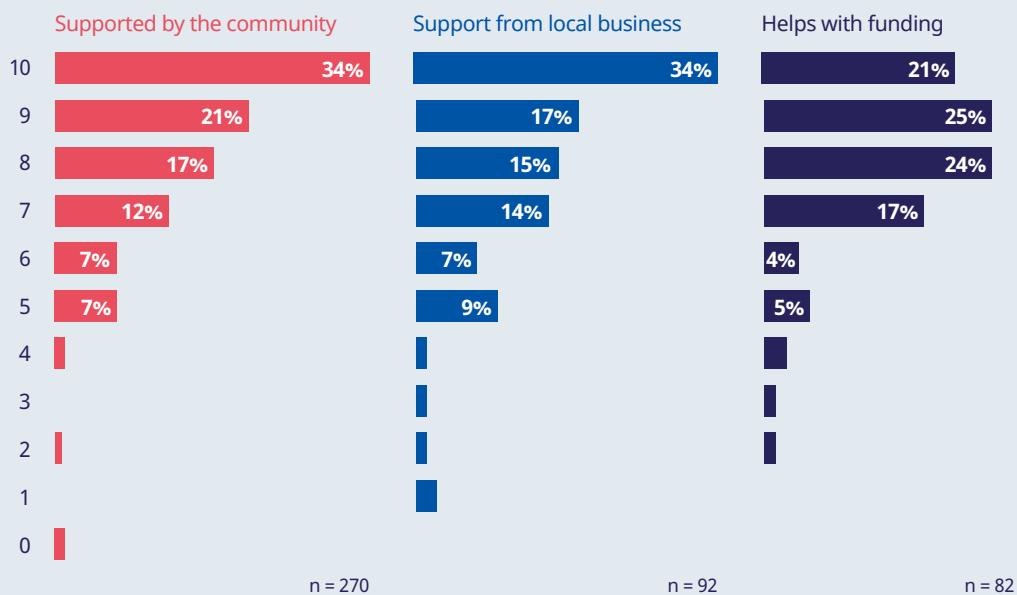


of strengthening support through **both community and municipal networks**.

As is shown in Figure 21, social and solidarity economy organizations translate their local knowledge into support. The figure shows that respondents who report high levels of local knowledge receive support from their communities and local businesses receive support from their communities and local businesses, and funding.

**Figure 21: Translating local knowledge into support**

Local knowledge is associated with various support structures



**Note:** Respondents were asked, “How well do you know your community? Give yourself a rating.” and “What are the advantages of this local knowledge that you have described above? Tick those that apply”. This graphic is a cross-tabulation of these two questions, where responses to the first question are based on a Likert scale from 1-10, and responses to the second question are multiple responses which include answers like: “supported by the community”, “support from local businesses”, and “helps with funding”. Since many respondents only ticked a few items in the second question, there is a small number of observations in certain cross-tabulations.

#### ► Comment

Being local is important to social and solidarity economy organizations that rely on their community and municipal networks. As such, policy should try to account for local features enhancing how social and solidarity economy organizations work with their communities, whilst strengthening overarching institutional conditions, such as support through municipal structures. Their localness also has implications for scaling. The value of the SSE is in-community, rather than multi-community-multi-province, scaling.

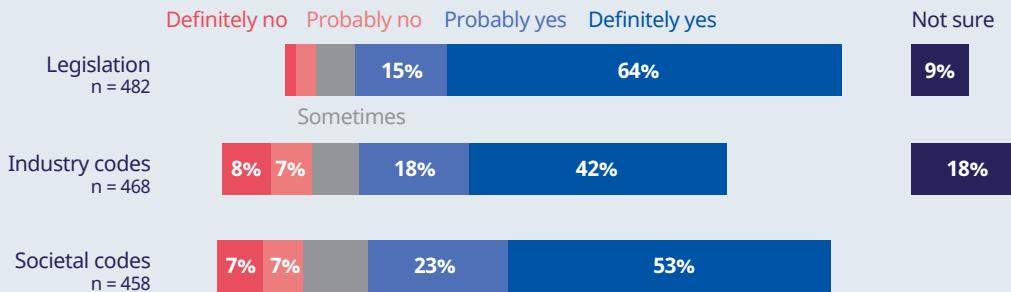
## 4.3 Which dimensions – formal or informal – are important to social and solidarity economy organizations?

Investigating the type of dimensions – formal or informal or a blend of the two – that matter most to social and solidarity economy organizations helps to identify what is most important to them.

Figure 22 shows that adherence is primarily to both legal/regulatory and social codes, with 64% adhering to legislation, and 53% to societal codes, described as the local rules that govern transactions and agreements.

**Figure 22: Adherence with industry and social codes**

Legal and social codes matter more than industry codes



**Note:** Respondents were asked, "Does your organization follow legal codes?", "Does your organization follow industry codes?" and "Does your organization follow social codes?"

### Textbox 5: Note on social and solidarity economy organizations and future data collection

Since the SSE is very broad and social impact (and income-generating activities) comes in various forms, future data collection exercises should continue to ask open text questions for descriptions of the goods and services organizations provide, and to determine how income is earned. **We would also encourage research that assesses interpretation by the organizations, individuals and communities of what constitutes 'social', and a common good benefit.**

## 4.4 Implications and future research

Figure 23: Research question 2 summary

How do social and solidarity economy organizations fit into the institutional framework?



Except for employment contracts, contracts are not prevalent. Contracts are more common in larger and not-for-profit social and solidarity economy organizations.



Less than half of social and solidarity economy organizations pay tax, but most have bank accounts. The prevalence of bank accounts differs sharply by legal form.



Social and solidarity economy organizations have access to information that enables them to stay ahead.



Social and solidarity economy organizations favour formal and informal institutional dimensions. They use contracts and trust to manage and enforce agreements and contracts, and they have good local knowledge which translates into support and funding. They rely on community and municipal networks. There are opportunities for policymakers to enable both formal and informal dimensions of the institutional environment.

There are clear decent work benefits to organizations operating within formal institutional dimensions. For example, registered organizations employ more people than unregistered organizations and are associated with various desirable features: contracts protect workers, taxes support the economy, and following regulations and industry codes promotes health and safety at the workplace.

As such, future studies need to ask: **What type of policy response (incentives) is required to get social and solidarity economy organizations to transition to be more formal in their approach, whilst recognizing that they also operate in informal dimensions?**

Social and solidarity economy organizations rely on relationships within their communities, to help them respond to community needs. Since communities are very different, the policymaking approach should be responsive to these differences. As such, policy should try to account for local contextual features alongside overarching national conditions, so that **policy supports social economy entrepreneurs to establish trust and credibility**.

Policymakers may want to consider how to **influence the work of district-based institutions** to provide support to social and solidarity economy organizations. This is particularly important considering South Africa's high inequality, which means that a one-size-fits-all policy approach is unlikely to succeed.

 South Africa's high inequality means that a one-size-fits-all policy approach is unlikely to succeed.

## ► 5. What sectors do social and solidarity economy organizations operate in, and where do they fall short?

Thus far, the analysis revealed respondents' individual and organizational characteristics and investigated their organizations' position within the formal and informal institutional framework. To further understand social and solidarity economy organizations, it is important to examine the sectors they operate in, in terms of both type and, the extent to which they work towards social cohesion.

### 5.1 Goods, services and community benefit

To avoid presuming the type of work that is done in the SSE, two open text questions were asked, for respondents to describe the goods and services that their organization provides, and the community benefit. These responses were then categorized and coded against the United Nations Department of Economic and Social Affairs (UN DESA) Satellite Accounts on Not-For-Profit and Related Institutions. Updated during the year of the survey, this is the internationally agreed set of standards and recommendations that is applied to the SSE (UN DESA 2019).

Figure 24 shows the sectors of work for social and solidarity economy organizations, with social services and agriculture at the top of the list at 25% and 20% respectively.

**Figure 24: Sectors of work according to UN DESA NPI coding**

Social services and agriculture are the most common work sectors



**Note:** Industry classification was done according to the International Classification of Not-for-profit and Third Sector Organizations (United Nations Department of Economic and Social Affairs 2018).

Figure 25 shows the goods and services social and solidarity economy organizations provide. The word cloud image shows that 'development' is the most common word used in the open-ended responses regarding the value of the goods and services to the community. It is associated with education, social services, community and economic development and housing activities sectors. Although social and solidarity economy organizations are involved in a range of development activities there is an enterprise element (like we saw in earlier results) in for-profit registration and in the business classification here. Overall, there is a clear social and developmental orientation to the work being delivered within the SSE.

**Figure 25: What goods/service does your organization provide?**



## Comment

Social and solidarity economy organizations are **not a homogenous group** and their **operations vary substantially**. Overall, the SSE is made up of organizations that **serve their communities** in various ways. The fact that there are enterprise characteristics in the sample, highlights that social and solidarity economy organizations have a 'business-like' orientation.

## 5.2 Social cohesion

Respondents were asked to what degree their organization brings people together. The principle of **social cohesion and solidarity** is important to these organizations with 94% of respondents saying that their organization builds tolerance, togetherness and relationships.

**Figure 26: Social cohesion responses**

Do you and your organisation help build relationships, tolerance and togetherness? (n=470)



## 5.3 Implications and future research

**Figure 27: Research question 3 summary**

What sectors do social and solidarity economy organizations operate in, and where do they fall short?



Social and solidarity economy organizations have a strong development focus and provide a range of beneficial goods and services to their communities.



Social cohesion is important, and solidarity is a consequence of their work

The findings regarding the types of work social and solidarity economy organizations engage in broadly aligns with previous research (such as Borzaga et al. 2017; Myres et al. 2018; Richardson et al. 2020) that affirms the developmental focus of the SSE. These are micro community-based organizations working to address the needs of their community. In doing so, they build tolerance, togetherness and social cohesion. A consequence of South Africa's inequality is growing distrust and a breakdown in social cohesion (Conceição 2019). **Future research should quantify the value of the SSE, not just in delivering needed goods and services, but also in bringing people together.**

## ► 6. How do social and solidarity economy organizations access funding?

An important enabling factor for any organization is access to financial resources, which are vital for general operations and expansion. This section therefore analyses social and solidarity economy organizations' sources of funding and support.

### 6.1 Sources of funding and financing

Figure 28 shows that formal-dimension funding at 34% is the predominant funding source for social and solidarity economy organizations, comprising grants (29%) and bank loans (5%). A sizeable percentage (28%) of social and solidarity economy organizations source funds locally from within community structures, such as customers (18%), membership fees (8%) and stokvels. Personal sources at 25%, are personal savings (16%) and family and friends (9%). Social and solidarity economy organizations struggle to draw funding from different sources and **81% access only one source of funding**. Further analysis of their amount of monthly income coming to the organization confirms that many are financially insecure, with 43% making no money in the previous month, and 31% making less than ZAR25,000.

**Figure 28: Funding sources and income**

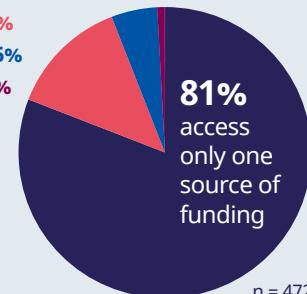
Although different types of funding sources were reported, most social and solidarity economy organizations access **only one source of funding**

**Sources of funding:**

Institutional	34%
Community	28%
Personal	25%
Other	13%

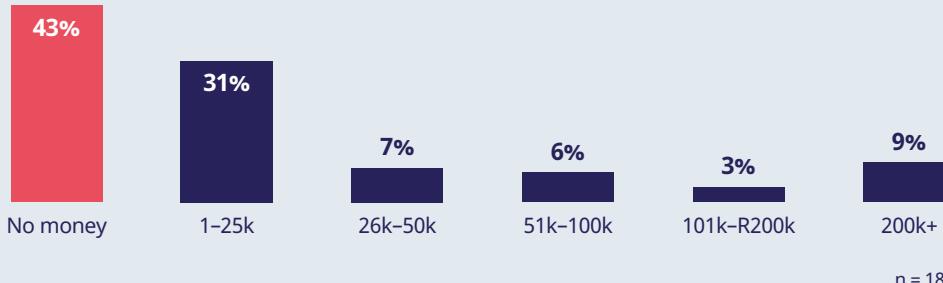
n = 594

Two sources= 13%  
Three sources = 5%  
Four sources = 1%



n = 472

**43%** of organisations made **no money** in previous month



**Note:** "Where does your organization's funding come from? Please tick those that apply." and "Approximately how much money did your organization make last month?". Institutional sources are grants (29%) and banks (5%); community sources are customers (18%), membership fees (8%) and stokvels (2%); and personal sources are personal savings (16%) and family and friends (9%).

### Comment

The difficult financial position social and solidarity economy organizations find themselves in, is echoed in the literature. Brand SA (2020) found that only 20% of respondents in the SSE had access to funding when they started. Lovasic and Cooper (2020) and Myres et al. (2018) both report that social enterprises struggle with access to funding, and Hanley et al. (2015) report that South African social enterprises struggle to access multiple sources of financing.

Further, Myres et al. (2018) found that 70% of social and solidarity economy organizations make less than ZAR300,000 annually, which improves in Lovasic and Cooper's (2020) study which found that most social and solidarity economy organizations make less than ZAR500,000 annually. These studies confirm the earlier finding that most social and solidarity economy organizations are microenterprises.

## 6.2 Implications and future research

**Figure 29: Research question 4 summary**

How do social and solidarity economy organizations access funding?



Social and solidarity economy organizations are resource constrained and access few funding sources. Grants are the predominant form of funding.



Local knowledge allows social and solidarity economy organizations to draw on community and local business support, potentially buffering them against financial difficulties.



Policy must respond to social and solidarity economy organizations' precarious financial positions to bring stability to their operations.

Social and solidarity economy organizations are cash-strapped and consequently vulnerable to economic shocks. As a result, their operations are unpredictable and unstable. While they can rely on their communities for assistance, there is a need for policy to assist these organizations to be both financially stable and sustainable. **Future research should inform appropriate policies that will bring stability to social and solidarity economy organizations.** Financial support must be tailored to suit these **micro, community-centric organizations**, recognizing how they work across formal and informal dimensions of the institutional environment.

Capacity constraints may also limit the ability of social and solidarity economy organizations to meet funders' traditional reporting requirements. Policymakers should consider **providing support that is not just financial**, recognizing the value of technical assistance to social and solidarity economy organizations to manage their operations adequately.

 **The right capital must be the right instrument, at the right time, for the right purpose, with the right impact, and for the right returns.**

### Textbox 6: Financial support to the SSE

Much work has been done and time spent on understanding the limitations of financial support to the SSE, with a mismatch in financing identified as a primary constraint. According to Simanye (unpublished), IFC (2018), UNDP (2015) and Bertha Centre – UCT GSB (2017), funders generally offer larger loans than are required by small, micro-organizations, which then limits the ability of social and solidarity economy organizations to obtain other suitable finance through commercial institutions. Further, Simanye (unpublished) finds that because smaller organizations' profiles do not match funders' products, they are excluded from funding opportunities.

However, the issue of finance extends beyond commercial instruments. Some grants extended to social and solidarity economy organizations fail to recognize their micro nature and capacity constraints. Onerous reporting requirements can lead to these organizations being excluded from grant funding or preferential loans. Social and solidarity economy organizations therefore struggle on two fronts as they do not have the required collateral to access finance, which capacity constraints limit their ability to comply with donor reporting (Simanye unpublished).

Assisting social and solidarity economy organizations requires innovative financing models. Bertha Centre (2018) calls on intermediaries to match capital to the unique needs of the SSE, in a process Bartlett describes as finding the 'right capital' (Bartlett unpublished; Bertha Centre 2018).

#### Accessing the 'right capital'

The IDC's Stuart Bartlett, in a consultation with DNA Economics, argues that the right type of capital must be mobilized to solve some of the above problems while mediating between the sometimes conflicting economic and social objectives. The funders' response must take into account where organizations are in their overall life cycle and their financial capacity. The right capital must be the right instrument, at the right time, for the right purpose, with the right impact, and for the right returns. What is 'right' in relation to each of these areas will therefore differ according to the situation of each enterprise.

During the early stages of the development of a social and solidarity economy organization, it may therefore not be appropriate or responsible to offer debt or equity or expect huge percentages of earned income. Equally, at certain stages of an enterprise's lifecycle, grant capital may be desired by the enterprise but may be inappropriate to the development of that particular enterprise's sustainability.

Bartlett recommends working closely with organizations not only to evaluate the terms of funding, but also to identify gaps in the organization and provide assistance to help them along the way. An example of this approach is identifying capacity issues within organizations and then providing for training in the funding envelope.

## ► 7. What is the skills profile of social and solidarity economy organizations?

For social and solidarity economy organizations to thrive, they must have a skilled workforce. Figure 30 shows the extent to which social and solidarity economy organizations' employees and volunteers have the right skills for the jobs they are doing. While most have the requisite skills to do their work, more than one quarter are not sufficiently skilled.

**Figure 30: Employee skills**

Despite three quarters of social and solidarity economy organizations reporting their employees' skills match their work, there remains a non-negligible portion that may require training to effectively do their work

**Do your employees/volunteers skills match the job that they are doing?**



### ► Comment

Because employees and volunteers are likely to be drawn from local communities, the policy response must focus on continuously building skills in the SSE, recognizing its **value as an in-community employer**.

### 7.1 Implications and future research

**Figure 31: Research question 5 summary**

What is the skills profile of social and solidarity economy organizations?



Encouragingly, most employees and volunteer skills match the jobs they do



Policy should focus on continuous learning and development for the social and solidarity economy, and a skills audit is recommended that considers age, experience and skills gaps.

While providing training is a responsible policy response, it will be useful for **future research to do a skills audit that considers age and experience of SSE practitioners while identifying where learning and development gaps are**.

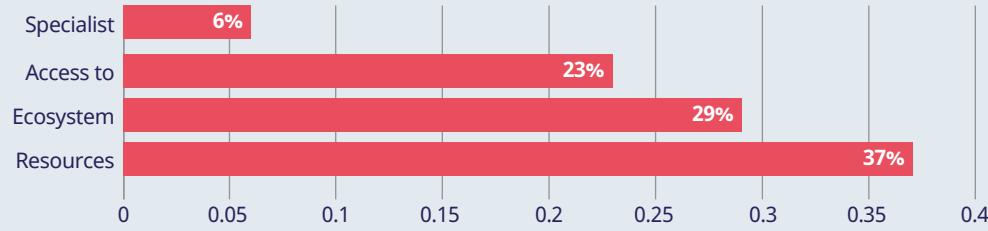
## ► 8. What did respondents say about their struggles and potential solutions?

The final research question asked respondents *what they would ask of the President of South Africa if they had a chance to meet with him*. Analysing these responses provides a deeper understanding of the problems social and solidarity economy organizations face and the steps that are needed to help **enable the ecosystem**. The open text responses were coded through an axial coding process, with five primary themes identified.

- ▶ **Resources** is the predominant theme with 43% of responses. By far the majority of requests are for funding and financing (26%). However, resource support is also requested through subsidies and rental agreements in, for example, the form of buildings and land (5%; 5%), and equipment (2%).
- ▶ A **helpful environment** is the underlying message of the **Ecosystem** thematic (29%), which consists of requests for assistance and support (10%), recognition and understanding of the work that is done within the SSE (4%), an environment that encourages growth (4%), and a less bureaucratic regulatory environment (3%) with supportive policy (3%).
- ▶ The **Access To** (23%) thematic codes responses for skills training (7.4%), specifically enterprise-focused training for the entrepreneur, networks and partnerships (6.3%) that enable opportunity, and job creation (6%). Access to markets (2.5%) and information to support the development of the organization (0.8%) complete the thematic.
- ▶ The **Specialist** (6%) thematic highlights areas of intervention and need. These are important in identifying areas of focus of the wider SSE and range from women, children and young people (4%), crime (1%), to the need to improve care for our elderly, drug rehabilitation and to address environmental degradation through green economy initiatives (1%).

Figure 32: Common struggles faced by social and solidarity economy organizations

Summary of themes (percentage of 647 codes)



### ► Comment

The lack of resources – such as buildings, equipment and land use – and the burden of red tape are flagged by Myres et al. (2018) and Lovasic and Cooper (2020). Richardson et al. (2020) in their sub-Saharan Africa study also find that a lack of resources severely inhibits the sector.

It is worth putting the findings relating to resource constraints into context. Inequality in South Africa is extreme (Stats SA 2019; Sulla and Zikhali 2018), and since many social and solidarity economy organizations operate in some of the poorest districts in the country, they face deeper constraints. Distances are often longer between marketplaces, infrastructure is less established, and services less easily available (Bruton, Sutter and Lenz 2021; Webb, Khoury and Hitt 2020). This makes it harder for organizations to become sustainable (Walker and McCarthy 2010).

Addressing problems in the SSE therefore requires a careful appraisal of the conditions they operate in. Analysing some of the quotes related to funding (Textbox 7) reveals that while some respondents are frustrated, others provide useful suggestions for improving the SSE:

#### Textbox 7: Quotes regarding funding

▶ Why is it so difficult for black business to get funding and support from government?

▶ Fair treatment for all organizations.

▶ e.g. Funding and access to information.

▶ Easy platform to do business and funding to create job opportunities.

▶ Restore Grant funding to Dev. Micro finance organization.

▶ Review the PFMA and MFMA legislation and assist smaller community organizations access funds.

Textbox 8 presents a selection of quotes regarding the business climate. Respondents are impeded by bureaucracy and are calling for an enabling environment for business. They request context-specific support, specifically for small and new organizations.

#### Textbox 8: Quotes regarding business

▶ Lessen the red tape for start-up businesses.

▶ He can reduce red-tape and fast track the regulatory framework businesses, create a conducive

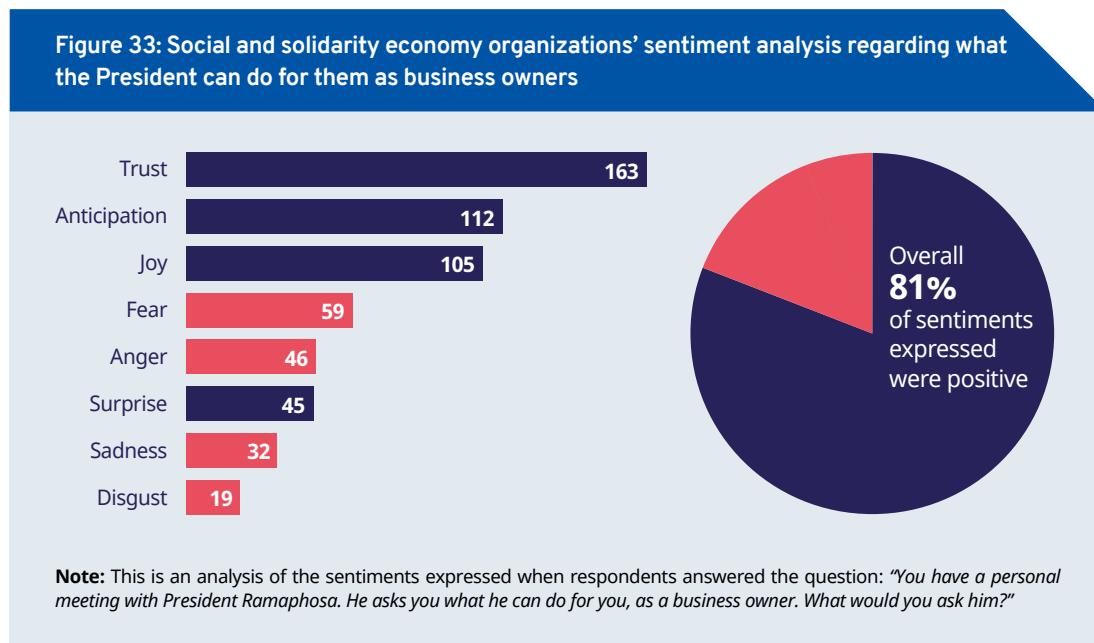
▶ Environment for local business, do more than survive and actually succeed.

▶ To make things easier to run a business, reduce red tape. Provide opportunities to do

▶ Training of business skills to small business that unable to afford funding

▶ Of training projects. To create environment for our business to succeed.

As an interesting aside, Figure 33 presents a sentiment analysis of the language used to answer what the President could do for respondents as social and solidarity economy practitioners. Respondents have a positive outlook, and trust that meaningful change can be enacted if good policy is implemented.



#### Textbox 9: What is sentiment analysis?

By matching words to emotions, a sentiment analysis quantifies qualitative responses. The approach taken here was to retain only keywords from respondents' answers and then match them to predefined emotions from the NRC Word-Emotion Association Lexicon database. The analysis was conducted using the R Syuzhet Package following the method demonstrated by Mhatre (2020).

#### Figure 34: Research question 6 summary

What did respondents say about their struggles and potential solutions?



Lack of resources is a common complaint and the most pressing area for intervention.



Social and solidarity economy organizations are calling for an enabling environment to help them thrive, together with access to a range of support initiatives and sectors.

## 8.1 What does the enabled ecosystem look like for social and solidarity economy organizations in South Africa?

By classifying the responses to the open-ended question ("What you would ask President Ramaphosa?"), we are able to model what the enabled ecosystem could look like. In this ideal, there are three pillars: the ecosystem is helpful, a basket of resources is available, and entrepreneurs have access to different types of support.

Pillar 1: The **helpful enabled environment** is supportive: it acknowledges the work of social and solidarity economy organizations and in doing so, they are considered to be part of the mainstream economy recognized across the formal and informal institutional dimensions. This brings a legitimacy to their work. Networks are supported with relevant listings of those involved in the sector, and partnerships are encouraged, entrenching collaboration and solidarity. Bureaucracy is easy to navigate and relevant, and the system is perceived to be fair and transparent. As a result, more organizations operate across the formal institutional dimensions, increasing decent work and employment opportunities.

Pillar 2: Social and solidarity economy organizations are able to **access resources**. These are not just financial but are also provided through subsidized infrastructure (for example, electricity, transport and warehousing), buildings and land. Because of the helpful, enabled ecosystem, local municipal-level partnerships help identify assets that can be used by social and solidarity economy organizations in their community based work. Scaling occurs at a local level, resulting in a breadth of services across communities, which are responsive to the needs of their community. Finance is structured to suit small and microenterprises.

Pillar 3: Social and solidarity economy organizations have **access to** a range of support services that enable their sustainability. This includes practical training programmes that support social and solidarity economy organization leaders to manage their organizations well, recognizing the benefits of stability to sustainability. Access to markets is facilitated, with social and solidarity economy organizations able to sell and market their goods and services outside of their immediate locale. This translates into opportunities for growth and employment.

**Figure 35: What does the enabled ecosystem look like?**

### Pillar 2: Resources

- ▶ Financial
- ▶ Property: Land + buildings
- ▶ Equipment + infrastructure

### Pillar 1: Helpful environment

- ▶ Networks/partnerships
- ▶ Support
- ▶ Recognition
- ▶ Easy bureaucracy
- ▶ Fairness and transparency
- ▶ System that governs agreements



### Pillar 3: Access to:

- ▶ Skills
- ▶ Opportunity + job creation
- ▶ Markets
- ▶ Information



## Recommendations

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## ► Recommendations

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Various implications emerge from this report's findings. This section brings these together by reiterating the most important conclusions for each research question. Suggested areas of future research, and policy recommendations are listed below.

### 9 Recommendations for further research

1. Recommendations for future research are made throughout the report. Some of the future research will require a quantitative component to generate compelling evidence. Hence, **data need to be collected from a nationally representative sample that is large enough to facilitate analyses of various subsamples.**
2. Young people are likely underrepresented in this data. **Future research should investigate how young people engage in the SSE, their motivations for doing so, and the opportunities within the SSE to address the country's unemployment crisis affecting young people.**

These are important questions, given South Africa and Africa's unemployment rate of young people and the potential for the SSE to provide jobs.

3. It is important to **quantify the value of the SSE**, both in terms of the goods and services that it provides but also the less tangible benefits it brings, for example, in social cohesion. Other research recommendations include understanding the work of older people in the SSE and **the potential for intergenerational work.**

### 10 Policy recommendations

4. This research found encouraging associations between organizations operating within formal dimensions: registered organizations are most likely to be financially stable, employ more people and contract their employees. As such, **social and solidarity economy organizations should be assisted to introduce and sustain formal approaches to their work, recognizing the decent work benefits.** This aligns with broader efforts to transition organizations from the informal to the formal economy. However, policymakers must be very careful not to make this an arduous process, recognizing the **community benefits that derive from informal approaches**, such as networking and local knowledge
5. The types of work social and solidarity economy organizations do is too diverse to be fully supported by broad policy positions only. **It is important that policy has a local component, recognizing the local value of the SSE.**

Further, because social and solidarity economy organizations are local entities that respond to local need, they are not bound by sector boundaries. **They are inherently community-based organizations. Policy support should encourage sustainability and scaling of organizations at the community level.**

6. While social and solidarity economy organizations are providing much-needed support to their communities, they are struggling financially. **Social and solidarity economy organizations require holistic support, both financial and non-financial, to set them off on a stable, sustainable path.**
7. Respondents feel that the policy environment is not geared to helping them succeed. Policy makers should **recognize and consider the unique place social and solidarity economy organizations play in the overall ecosystem and take steps to enable the environment so that social and solidarity economy organizations can thrive.** This study recommends policy interventions focus on three pillars: Creating a helpful environment whilst providing access to support services and resources. Again, policy ambitions must **be implementable at a local level**, so that these characteristics of helpfulness and support can be realized.

## ► Conclusion

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Although this is not an easy task, it is an crucial task. Social and solidarity economy organizations signify an important portion of the economy. They respond and fulfil the needs of their community. As such, the social goods and services they provide are likely to have a large impact on people's lives. The SSE is also associated with benefits like decent work with larger organisations more likely to be registered, have employees, contract and pay tax . For these benefits to be reaped, the SSE must be supported. That the SSE operates across formal and informal dimensions highlights the value it brings in transitioning microenterprises to formality. The localness of its entrepreneurs and the multi-sectoral, developmental nature of their work brings economic activity to hard to reach places. Lastly the SSE shows a mix of funding. Although financially vulnerable, organisations are self-funded and generate funding and wider support from their local businesses and communities.

Effective policy should focus on developing an enabling ecosystem for the SSE, creating a helpful environment that makes it easy to blend social and economic outcomes. Social and solidarity economy organizations need access to support services, and a basket of resource-focused interventions that build their engagements across formal and informal dimensions of the institutional environment, recognising the social cohesion that it brings.

## ► Appendix 1: Data collection and sample

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The process of inviting participants to workshops consisted of four phases. First, a database of 154,601 SSE stakeholders was put together from various existing databases. Text messages and emails were sent to all stakeholders for which there was either a cell phone number or an email address. Many database entries were either inaccurate or incomplete; some only had physical addresses. As such, only a portion of the 154,601 SSE stakeholders were reached via text message or email. As a parallel process to developing the database, invitations were also sent to various civil society and academic networks as part of the second phase. The third phase comprised identifying government officials involved in local economic development and sending invitations to SSE stakeholders on government databases. Lastly, workshop invitations were also sent via social media as the fourth phase. A total of 22 consultation workshops were held across South Africa between July and December 2019. These workshops were held in districts ranked across the multi-dimensional poverty index, ensuring that attendees represented various views and lived experiences. According to the signed attendance registered, 766 people attended the workshops. Of these, 529 completed the survey. The cleaned dataset contains responses from 506 SSE practitioners, making this one of the largest SSE data collection exercises in South Africa. DNA Economics was provided with the cleaned dataset for analysis. Although these data are an incredibly valuable resource, they were collected from a convenience sample. Further, the timing of workshops (mid-week) may have unintentionally attracted older people. As a corollary, and given that a convenience sampling approach was taken, generalizing findings on the population of social and solidarity economy organizations should be done with caution. The statistical analysis methods used are described at different result sections.



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