Introduction: The why, the what and the how

Policy makers do not always recognise the full value created by the social economy,[1] **since it is often not measured properly – or even measured at all.** This is due in large part to the challenges faced by social economy entities[2] in implementing social impact measurement. The main obstacle remains quantifying and valuating intangible, non-market and perception-based outcomes, such as improvements in well-being, local cohesion or social inclusion, in a way that is both credible and comparable across geographies and sectors. Social economy entities also struggle to navigate the wide variety of frameworks and solutions that exist at the local, national and international levels, often shaped by the needs of funders (OECD, 2021[1]).

There exists growing international recognition of the need to support the development of the social economy. The academic literature, as well as recent policy initiatives by the European Commission, the OECD and the United Nations, aim to create a shared global understanding of the social economy (ILO, 2022[2]; OECD, 2022[3]; European Commission, 2021[4]; Caire and Tadjudje, 2019[5]). The "social economy" comprises a set of entities, such as associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives, in addition to non-profit organisations, are part of the social economy (OECD, 2022[3]).

Social economy entities pursue primarily societal aims and share common values. Their defining features are: 1) the primacy of people, as well as social and/or environmental purpose, over capital; 2) democratic or participatory governance; and 3) reinvestment of any profits to benefit members/users or society at large. Social economy entities implement specific business models and practices that both reflect these core values and principles and aim to preserve their social goals, as well as their non-profit or not-for-profit nature (OECD, 2023[6]).

In many OECD countries, the social economy is an important source of employment and economic development. The European Union numbers an estimated 2.8 million social economy entities, employing over 13.6 million people and accounting for 6.3% of the total working population (CIRIEC, 2017[7]). The social economy encompasses a rich and diverse array of entities in terms of legal status, size, outreach and sectors.

International debates on social impact measurement and management have largely ignored the needs of social economy entities (**see Box 1).** Building on previous work (European Union/OECD, 2015[8]; GECES, 2015[9]; OECD, 2021[1]; OECD, 2023[10]), this guide reviews the available social impact measurement and management approaches to determine how social economy entities can adapt and use them to maximise their impact. It concludes by proposing guiding principles to help maximise the social economy's impact and advance capacity-building efforts at the national and local levels.

Box 1. Existing resources on impact measurement and management

A wide range of official international guidance and catalogues has emerged over the last two decades to promote impact measurement in the private sector, although it is not tailored to the social economy. This guidance includes the United Nations Development Programme (UNDP)'s SDG Impact Standards for Enterprises,[3] the Impact Management Platform[4] and the Capitals Coalition.[5]

Relatively little literature specific to the social economy is currently available, and what exists remains very fragmented. The European Commission has encouraged progress in this regard, most importantly with the guidance produced by the Expert group on social economy and social enterprises (GECES) (GECES, 2015[9]) and the "Policy Brief on social impact measurement for social enterprises" (European Union/OECD, 2015[8]). Relevant guidance has also emerged from European Union (EU)-funded projects, such as *Maximise your impact, a guide for social entrepreneurs* (Aps et al., 2017[11]) and "*Valorisation de l'Impact Social de l'Entrepreneuriat Social"* (VISES, 2017[12]).

The United Nations Research Institute for Sustainable Development (UNRISD) has made additional efforts at the international level to improve the methodologies and indicators that measure the performance of the social economy (UNRISD, 2018[13]). More recently, the OECD published a state-of-the-art paper on "Social Impact Measurement for the Social and Solidarity Economy" (OECD, 2021[1]), as well as the *Policy Guide on Social Impact Measurement for the Social and Solidarity Economy* (OECD, 2023[10]).

Social economy actors and representative organisations also contributed to the literature on measuring social impact, especially at the national level. In France, notable examples include the "Handbook: Assessing Social Impact" and "Évaluer son impact social" by Avise, and "*Évaluer son impact social*" by Avise, and "*Mesurer son impact social*" by UNAPEI[6] (Avise, 2022[14]), (UNAPEI, 2022[15]) .

Why the social economy needs impact measurement, management and maximisation

Social impact measurement, management and maximisation is an essential tool to help all social economy entities achieve their mission and advocate for social change in the collective and general interest. This guide shows how social economy actors of all sizes and formats can embrace it in practice, with careful adaptation.

> Social impact measurement aims to assess the social value produced by the activities of any for-profit or non-profit organisation. It is the process of understanding how much change in people's well-being or the condition of the natural environment[7] has occurred and can be attributed to an organisation's activities (OECD, 2023[10]).

Social impact measurement can help social economy entities understand how their activities further their social mission, **and how to improve them where necessary.** However, identifying and evaluating the full spectrum of their social impacts, especially in terms of individual well-being, social inclusion, community trust and a sense of belonging, is not always easy. When available guidance does not match their needs and characteristics, social economy entities may wish to explore alternative solutions: of the 58% of European social enterprises that measure their impact, 60.7% have developed their own impact measurement methodology (Dupain et al., 2022[16]). As impact measurement practices become more frequent and proficient, the evidence base will grow steadily. Promoting an impact measurement culture is therefore important to solidify social economy entities' individual and collective contributions to society.

Impact management is the process by which an organisation understands, acts on and communicates its impacts on people and the natural environment, in order to reduce negative impacts, increase positive impacts, and ultimately achieve sustainability and increase well-being (IMP, 2023[17]).

The ongoing process of social impact management[8] is an important strategic planning tool for social economy entities (OECD, 2023[10]). Impact information is needed to feed the different stages of the decision-making process, both for internal learning purposes (i.e. deriving insight and strategic orientation to improve decisions) and external accountability (i.e. proving credible results that can withstand the test of independent verification). Because social economy entities primarily pursue social goals, social economy entities need impact information to (OECD, 2021[1]):

- **target activities to the social mission**: effectively allocate resources to the social mission, identifying those interventions that are helpful to the given social mission and those that are not, to prove and improve progress on the societal problem at hand,
- **innovate and experiment**: creatively adapt standards (e.g. by involving difficult-to-reach target groups, changing public perception of a product/service, promoting inclusive governance practices), which is particularly relevant when engaging in "social bricolage"[9],
- **engage stakeholders through better participation and collaboration:** work with diverse actors across sectors to design novel solutions (e.g. addressing HIV infections with a combination of stakeholders in the fields of hygiene and education),
- **persuade**: convince potential supporters (e.g. volunteers, donors, financiers) and attempt to influence stakeholders through political and public advocacy (e.g. presenting to parliament).

Generally speaking, the social economy could use more (and better) impact measurement to convince policy makers of its value added. Once a member of the social economy has experienced several impact measurement cycles and set up the building blocks of impact management, it can progressively develop a more permanent and proactive strategy for impact maximisation.

Impact maximisation is about growing the depth and reach of positive social change in a sustainable and balanced way (Arvidson and Lyon, 2014[18]).

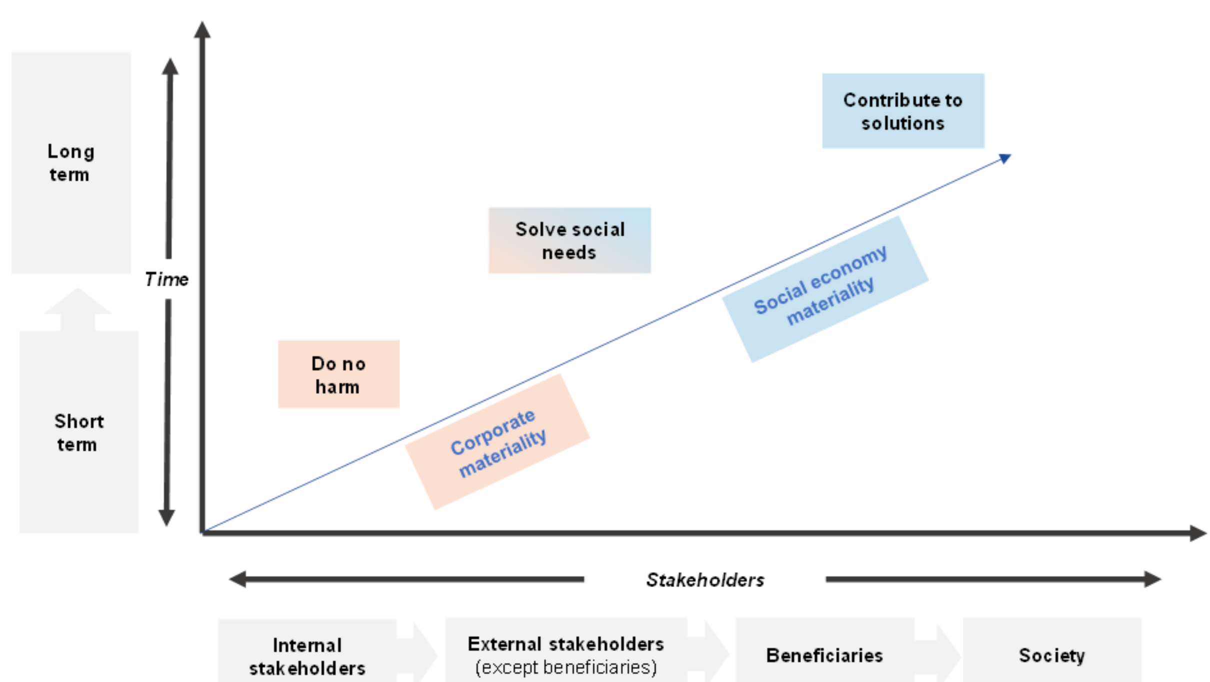
This final stage of impact maximisation is particularly relevant, as it steers the entity's operations towards achieving its long-term strategic objectives and prevents mission drift. It occurs in parallel with the most mature uses of impact measurement, which include regular evidence-based decision-making, adapting and/or scaling operations based on impact results, and collaborating with others in the social economy ecosystem to achieve better visibility (Arvidson and Lyon, 2014[18]).

The social economy as a champion of social impact

Despite its popularity, there exists no shared definition of "social impact" within the social economy space and beyond (OECD, 2021[1]). In its broadest sense, the term "social" can relate to changes in a range of conditions (physical, cultural, economic, emotional, behavioural…) in response to a vast set of needs experienced by people (e.g. for employment, education, health, housing, security) and the planet.[10] The term "impact" designates the positive or negative transformations produced as a result of an organisation's activities (OECD, 2021[1]; OECD, 2023[10]; GECES, 2015[9]).

Social economy entities typically face an expanded notion of materiality – hence the difficulty in narrowing down the expected social impacts. Material outcomes are changes that are important enough for the entity to measure (Aps et al., 2017[11]). Social economy entities are concerned not only with those effects that may positively or negatively affect their activities, but also with those that affect society and the environment at large. "Materiality" for social economy entities, therefore, differs from the traditional accounting sense[11] because of its non-economic nature, which embraces a broader range of diverse stakeholders (see Infographic 2) (Nicholls, 2018[19]). By definition, social economy entities pursue the general or collective interest – either explicitly or through the interests of their members, users and beneficiaries, when socially relevant (OECD, 2023[20]). Their participatory governance model might also influence how materiality checks are performed in practice, with a much more inclusive consultative approach. In other words, the value produced by a social cooperative for its primary internal stakeholders (workers) is as fundamental as the value produced for secondary (external) stakeholders (CECOP, 2020[21]). Civil society organisations may consider as "material" any outcome (over the short, medium or long term) that is relevant and significant to their stakeholders or people in general (HIGGS et al., 2022[22]).[12] This is even truer of social economy entities that aspire to bring about systems change,[13] like social enterprises.

Infographic 2. How social economy entities define what is important to measure



Source: OECD.

Which social impacts distinguish the social economy

International standards on impact measurement are still lagging in recognising the full spectrum of social impacts.[14] In the private sector, despite some instances where it is thoroughly assessed, social impact is often limited to activity-level data, such as employee demographics or gender, and reported without any consultation of the affected population(s). Reporting by conventional companies and investors tends to describe the activities conducted (*what is done*) rather than the consequences of those activities (*what it changes*), overlooking material social impacts that are relevant to their stakeholders.[15] In the area of employment, for example, traditional reporting does not consider actual labour practices in supply chains (as opposed to workplace policy); whether hourly workers are paid a living wage; whether employees experience a safe or exploitative working environment; and, perhaps most importantly, how the entity's products and services affect customers and society at large. There also exists a lack of data on the real socio-economic impact and value of the social economy compared to other components of the market economy (OECD, 2021[1]; European Commission, 2021[23]).

Social economy entities themselves may find it difficult to define social impact precisely, especially in quantitative terms. Some prefer to focus on results that reflect the economic or financial value created, whereas others prefer results that depict the social change (e.g. changes in conditions). This is due in part to the financing methods underpinning social economy entities, which determine their minimum requirements for accountability towards funders and regulators. Inevitably, this means that the measurement of results focuses on numbers (i.e. monetary values and standardised metrics), which can be compared over a series of interventions. While these types of results may also promote learning, they are less apt to help capture, understand and explain the impacts observed (compared to case studies, direct feedback from interviews or recordings).

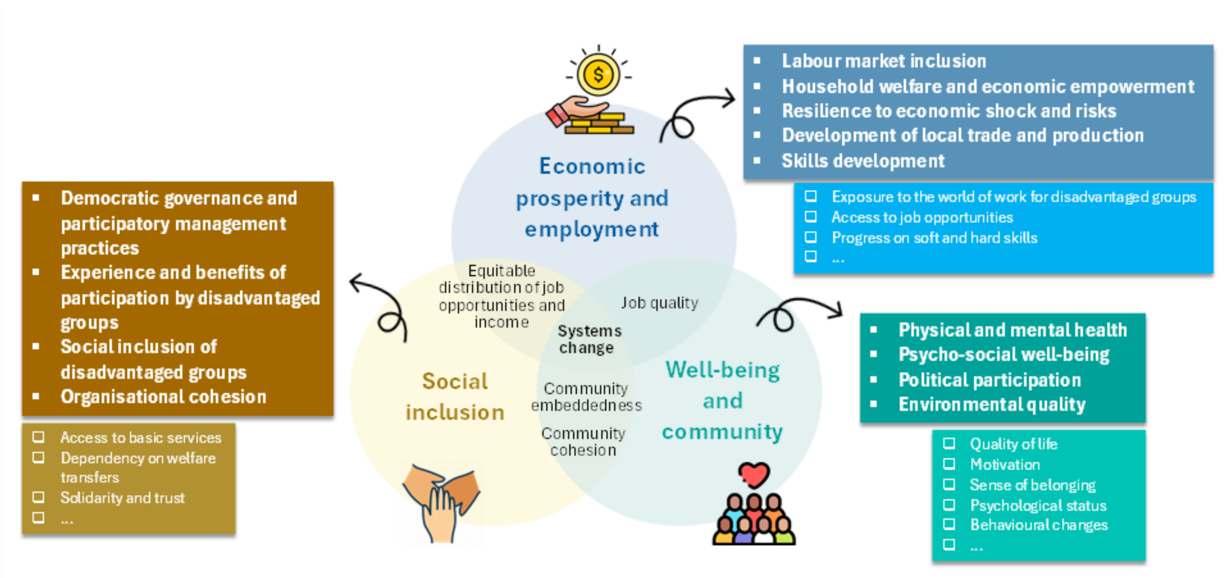
The social economy addresses societal problems through (often innovative) solutions that can take a long time to bear fruit. Moreover, the changes observed over the medium and long term in impact areas such as social inclusion, community cohesion and well-being can rarely be attributed to the activities of a single entity: they are often brought about by the collective efforts of multiple actors (including for-profit companies and public authorities), making it harder to isolate the role played by the social economy.

Rising expectations regarding impact demonstration have led to additional notions that enrich – but also complicate – the task of formalising impact objectives for social economy entities. The first notion is "systemic impact" or "systemic change", which designates not only responding to a social need, but also solving its "root causes" (Ashoka, n.d.[24]) (Agir à la Racine, n.d.[25]) (Rockwool Foundation, 2020[26]) (Aspen Institute, 2022[27]). This concept originated in social entrepreneurs' ambition to fundamentally change the system within which they work, beyond organisational growth (World Economic Forum, 2017[28]). The second is "collective impact", which describes the changes resulting from the concerted action of several organisations (Collective Impact Forum, n.d.[29]) (Kania and Kramer, 2011[30]). This becomes particularly relevant to social economy entities that place co-operation over competition. Finally, "social value"[16] stresses the economic importance of social changes created by the organisation and translates it into a monetary value (Social Value International, n.d.[31]) (Nicolls, 2007[32]) (Grieco, Michelini and Iasevoli, 2015[33]) (FONDA, 2019[34]). Depending on their capacities, a growing number of social economy entities may thus wish (or feel compelled) to understand simultaneously both their social value creation and their contribution to a collective, democratic or systemic impact, which can easily become overwhelming.

Economic prosperity and employment, social inclusion, and well-being and community are the most important impact areas for the social economy (see Infographic 3). These touch upon areas that can also be the hardest to translate in quantitative terms, although consensus is gradually emerging in this regard from the growing literature and previous consultations by the OECD with social economy representatives. These impact areas are closely interconnected and some specific impacts may therefore overlap, also depending on the interpretation provided by each social economy entity and its operating context:

- **"Economic prosperity and employment"** denotes the ways in which social economy entities work to bring traditionally disadvantaged groups to economic prosperity and employment,
- **"Social inclusion"** relates to the support provided to specific disadvantaged groups and the ways in which social economy entities help integrate them into wider societal structures,
- **"Well-being and community"** captures the nuanced ways in which the existence and activities of social economy entities transform individual well-being and community strength, especially through the internal and external relationships they develop.

Infographic 3. Impact areas relevant to the social economy



Source: Authors' elaboration, based on (OECD, 2021[1]).

Specific qualitative or quantitative indicators can be identified for each impact area.[17] The indicators could apply to different levels (outputs, outcomes, impacts), depending on the type of activity conducted by the entity (e.g. sale of goods and services, work integration or training of vulnerable groups, public advocacy). The list does not preclude any additional sector-specific outcomes the entity may also be pursuing, for instance in the areas of public health, education or culture (see Infographic 4).

Having discussed the what and the why, the following chapters will delve into *how* social economy entities can embrace impact measurement and management in a way that promotes impact maximisation.

Infographic 4. Potentially relevant indicators for the social economy

	OUTCOMES	EXAMPLES OF INDICATORS
ECONOMIC PROSPERITY AND EMPLOYMENT	**Equitable distribution of income**	Facilitated access to job opportunities; access to finance; access to capacity-building; reduction in income inequalities and job positions across different groups
	Household welfare	Reported improvements in investments in housing, health, education, and the quantity and quality of meals eaten
	Economic empowerment of women and disadvantaged groups	Reported improvements in income earned; women's active role in important household decisions
	Skill development	Increased exposure to the world of work for vulnerable groups; training and apprenticeships; progress on soft and hard skills
	Job quality	Compliance with decent work standards; stable work; safety at work; reduced absenteeism; perceived opportunities; work-life balance; career trajectories; new leadership roles; diversity within an industry; representation of leadership
	Labour-market inclusion	Net change in employment directly attributed to social economy entities within disadvantaged groups; speed of hiring vulnerable groups; self-employment
	Resilience to economic shocks and risks	Survival rates of social economy entities; financial resilience of women and disadvantaged groups (e.g., reported improvements in ability to plan finances, ability to save money)
	Development of local trade and production	Reliance on local producers and suppliers versus outsourcing (establishment of local networks, increased number of local partnerships); smaller environmental footprint from economic activity
	Systems change	Emergence or improvement of national or local policies in support of the social economy and social entrepreneurship; growing number of social economy entrepreneurs and organisations; establishment of new collaborations with other social economy, private and public actors; evidence of mainstream businesses moving towards sustainable corporate practices through partnerships with the social economy
SOCIAL INCLUSION	**Existence and extent of democratic governance practices**	Presence and diversity of stakeholder groups on boards; invitation to and attendance at operational, governance and evaluation meetings
	Participatory management	Voting rights; participation in planning, measurement, delivery, etc.; collective bargaining practices; opportunities to voice concerns and ideas
	Experience and benefits of participation by disadvantaged groups	Range and numbers of disadvantaged groups included in participatory management practices, activities and interventions; sense of empowerment; perception of ability to participate; change in confidence
	Organisational cohesion	Solidarity among members; mutual trust and co-operation; capacity for self-management
	Community cohesion	Social connectedness; perceptions of stakeholder groups; tolerance of local differences
	Integration of disadvantaged groups	Accessibility and use of activities, services and products developed by the social economy entity; official recognition of disadvantage factors in the public system; reduced dependency on welfare transfers; improved access to public health, education and other basic services
WELL-BEING AND COMMUNITY	**Physical and mental health**	Self-esteem and motivation, psychological status (decrease in depressive symptoms, reduced sense of anxiety and isolation); active lifestyle; behavioural changes (e.g., respite from street life); savings in public health expenditures
	Psycho-social well-being	Improvements in living conditions; reported improvements in quality of life, level of optimism, and life and job satisfaction
	Community embeddedness	New relationships created locally; greater interaction of disadvantaged groups with the community; sense of belonging; sense of pride in community; social recognition; collaboration and partnership with other social economy entities
	Political participation, also referred to as democratic impact	Access to policy makers; confidence to contribute and make a difference; changes occurring in the quality or intensity of citizen participation, the modalities of public debate and decision-making
	Environmental quality	Exposure to loud noise, air pollution, or chemical products

Source: OECD.

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Notes

[1] The social economy, also called in some countries the “solidarity economy” or “social and solidarity economy”, is composed of a set of organisations such as associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy, in addition to non-profit organisations, often dubbed the “solidarity economy”. For the sake of simplicity, this report refers exclusively to the social economy.

[2] This report refers to “entities”, “organisations”, “actors" and “members of the social economy” interchangeably to designate the organisational structures comprising the social economy.

[3] https://sdgimpact.undp.org/enterprise.html.

[4] https://impactmanagementplatform.org/.

5 https://capitalscoalition.org/the-coalition/.

6 The French national union of associations of parents, mentally handicapped persons and their friends (Union nationale des associations de parents, de personnes handicapées mentales et de leurs amis).

7 While a comprehensive understanding of social impact may include the environmental dimension as it ultimately has societal consequences, this guide focuses on social impacts in the narrow sense, for several reasons. First, environmental impacts are inherently less complex to measure quantitatively. Second, any positive or negative environmental consequences arising from social economy activities do not differ significantly from those stemming from the activities of other private-sector actors. Finally, because the measurement of environmental impacts is much less controversial, significant progress has already been made in standardising it. Hence, a wide set of resources and tools is available, even for beginners.

8 Impact management includes impact measurement; these two processes are sometimes collectively referred to as "impact management and measurement".

9 "Social bricolage" can be defined as the purposeful and creative recombination of ideas and resources in the day-to-day pursuit of a social mission (Di Domenico, Haugh and Tracey, 2010[35]).

10 According to this definition, "social impact" can include the economic and environmental consequences of a social economy entity's actions (e.g. the indirect economic impacts on stakeholders, beyond access to employment). For the sake of clarity, however, this report will focus on social and societal consequences, which are deemed the most difficult to measure.

11 In corporate accounting, information is considered "material" if its omission or inaccurate reporting could lead to poor economic or financial outcomes for an entity. Decisions about what is material are most often taken by accountants or other financial experts. Social Value International offers a narrower definition, whereby "an impact is material when it is relevant and significant for decisions to optimise wellbeing of a stakeholder group. Outcomes and therefore impacts that are not significant can also be considered material if they are relevant to organisational objectives and/or relate to societal norms" (Social Value International, 2023[36]).

12 In social impact measurement for civil society organisations, "material" is something that is relevant (i.e. recognised by stakeholders/strategies/research/people) and significant (i.e. important to people, more important than something else, or important to the organisation) (HIGGS et al., 2022[22]). Civil society organisations need to determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact (Aps et al., 2017[11]).

13 A system change follows a change in the root causes of an issue, as opposed to a surface level change which only addresses symptoms. Change is systemic if the way a system operates shifted and hence produces a more positive outcome itself. The term hence describes both an outcome and an approach to social change (Ashoka, 2018[37]).

14 Although the term "impact" indicates the ultimate significance and transformative effects (potential, assumed or achieved) of an intervention, it is often used to encompass changes observed across the whole results chain, including immediate outputs, intermediary outcomes and long-term impacts (OECD, 2023[10]). "Impact evidence" can be defined as the available body of facts or information that can be used to judge to what extent (or not) impact has occurred. The evidence, which can be both quantitative and qualitative, can be generated by individual social economy entities, groups of social economy entities,

other stakeholders in the social economy ecosystem (e.g. impact investors) and public authorities. It can then be triangulated to evaluate the impact of an organisation or initiative, thereby informing decision-making (OECD, 2021[1]; OECD, 2023[20]).

[15] For a definition of what the term “material” means to the social economy, see Infographic 2.

[16] Social value is a broader definition of value that includes the worth or importance stakeholders place on changes/impacts to their well-being that are not captured through financial transactions (Social Value International, 2023[36]).

[17] The listed indicators are drawn from the following projects: the UNRISD SDPI, the IRIS+ Catalog of Metrics, the OECD Paper Series on Well-Being and Inequality, and Social Value UK’s Outcome Frameworks and Standalone Measures Database and Accompanying Report.

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