



Social and Solidarity Economy and the Future of Work

July 2017



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First published 2017

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Social and Solidarity Economy and the Future of Work Euricse Working Paper for the ILO/ International Labour Office. - Geneva: ILO, 2017
1 v.
978-92-2-130107-3 (web pdf)

ILO Cataloguing in Publication Data

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Coordination by: Roberto Di Meglio & Laura Ciciarelli

Design and layout by the International Training Centre of the ILO, Turin – Italy

PROLOGUE

The International Labour Organization (ILO) boasts a long tradition and experience in the social and solidarity economy. In fact, the ILO's Cooperatives Unit was established in 1920, one year after the ILO's creation, and the first official document to make direct reference to enterprises in the social economy dates back to the year 1922. The ILO's commitment to advancing the social and solidarity economy is based on its Constitution and the ILO Declaration on Social Justice for Fair Globalization (2008), which states that, in a globalized world, “productive, profitable and sustainable enterprises, **together with a strong social economy** and a viable public sector, are critical to sustainable economic development and employment opportunities”.

The social and solidarity economy is an umbrella concept designating **social and solidarity economy enterprises and organizations** (SSEEOs), in particular cooperatives, mutual benefit societies, associations, foundations, non-profits and social enterprises, which have the specific feature of **producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity**¹.

Through its principles, values and practices related to participation, democracy, solidarity, and its social, and often environmental aims, the social economy has proven to be resilient to economic crises. In times of rising inequalities, environmental degradation, and overall economic turbulence, the social economy provides civil society with the means to fulfil its needs. Indeed, the social economy provides goods and services in tune with the reality, culture and needs of the community it serves.

The rapid and profound changes in the world of work namely due to the aforementioned crises, but also due to migration, technological changes, and other challenges, are of primary concern. It is faced with these challenges that ILO Director-General Guy Ryder has launched the ‘Future of Work Centenary Initiative’. Up until now, many events have taken place on the “future of work” and discussion between high-level academics, government representatives, labour unions and workers’ organizations has been initiated on the topic. Furthermore a High-Level Global Commission is set to be constituted in 2017-2018 to guide the Future of Work Initiative up until presentation of final results & findings, and a possible Centenary Declaration during the 2019 International Labour Conference, when the ILO will officially celebrate its 100th birthday.

1 www.untfssse.org

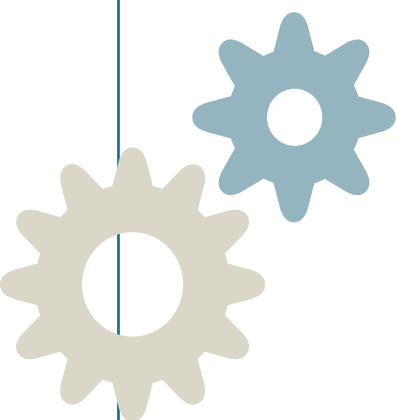
Alongside the Future of Work Centenary Initiative, the ILO has for several years now organized the Social and Solidarity Economy Academy, a 5-day interactive training event on the Social and Solidarity Economy (SSE) bringing together governments, policy makers, academicians, and SSE practitioners from around the globe. The exchanges undertaken during the sessions are geared towards achieving the Academy's objectives of contributing to a better understanding of the SSE concept, underlining the relevance of SSE as an alternate/complementary development paradigm, both within the ILO's Decent Work Agenda and the 2030 Sustainable Development Agenda, building new and strengthen existing SSE networks, facilitating sharing of best practices and knowledge, and creating and fostering a SSE community of practice.

In regards to its work in the SSE, the ILO has decided to look more deeply into how the Social and Solidarity Economy fits into the future of work. This particular publication presents the main theoretical arguments and empirical evidence on the features and role of SSE organizations, specifically on its potential to create and preserve decent work. The publication also underlines the SSE's capacity to create jobs in emerging sectors, for example in the silver economy, and to contribute to the formalization of the informal economy. Lastly, the policy implications of these various changes, and how they can support the growth and development of SSE in the future of work is addressed.

We would like to take this opportunity to thank the authors of the paper Mr Carlo Borzaga, Mr Gianluca Salvatori and Mr Riccardo Bodini of the European Research Institute on Cooperatives and Social Enterprises (Euricse), for their work in researching and elaborating this insightful publication, highlighting the role of the SSE in the future of work, as we strive with strengthened determination to shape the future of decent work and social justice for all.

Vic van Vuuren

Director Enterprises Department
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ABSTRACT

The global economy is affected by significant economic, technological and demographic changes that threaten to reduce decent work opportunities at a time when the demand for employment is growing and economic inequalities are higher than ever. New technologies and automation are increasingly replacing human workers, and the sectors that are less likely to be affected by these phenomena and more likely to grow in the near future (like personal services, for instance) are also more prone to informal or non-standard forms of employment. In this context, significant attention is being paid to the social and solidarity economy (SSE) as a viable option to help address some of these challenges. Indeed, while the SSE comprises a diverse and heterogeneous universe of organizational models and approaches, the main actors within the SSE share a set of common features that make them ideally suited to take on some of the key issues related to the future of work.

The paper reviews the main theoretical arguments and empirical evidence on the features and role of SSE organizations, paying particular attention to their implications for the creation and preservation of decent work. The analysis shows that SSE organizations can indeed help create and preserve employment in traditional sectors and promote decent work by providing quality and stable jobs, facilitating women's entry into the labour force, integrating disadvantaged workers and helping the transition from informal to formal employment. The paper also argues that SSE organizations can help channel jobs in emerging sectors like the "silver economy", that are at risk of non-standard forms of work, within entrepreneurial organizations that can provide more structure and security. This will be particularly important in the coming years, as a larger share of employment will come from the service sector (including in particular personal care and social services) and will be much less structured than in the past due to the rise of the gig economy. The paper concludes with a review of the main policy implications, briefly describing the types of initiatives, both at the national and international levels, that could lend the SSE the support it needs in order to fulfil its potential and help improve the future of work.

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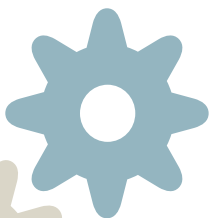
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INTRODUCTION

There are two major challenges that many countries around the world - with few exceptions - are already facing or are expected to face, regardless of their level of economic development: a growth in employment that is lower than what would be needed in order to absorb the supply of labour; and a growing number of non-standard forms of employment, often with low pay or unable to guarantee the same level of income and security (not just in terms of salary, but also in terms of pensions and working conditions) as standard forms can. Even the countries that have recovered from the recent economic crisis (such as the United States) have lower employment rates than they did before the crisis (also due to an increase in the number of people who are no longer actively looking for a job), and those with very low unemployment rates have large numbers of non-standard jobs (as in the case of Germany, with almost 8 million so called “mini-jobs”). The joint effect of these two issues is undermining the social and economic model that was built over the second half of the 20th century. In particular, it is calling into question the role of work, especially in guaranteeing the level of income that could support the establishment of a middle class, and it is rendering traditional labour and welfare policies increasingly less effective.

This situation is due not only to an economic crisis that has been affecting much of the world economy for almost a decade, but also to longer-term structural factors, tied to both the supply of and the demand for goods and services. On the supply side, the acceleration of technological innovation processes has increased the rate at which automation is replacing manual labour. On the demand side, consumption patterns have changed, partly due to the emergence of new needs, such as those linked to an ageing population and the shift of demand from goods to services (including, in particular, personal services and services of general interest). More precisely, there is an ongoing rise in the demand not only for services in general, but for those social and general interest services that have traditionally been provided by the public sector. At the same time, though, public institutions are less able to provide them due to tightening budget constraints.

In theory, the decrease in the demand for labour due to technological innovation, and in particular to automation, is not necessarily negative for the labour market, since it could be compensated (or more than compensated) for by an increase of occupation in sectors where there is an increase in the demand for labour - i.e. in the service sector. Indeed, as time series data on employment by sector shows, this process has been underway since the industrial revolution. However, in recent decades, this shift has not been happening at a scale large enough to replace the lost jobs with standard forms of employment. Indeed, a large part of the new jobs are in non-standard forms of employment and are characterized by lower wages and greater instability.



This inability of the economic system to absorb the impact of technological innovation on employment is due to three main reasons: globalization; the nature of some of the services that are in higher demand, which a productive system made primarily of conventional for profit businesses is ill-equipped to supply; and weak private demand that can pay for these service, due to a combination of the high cost of (standard) labour and the increase in inequality that is lowering the income level of a growing portion of the population.

Much has been written on globalization processes and their consequences on the labour market. Globalization primarily affects the quality of employment, as firms locate production activities in places with lower labour costs and less stringent regulations. Therefore, while globalization does not decrease overall employment levels like technological innovation processes, it shifts the demand for labour from one country to another based on cost minimization, and thus contributes to an overall deterioration of employment standards.

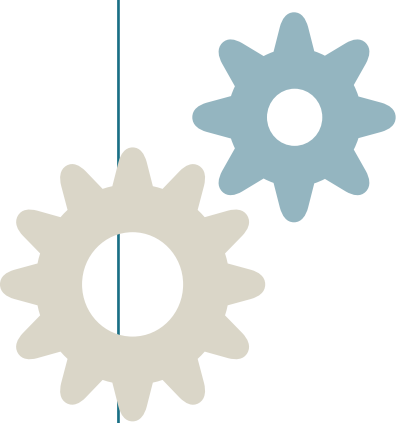
Employment standards are further challenged by the fact that a sizeable share of the new demand for labour is due to personal and general interest services like health, social and cultural services that have many of the features that, in the economic literature, are tied to market failures. These include, in particular, asymmetric information that makes it difficult for the users to evaluate the correspondence between the price and the quality of most of these services as well as to ensure compliance with the contract, with the result that the supplier can easily reduce the quality of the service without sanctions. These services are also characterized by low profitability, because they are often labour-intensive and their price is thus determined primarily by labour costs. Moreover, they have, as Baumol and Bowen (1996) put it, “cost disease”, since it is very difficult to reduce their cost through technological innovation. As such, production of these services by conventional firms can be inefficient and less than what the market could potentially absorb, which is why, traditionally, the main providers of these services have been households, public institutions and philanthropic organizations.

For all of these reasons, these services have high minimum prices, which on the one hand makes it difficult to maintain or increase the supply that is provided by the public sector and, on the other hand, it excludes many potential consumers unless new forms of low cost labour arise. That is precisely what occurred in many countries starting in the 1990s, and is occurring to a greater extent now that automation processes have reduced the demand for salaried employees and increased the presence of less structured forms of employment even in sectors that until now were still mainly characterized by standard forms of employment.

These transformations in the world of work have brought increased attention to the organizations that compose the social and solidarity economy (SSE), defined as “a broad set of organizations and enterprises that are specifically geared to producing goods, services and knowledge, while pursuing economic and social

aims and fostering solidarity” (United Nations 2014). Over the past few decades, these organizations have been extremely dynamic, growing faster than the rest of the economy in many countries and demonstrating a good capacity for innovation, as evidenced by their ability to find new solutions to social problems. It has also become increasingly clear that some of the characteristics of these organizations make them well suited to overcoming the difficulties faced by other types of enterprises (public and private alike) in the production of general interest services, to creating more flexible forms of employment that give the workers more power to decide how to organize their jobs, and to lowering the cost of production through the involvement of users and volunteers. In other words, these organizations seem capable of helping to turn the challenges described above into an opportunity to improve living standards and quality of life.

The objective of this paper is to provide an understanding of this complex evolution focusing in particular on the actual and potential role of SSE organizations, and on the most effective public policies that can support SSE organizations in addressing the challenges related to the future of work. To this end, the paper is structured in three sections. The first section provides an overview of the impact on the future of work of two phenomena in particular, focusing on their consequences in terms of quantity and quality of employment: the combination of technological innovation and the evolution of production processes on the one hand, and the evolution of social needs on the other. The second section is dedicated to the social and solidarity economy: it describes its main features and explores its role both in preserving employment and in creating new employment in the sectors where there is an increase in demand, and it reviews the available evidence on the characteristics and quality of the employment it creates. Finally, the last section discusses the policy implications and the role that different actors can have in supporting the SSE in performing this important function.



THE FUTURE OF WORK: KEY DRIVERS AND TRENDS

a. Technological changes and their impact on employment

The future of work, as was clearly highlighted in a recent ILO brief (ILO, 2016), is affected by a number of broad economic, social and demographic transformations. In turn, these transformations both cause and are constrained by a series of major environmental challenges (OECD, 2015). Consider, for instance, the issue of the accelerating entry of young people into the labour markets in developing countries, where the search for already scarce employment opportunities happens in areas that are also stressed by environmental issues. The impacts and costs of forced displacements (World Bank 2011), with the resulting growth of migratory pressure, is just one of the examples of the wide-ranging effects that the combination of social, economic and environmental issues can produce, with substantial implications for the future of work.

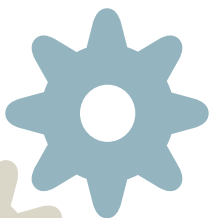
As the cited ILO brief emphasizes, one of the most pervasive and powerful drivers contributing to the transformation of the concept and practice of work concerns the integration of a new generation of technological innovations that have an unprecedented disruptive potential. This section will focus in particular on this phenomenon, due to its far reaching implications and its consequences specifically for SSE organizations. Technological change is a global phenomenon affecting the South as well as the North of the world, as attested by the growing investment in automation also on the part of developing countries like India, China or Thailand and by the impact that automation in developed economies has on developing ones (IMF, 2015; UNCTAD, 2016; Frey et al. 2016). Moreover, as discussed below, the increasingly important role of technology and automation in the production process provides an opportunity for a greater role of the social and solidarity economy, based on jobs that require human and social interaction skills rather than routine tasks that can be codified and easily automated.

Many researchers have investigated the scope of the technological change currently underway, highlighting how, in recent decades, the world has entered a phase of technological breakthroughs ranging from artificial intelligence and the Internet of things, to big data, cloud computing, self-driving vehicles and advanced robotics (Acemoglu et al. 2016; Arntz et al. 2016; Autor 2015; Brynjolfsson et al. 2014; McKinsey Global Institute 2017). New technologies promise to significantly improve products, processes, organizational methods and

markets. Furthermore, all of these technologies are rapidly evolving. Progress in computing power, storage capacity and communications throughput is creating new machine capabilities that exponentially accelerate the rate of automation. The new machine functionalities rival human performances, and in some case, even surpass them.

As a consequence, most of the routine tasks that are easily translated into computer code can now be automated. The digitalization of production, a trend referred to in terms such as “advanced manufacturing” or “Industry 4.0” (ACATECH, 2013), is playing an important role in determining not only the nature of work, but also its availability. According to some scholars (ex. Brynjolfsson and McAfee, 2014) the so called “second machine age”, based on the automation of cognitive tasks through digital technologies, introduces a profound discontinuity with the “first machine age”, which was based on the automation of physical tasks through mechanization. The main difference is the scope of what can be automated. Machines can be deployed in the workplace on a scale and extent much larger than in the past and at a much faster pace, changing the production process in a way that has far-reaching consequences for productivity, employment, skills, income distribution, trade, well-being and the environment, on a global scale.

Evidence of the decreasing availability and the changing nature of work can be found beyond manufacturing industries, where robots have been present for many years. For example, the next revolution in self-driving vehicles might soon cancel the jobs of many commercial drivers (and it is worthwhile to note – as mentioned by OECD, 2017 - that “just over 3 million people work as commercial drivers in 15 European Union member states” alone). Computer-based systems are already used by many companies as customer service agents. Software programmes can write business reports, sport news, and can draft text from spreadsheets (e.g. Automated Insights and Quill Programme). IBM’s Watson computer can analyze the whole medical literature much faster than any specialist, and, based on individual clinical data, can suggest appropriate therapies. Some of the work done by financial analysts has already been replaced by machines. In addition, paradoxically, even complex tasks of the work of software engineers can be substituted by algorithms (Brynjolfsson, E.; McAfee, A. 2014).



THE CHALLENGE OF AUTOMATION

We are entering a time when technologies are evolving more quickly than skills and organizations. Today computers demonstrate abilities that once belonged only to humans. The range of activities requiring cognitive capabilities - where machines can perform tasks that were previously thought to be too difficult for non-humans - is continuously growing. A few examples include:

- **Narrative Science** is a software that can write news. By some estimates, within ten years most of the news could be written by algorithms.
- **Robo-advisor:** financial technologies (Fintech) are among the fastest growing technologies. In the banking sector many tellers have already been replaced by ATMs. Now it could be the turn of financial analysts.
- **Watson-IBM** can analyze in a few seconds the entire medical literature to produce a diagnosis – a task that no human doctor could ever perform.
- **MOOC** (massive open online courses): a few “superstar teachers”, whose lectures are made accessible online to millions of students, threaten to replace thousands of regular teachers.
- **Self-driving vehicles:** next step in Uber’s strategy is replacing drivers with artificial intelligence (AI).

The last wave of automation is thus affecting the service sector as well as industrial manufacturing, causing a hollowing out of middle income jobs and increasing polarization and inequality.

Advances in robotics, artificial intelligence, and machine learning are opening new horizons for automation. Falling costs are boosting the penetration of these technologies in almost every sector of our economies. Out of the five groups of functions that define almost every work activity (physical capabilities, sensory perception, cognitive capabilities, natural language processing, social and emotional capabilities), computer-based systems can already perform effectively the first three and are making impressive progress on the fourth (McKinsey Global Institute, 2017). Information retrieval and motor skills in highly structured and predictable environments are the areas where machines today match or outdo human performance. The range of activities requiring cognitive capabilities - where machines can perform tasks that were previously thought to be too difficult for non-humans - is continuously growing. For a fraction of the cost, machines are taking over an increasing number of activities involving both physical and cognitive capabilities. In the last two decades, substantial advancements can also be observed in natural language processing (e.g. intelligent personal assistants, such as Siri™, and systems of automatic translation like Google Translate). What remains out of the reach of automation are the tasks related to social and emotional dimensions, where humans cannot be replaced,

along with other non-routine cognitive tasks involved in coordination and problem-solving activities (Autor 2015; Arntz et al. 2016, Brynjolfsson, E.; McAfee, A. 2014).

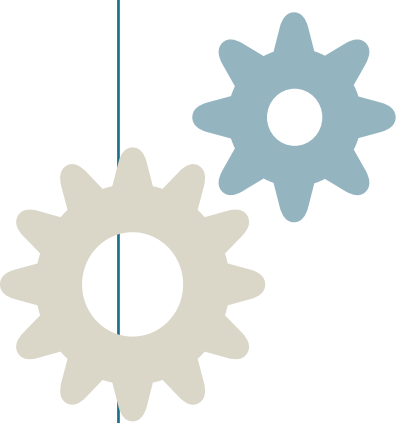
Concern about machine-driven labour displacement is certainly not new. On other occasions in the past, the world of work has gone through high-impact changes that have substantially altered the forms of work and the ways it is undertaken. It happened with the transition from agriculture to modern industry, and again during every industrial revolution. However, every time the emergence of new jobs in sectors other than those where technological innovation had developed ended up compensating, in the medium to long term, for the loss of traditional activities - such as blacksmith or horse groomer - caused by the introduction of new technologies. More often than not, the quality of working conditions actually improved; until now, in fact, the new jobs have been generally better in terms of pay and conditions than those replaced by technological innovation.

However, the belief that long-term automation creates as many jobs as it destroys is currently wavering (ILO, 2016).

b. The consequences on the quality and quantity of jobs

“Technological unemployment” is a term coined by John Maynard Keynes in 1930. Automation is a phenomenon that has been underway for centuries, and, while technology has automated a wide range of tasks done by humans, new activities, occupations and jobs have been created in their stead. In a long-term perspective, every time a large-scale technological shift has occurred, resulting job losses were compensated, over time, by a multitude of new types of work. These past shifts in work activities are of comparable amplitude to those currently experienced by the world of work. For example, in the last century, and with an acceleration after the end of World War II, the rate of employment in agriculture fell in all OECD countries from 40 percent to 2 percent. In addition, in many countries, the manufacturing sector has lost almost half of its share of employment in the last five decades. In both cases new jobs were created, replacing those that disappeared. However, it is not possible to predict how these shifts will impact the future of work while they are occurring. It could not have been imagined, for example, that the introduction of the personal computer, in the early 1980s, would create more than 1.500 new job titles in the labour market, from web designers to database administrators (Berger and Frey, 2014). The specific types of work brought by new technology have often been hard to predict.

The question that is difficult to answer today is whether this will happen again. In comparison to earlier industrial revolutions, the innovation process seems to occur and spread rapidly. Is the latest wave of technological disruptions by its nature substantially different? Will people, displaced by automation, find other jobs?



Let us consider for instance the demographic aging trends in developed countries and their consequences on developing countries. The growing number of retirees in the more developed nations will lead to a shrinking workforce, while leaving fewer workers to cover the costs of the elderly. On the one hand, this will lead to the issue of the economic sustainability of care services for an increasingly old population. On the other, a growing number of needs will call for new professions and new services that a shrinking workforce will be hard pressed to deliver. On both of these fronts, the solution will have to strike a balance between the adoption of new technologies and the search for new organizational models in the production and distribution of goods and services (Leoni 2012; Acemoglu et al., 2014). Otherwise, the push for increased automation will lead to new problems, including in the relationship between the north and the south of the world (Bonazzi 1993; Kopp et al. 2016).

Indeed, as technology and innovation are the principal determinants of growth in productivity, boosting the role of productivity-increasing innovation will be the obvious reaction to the issues posed by an aging and shrinking workforce. But this will affect developing countries, with high birth rates and a significant growth in the working-age population, as low-cost labour may become less attractive. As automation drives down the cost of manufacturing globally, economies where the cost of labour is the most relevant competitive factor, will have cause for concern.

Signs of this trend are already apparent, as indicated by the re-shoring phenomenon of companies that are bringing back some of their activities to high-wage countries, because new automated production processes can compensate the economic advantage offered by the low-income emerging economies. In this way, countries with a declining population will be able to maintain their living standards even with a reduced workforce, while less developed countries will have to struggle in order to find new opportunities for growth.

According to many projections (McKinsey 2017, Fotakis and al. 2015, Toossi 2012, Peterson 1999), in advanced as well as in some emerging economies the rate of employment will peak within a few decades with a shrinking of the workforce that is unprecedented in modern history. Thus, the “compensation by automation” phenomenon, driven by technology-intensive production, will experience a further acceleration, raising a very difficult challenge in terms of what the future of work will be. The employment implications of this shift will impact workers in different ways, depending on the sectors of activity, occupations, and skill levels.

Many studies have recently focused on how new technologies are reshaping the availability and nature of work. Among the most cited, the paper of Frey and Osborne (2013) analyses the effects of computerization on the future of employment, pointing out that technology-enabled automation could replace not just low-skill jobs—which is what happened in the past—but that it could affect all jobs. According to their assessment of more than 700 occupations,

from manufacturing to the service sector, in the next decade or two, the share of jobs that could be replaced by machines in industrialized societies is around 47 percent. Frey and Osborne identify three areas of ability in which computerized systems are unlikely to surpass workers in the near term: creative intelligence, social intelligence (for instance in caring professions), and perception and manipulation in unstructured or changing environments. Similar conclusions, with small differences in terms of percentage, can also be found in reports recently published by the International Monetary Fund, the World Economic Forum, and the McKinsey Global Institute.

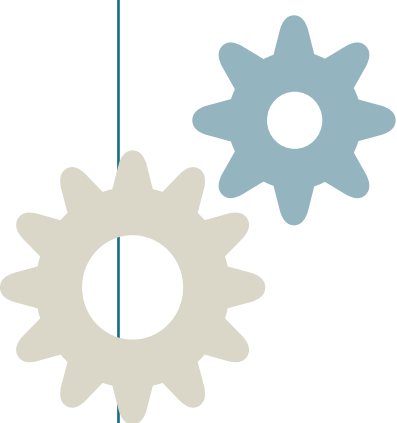
Reconfiguring production processes of course does not happen overnight. The timing of highly disruptive adjustments is affected by several factors: cost of technology, labour market dynamics, social acceptance, regulations, etc. The recent recession, for example, appears to have accelerated the displacement of workers by computerized systems (Jaimovich and Siu, 2012). Public concern about technology's effects on employment also tends to increase during crises.

Nevertheless, it is quite remarkable to observe that all analyses come to a substantial consensus about the long-term perspective: non-routine tasks, either manual or cognitive, are more difficult to replace with automated systems. Furthermore, among them the less replaceable are those involving social and emotional interactions. Jobs in the social sector and occupations requiring social skills appear to be more resilient with respect to the challenges of automation, and more in tune with the new needs arising from changes in the society.

c. A source of new jobs: emerging social needs

In the context outlined above, the key issues concern the quantitative balance between jobs lost and jobs gained, and the capacity to overcome the polarization between low-wage and high-wage occupations that has characterized the labour market in recent times. The massive introduction of robots and computationally intensive technologies could make income distribution vastly more unequal than it is today, as the negotiating power of workers decreases overall and labour displacement threatens to push wages below what could be considered a socially acceptable threshold, especially for unskilled workers (Sundararajan, 2017).

This trend is clearly visible in the phenomenon called "human computing". Firms tend to outsource tasks that are still done more effectively by humans, such as identifying objects in a video and transcribing audio recordings. New technologies like digital platforms allow firms to distribute these tasks among a fragmented network of "free-lance" workers, poorly paid and unprotected. Amazon is the most prominent provider of such services through an application called Mechanical Turk, where some 500.000 workers from 190 countries have registered since 2005. While Mechanical Turk and similar services represent job opportunities for some



people, particularly in developing countries, these "micro-jobs" have been criticized as they typically pay below average hourly wages and raise issues related to worker conditions (Uddin, 2012; Cushing, 2013; Horton and Chilton, 2010). This is one of the most extreme forms of the so called "gig economy", which fractions jobs that would once have been done by employees hired in a stable way into smaller tasks to be distributed among a plurality of independent, and thus unprotected, workers. This phenomenon has important consequences on workers protection and negotiating power, as traditional forms of workers representation do not work in this scenario, and new ones are struggling to emerge.

Thus the main issue related to the profound shift in the nature of work is how to react to automation by emphasizing all human skills that cannot be replaced in the short-medium term by artificial intelligence systems, but at the same time increasing jobs with a higher level of competence and with a greater stability and protection. This translates into new ways of organizing work and workers beyond the structure of traditional enterprises, in order to increase their market power. It also points to new opportunities for development in the field of personal and social services in a broad and evolutionary sense, including for instance in the "care economy" - a sector in which today's challenge is to combine the broad relevance of jobs related to social issues with a better income distribution, and which is of particular interest when considering the role of SSE organizations.

In fact, looking at recent trends, while there are a number of new occupations that could emerge as a complement to the adoption of new technologies (ILO, 2016), a large part of the new demand for labour that could compensate for job loss is expected to emerge in the sectors of social, personal and general interest services, which have, until now, largely been provided in informal ways by households, voluntary organizations and (only partially and in a few countries) by public institutions. To date, this is a sector that has been characterized by high labour intensity and low and stagnant productivity, and, as a consequence, a pressure on costs (mainly of labour) both from public buyers and private consumers. Limited profitability, high entrepreneurial risks and low interest to invest in the sector, along with difficulties to evaluate the potential demand and difficulties for the demand to emerge whenever the supply is not already available and well visible, are often associated with coordination failures mainly due to asymmetric information.

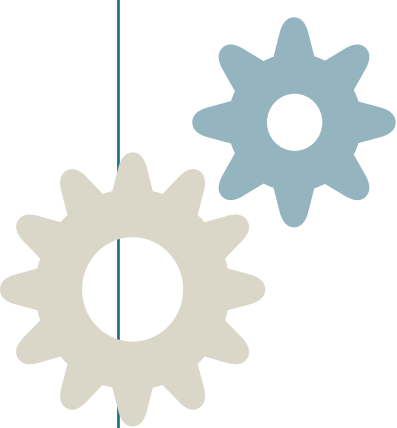
EMERGING NEEDS: THE SILVER ECONOMY

Oxford Economics operationally defined the Silver Economy as ‘the sum of all economic activity serving the needs of those aged 50 and over including both the products and services they purchase directly and the further economic activity this spending generates’. The Silver Economy thus overlaps in part with the general consumer economy, as many of the goods and services this segment of the population consumes are the same as everybody else. However, it also accounts for considerable differences in spending patterns and priorities (for instance, more spending on travel and entertainment as retirees have more time for leisure), as well as specific niche markets (including for example home care for the older segment of the population).

Numerous studies have analyzed the size, potential and growth projections of the Silver Economy. Merrill Lynch estimates the value of the Silver Economy at \$7 trillion per year, which would make it the 3rd largest economy in the world. According to Euromonitor, the spending power of the now elderly “baby boomer” generation will reach \$15 trillion by 2020 globally.

In general, the economic potential of the Silver Economy is driven both by the emergence of new consumer markets for products and services tailored to the ageing population and by the need to improve the sustainability of public expenditure linked to ageing. As ageing is associated with disability and loss of independence, for the older segment (over 75) a significant component of public and private expenditures is related to personal, health and care services.

Source: European Commission, 2015



As a consequence, when compared to the manufacturing or other service sectors, jobs in these new social sectors are paid less, less structured and more prone to informal and “under the table” types of employment. There is a large use of atypical employment contracts with limited protection, including short term contracts, mini-jobs, vouchers or caregivers employed directly by families. Consequently, in these areas, which are of high value to citizens and communities, the supply of services risks being poorly organized and of low quality. At the same time, increasing demand for these services due to the trends described above could have two important implications: first, it could impact the type of professional skills that are required, increasing standards and qualifications.

Indeed, across sectors, the use of new technologies calls for new competences that can integrate the functions performed by machines in a complementary way, raising the issue of the new types of education and training that will be required to manage the interactions with technology. And second, it could change the quality of new jobs, particularly if new organizational forms can intervene to address existing market failures.

As described in more detail below, the social and solidarity economy could play a fundamental role by not only creating new occupations to remedy the loss of traditional jobs, but also contrasting wage polarization and generating better and more decent work. Both for the workers that will be engaged in the social professions of the future and for the ones who are affected by the dynamics of the “gig economy”, social economy actors could provide more “future-proof” jobs that contribute to wealth redistribution and curtail job insecurity. Moreover, as stressed recently by Piketty (2014), a rate of growth which exceeds the rate of return to capital might favour a fall in wealth inequality. But this requires further investigation of the relevance of the social and solidarity economy sector, both in terms of employment perspectives (as public and private demand for social services increases), and of the implications of the new organisational and entrepreneurial approaches for the future of the labour market.

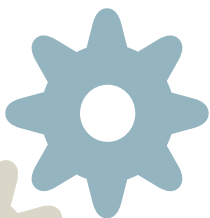
THE CONTRIBUTIONS OF THE SSE TO THE FUTURE OF WORK

a. The SSE: Key features and relevant trends

The Social and Solidarity Economy (SSE) can be defined as “a concept that refers to enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity” (ILO, 2011). This includes the traditional actors of the social economy (associations, co-operatives, mutuals and foundations), alongside a variety of other types of organizations that have emerged in recent years, including most notably social enterprises.

The varied organizational forms that comprise the SSE can be found all around the world, and have been important players in the process of economic and social development in a variety of economic activities and geographical and cultural contexts. In Europe, for instance, associations began to emerge once democracy took hold, and have been instrumental in the creation and expansion of welfare systems in many countries. Likewise, cooperatives and mutuals have been active since the early 19th century, helping various groups of people (consumers, producers, workers) to gain access to basic goods and services ranging from groceries to healthcare. The same is true in other continents as well, where these same types of organizations or others that share similar features can be found. In Africa, for example, traditional practices that contain elements of co-operation, solidarity and collective ownership have existed throughout history to address specific social and economic needs (Borzaga and Galera, 2014).

Along these more traditional SSE organizations, new ones have emerged in recent years. Among these, the rise of social enterprises has been perhaps the most significant and widespread phenomenon, particularly in Europe, Asia and North America. Historically, social enterprises have evolved from non-profit organizations that started producing goods and services as a core component of their activity, as well as from traditional social economy organizations (especially cooperatives) that expanded their goals beyond the interests of their members and towards the wellbeing of the community at large. Given this history, in some contexts social enterprises operate primarily in welfare service provision, while in other countries they also provide education, community and general interest services. Social enterprises can also be explicitly devoted to work integration of disadvantaged



groups, in which case they could operate in virtually any sector (including for instance laundry services, gardening, logistics, etc.) but with a focus on employing workers from disadvantaged groups.

Recent trends show that SSE organizations have displayed significant growth even through phases of economic recession. They have also displayed the ability to expand in new sectors of activity based on the needs of their communities and society as a whole. Indeed, over the years SSE organizations including cooperatives and social enterprises have taken on activities as diverse as education, food production, financial services, and general interest services including utilities, just to name a few. They have also proven to have a great capacity to innovate in terms both of what they do and how they do it, in response to the social needs of the context in which they operate (see, as, Esim and Katajamaki, 2016).

SOCIAL AND SOLIDARITY ECONOMY DATA AND FIGURES

There is very little reliable data on the social and solidarity economy, for a variety of reasons. Lack of clear definitions and differences in organizational forms across countries make it difficult to identify what should be measured, and even where there is clarity on these issues national statistical offices typically collect data by economic sectors but not by enterprise type. Consequently, the data is fragmented and only available for specific types of organizations or geographical contexts, usually where individual organizations have taken it upon themselves to compile it and make it available. The United Nations Inter-Agency Task Force on the Social and Solidarity Economy (2014) reports the following figures as examples of the size of the SSE:

Worldwide, cooperatives provide 100 million jobs (20% more than multinational enterprises). Preliminary results from the Global Census on Cooperatives of UN DESA indicates that globally there are 761,221 cooperatives and mutual associations with 813.5 million members, 6.9 million employees, USD 18.8 trillion in assets and USD 2.4 trillion in annual gross revenue.

In the European Union, over 207,000 cooperatives were economically active in 2009. They provide employment to 4.7 million people and have 108 million members. In 2010 such organizations employed 8.6 million people. They account for over 4% of GDP and their membership comprises 50% of the citizens of the European Union. The social and solidarity economy as a whole provides 6.53% of total paid employment in the European Union, or 14.5 million jobs.

In Brazil, more than 3 million people work associatively in SSE initiatives, according to the second national SSE census concluded in 2014. Cooperatives in Argentina, Brazil, Indonesia and Kenya employ between 250,000 and 300,000 people in each country.

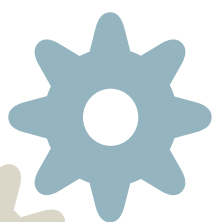
Source: United Nations, 2014

Despite their diversity and heterogeneity, the social and solidarity economy organizations that engage in the production of goods and services share some key features that set them apart from conventional enterprises. First, they often are bottom-up organizations that emerge within local communities as a response to shared needs or opportunities among groups of citizens. Second, they are characterized by a significant participation of volunteers, who often play an important role in the creation and start-up phase of the enterprise. Third, their activities are not primarily geared towards the creation of profits to be distributed to their owners. Rather, they pursue the interests of their members (as in the case of mutualistic organizations like traditional cooperatives and mutuals) and of the community at large (as in the case of social enterprises). Fourth, the ownership structure typically assigns rights to a variety of stakeholders, rather than just investors (as in the case of conventional enterprises). Consequently, the governance structure also tends to be more inclusive and democratic, giving voice to different types of stakeholders (workers, volunteers, users, etc.) within the decision-making process.

The last two features in particular (the fact that SSE organizations do not primarily pursue profits but their members' interests and the fact that they are owned and managed by their stakeholders) have important consequences on the way in which these organizations behave and make them particularly relevant in this phase of profound social and economic transformations. Among other things, as discussed in the following sections, these features play an important role in determining the impact of these organizations on the future of work, as they affect the way in which they can preserve employment in traditional sectors, create new employment in emerging sectors, and provide structure to new professions that are at risk of informality and exploitation.

b. SSE Organizations as “Employment-oriented” enterprises

As capital-intensive economic sectors and profit-oriented firms shed jobs, the relative weight of the social and solidarity economy in employment provision can be expected to increase. This is due to the fact that SSE organizations can operate in all economic sectors, but, due to their characteristics, tend to operate especially in sectors that are labour-intensive and less prone to automation. Their ownership and governance structures make them more likely to engage in the production of goods and services in which labour is the key strategic factor of production and do not require large capital investments, including in many cases “high touch” services (like personal and social services) that are less likely to be performed by machines (Frey and Osborne, 2013). As a consequence, SSE organizations tend to be more attentive to the creation and preservation of employment, especially (but not exclusively) when they are owned and managed by workers as in the case of worker cooperatives.



In general, given their bottom-up nature and their rootedness in local communities (the members/owners live where the company operates), SSE organizations are less likely to de-localize production activities and resort to offshoring in order to save on labour costs. In fact, in some instances, conventional firms that were shut down due to these dynamics have been taken over by their workers and converted to SSE organizations (in the form of worker cooperatives) to remain in operations. In other instances, SSE organizations contribute to creating alternatives to mainstream economy focused on territorial and community development, characterized by collective ownership or management of the means of production, and redistributing surpluses to disadvantaged groups and communities (Utting, 2015).

WORKER COOPERATIVES AND WORKER BUY OUTS

A worker cooperative is a form of producer cooperative, where the input provided by the members is their labour. Worker cooperatives are run and managed by and for the workers who own the capital, vote as equal members on matters related to running the business and have the right to stand in for elections of the Board of Directors.

A specific form of worker cooperatives are the Worker Buy-Outs, created from the transformation of enterprises that still have economic potential but have been hit by the effects of economic downturns, or by the uncertainty generated by the retirement of ageing owners when a stable succession plan is not in place. In these cases, workers can take over the firm adopting a collective form of ownership, effectively transforming it into a worker cooperative.

During the 2002 economic crisis in Argentina, in many cases workers resorted to the bankruptcy law which allowed them to continue with production in a failed enterprise if the majority of the workers agreed, giving rise to the phenomenon of *empresas recuperadas*. By 2014, there were over 300 of these enterprises in Argentina, employing over 13.000 workers. In Brazil there are at least 25 worker-owned enterprises that have been re-launched as worker cooperatives after being previously shut down. In Europe worker buy-outs can be found in several countries including in particular France and Italy, where there is a history of successful WBOs dating back to the late 1970s.

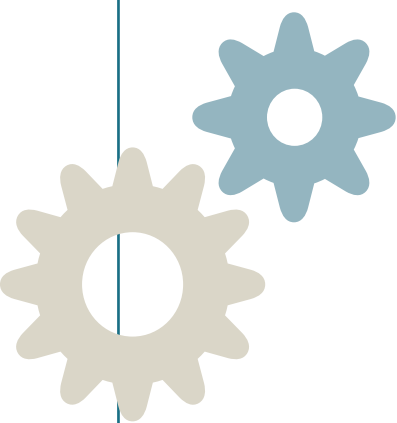
Sources: Esim and Katajamaki, 2017; Vieta et al., 2017

Specific types of SSE organizations, including in particular producers cooperatives, also play a key role in creating and preserving employment even when the workers are self-employed, by aggregating independent workers to increase their market power. This can be seen in particular in the ability of agricultural cooperatives to generate economies of scale that increase the income potential of small farmers, making farming economically sustainable even in areas with high production costs (e.g. mountain regions) or characterized by smallholding. In these cases, the

presence of SSE organizations preserves employment not by hiring the workers directly, but by making self-employment economically viable.

The important role of the social and solidarity economy in preserving employment is reinforced by the well-documented anti-cyclical nature of cooperatives and other SSE organizations, as evidenced by their resiliency in times of economic crisis. As the ILO report by Birchall and Hammond Ketilson (2009) shows, throughout their history cooperatives have emerged during periods of economic hardship as one of the most effective ways to preserve incomes and employment: the Raiffeisen cooperative banking model emerged in response to an agricultural depression in Germany in the 1860s in order to provide farmers with the financing they needed to modernize production methods; the Great Depression in the 1930s in the United States provided a major impulse for the creation of agricultural cooperatives, as well as petroleum cooperatives supplying farmers with the gas they needed; the ability of consumer cooperatives to withstand shocks and guarantee the distribution of food supplies led to their use in Germany and Japan during the reconstruction after World War II; more recently, the industrial restructuring brought about by the oil crisis of the 1970s and 1980s, gave rise to a wave of takeovers via the creation of worker cooperatives, which helped minimize job loss and in some instances are still in business today (Birchall and Hammond Ketilson, 2009).

The recent economic crisis that spread from the United States to the rest of the world starting in 2008 has provided further evidence of the anti-cyclical function of cooperatives. Many researchers have documented the resilience of various types of cooperatives over this period, including for instance cooperative banks (Birchall 2013). The anti-cyclical function of the co-operative business model overall is particularly evident in EURICSE's analysis of data from Italy, one of the countries that has suffered the most from the economic downturn. Between 2009 and 2013, as the Italian economy faltered and GDP fell by almost 10 per cent, the number of employees in conventional enterprises decreased by 500,000 units. Over the same period, though, employment in cooperatives actually increased by 10 per cent, as the cooperative sector added 102,000 jobs. Indeed, the Italian cooperative sector had been growing continuously and more than any other form of enterprise for over two decades. However, it has been primarily during the crisis that co-operatives started growing at decisively different rates compared to other private enterprises, increasing not only employment by also their turnover (+14 per cent over the same period). This strong performance is driven in particular by some sectors where co-operatives registered very strong growth rates, such as, for instance, the human health and social work activities sector (15 per cent growth in employment and 36 per cent increase in labour income between 2008 and 2013). As mentioned above, this is one of the sectors in which both the demand for new jobs and the risk of workers exploitation are highest, and where cooperatives and SSE organizations in general can make a big difference in the quality of employment (as will be discussed in more detail in the following section).



SAVING JOBS THROUGH A DOWNTURN: THE MONDRAGON CORPORATION

While the cooperative sector as a whole has managed, at least in some countries, to grow even during the economic crisis, individual cooperatives have suffered the effects of the economic downturn, especially in the sectors that were hit the hardest. Still, they have usually managed to minimize the impact on their workers. This has been the case for the Mondragon Corporation, a federation of worker cooperatives based in the Basque region of Spain. After two decades of sustained growth, like many other businesses the Mondragon Corporation was hit by the economic crisis that started in 2008. Aggregate turnover in the manufacturing and distribution sectors fell from 15.5 billion in 2008 to 13.9 billion in 2011, prompting the Corporation to take several measures aimed at strengthening the financial position of the company. All of these measures were taken by the General Assembly based on a majority vote of the members, and have included wage reductions, increases in hours worked, and increase in share capital contributions (including through the reinvestment of profits, and the constitution of a voluntary reserve fund). The Corporation also set up a range of mechanisms designed to support the workers through this process, including for instance the creation of an employment assistance system that helped with professional retraining, relocation of staff among cooperatives, and compensation for the loss of work hours. As a result, the decrease in employment that accompanied the drop in revenues was achieved without producing layoffs. Rather, the Corporation resorted to voluntary pre-retirement schemes for workers over 58 and to the relocation of hundreds of redundant worker/members within cooperatives inside the Group.

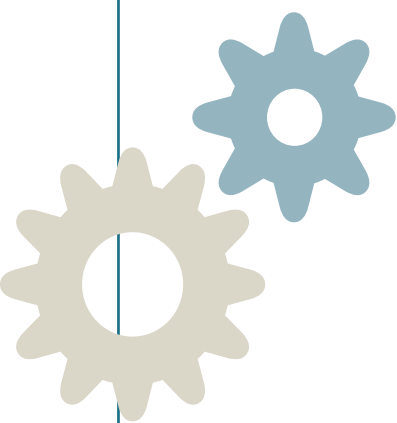
Source: European Commission, 2012

The difference in economic performance and behaviour between cooperatives and conventional enterprises, and the consequent ability of cooperatives to preserve employment even in times of economic crisis, can be explained by looking at the specific characteristics that set cooperative enterprises apart from other types of enterprises. Since their ultimate goal is not to make profits but to provide a service to their members (whether it is more affordable credit, consumer goods, or even a job as in the case of worker cooperatives), during an economic crisis they will tend to maintain or increase their level of activity, even if this means compressing their margins or even running a deficit. The data from Italian cooperatives clearly shows this trend as well: average operating margins in cooperatives fell from 51 million euros in 2007 to 4 million euros in 2013, a much larger drop than in both limited liabilities companies and joint stock companies. In order to sustain high levels of activity and employment co-operatives also resort to strategies that are specific to their enterprise form, such as utilizing their assets, controlled mergers, alliances and vertical and horizontal collaborations. (Zevi et al., 2011; Accornero and Marini, 2011)

c. The SSE as “Employment infrastructure” in emerging jobs and sectors

In addition to contributing to employment creation and preservation in general, SSE organizations are likely to play a particularly important role in this phase of social and economic transformations triggered by the forces described in Section 2. As seen above, there are sectors tied to emerging social needs where the demand for employment is increasing or likely to increase. However, the characteristics of these sectors make them prone to non-standard forms of employment, making it more difficult to provide decent work. This is the case, for instance, of elderly care services, where hired caregivers tend to elderly people who are no longer self-sufficient. Given the high incidence of labour costs, it is difficult for structured enterprises to offer these services outside of nursing homes (where economies of scale make it possible for one caregiver to tend to multiple patients). This leaves families who either do not have access to nursing homes because of limited availability or otherwise require at-home care to often hire workers directly and from within the informal economy – a form of employment that is scarcely regulated and does not provide the same benefits and security that working for a well-regulated enterprise would (paid sick leave, maternity leave, pension, etc.). In these situations, social and solidarity economy organizations can help intermediate supply and demand, channelling these jobs inside entrepreneurial structures that can provide more regulation and security (Matthew, 2017).

Social and solidarity economy organizations have at least three distinctive advantages that enable them to operate in sectors like personal care and provide a viable quality employment option where other types of enterprises cannot. First, they are better at identifying emerging needs. Due to the presence of users and volunteers in their governance and workforce, they are very closely connected to the communities they serve, and very attuned to their needs. This gives these organizations a unique capacity to identify potential new areas of intervention based on the changes in the social and economic context, devising new solutions as new needs emerge. In many cases they are the “first responders”, intervening on the ground and advocating for intervention on the part of the public sector as well. This is what happened in the past with mutuals and cooperatives, which were precursors of the development of the public welfare systems. It is also confirmed by the history of social enterprises, particularly in the European context, characterized by the same underlying dynamic: groups of citizens that assume responsibilities for meeting needs that were ignored or not adequately dealt with by the public sector, including the direct production of goods and services of general interest to the community (Borzaga and Galera, 2016).



The second advantage of social and solidarity economy organizations is related to one of the characteristics that make these services more prone to market failures, and thus more difficult to provide through a market mechanism: the presence of marked information asymmetries between producers and users, which might give rise to opportunistic behaviour on the part of the service provider. Since SSE organizations are often established by or include users in their governance, though, they are better equipped to handle these asymmetries. Moreover, even in the absence of users within the enterprise, since SSE organizations are not driven by profit, they are less likely to exploit information asymmetries in order to extract value from the transaction by taking advantage of the user. As a result, they are more likely to provide better care and higher quality services than other types of enterprises (Hansmann, 1988).

HOME CARE COOPERATIVES IN THE UNITED STATES

Worker-owned home care cooperatives provide personal and supportive services to people with long-term physical, mental, or developmental disabilities, or with short-term needs for medical or personal assistance. While worker cooperatives in the United States have been active for over 150 years, home care cooperatives are relatively new, as the first one, Cooperative Home Care Associates (CHCA) was founded in New York in 1985.

Homecare cooperatives have arisen in different ways in different parts of the country: in some cases (like Care Cooperative in rural Wisconsin) they were created by independent caregivers coming together to form a business that could provide them with better working conditions; in some cases (as in the case of CHCA) they were created as part of a community development strategy seeking to upgrade the training and job quality in the home care industry for low-income residents of inner-city neighborhoods; in other instances, they arose from the conversion into a worker cooperative of for profit or non-profit agencies with a social mission, as in the case of the Andersson Caregiver Group in California; others still, like Partners in Personal Assistance in Michigan, emerged as multi-stakeholder organizations where care providers, care recipients, and other individuals (e.g., advocacy groups or area hospitals) came together as joint member-owners.

In all of these cases, the adoption of the cooperative business model brought a number of advantages for members-workers, including involvement in the governance and decision-making process, maximization of income, hours and benefits. At CHCA, for instance, approximately 82 cents of every dollar received as revenue is provided to its home health aides in the form of wages or benefits. Comparably, other home care agencies in New York City typically allocate 60 cents of every dollar as direct wages or benefits to workers.

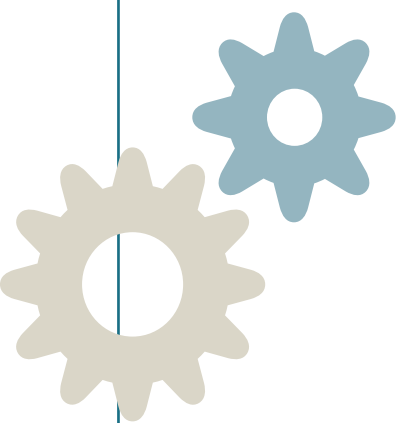
Source: Whitaker et al., 2005

The third advantage is the ability of SSE organizations to operate and develop also by carrying out low-profit activities, since the remuneration of invested capital is not a priority. These sectors are unlikely to attract for profit enterprises that are more driven by capital and return on investment, which – together with the presence of market failure – is why, traditionally, the public sector has intervened in these areas to provide essential services that could not be sufficiently provided by the market. Now that public sector agencies face budget cuts and growing constraints to deficit spending, though, there is a need for other actors to step in. SSE organizations can do so also because they can rely on a mix of resources including donations and volunteering, and they recruit workers that are intrinsically motivated by their values and social aspirations, and thus willing to accept slightly lower wages while maintaining a high job satisfaction (as many researches on job satisfaction of workers in non-profit or social economy organizations show, including e.g. Handy and Katz, 1998; Mirvis, 1992; Leete, 1999; Borzaga and Tortia, 2006).

The “care economy” sector is not the only one in which SSE organizations can fulfil their development potential. The creative and cultural industry sector, which represents another growing sector in terms of occupation with similar characteristics, is also fertile ground for the adoption of SSE models that can empower workers and provide more security, as are many of the other economic activities affected by the gig economy enabled by digital platforms.

More in general, the growing fragmentation of the labour market and the tendency to disassemble production processes through a greater decentralization of individual production functions (as in the Mechanical Turk example cited in Section 2), lead to an increased fragility of jobs but also to a need for more effective coordination mechanisms. So far the tendency has been to resort to organizational models that in effect rely on temporary and precarious employment, including in the most innovative areas like the sharing economy. This outcome is not, however, a foregone conclusion. Following the model of open source software, many activities in these new sectors would lend themselves to the application of the organizational models of the social and solidarity economy. The recent emergence of platform cooperatives (digital platforms that are collectively owned and governed by the people who depend on and participate in them, as defined by Sutton, 2016) is a first significant step in this direction.

Given their core values, operational approaches and organizational models, SSE organizations appear well suited to provide an employment infrastructure also for jobs that emerge in sectors characterized by a high degree of fragmentation, combining the need to coordinate complex forms of decentralization of the production process and the need to provide more security to the workers. Indeed, SSE organizations lend themselves to the adoption of organizational forms that are more flexible and decentralized by resorting to networked collaboration models



based on a more rooted and developed sharing culture relative to shareholder companies.

d. SSE organizations as providers of decent work

The evidence reviewed thus far shows that the social and solidarity economy already plays an important role in preserving employment as well as in creating new employment – a role that is likely to increase in the near future given the changes in the economy and society. What was not directly addressed is the quality of employment within the social and solidarity economy, and whether the jobs created by SSE organizations are in line with the ILO's decent work agenda. Recent research and available evidence suggest that they are, as detailed below.

As discussed, SSE organizations are stakeholder-oriented (rather than shareholder-oriented) enterprises, and as one of the main stakeholders of SSE organizations is their workforce, it is reasonable to expect that, as employers, SSE organizations would adhere to decent work standards. Due to the challenges in measuring the social and solidarity economy mentioned in Box 3, going beyond theoretical arguments and anecdotal evidence on this point is difficult. However, there are countries in which hard data is available and has been analysed, and while it should not be automatically generalized to other countries or contexts, it certainly lends support to the argument that SSE organizations are providers of decent work.

One of these countries is Italy, and data from the Italian context is particularly significant because it is one of the countries in which SSE organizations are most prevalent. Data on Italian cooperatives shows that a higher percentage of value-added goes to the workers relative to other types of enterprises, and that this is true on average for all cooperatives, and not just for workers cooperatives (where this outcome might be expected). Even during the economic crisis, earned income in Italian cooperatives increased by 26 per cent, which is significantly more than the increase in turnover over the same period (Borzaga 2015).

The same data shows that, in addition to being well remunerated (relative to turnover), employment in Italian co-operatives is also stable. At the end of 2014 (the last year for which this data is currently available), almost 80 per cent of employees in Italian cooperatives had an open-ended contract, while less than 5 per cent were semi-subordinate (Carini and Fontanari, 2017). Moreover, between 2008 and 2013 the percentage of workers on open-ended contracts increased by 8 per cent, showing a process of gradual stabilization of the workforce (Borzaga 2015). Confirming the trend described in the previous section, this data holds true also for social cooperatives, which operate primarily in the personal care and social services sector, showing that cooperative jobs are regular,

stable and better paid even in sectors characterized by scarcely safeguarded and remunerated employment forms.

SSE organizations also play a role in developing new forms of work organization that can enhance workers' participation in the decision-making processes. The participatory governance structure of cooperatives and most social enterprises supports the expression of intrinsic and pro-social motivations, and allows workers to be actively involved and contribute to defining effective policies on wages and earnings, hours and working conditions, consistent with the ILO's mandate that work should be an act of self-realization. In this regard, entrepreneurs, managers and employees of SSE organizations may enjoy greater fulfilment of their social aspirations and place greater value on non-monetary incentives, such as increased autonomy in decision-making and better on-the-job relations (Defourny et al., 1985; Mirvis, 1992; Depedri, Tortia and Carpita, 2012).

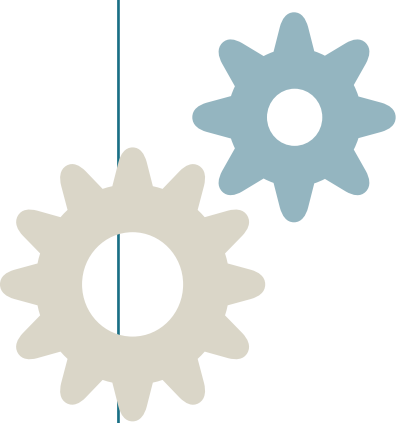
The capacity of SSE organizations to improve the quality of employment is particularly evident in relation to the issue of the informal economy, which by some estimates includes half of the global workforce (ILO, 2014) and as much as 82 per cent of total employment in South Asia and 66 per cent in Sub-Saharan Africa (ILO 2013). The SSE can provide workers in the informal economy with different forms of association (including through the cooperative form) that can help them set up new enterprises, enhance their market power and facilitate access to various types of services, ranging from finance to business support services.

FORMALIZING WORKERS IN THE INFORMAL ECONOMY: EL AMANECER DE LOS CARTONEROS

The “El Amanecer de los Cartoneros” cooperative was established in 2005 by the excluded workers' movement in Buenos Aires, Argentina for waste pickers.

El Amanecer is a recycling cooperative of social and ecological work that not only benefits the environment (recovering recyclable materials that would otherwise be buried in the ground) but also benefits cartonero workers that would otherwise be confined in the informal economy, through the promotion of rights at work and social recognition. El Amanecer has a total of 3,400 associated cartoneros as its members, who are organized into groups of about 60 people. Each group works in a designated area in the city, and every individual cartonero owns the material that he or she collects and is free to sell it to whomever he or she chooses. The cooperative however promotes selling as a group, to ensure the best prices for the materials. Once the cartoneros complete their daily collections, they return to their homes by a bus that has been specifically organized by the cooperative to facilitate the movement of the cartoneros.

Source: http://www.ilo.org/global/topics/cooperatives/news/WCMS_538763/lang--en/index.htm



Another issue that is central to the decent work debate is the gender gap in employment rates. SSE organizations are characterized by a strong presence of women: for instance, the share of female workers in social enterprises is 70% in Belgium and 67% in France. In Italy, 61% of non-seasonal part-time employees in social cooperatives were women, compared to 47% in other enterprises (Borzaga and Galera, 2016). The presence of women is significant also in leadership roles. For instance, 13.6 per cent of leadership positions in the cooperative and mutual insurance sector is held by women, compared to only 2.5 per cent in the world's top 500 companies (United Nations, 2014). In some areas and sectors the presence of women in leadership positions is significantly higher: for instance, 39% of leaders in Spanish worker cooperatives are women, and women's presence on financial cooperative boards in East Africa ranges from 24% in Kenya to 65% in Tanzania, with a regional average of 44% (Wanyama 2014). The large presence of women in the SSE labour force is partly due to the willingness of SSE organizations to provide flexible and part-time employment, which can be more easily reconciled with the responsibilities of unpaid care work, with which women are often burdened (United Nations, 2014).

SSE organizations help address gender gaps in employment not only by hiring women, but also indirectly by providing services that have a direct impact on women's well-being and their ability to gain stable employment. This includes not only childcare and other services that shift the burden of care away from the households, allowing women to join the labor force, but also financial services that can help them gain financial independence. Moreover, the organization of women through SSE networks can contribute significantly to their emancipation and empowerment, as they enable them to gain voice and hone their advocacy skills (United Nations, 2014).

THE SELF-EMPLOYED WOMEN ASSOCIATION IN INDIA

In India, more than 94% of the female labour force consists of unprotected informal workers. The Self-employed Women Association (SEWA) is a trade union which was registered in 1972 to help improve their situation. It is an organization of poor, self-employed women workers who earn a living through their own labour or small businesses. Among many other services, SEWA organized 84 cooperatives (e.g. dairy cooperatives, artisan cooperatives, service and labour cooperatives, land-based cooperatives, trading and vending cooperatives), gathering 11,610 members. Women provide the share capital for the cooperatives and obtain employment from them. One woman may be a member of one or more cooperative. Each cooperative is run by a democratically elected executive committee of workers. The largest cooperative is SEWA Bank with 125,000 members.

Source: ILO, 2011

Finally, SSE organizations help provide employment for workers that are in various ways at a disadvantage in accessing the labour market. This could be due to a variety of conditions, including physical or mental disabilities, ethnic, religious or other types of discrimination, lack of training and skills, etc. Many social enterprises (known as work integration social enterprises or WISEs) are specifically aimed at integrating disadvantaged people to work, and empirical studies demonstrate the effectiveness of innovative work integration paths and networking policies promoted by social enterprises with both private and public actors, relative to the failures of traditional employment policy measures (Nyssens, 2006; Galera, 2010; Depedri, 2012). Through these activities, social enterprises empower vulnerable workers, allow for the effective enforcement of their fundamental rights and promote social justice through their inclusion in the labour market. This function is becoming increasingly important given the growing reluctance of conventional enterprises in hiring these workers as well as the challenges facing public sector agencies.

e. Ongoing challenges and potential issues

The full realization of the potential of SSE organizations to create new and decent jobs will depend on their capacity to maintain or even strengthen their distinctive characteristics (and in particular the values that set them apart from both public agencies and other private enterprises) even as they grow in number and scale. While the widespread notion that these organizations are relegated to small size and marginal roles is easily disproven by the presence in all continents of very large mutual and cooperative enterprises (Euricse and ICA, 2016), there is no doubt that scaling up processes can be challenging for organizations that are strongly based on fiduciary bonds and proximity among their stakeholders.

Among these challenges, the main one is isomorphism, i.e. the adoption of strategies and management practices that increasingly resemble the ones of other economic actors. The risk of isomorphism is particularly strong in the case of “vertical expansion”, or growth in terms of scale of economic activity and membership (Utting, 2015), which pushes these organizations to simplify the decision-making process by adopting the same management practices as for profit corporations, assigning to the managers decision-making powers that should be reserved to the members/owners – a trend that is made more prevalent by the absence of a specialized management culture for SSE organizations. Horizontal expansion (i.e. the proliferation of SSE organizations engaged in similar activities in new areas or regions) can also lead to isomorphism, especially when it happens quickly and is induced by external actors (e.g. the public sector outsourcing welfare services). In these cases, it is possible that SSE organizational forms are opportunistically adopted by other actors that do not share the same values, rather are driven only by the possibility to seize a new business opportunity. There can also be cases of isomorphism that are induced by public procurement rules that do not recognize the specificity of different actors or types of services.

Isomorphism can be avoided or reduced in various ways: first, through the development of governance forms (and related management cultures) that ensure that important decisions are always made with the involvement of the members and help maintain inclusiveness and democracy as the organization grows in size. Second, through the full recognition on the part of the public sector of the specificities of these organizations and the development of a set of regulations that are consistent with those specificities. For instance, the imposition of stringent constraints to the distribution of profits and assets helps discourage the adoption of management practices that aim at cost minimization regardless of social consequences. In the countries in which they were adopted these types of regulations have also prevented demutualization processes that seek to extract value from co-operative enterprises by changing their nature.

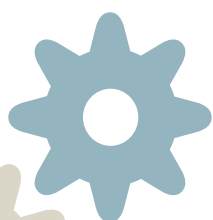
A second significant challenge for SSE organizations is the risk of being used by for profit enterprises in order to circumvent regulations on workers’ rights, or by the state in order to reduce its commitment to the welfare of its citizens. The collaboration between for profit corporations and SSE organizations can lead to positive outcomes when it is based on mutual interests and specializations, but it can also be used by profit-maximizing firms as a strategy to reduce labour costs by resorting to organizations that can pay lower wages – particularly in countries where SSE organizations like worker cooperatives are not properly regulated. A similar risk concerns the relationship with the public sector, in particular where the production of welfare services is concerned, where two different scenarios typically unfold: one in which SSE organizations advocate for and produce new services that are later recognized by the state and financed with public funding; and another one in which the state decides to outsource the production of some services that were previously produced by public agencies to private enterprises

(not necessarily all from the SSE and often through a competitive bidding process). In the first case, SSE organizations actively contribute to creating new jobs and improving the quantity and quality of services available to the population. In the second case, their contribution is much smaller, especially in terms of the creation of new employment, and there is a risk that the externalization process might penalize both the workers (who might find worse working conditions in private organizations relative to the public sector) and the population at large (which might suffer from a deterioration in the quality of the services due to funding cuts and an aggressive bidding process).

The relationship between SSE organizations and the public sector in some areas of activity is also giving rise to a third challenge: a gradual loss of autonomy and a reduction in the ability of SSE organizations to identify new needs that are not being addressed by the public sector. This problem arises in particular when it is the state that decides exactly what services should be produced and for what users, even in cases in which these services were first introduced by SSE organizations.

These challenges too can be addressed, for example by strengthening the decision-making power of the workers of SSE organizations, or by making sure that there are no loopholes enabling the adoption of SSE organizational forms in order to circumvent labour laws. In the case of public procurement, the risk that the involvement of SSE organizations might result in worsening service quality or working conditions could be avoided by changing the procurement rules and the bidding process, excluding organizations that do not meet certain requirements and avoiding to choose the service providers only based on price.

A fourth challenge for SSE organizations is avoiding that their growth only occurs in marginal, “low-value” (at least from an economic standpoint) activities that do not interest for profit enterprises and their shareholders. This challenge might concern some organizations within the social and solidarity economy but not the SSE as a whole, considering that many SSE organizations operate in high value activities and are at the forefront of innovation processes (agricultural cooperatives, mutual healthcare providers, etc.). Moreover, as discussed above, SSE organizational forms seem well suited to operating in emerging sectors including some high value areas related to the development of new technologies.



CONCLUSIONS AND POLICY IMPLICATIONS

In a context in which significant economic, technological and demographic changes threaten to reduce decent work opportunities at a time when the demand for employment is increasing and economic inequalities are higher than ever, the social and solidarity economy has emerged as a viable option to help address these challenges. While the SSE is a diverse and heterogeneous universe of organizational models and approaches, the main actors that comprise it share common features that make them ideally suited to take on some of the key challenges related to the future of work. As stakeholder (rather than shareholder)-oriented enterprises, they tend to cater more to the needs of their workers and other constituents; as enterprises rooted in their local communities, they are less likely to move in search of cheaper labour and more likely to identify emerging needs at the local level to which address their activities; as not-for-profit enterprises, they can leverage fiduciary relations, volunteer work and donations that enable them to operate in low-profit sectors.

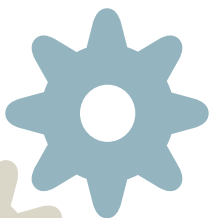
Due to these characteristics, SSE organizations can help create and preserve employment in traditional sectors and advance the ILO's decent work agenda by providing quality and stable jobs, facilitating women's entry into the labour force, integrating disadvantaged workers and helping the transition from informal to formal employment. SSE organizations can also help channel jobs in emerging sectors like the silver economy, that are at risk of informal or non-standard forms of work, within entrepreneurial organizations that can provide more structure and security. This will be particularly important in the coming years, as a larger share of employment will come from the service sector (including in particular personal care and social services) and will be much less structured than in the past due to the rise of the gig economy.

The question, then, is what can be done to support the social and solidarity economy in performing these functions, and what policies could help close the gap between the SSE and the mainstream economy, which employs the vast majority of the world's labour force. This can be done by building a supportive eco-system for SSE organizations both at the national and at the international level.

a. Building supportive SSE ecosystems at the national level

At the national level, policy support for the social and solidarity economy can take various forms, which could be divided in three broad categories: policies aimed at defining and regulating social and solidarity economy organizations; policies aimed at actively promoting SSE organizations and supporting their creation and growth; and policies aimed at encouraging the development of the economic sectors in which SSE organizations operate.

The first group of policies is meant primarily to create a policy environment that puts SSE organizations on equal footing with other types of enterprises. This means having a legal framework that outlines clearly the defining characteristics of the different organizational forms (co-operatives, associations, foundations, etc.) and enables their creation. It is also important that all of these organizations are allowed to produce and trade goods and services like conventional enterprises, and that they have access to adequate and targeted financial services in order to raise the capital they need to invest and grow their activities. Awareness of the need for a comprehensive legal framework of this nature is increasing, as several countries (including most recently France and Italy) have passed sweeping reforms with the intent of making order and providing new support measures for SSE organizations.



REGULATING THE SSE

The Social Business Initiative (SBI), launched in 2011, has been the most comprehensive EU policy initiative to date aimed at fostering the development of social enterprises throughout the continent. Envisioned by the European Commission as an important part of completing the Single Market, boosting entrepreneurship and strengthening employment policies, the SBI aims to create across Europe a favourable eco-system conducive to the development of social enterprises and of the social economy at large.

Over the last few years, many States have adopted new legislations enabling social and solidarity economy in a wide set of fields of general interest. Among the most comprehensive legislations are the ones passed in France, Spain and Italy. In France the new law on Social and Solidarity Economy (2014) covers a wide set of organizations: co-operatives, mutuals, foundations, associations, neighbourhood enterprises and organisations which operate under commercial status while observing in their operating rules several fundamental features with respect to social aims. In Spain the law on Social Economy was approved in 2011 and targets only organizations engaged in economic activities: cooperatives, mutuals, foundations and associations, employee-owned enterprises, insertion companies, special employment centers, fishermen's associations, and agricultural processing companies. In Italy the new law on the Third Sector (2016) refers to organizations pursuing general interest aims both through voluntary and mutual aid activities or through the production of goods and services. Unlike France and Spain, among cooperative organizations only social cooperatives are included within this framework.

Levelling the playing field as described above is necessary but might not be sufficient. In some instances it might be important to provide SSE organizations with specific benefits or advantages, which are justified both by the social aims of these organizations and by the specific constraints that they have in terms of the distribution of profits and assets. The second group of policies, then, provides incentives and subsidies commensurate with the social function that SSE organizations perform and their constraints on profit distribution. These can take the forms of tax breaks for the enterprises and/or their customers and investors, seed funding for the start-up of new SSE organizations, targeted public procurement rules, etc. In devising these policies, though, it is important to be mindful of preserving the independence of SSE organizations and their defining characteristics. For instance, an important area of focus is the development of networks, associations and consortia among SSE organizations, as this is one of the main ways in which these enterprises manage to scale up their activities without losing their connection with the local communities from which they originate.

A further step within this group of policies could then be the harmonization of the different measures and the creation of cross-cutting governmental structures and programmes devoted to the SSE in its various forms.

SUPPORTING THE SSE THROUGH PUBLIC POLICY

Public policy can support the development and growth of the social and solidarity economy in a number of ways. Some examples include:

- Public procurement: the EU public procurement rules (2014/24/EU) that came into force in 2014 offer new opportunities to social enterprises and encourage the evaluation of bids, in particular those concerning social and health services, on the basis of the best price/quality ratio. Furthermore, EU public procurement rules provide more opportunities for reserved contracts and the use of social clauses.
- Fiscal policy: Many countries have in their fiscal policy various forms of tax breaks or exemptions for SSE organizations. In Belgium, for instance, the profits of worker integration social enterprises (WISEs) that are put into an asset lock scheme are subject to tax reductions and, under certain conditions, WISEs benefit from a reduced VAT rate. In France, Sport and cultural associations can be exempt from corporation tax and VAT on services provided to their members. Similarly, foundations are not subject to VAT nor to corporation tax for activities directly related to their purpose.
- Support for start-up and scaling: In Ireland, the Community Services Programme aims to help community businesses deliver local community services and create employment opportunities for people from disadvantaged groups, while in Italy the Marcora Law (49/1985) created a self-financing mechanism specifically for cooperatives. Policies aimed at supporting the start-up and scaling of SSE organizations also include ensuring the availability of adequate sources of debt and risk capital and supporting the creation of intermediaries that can get them investment-ready; promoting the interactions and partnerships between SSE organizations and other actors, including in particular for profit corporations that might be interested in social outcomes; and increasing the capacity and skills of SSE practitioners through targeted training.

Source: Borzaga and Galera, 2016

The third group of policies provides support to SSE organizations not by targeting them directly, but by targeting the economic sectors in which they operate. For instance, some policies could target the personal care and social service sector in particular, in order to facilitate the emergence of a structured and stable labour market with the characteristics described in Section 3. Policy measures in this realm could aim at supporting the emergence of a private demand for these

services that can sustain the costs of providing them with professional standards. This could be done in particular by reducing the cost of labour of the workers employed by organizations that provide services with high social value, through the reduction of social security costs or taxes, or by reducing the cost of the services when bought directly by families, for instance by making their cost tax deductible.

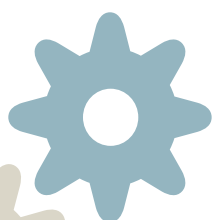
b. The role of the ILO and its partner organizations

International organizations like the ILO can also play an important and complementary role in the promotion and support of the social and solidarity economy. At a basic level, there is much work to be done in order to promote better knowledge and awareness of the social and solidarity economy. This starts with striving for greater clarity and rigour in the definition and identification of actors within the social and solidarity economy, in order to maximize effectiveness and avoid confusion and opportunism. A key ingredient of this process is also the availability of better data and statistics on SSE organizations, as the ILO work within COPAC demonstrates, as well as more research and knowledge-building. The ILO and its partner organizations can also facilitate cross-country learning, enabling an open dialogue that goes beyond government agencies to include researchers, communities and organizations.

There is also a set of actions that the ILO can take with respect to its partner organizations as well as national governments. These include strengthening inter-agency initiatives within the UN dedicated to the social and solidarity economy (along the lines of the UN Inter-Agency Taskforce on SSE), as well as pushing for a more integrated approach on the part of national governments. Initiatives in this direction could advocate for more vertical integration (between national and local levels of government) as well as more horizontal integration (in terms of collaboration between different departments and ministries).

Finally, in order to effectively address the challenges related to the future of work, these initiatives should prioritize the areas of the SSE that have the capacity for stable production of goods and services, since they are the ones that can have the greatest impact on employment. This means in particular the organizations that form the social economy (cooperatives, associations, mutuals, foundations) and social enterprises. It also means including both the more innovative forms (featured more prominently in the discourse on “social innovation”) and the more traditional forms, which have deeper roots and greater diffusion. In fact, a healthy SSE ecosystem should include both of these worlds and favour the exchange of knowledge and practices among more innovative and more consolidated organizations.

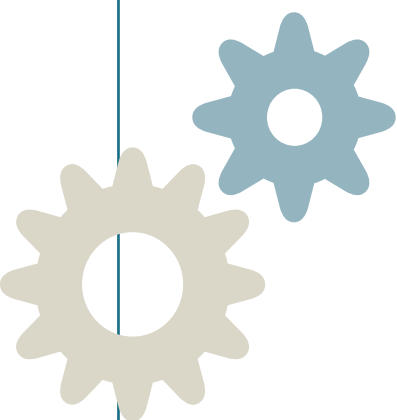
Overall, a supportive eco-system for SSE organizations at the national and international levels should be based on a principle of balanced diversity, seeking a synthesis between what is essentially a bottom-up phenomenon and the top-down nature of public policy. Any policy initiative on the social and solidarity economy should thus favour a methodology based on open dialogue and participation, in line with the inclusive, open and dynamic nature of the social and solidarity economy itself. As the evidence presented in this paper has shown, the varied organizational forms that comprise the SSE are already playing an important role in addressing the challenges related to the future of work, and could play an even bigger role in the future. In this respect, the creation of a more supportive policy ecosystem, both at the national and international level, will be instrumental in lending the SSE the support it needs in order to fulfil its potential and help improve the future of work.



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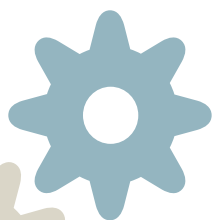
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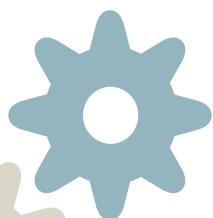
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Made of paper awarded the European Union Eco-label,



reg.nr FI/11/1, supplied by UPM.

ISBN 978-92-2-130107-3



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