

# Chapter 49

## The Social Economy and Role of Government in South Africa

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### **ABSTRACT**

*Social economy, as a relatively new concept, is considered the ‘third sector’ of the economy in government discourse. It plays significant roles in socio-economic and political spheres of any nation. Emphasis on social economy has been as a result of the global recession which caused economic depression in several countries all over the world. In South Africa, the impact of the economic recession has reflected mostly in increased unemployment and poverty levels resulting in maximization of discrepancies between the rich and poor with inequalities, creating disenabling environments for foreign investments. These social problems have called for an examination of the role of the social economy in liberating the South African economy from its current dire state. This chapter on tracing the developmental agenda of the South African government, will examine how the social economy has fed into the National Development Plan and the impact of implementation of government policies and regulatory frameworks to ensure achievement of various national imperatives aligned to the Millennium Development Goals in the context of the social economy. The authors state that whilst there is a growing trend towards the social economy in the current context of government, multi-faceted effects of poverty needs to be targeted through robust entrepreneurial opportunities for growth and development of the economy.*

### **1. INTRODUCTION**

Society is the support system on which government is built, hence for every democratic government, much is expected to ensure the societal wellbeing. The primary role of governments all over the world is presumably the provision of public services for the general welfare of communities at large. As globalization is driving the world, governments are facing challenges of meeting the demands of the citizens in creating enabling environments and providing essential public services. Public service delivery is considered a

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huge task which the government would not be able to implement on its own. As such, involvement and participation by the private sector and fostering a culture of entrepreneurship are contributory factors towards a social economy encouraged by government to implement its policies. The social economies are grouped as those organizations whose primary objectives are not profit-driven, but contribute to the economic growth and well-being of the society. The alignment with the Millennium Development Goals (MDG's) as a strategic focus, has raised more concerns on the role of the social economy in society. These *tenets* of the MDG's underpin the concerns of the societal well-being, such as poverty and unemployment; health issues, inequality, education, environmental sustainability and global partnerships.

However, globalization has re-enforced the need for societies to move towards a better world which implies more responsibilities for government, the private sector and the social economy at large. The differences in the value systems and multi-cultures reflect diverse roles of the social economy and the government in developing, emerging and advanced economies. In a developing economy such as South Africa, challenges such as increasing unemployment rate, poverty, high mortality rates, poor education, poor enabling environment, population growth and migration challenges have significantly impacted heavily on the society. In addition, the adoption of various national, regional and international goals to ensure citizens' well-being have increased the expectations of the citizens; thus raising more concerns on the role of government and the social economy. The objective of this paper is to re-examine the current state of the South African social economy, and to appreciate the government regulatory framework that encourages entrepreneurship. The preferential policy framework for procurement reform is an important milestone to foster a spirit of 'entrepreneurial government' encouraging and investing in the growth of the social economy through direct and increased participation of small, medium and micro businesses.

However, the rest of the chapter will discuss the overview of the social economy, concept and structure of the social economy, global recession and the South African economy, towards achieving a prosperous nation, the social economy and entrepreneurship, future research direction and conclusion.

## **2. OVERVIEW OF SOCIAL ECONOMY**

The social economy is considered a 'third sector' amongst economies operating between the private (business) and public sectors (government). Historically, literature have linked social economy to associations and co-operatives structured to respond to the living conditions of the most vulnerable and defenceless social groups. In support of this movement, the International Labour Organisation's (ILO) recently adopted a Declaration of Social Justice for a Fair Globalisation which underpins the need for effective social economy and envisions placing people at the centre of the economic policy of government. Given this background, ILO defined social economy as "a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which has the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity" (ILO, 2009, p.1). Another contemporary definition of the social economy comes from Mook *et al.*, (2007, p.17), "A bridging concept for organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases they undertake". The aim of social economy from both definitions is that it is based on democratic values and is not profit-driven. The concept of the social economy is influenced by the philosophy of ensuring social

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