



# ► Strengthening Social and Solidarity Economy Policy in Asia



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## Mapping the Social and Solidarity Economy Landscape in Asia Towards an Enabling Policy Environment

Throughout much of Asia, governments, the private sector and civil society are turning their attention to organizations and enterprises that are part of the social and solidarity economy (SSE) as a means to promote inclusive and sustainable development. SSE organizations and enterprises (SSEOs) confront numerous policy and structural challenges that impact their ability to emerge and thrive, as well as remain faithful to core social, economic and democratic principles and objectives that define the SSE (see Box 1). Drawing on ongoing ILO research on the SSE in Asia (see Box 2), this Brief, the

last in a series of eight, provides an overview of the SSE landscape in six countries, describes core features that characterize the SSE in the region and identifies several policy challenges that need to be addressed if the SSE is to realize its development potential.

### About this research

The ILO project sought to address several issues related to international research on the SSE (see Brief 1) notably:

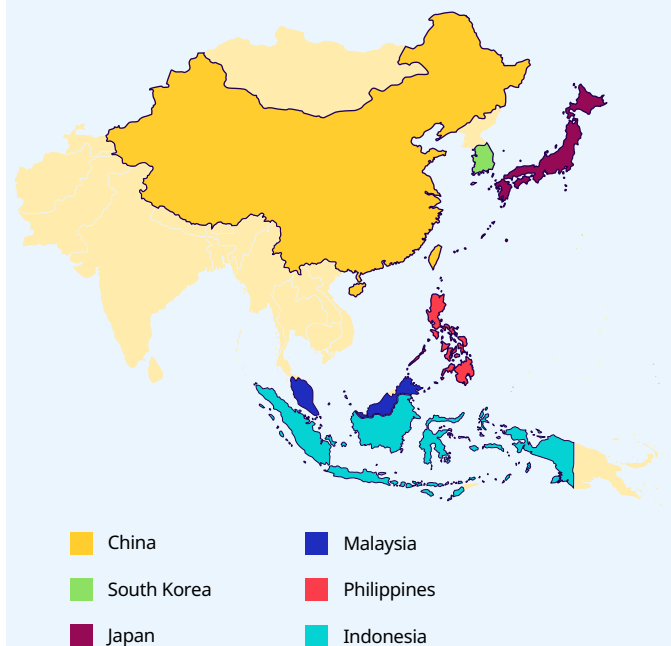
#### Box 1: Defining SSE

While definitions vary (see Brief 1), core features of the SSE have been described by the United Nations Task Force on SSE (UNTFSSSE) as follows:

“SSE encompasses organizations and enterprises that have explicit economic and social (and often environmental) objectives; involve varying degrees and forms of cooperative, associative and solidarity relations between workers, producers and consumers; and practice workplace democracy and self-management. SSE includes traditional forms of cooperatives and mutual associations, as well as women’s self-help groups, community forestry groups, social provisioning organizations or ‘proximity services’, fair trade organizations, associations of informal sector workers, social enterprises, and community currency and alternative finance schemes.”

Source: UNTFSSSE, “What is the Social and Solidarity Economy?”

#### ► Asia



### Box 2: ILO Project on Strengthening SSE Policy in Asia

This brief is based on research that was carried out under the first phase of the ILO project “[Strengthening Social and Solidarity Economy Policy in Asia](#)” that took place during 2019-2021. It was carried out in collaboration with: Korea Social Enterprise Promotion Agency (KoSEA) as implementing partner; and financial support from the Korean Ministry of Employment and Labour (MOEL). Led and coordinated by the Center for Social Innovation, Education and Research (CSIER) at Seoul National University, the research sought to better understand the current status of the SSE in six countries in Asia (Republic of Korea, Japan, China, Malaysia, Indonesia and the Philippines) in terms of the organizational landscape. The research adopted a framework suitable for cross-country comparison, identified policy challenges and suggested preliminary pathways for strengthening the SSE. Through a second phase of the project, ILO will conduct additional country studies in Cambodia, Mongolia, Kyrgyzstan, Laos, Thailand and Vietnam. This brief draws on the findings of the research paper [Policy Implications for Strengthening the Social and Solidarity Economy in Asia: Lessons from Six Countries](#), by Euiyoung Kim, Hiroki Miura, Benjamin R. Quiñones Jr., Denison Jayasooria, Eri Trinurini-Adhi, Gihong Im and Kyungsoo Lee.

- i an imbalance within scholarship which has given rise to an extensive literature related to certain countries or regions – notably Europe, Latin America and North America, but far less analysis of the SSE in the world’s more populous region, Asia;
- ii a tendency to demarcate the SSE narrowly by focusing on a few types of organizations and institutional practices and paying insufficient attention to others associated with the public, private or ‘third’ sectors; and
- iii a reliance on anecdotal evidence about the SSE and a focus on ideal types of organizations, which can impede a systematic mapping of the SSE landscape.

The research reviewed the laws and regulations governing economic organizations in each of the six countries (see briefs 2 through 7). It then identified the organizations which, based on stipulations within law and policy, are expected to adopt specific features related to social, economic and democratic dimensions that characterize the SSE.<sup>1</sup> These include:

- i social – defined in terms of organizations that **address specific social problems** or those whose core activities are in the **public interest**, that is, in broad sectors such as education, healthcare and culture, among others;
- ii economic – defined in terms of organizations that are engaged in productive and service activities, be they **for-profit** or **non-profit**;
- iii democratic – either in terms of the ease with which organizations can be legally constituted – referred to as **‘free establishment’** – and/or practicing forms of **democratic governance** within the organization.

Using this methodology, the research identified organizations characterized by different types and levels

of hybridity related to social, economic and democratic features. The organizations that met at least one of the sub-conditions under all three features were classified as SSEOs. Those that combined at least one sub-condition under two of the core features were classified as Partial Hybrid Organizations (PHOs).

The methodology carries certain limitations. It does not easily capture instances where the actual practices adopted by organizations differ from legal and regulatory stipulations, and myriad forms of microenterprise and community-based organizations and institutions that make up the informal economy.<sup>2</sup> Nevertheless, the methodology adopted was among initial attempts to conduct a comprehensive mapping of the organizations that constitute the SSE landscape in specific countries in Asia.

### The SSE landscape

The findings reveal a vibrant landscape with multitude of SSEOs. The breadth of the SSE sector and the scale of SSEOs vary significantly:

- In Japan SSEOs operate in relatively few sectors; approximately 30 per cent of the population are members of consumer cooperatives.
- China has the cooperative sector that is by far the largest in the world. It has diversified the range of SSEOs in both rural and urban areas; the way that SSEOs have evolved and their growth trajectory have varied considerably in different periods.
- In the Republic of Korea SSE has expanded and diversified, notably with the growth of community credit cooperatives, consumer cooperatives,

<sup>1</sup> Also included in the mapping were organizations that are not legally institutionalized but operate at a national level.

<sup>2</sup> Such entities make up an important part of the SSE landscape, particularly in Southeast Asia where the informal economy is widespread.

village-based and self-sufficiency enterprises, as well as social enterprises formed by public sector organizations, private companies, non-governmental organizations and social entrepreneurs.

- ▶ In the Philippines, where the cooperative sector has had an uneven trajectory, the contemporary dynamic core of the SSE is made up of myriad NGOs and People's organizations, with a few large-scale entities, including cooperatives and mutual benefit associations.
- ▶ In Malaysia and Indonesia, Islamic institutions engaged in philanthropy and social finance join conventional cooperatives as key players within the SSE landscape.

Other prominent trends relate to the high level of collaborative synergies across sectors in Japan and the Republic of Korea and the recent rise of social enterprises as key players in the SSE landscape.

## Towards an understanding of the SSE in Asia

The research reveals certain conditions and trends that characterize the development of the SSE in Asia. These relate to cultural traditions, the role of the state, the prominence of particular forms of SSEOs and the nature of relations with others sectors of the economy.

**Cultural roots:** The SSE has deep cultural and historical roots in Asia. Religious or philosophical ideals and community and indigenous practices resulted in forms of cooperation, solidarity, mutual aid, respect for common property and the environment. While some are no longer practiced or were transformed as formal organizational structures emerged, their underlying principles continue to resonate in popular and policy

discourse related to the SSE, or the social economy, as more commonly known in the region (see Box 3).

**State policy:** In China, Indonesia, Malaysia and the Republic of Korea, the state played a major role in the development of cooperatives and continues to do so in relation to other forms of SSEOs. This relationship has given rise to opportunities, tensions and trade-offs that have impacted the development of the SSE. More recently, the growing interest of governments in SSEOs centres to a large extent on their role in expanding welfare services and social assistance. Governments in all six countries have broadened the scope of social policy and introduced labour market reforms focused on employment generation, as witnessed during the Asian Financial Crisis. To implement these policies they have increasingly looked beyond the public sector or conventional forms of privatization and enlisted the support of SSEOs, in particular NGOs and social enterprises.

**Prominent forms of SSEOs:** Cooperatives constitute the most prominent type of SSEOs in all six countries. While their development has encountered major hurdles related to government and political control, financial insolvency and lack of human and social capital, they have often shown a remarkable capacity to survive in adverse contexts and adapt to changing circumstances. In the process, some have reinvented themselves, as in the case of Farmers' Specialized Cooperatives in China, while others have continued to grow and diversify – for example, Consumer Cooperatives in Japan. Recent developments and policy interest in the SSE centre to a large extent on social enterprise. The governments, private sector, NGOs and entrepreneurs are increasingly turning their attention to for-profit business activities that have explicit social objectives. Such activities may involve organizations that prioritize social objectives or are established to cater to the needs of vulnerable or other social groups. But also included are large

### Box 3: The cultural dimension of the SSE

Strengthening the SSE is not simply a matter of expanding or consolidating organizations and enterprises that combine economic, social and democratic objectives. It also concerns the uptake, within organizational culture and the broader economy and society, of ethical values and social relations involving solidarity, cooperation, mutual aid, fairness, gender equity, social justice and respect for common property and the environment.

The country reports, summarized in previous briefs, traced the roots of the SSE to aspects of traditional culture and social ethics. Key to sustainable and inclusive socio-economic activities are ideals of working together, mutual respect and social harmony based on individual dignity. Such cultural traditions legitimize and facilitate efforts to promote and institutionalize the SSE. While the development of the SSE has been affected by external influences, the SSE landscape in each of the six countries has distinct features related to cultural factors (see Brief 1).

It is important that institutional strategies to promote the SSE consider the shared cultural tradition in the context of policy reform in each country and foster mutual learning on such aspects among Asian countries and in interactions with international actors.

companies or corporate foundations engaged in philanthropy and corporate social responsibility.

**Inter-sectoral relations:** While the international literature on the SSE often focuses on its potential as an alternative to market relations and corporate structures that characterize capitalism, the discourse surrounding the SSE in the six Asian countries tends to emphasize aspects related to harmony, complementarity and partnership. Furthermore, economic liberalization has led the SSE to co-exist with the private sector and market economy that are being enabled by government policies. As in the case of SSE-state relations this can have mixed impacts. The research clearly reveals the extent of interaction and collaboration between SSEOs and other organizations linked with the public, private and the non-governmental 'third sector'. Normative values and practices typically associated with organizations in one sector are crossing sectoral boundaries. The concept of social value, for example, is spreading within mainstream business circles, while private sector managerial norms and practices are increasingly applied by cooperatives, non-profits and social enterprises. Social innovation often manifests itself in hybrid organizations that meld features typically associated with different sectors. In this process, sectoral boundaries that separated institutions with different objectives and dynamics are becoming blurred. The interactions of the SSE with the informal economy is also increasing, as discussed below.

## Key policy challenges and ways forward

The research identified key strategic approaches and policy issues that need to be considered if the SSE is to realize its potential in contributing to inclusive and sustainable development.

Several policy challenges are reviewed below. Examples, drawn from the six country studies, illustrate the type of initiatives that could be envisaged to create a more enabling policy and institutional environment.

**Forging sustainable organizations:** SSEOs can be established to take advantage of financial, fiscal and other incentives provided by the government whilst lacking key elements related to social and human capital, such as trust, participation, knowledge, gender equity and technical and managerial skills. These factors partly explain the high rates of closure or inactivity of some SSEOs, for example, in China, the Republic of Korea and the Philippines. For this reason, the Asia Solidarity Economy Coalition (ASEC)

highlights 'the human factor' comprising 'socially responsible governance' and 'edifying ethical values' within organizational leadership, management and membership as two of five key conditions for the development of the SSE.<sup>3</sup> SSEOs are often concentrated in service sectors or segments of the value chain that are low-profit, low-value-added and high risk. They may have limited resources, capacity and bargaining power, which make it difficult to compete in value chains and enter higher-value markets. The diversification of activities and value chain upgrading are important to ensure the viability and sustainability of SSEOs. The challenge of forging sustainable SSE organizations also involves monitoring how they are impacted by market relations and relations with the private sector. SSEOs often find themselves at a competitive disadvantage as the playing field on which they operate can be uneven in terms of access to financial resources, subsidies, tax relief and marketing outlets. Moreover, increasing collaboration and partnership with private corporations can provide financial, marketing and other opportunities but can also constrain SSEOs in other ways, such as their autonomy. New entities may choose the legal form of a private company rather than a cooperative or a non-governmental organization as it is administratively easier to do so. This, in turn, may affect their orientation regarding profits and their distribution, and result in the adoption of hierarchical as opposed to democratic forms of governance.

### Recognizing the SSE as more than a welfare partner:

As governments turn to SSEOs as a means of providing welfare services and facilitating work integration, there is a risk that the SSE could be instrumentalized somewhat narrowly to meet social policy objectives. While the services involved can play an important role in poverty reduction, reducing inequalities and promoting decent work, the potential contribution of the SSE to economic, social and sustainable development is far broader. It extends not only to traditional sectors such as agriculture, forestry and fishing, but also financial services, manufacturing, the creative industries and the circular and green economy, among others. Care needs to be taken to avoid reducing the role of the SSE to that of social welfare only. Efforts undertaken in Malaysia to position some SSEOs in relation to broader development objectives within national planning are instructive in this regard.

**Policy coherence and consistency:** The effectiveness of public policy in all six countries has been impacted by contradictions and inconsistencies.<sup>4</sup> In China, Indonesia, Malaysia and Japan, for example, government policies favouring privatization, deregulation and marketization

3 The other three conditions relate to socio-economic benefits to people/community, environmental conservation and economic sustainability. See Benjamin R. Quiñones, Jr., "Rediscovering Social and Solidarity Economy in Community-Based Supply Chain", *Philippine Journal of Social Development* 6, No. 1 (2014): 1-30.

4 These issues are addressed in previous ILO research on public policy for SSE. See Public Utting, [Public Policy for Social and Solidarity Economy: Assessing Progress in Seven Countries](#) (ILO, 2017).

have promoted a competitive environment that can negatively impact some forms of SSEOs. In the Republic of Korea, preferential procurement policies benefit primarily small and medium-sized enterprises rather than SSEOs. As observed in China, central government directives promoting the SSE are not often applied at the local level. In Indonesia, ethical values and development objectives conducive to the SSE are prominent in the Constitution and Pancasila<sup>5</sup> but are seldomly referenced in subsequent legislation. In the Philippines some aspects of public policy for the SSE lack bipartisan or multi-party support, which means that the rotation of political leaders and parties in power can affect budgetary allocations and stall legislative initiatives.

The issue of policy coherence and consistency points to the importance of legislation that can lock in government support for the SSE, as in the case of the proposed Framework Act on Social Economy in the Republic of Korea and the Bill on social enterprises in the Philippines. Initiatives such as the Council of Local Governments for Social Solidarity Economy in the Republic of Korea are also important for ensuring that different levels of government are pulling in the same direction. Furthermore, governance arrangements that facilitate effective participation in the policy process can correct biases favouring particular sectors and stakeholders.

**Promoting the SSE as a sector:** Another challenge relates to the tendency for state responsibility for SSEOs to be dispersed among different government ministries, agencies and programmes. This may make it difficult to ensure coordination and to adopt a strategy aimed at promoting the SSE as a sector. Recent governance and legislative reforms in the Republic of Korea suggest a range of measures that can address this issue. They include establishing an agency (Korea Social Enterprise Promotion Agency) with a wide remit related to the promotion of the SSE, drawing up master plans for the SSE development, creating an SSE unit with the Office of the Presidency, and drafting a Framework Bill on SSE. In Malaysia, the Twelfth Malaysia Plan<sup>6</sup>, a development roadmap for 2021 to 2025 emphasized the role of various forms of SSEOs in promoting inclusive and sustainable development. Such laws, plans and institutional arrangements may facilitate the ability of government ministries and departments to work towards a common goal and promote the SSE in a systematic and coordinated manner.

**Strengthening the institutional ecosystem:** The research noted various gaps in legislation and policy related to the SSE that need to be addressed. In

Malaysia, for example, despite efforts to promote social enterprises, there is no legislative framework for this form of organization. Restrictions on for-profit activities in China make it difficult for the increasing number of non-governmental organizations involved in service provision to engage in income-generating activities. In Indonesia, the cooperative law was revoked by the Constitutional Court and an outdated law was temporarily reinstated. A positive development noted particularly in the Republic of Korea and to some extent in the Philippines, involves a shift whereby legislative and policy initiatives do not focus exclusively on targeted support for specific types of SSEOs but also on the wider institutional ecosystem that needs to be in place if the SSE is to thrive. This shift – from a fragmented to a more systemic approach – recognizes that the task of creating an enabling institutional environment for the SSE involves not only a diverse range of actors and institutions from multiple sectors (public, private, third sector and civil society), but also the need to strengthen multiple forms of capital assets – financial, human, social, knowledge and physical – that SSEOs need to develop and be sustainable.<sup>7</sup>

**SSE and the urban informal economy:** Over numerous decades the SSE has played a key role in the transition from precarious employment in the informal economy to formality. In all six countries this is evident in rural settings where agricultural, credit and marketing cooperatives have improved the working and living conditions of smallholders and their families. More recently, social enterprises are playing an important role in rural community revitalization. Demographic, migration and employment trends, as well as the COVID-19 health crisis, suggest that more attention needs to be paid to the role of the SSE in urban informal economy settings. In countries like Indonesia and the Philippines, this sector, comprised mainly of women workers, is vast. It is important that governments facilitate the role of SSE organizations in relation to the informal economy. Key entities include cooperatives of home-based workers, social enterprises established by the self-employed and entrepreneurs, consumer and marketing cooperatives providing services to informal economy producers and their families, microfinance or savings and loan groups, SSEOs providing welfare services and promoting work integration, and intermediary organizations advocating for informal economy workers and producers.

**Addressing the democratic deficit:** Of the three core features that define the SSE, the research indicates that the democratic dimension tends to be the least developed both in relation to what is stipulated in

5 Pancasila is the official state philosophy guiding national development in Indonesia.

6 See: <https://rmke12.epu.gov.my/en>

7 See Brief 6 on the Republic of Korea.

laws or policy and governance arrangements within organizations. Policy makers and SSE advocates should guard against narrow interpretations of SSEOs as income-generating and non-profit organizations that only pursue a social mission. The democratic dimension is also key. The close relationship that has long existed between SSE and the public sector and the political sphere has been instrumental in scaling up certain SSEOs but it has also undermined autonomy and democratic governance. Legislative and policy reforms, such as those introduced in China and the Philippines, have attempted to reassert these principles within the cooperative sector. It is important to recognize that the democratic dimension extends well beyond the micro level of the organization. It relates as well to collective organizing, advocacy, networking and participatory governance at regional and national levels. This was seen in the case of Japan. In several countries, however, laws and regulations restrict advocacy, or the establishment of non-governmental organizations involved in advocacy. As governments increasingly look to SSEOs as a development partner, it is crucial to facilitate the active participation of intermediary organizations in the policy process and development planning, as has occurred most notably in the Philippines.

**Pursuing a multi-faceted strategy:** To address these challenges the research suggests a strategy comprising four key areas of action related to the promotion of values, social innovation, organizational and sectoral linkages, and active citizenship.

- i A **mainstreaming strategy** centred on raising public and policy awareness of the SSE;
- ii A **transformative strategy** involving forms of social innovation where both PHOs and informal economy workers and producers adopt core features of the SSE;

- iii A **community strategy** that involves SSEOs looking outside of their own organizational field and strengthening linkages with the communities and territories where they operate, as well as with other SSEOs and intermediary organizations locally, regionally and nationally; and
- iv A **civil society strategy** involving networking and forming coalitions conducive to capacity building, as well as advocacy and participation in the policy process.

Such a strategy must involve actors and institutions working at multiple levels of governance. SSE actors and governments can engage in the co-construction of policies to design, implement and evaluate policies and programmes of relevance to the SSE. This entails an inclusive consultation process with a balanced representation of stakeholders and ensuring their involvement from an early stage in the policy development process. The co-construction of policies can help ensure that policies take into account local and national needs, constraints and opportunities, as well as create a greater sense of ownership among the key SSE stakeholders.

This research has shown that governments, policymakers, private sector entities and civil society organizations – operating locally, regionally and nationally – are increasingly playing a role in the development of the SSE. Future research on the SSE in Asia could capture entities operating in the informal economy in addition to the formal organizations. It could also take into consideration social relations, community practices and forms of collective action that enhance people's ability to access essential goods and services, gain employment and build resilience. Finally, it can examine how closer relations with the private and public sectors impact the nature of the SSE in terms of its social, economic and democratic features and transformative potential.

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