



SOCIAL ENTERPRISES AND SOCIAL SECTOR WORKFORCES

WORKFORCE INITIATIVES DISCUSSION PAPER #3

Abstract

Increasing evidence shows that investing in social sector supply, service, and value chains has exponentially stronger development impact than investments in other sectors. There are often severely lacking social services such as child care, elder care, health care delivery, prescription drug distribution, home schooling, and private sector training. These areas serve people (even the poorest people) who are willing to pay for or make contributions towards the overall costs. Weak social systems are, as Elinor Ostrom describes them, “collective action problems” where a common pool of resources is needed with “polycentric small units nested in larger systems,” i.e., within markets for social good there are needs for state-sponsored social systems, supporting services delivery enterprises, entrepreneurs who identify gaps and fill them through charity or investment, and workforce agencies and businesses that provide people with the skills needed to expand access, affordability, and employment in social sectors.

Introduction

The research identifying social services as market sectors that needed tripartite players to work effectively was pioneered by 1998 Nobel Laureate Amartya Kumar Sen. These include: public systems, private for-profit enterprises, and nongovernmental organizations. His application of enterprise and market theory to famine, human capital deficits in poor countries, welfare economics, poverty alleviation, and gender inequality have changed the way many people view development and international assistance.¹

2009 Nobel Laureate Elinor Ostrom, among others, has taken this principle further, showing that investments in social services have multiple and exponentially positive benefits, but that in order for social services sectors to operate effectively there must be “collective action between states, communities, social entrepreneurs, social enterprises, and social sector workforces.” Her work shows that the way “aid, incentives, and sustainability are related” is through establishing parallel tracks in development plans that improve public sector governance and services, encourage private social investments, and build the service capacities of agencies, businesses, and NGOs to fill gaps in social markets.²

Sen and Ostrom are not alone in identifying social enterprises and workforce as actors that have multiple impact. On the one hand, investing in them improves availability and affordability; on the other hand, investing in them creates jobs and livelihoods—often for vulnerable groups such as women and youth.

- ▶ The World Bank’s Poverty Reduction and Economic Management Network reported that in developing countries the “Service Revolution” is producing the highest return on investment for “rapid income growth, job creation, and poverty reduction led by services,” and supports a “development trajectory” that improves governance and increases access to critical services.³
- ▶ Brookings Institution research also identifies abundant opportunities for entrepreneurs to fill gaps in education health care, environmental management, and workforce services.⁴
- ▶ USAID publications illustrate that strengthening social sectors can reduce chances of household “economic shocks” while also improving access to affordable foods and medicine.⁵

Definitions

SOCIAL SECTORS ECOSYSTEMS: Social sectors are those that provide services that lead to better human conditions, including sub-sectors such as child and elder care, education, environment, and sub-sectors of industries that improve access to clean water, healthy foods, and workforce training. Supporting market functions is an ecosystem that are rooted in deep ties between business, government and social entrepreneurs.

SOCIAL ENTERPRISES are the micro, small, and medium-sized enterprises within a social services system or ecosystem that provide services in order to create revenue—in the business sector, profits; in the NGO sector, funds that allow them to be sustainable. These can range from micro-enterprises that introduce a new and better bed net into a market, to a medium-sized bed net manufacturer. They can include a small distribution business to a small pharmacy; they can be a small private clinic or a large private hospital.

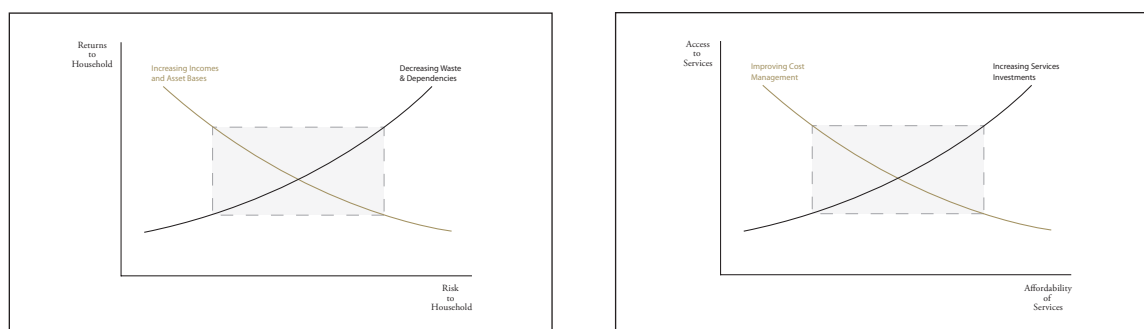
SOCIAL ENTREPRENEURS identify and fill gaps along human and social services delivery and supply chains. As entrepreneurs, they seek average or above average returns on investment, but see that “the impact of entrepreneurship extends beyond the financial.”⁶ Social entrepreneurs create public value, lead social change, and cause markets to expand in areas crucial for economic and human growth.

SOCIAL WORKFORCES: Ostrom et al also point out the need for community, enterprise, and workforce development actions that encourage human development on multiple levels and that involve capacity building and skills development at multiple scales at all points along social services systems, including agencies, businesses, and not-for-profit and nongovernmental organizations.⁷ Social workforces are, therefore, people working at all strata within care, education, environment, food security, and health services supply chains.

FORMAL AND SEMI-FORMAL SOCIAL SERVICES PROVIDERS: In many countries, there are often no truly operational schools, clinics, or child services available to the poor, particularly in rural villages. This leaves vulnerable children and their parents with few options for accessing formal sector social services. Completely informal sector services providers are often ill-trained or ill-equipped to provide proper services. Therefore, while it is crucial to build formal sector capacities, it is equally important to promote development of semi-formal social service providers, such as local community centers, to expand the range and quality of services they provide. By working with community centers and community-based organizations (CBOs), it is possible to expand the availability of social services, improve social sector workforces, and to create new jobs.

Costs and Benefits

One of the most critical factors is analyzing the costs and benefits of social sector investment as well as teaching people how to utilize this information in community and investment planning. For example, through AED's Reduce/Alive initiative, tools were developed for quantifying the impact of health issues.⁸ There are clearly costs to providing health care services, but the impact of poor health care does not end within a nation's health care system. For example, in times of a prolonged health care crisis, the loss of labor hours and productivity "have devastating impact on economies as well." The same kind of analysis can be applied to education, energy, environment, and other social investments. The critical factor is to assist people to understand that the market costs of not investing in social services are greater than making social investments. There is significant research indicating that combinations of public sector social investments and interventions that encourage specialized entrepreneurship in social sectors have multiple benefits, especially in terms of increased incomes while also reducing community, household, and individual risk. As the following illustrations show, as access to social services improves, productive markets develop around them. At the same time, demand creates opportunities to earn high returns.



Moreover, social sector investments need not be large scale to create large impact. For example, the NetMark project's goal was to provide sustainable access to insecticide-treated bed nets to help stem the spread of malaria. In the process, NetMark created a franchising model that provided incentives to create micro-enterprise net sellers, a majority being young women who set up "umbrella shops" outside of children's health clinics. A voucher system was introduced to encourage medium-sized as well as new micro-entrepreneurs to buy and sell nets that met quality control standards. This led to interest among local businesses to begin local production. Over time, a technology transfer program was also added in partnership with several international firms. NetMark engaged over 9,000 small retailers, and helped establish four manufacturing facilities for local production and distributions.

In the end, by making a combination of large social sector investments, targeted workforce investments, and small-scale social enterprise investments, market-driven incomes and assets can be raised while community and household risks are reduced. The following graphs show how risk and return correlations intersect.

Other illustrative benefits of social enterprise and social workforce investments include:

LABOR INTEGRATION: An important factor to recognize is that investments in social services may also contribute to other very important goals. For example, it provides opportunities for integrating new people into a market with less stress on existing labor markets. Very often conflict can arise from trying to integrate new groups into traditional markets because this can displace people from current jobs or it can drive the returns on labor down. Because social sectors often do not exist, there can be less stress caused on the overall market place by developing them and encouraging new target groups to enter them.

WOMEN'S ENTREPRENEURSHIP: Social enterprises are often in segments of an economy where women tend to work. They are also market sectors in which women are more likely to invest. For example, when women control household income, they are significantly more likely than men to spend money on better foods, child care, and health care. They are also more likely to repay their financing obligations and to reinvest in their own businesses. By targeting interventions at getting women into social entrepreneurship, they are more likely to create self-perpetuating market growth.

TECHNOLOGY TRANSFER AND YOUTH EMPLOYABILITY: Social sectors are also places where new technologies are often most easily transferred. This can range from small scale inventory tracking systems kept through mobile phones, to data entry at hospitals and clinics, to utilizing information technologies in education and training systems. Youth tend to have been exposed to new technologies more than their parents, and they tend to perform better in computer training and technology-based jobs and career tracks. Therefore, by helping agencies and businesses to expand social services, as well as provide IT training, it is likely that interventions will also expand technology transfer and increased youth employability.

For more information contact:

*Dr. J. W. Wright, Jr., Director, International Workforce Initiatives,
and Roland Pearson, Director, International Enterprise Initiatives,
AED Social Change Group
(202) 884-8000; jwright@aed.org, rpearson@aed.org*

Endnotes

¹ Kaushik Basu and Ravi Kanbur, *Arguments for a Better World Essays in Honor of Amartya Sen*, Volumes I and II, Oxford University Press 2009.

² Elinor Ostrom, *The American Economist*, Vol. 1, No. 1, Spring, 1998. In this same issue there is also an article by J. W. Wright, Jr. which, while on a different subject, references work by Dennis Robertson, which, in 1926, make very similar points about productive social infrastructure investments. Also see Ostrom's report for USAID entitled *Institutions and Common-Pool Resources in the Third World: What Works*.

³ Ejaz Ghani and Homi Kharas, *Economic Premises*, No. 14, May 2010, p. 1; also see Brian Levy, "Development Trajectories: An Evolutionary Approach to Integrating Governance and Growth," *Economic Premises*, No. 15, May, 2010.

⁴ Brian Levy and Francis Fukuyama, *Development Studies: Integrating Governance and Growth*. Policy Research Working Paper 5169, 2010. Fukuyama is famous, of course, for his article "The End of History" in the summer of 1989 in *The National Interest*.

⁵ Jason Wolfe, *Household Economic Strengthening in Tanzania: Technical Guidance for PEPFAR II Programming*. US Agency for International Development Report on Orphans and Vulnerable Children Economic Strengthening Strategy, June, 2009.

⁶ Ehaab Abdou, Amina Fahmy, Diana Greenwald, and Jane Nelson, "Social Entrepreneurship in the Middle East," *Towards Sustainable Development for the Next Generation*. Wolfensohn Center for Development at the Brookings Institution, April, 2010, p. 1.

⁷ Elinor Ostrom, Amy R. Poteet, and Marco A. Janssen, *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, (Princeton, NJ: Princeton University Press), 2010.

⁸ Agnes Guyon, Renuka Bery, and Elisabeth Sommerfelt, "Qualifying the Economic Impact of Health Issues," *AED Connections*, Fall, 2008.