



Graduate School of Development Studies

**Reducing Vulnerability for Solidarity Economic Groups (SEGs):
A case study in Canoas- Brazil**

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Persevere in prayer, being watchful and thankful

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List of Acronyms

SE	Solidarity Economy
SEGs	Solidarity Economic Groups
CECan	Entrepreneur Centre and Technologic Park of Canoas
CEI	Entrepreneurship and Innovation Centre

Abstract

This paper explores Solidarity Economy (SE) movement in Canoas –Brazil. Based on a case study of five SE initiatives, this research pretends to give a characterization of the Solidarity Economic Groups (SEGs) as entrepreneur and as an expression of collective action. Also it describes how members of SEGs share risks to face idiosyncratic risks.

The development of SE in Canoas has been influenced by the continuous participation of public and private actors who have supported and guided SEGs to guaranty their sustainability. Moreover, reciprocal relations established among SEGs members have led them to strengthen solidarity and to share risks.

Risk sharing among SEGs members is a common strategy to cope with health and income shocks and therefore it help to reduce vulnerability. However this paper considers that other formal insurance mechanisms could be a complement of risk sharing especially to face income shocks.

Relevance to Development Studies

SE offers means to generate income and employment for low income population in Canoas as well as being a mechanism of social inclusion. This research paper intends to analyze how SE uses non-market mechanisms to cope with idiosyncratic risks and therefore reduce vulnerability.

Keywords

Solidarity Economy, survival enterprises, Risk sharing.

Chapter 1

INTRODUCTION

The concept of Solidarity Economy (SE) is not a new topic in Brazil. Since the 80's this "form of production" (Singer, 1999, Gaiger, 1999) appeared as a manifestation of Collective Action (CA) in order to generate income and work, and to provide other non-economic benefits such as participation, identity, social networks, democracy and cooperation. Among the different forms of SE we find popular cooperatives, associations and clubs of social currency and exchange.

Canoas¹ as other cities in Rio Grande do Sul created Solidarity Economic Groups (SEGs). Through community based organizations in different neighbourhoods groups appeared developing economic activities such as production of handicrafts, recycling of solid waste, elaboration of food and medicinal plants, dressmaking and tailoring, trade of raw materials, etc.

SE has introduced entrepreneur mechanisms to survive in the market, and at same time it has seek to incorporate efficient mechanisms of protection for their members in order to secure their production and well being. Facing situations of vulnerability, SEGs strengthen their solidarity bounds and networks in order to overcome problems. The development of networking is a useful instrument for acquiring knowledge, expanding communication channels and learning from other experiences.

Due to their condition, the poor are more vulnerable to risk situations, and their access to credit and formal mechanisms of insurance is limited. Risk can be classified as idiosyncratic risks and common risks. Idiosyncratic risks affect only a particular individual such as illness, loss of job, accidents, etc. These risks can be insured within a community. On the other hand, common

¹ Canoas is one of out nine cities that belong to the metropolitan region of Porto Alegre. With a population of 318.527, Canoas is the second most economically important city of the state of Rio Grande do Sul after its capital Porto Alegre(FEE; 2005).

risks are aggregate, covariate risks that affect all members of a community or region such as earthquakes, flooding, etc. Dercon (2002) suggested that risk sharing and formation of networks are common strategies to protect against idiosyncratic risk, but these mechanisms are not enough.

1.1 The problem

Despite efforts of public and private institutions to strengthen and support SEGs in Canoas and to grant their permanence in the market, these are vulnerable from individual risks (such as health and income shocks) which affect their production and therefore their possibilities to continue working. Social networks and risk sharing are used as mechanisms in SEGs to reduce their vulnerability, but this mechanism is not enough

This paper uses the case study of five SEGs (four recycling solid waste associations and one cooperative of food production) in Canoas to identify the scope of risk sharing among members and to compare how they face idiosyncratic risks. Furthermore, it attempts to give a characterization of the SEGs as entrepreneur and as an expression of collective action. These objectives lead to the main research questions that this paper wants to answer.

RQ1: How SEGs in Canoas behave as entrepreneur and as an expression of collective action?

RQ2: How does the risk sharing in the SEGs works?

These questions are supported by other sub questions which provide elements and information to substance the main questions.

On RQ1:

- What are the main strengthens and weaknesses of the SEGs as collective entrepreneur?
- How does the external support influence on the sustainability of the SEGs?
- How does SEGs face problems related with the collective action

On RQ2:

- What kind of idiosyncratic risks face the SEG?
- How do SEG face the risks?
- To what extend the risk sharing can reduce their vulnerability?

1.2 Relevance and Justification

Due to the globalization process inequalities and polarization increased in Canoas as well as in other cities in the metropolitan region of Porto Alegre. This situation is reflected through the social exclusion of vulnerable communities and the growth of informal markets in the region. SE has contributed to generate income and has been a mechanism of inclusion for those who did not find a place in the formal labour market. This research paper intends to analyze how SE uses non-market mechanisms in order to reduce idiosyncratic risks and therefore their vulnerability.

1.3 Methods of Data Collection

According to the National System of Solidarity Economic SIES (2006), from the 24 SEGs registered in Canoas, 12 were cooperatives, 8 informal groups and 4 associations. However, in 2008, some of these SEGs have disappeared or have changed their condition. For example some SEGs were registered as informal group and today are cooperative.

With the aim to select SEGs which could provide the better information about SE in Canoas I took into account the following criteria: SEGs (a) which appeared registered in the SIES, (b) which are still operating, and (c) which have a trajectory of more than 5 years in the market. Based on these criteria I select 4 recycling solid waste associations in Canoas, and 4 informal groups of food production, which in 2005 were registered as informal groups and today these groups conform the Cooperative Vida Saudável.

Although Canoas only represent the 2% of SEGs of Rio Grande do Sul, the SEGs in this city present common characteristics like others SEGs in the region.

For instance, the educational level of their member, the obstacles to access to the formal labour market, external support and the formation of networks are characteristics likely to find in other SEGs (SIES, 2008).

In order to determine how the selected SEGs face individual risks it is necessary to know their characteristics, which allow us to recognize how they are organized and how they establish relations not only at an internal level but also at an external level. Through semi structured interviews to members of SEGs, I pretend classify them as entrepreneur (survival or growth oriented enterprise) and also recognize their main characteristics as collective action. Annex 1 shows the indicators taken into account in order to classify SEGs as entrepreneur and the possible outcomes of such classification. Annex 2. Summarize the indicators to take into account to better characterize the SEGs as collective action. Therefore, I will determine how SEGs face idiosyncratic risk and how they cope with income and health shocks. Indicators are showed in Annex 3.

The fieldwork took place during July-Augustus 2008 in Canoas - Brazil. Through semi-structured interviews with members of SEGs linked with the CEI, I gathered data putting emphasis on indicators related to health and income flows. Interviews with coordinator of SE in CEI and support staff to learn about the progress of SEGs and the external relations of these groups. Moreover, discussions with the research group of solidarity economy from Unisinos University helped to understand better the SE concept as an expression of collective action.

Secondary information was also collected from different sources including reports provided by the National System of Solidarity Economic (SIES) and documents about the progress, and projects of the SEGs provided by CEI

1.4 Limitations of the research

This research carries some limitations which should be taken into account. One limitation refers to limited information about SEGs in Canoas. Many of the SEGs which were registered in the SIES 2005 disappeared in the following years and there was not information about the causes. In the same sense, there are other informal groups in Canoas considered into SE but which not appeared registered in the SIES. Also, the information gathering some members of SEGs, especially in the recycling sector, was difficult due to the mistrust during the interviews. It can bias the outcome and quality of the answers.

1.5 Outline of the research paper

This paper is organized in seven chapters. The first is this introduction. The second chapter provides a theoretical framework used in the research, underlining relevant concepts such Solidarity Economy, Collective action, Cooperatives and Risk Sharing. Chapter Three provides the case study's background by describing the SEGs and xx in the SE movement. Chapter three describes internal and external relations of SEGs and their main characteristics as entrepreneur and the support received for .Chapter four explains SEGs as expression of collective action. Chapter five describes and analyses the resilience mechanisms used by SEGs in Canoas. The last Chapter draws final considerations as conclusion.

Chapter 2

THEORETICAL FRAMEWORK

This chapter attempts to clarify the concept of SE and provides the academic debate around cooperatives as expression of SE. As collective entrepreneurs, cooperatives have to deal with problems related to the collective action as well as to reach a balance between the solidarity and entrepreneur characteristics. Also the chapter assesses the different resilience mechanisms that have SEGs to reduce their vulnerability.

2.1 Solidarity Economy

The concept of SE in Brazil has been defined as a movement formed by different manifestations of collective action, such as cooperatives, associations and groups of informal work and clubs of social currency (SIES 2006).

According to SIES (2005, 14) the structure of SE is going beyond collective action movement. SE has a complete institutional structure strengthening the expansion and potential of such a movement. It not only compromises manifestations of collective action but also engages business incubators, universities, local government, civil society and private sector. In Brazil SE has contributed to local development through the generation of employment and income, and it is considered a mechanism of social inclusion especially for women and elder populations. However the success of SE depends on other factors such as the presence and quality of social networks, production chains and the participation of other actors (Culti, 2004:8).

The local government is seen as a key actor in the development and growth of the SE movement. According to Kapron (2003) local government can design public policies in four areas in order to support SE initiatives. The first is the investment on consulting and training programs where the relations with NGOs

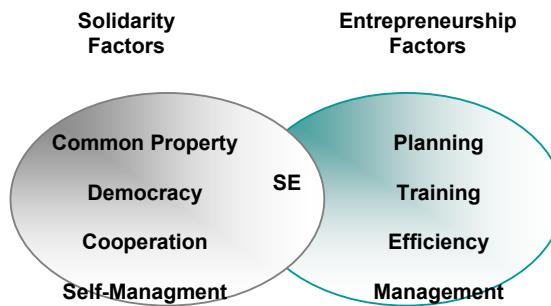
and Universities allow SE initiatives to receive help in the different areas related with the productive activity. The second area is marketing, where the local government promotes spaces for commercialization of solidarity products through fairs and public events. The third area is financing and technical access. The SE initiatives are characterized for being intensive in labour and using low technology, and therefore the creation of solidarity credits and institutional agreement to get financial resources are important for the growth and sustainability of SE. The last issue is related with the integration of SE policies with other public policies. According to Kapron (2003) social policies are the most suitable instrument to increase the effectiveness of SE policies in order to offer better live conditions to low income population.

Cooperatives and associations as collective entrepreneur are considered expressions of SE in Rio Grande do Sul. Therefore, it is important underline the contribution of Icaza (2002) who makes a difference between traditional cooperatives and cooperatives under the SE concept, especially for the state of Rio Grande do Sul. According to her, the differences are based on their origin and their development. The traditional cooperatives originated from Italian and German migrations concentrated on the rural sector. Later on, these cooperatives acquired capitalist forms of production, and became instruments for the government to enter in the international economy. In contrast, cooperatives under the SE concept appeared as a reaction to unemployment and social exclusion especially in urban areas, where people felt motivated to cooperate not only in order to satisfy basic needs but also as mechanism of social inclusion.

The analysis given by Gaiger (1999) shows that cooperatives and associations under SE did not originate in an isolated form from the market, instead most of these movements incorporated new techniques and products in order to compete with capitalist firms, and besides they offered the poor a possibility to find a place in the market. However, it is clear that adequate institutional support and a participatory environment is a key issue in the development of these groups.

Gaiger gives an important approach related to SE initiatives as entrepreneurship which combines solidarity values and entrepreneur factors. He classifies the initiatives for income and work generation projects in assistance, promotional and alternative projects. The first refers to those projects where there is a total dependency of external agents and only offers means to generate immediately income and survival assistance. The second makes reference to projects that can generate a complementary income in order to satisfy basic needs but that can not survive in the market from their own means. Therefore, there is a strong dependency on external agents. Finally, the alternative project or SE entrepreneur refers to entrepreneurship which incorporates solidarity initiatives but at same time is able to achieve a certain accumulation level and economic growth, providing the means to compete and sustain in the market. Among the characteristics present in SE entrepreneurship we find democracy, participation, cooperation and self-management as solidarity characteristics; and planning, training and efficient organization as basic entrepreneur factors.

Figure 1. Main Characteristics of SE Initiatives



Among the solidarity principles we find the common property, where each member from an association or cooperative has the capacity to assume its role as worker and as owner. In the same sense, each member gives priority to the collective benefit rather than the individual. The cooperation is related with the collective work to reach a common goal. In SE such common goal has an

economic and social purpose. The economic purpose seeks to create labour opportunities and the social objective of SE is being an instrument of social inclusion. The democracy principle refers to the capacity of each member to contribute into the SE initiatives (Cooperative or association) and to participate in each stage of decision making process concerning with the production and the development of the SE initiative. Finally, self-management refers to the capacity of each member from an association or cooperative to have control on the public good, to take their own decisions and to solve their own conflicts without the influence of external agents (Nakano 2000: 56).

These solidarity characteristics should be accompanied by entrepreneurial factors which make from SE initiatives an alternative to create sustainable income and employment (Gaiger, 1999). Planning is one of the entrepreneurial factors which allow SE initiatives to reach specific goals in a specific period. This instrument improves not only the production but also help to coordinate different tasks among the members. Training in SE seeks the continuous formation of human capital. The participation of SE members in workshops, courses and seminars and formation of networks are the main resources to incorporate new techniques, process and new ideas to improve SE initiatives. Efficiency refers to the ability to improve each stage of the production reducing time and increasing benefits for the cooperatives and associations. Finally, management is the capacity to control and guide the economic activity as a whole. Such management is carried out by the members of the SE initiative through an active participation (Martins, 2008:9)

SE seeks to combine such solidarity and entrepreneurial characteristics in order to maintain in the market. SE initiatives as cooperatives and associations try to reach such balance that is not always easy to reach.

2.2 Cooperatives

Cooperatives have been defined as an “autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ILO 2006:57). Cooperatives and associations are important issues in the analysis of SE, not only because of their characteristics as collective entrepreneur but also because their definition reflects various issues concerned with the collective action debate.

There are different types of cooperatives. There are saving and credit cooperatives, labour cooperatives, service cooperatives and worker cooperatives. In the first type, the microcredit has become the main instrument to get financial resources and to improve the economic activity. The labour cooperatives are based on the skills of their members. Such cooperatives do not count with assets as premises or equipment. Service cooperatives provide members a specific service at low cost. Among the services we can find joint marketing, collective purchasing of raw material, training courses and office and communication services. Finally workers cooperatives refer to business owned and controlled by workers. This kind of cooperative has as main objective to generate employment for their members and in contrast to labour cooperatives they have the resources to start with the economic activity. (ILO, 2006)

One of the main debate issues around cooperatives is whether this can or not give effective answers to unemployment and inclusion of the poor. Theories of cooperatives have given importance to certain elements that determine their success or failure. The balance between incorporating entrepreneur elements and social cohesion seems the key survival mechanism for cooperatives, but in most of the cases this balance is not perfect. For instance, the analysis given by Lele (1981) reflects the main weaknesses of traditional cooperatives, where a bad distribution and inequality of wages compared to the private sector make them inefficient. The success of cooperative groups depends on their formation and their entrepreneur characteristics. According to Lele cooperatives should originate from the

community rather than being created by external agents, and the inclusion of entrepreneur elements such as leadership, management, experience and acquisition of technical know-how are necessary conditions for their success. However, based on different case studies, these conditions are often absent, providing a collective mirage for the most vulnerable, the poor.

In the same sense, Miller (1981) explains the failure of cooperatives due to their own characteristics. For example, he mentions the low capacity to invest and acquire technology, the low wages and the problems related with a high dependence on external institutions to survive. Nonetheless, Miller points out conditions where cooperatives could have a good performance and compete with capitalist firms, for instance “it should belong to an industry where of small scale is efficient, an industry with labour-intensive methods of production and an industry without a high demand of technology investment” (Miller, 1981:320).

Cooperatives have to deal with a contradiction between becoming a normal enterprise or self extinction. Without the inclusion of entrepreneur characteristics, physical infrastructure and institutional support the probability of cooperatives to survive are limited. Moreover the decision making process in large groups became difficult and time costly. In this situation members tend to delegate such responsibility to others, generating power differences and therefore labour relations of employee and employers.

On the other hand, the study by Brown (1997) shows cooperatives as a “new” form of organization tend to combine elements of successful enterprises and values that involve and strengthen the bonds among members of a community. Cooperatives can contribute to the development of a community by integrating social and economic needs. For instance, cooperatives can promote participation and democracy in a community and at the same time improve their economic performance through acquisition of knowledge and strengthening of their experience with networking (Austin et al 1993: 43).

2.2.1 The collective action

Cooperatives and associations are concerned with issues and problems derived from the collective action. Aspects related with size, the usage of selective incentives, participation and leadership will help to characterize SEGs as collective action movement.

- *Size*

According to Olson self interest in collective action leads to free rider problems, where one member of a group can enjoy benefits of the collective good without have contributed to the costs. In this sense, Olson gives importance to the size of the group where “unless the number of individuals *in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest , rational , self-interested individuals will not act to achieve their common or group interest*”(Olson 1971:2). In other words the individual benefit is a decreasing function of a group size (Udehn, 1993:241)

The group size argument has been widely discussed. Hardin (1982) has criticised the ambiguity of concepts between privileged and latent groups and small, intermediate and large groups. According to Olson small groups always are privileged² and large groups always latent, but there is not a relation between the two dimensions. Likewise Udehn (1993) argues that Olson’s size argument only applies to some kind of public goods. He points out that Olson’s analysis does not take into account collective goods which have increasing returns of scale, where individual benefit increases with group size. However he agrees that social control is harder to achieve in larger groups.

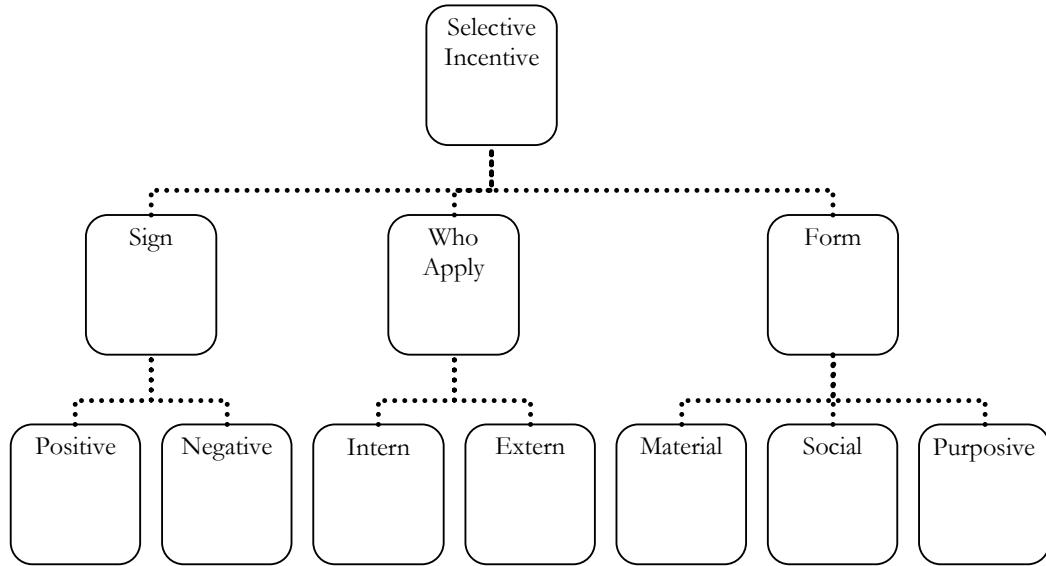
² Olson points out that a group is privileged when each of its members or at least some of them, has an incentive to see that the collective good is provided, even if he has to bear the full burden of providing it himself. (Olson, 1971:50)

- *Selective Incentives*

Another problem presented in collective action is the known prisoner dilemma where two rational players have the option to cooperate or default. In his analysis Hardin (1982) links the logic of prisoner dilemma with the logic of collective action, where the pursuit of individual interest led to inferior benefits if they would cooperate.

In order to mitigate the problems of collective action, the theory has proposed selective incentives as instrument of control and to reward or punish the participation of the members in the provision of the collective good. Diagram 1 (Moya, 2004:175) points out three approaches and typologies of selective incentives. According to Oliver (1980) such incentives could be positive (offering rewards such as social approval or extra material benefits) or negative (such as sanctions, removal of some good or privilege). Such incentives could be applied by an external agent. This can lead to two situations, the first is that members of a group accept such control in order to don't be punished or second they refuse to the external control generating an internal control which oppose to the external (Heckathorn, 1988). A last classification of the selective incentives is given by Wilson (1973) who identifies three kind of incentives material (economic rewards, bonus, food, etc), social (such as praise, respect and friendship) and purposive which upraise from the adoption of values, norms and social costumes in which a person's self-esteem depends on doing the right thing (Oliver, 1993:279).

Figure 2. Selective Incentives



- *Participation*

Participation is seen as other non-economic benefit in Collective Action that lead people take part of a movement due to moral concern or desire (Hardin:1982). One of the main issues to discuss in cooperative theory is the participation as instrument for the decision making process. According to Singer (2007:15), democracy in cooperatives generates diversity in terms of ideas, opinions and debate in order to reach common goals. However, democracy also brings interest conflicts among members into SE initiatives: “Diversity brings to competition through the majority. Therefore, the SE is full of conflicts among equals”.

The study conducted by Martins (2008) shows how participation is not always transformed in democracy. In some situations cooperative members, without the intention to be subordinate, delegate their right to participate to others, who take that responsibility to increase their control and power in the cooperative. This kind of participation is called passive or controlled. In contrast, active participation allows each member to take part of in decisions improving the communication flow in the cooperative. However, such participation tends to be costly for cooperative members

According to De Almeida (2006) indicator such as different motivations to belong to a cooperative, collective construction of new propositions, regularity of the meetings in the cooperatives, shift in charges such as leadership and accountability and the distribution of profits can point up how participation is given in SE initiatives.

- *Leadership*

Leadership is considered one of the main entrepreneurial characteristics, as well as a discussion issue in the collective action. According to Gasper, leaders have the capacity to influence the decisions that groups and organization realize about directions and how they react (Gasper, 2007:5).

But how should be a leader? Which characteristic can define its performance? According to Schneider (2002:213-216) an efficient leader seeks to increase the knowledge of the group and is able to establish external relations to strength the group. Leadership is related with variables such as the communication skills, capacity to planning and solution of conflicts, control of the group and above all the capacity to represent member of a group. There are 5 kind of styles of shared leadership based on the kind of activity, the characteristics of the group and the situation that face a group (Phelps, 2000)

Table 1 Leadership Styles

Style	Characteristics
Telling	<ul style="list-style-type: none"> • Leader is focused more on the economic activity rather than the group. • It does not take into account the opinion of the group. Tell what to do to other members
Selling	<ul style="list-style-type: none"> • Leader works toward getting the follower to understand and commit to the job at hand.
Consulting	<ul style="list-style-type: none"> • After consult with the group, the leader takes the best solution. • Leader allows participation and provides continued support to

	the members
Delegation	<ul style="list-style-type: none"> • Delegate decision-making to other members of the group • Members determine how the job is to be accomplished and as a group work to keep the group together.
Joining	<ul style="list-style-type: none"> • Decision taking in consensus. It requires high member participation and power distributed equally among all members.

Therefore, the relations among leader and the group will determine not only the style of leadership but also its performance (Rotenberg and Saloner 1993). The good leader depends on the good followers and collaborator into a movement (Gasper, 2007:6). For instance when there is not strong relationship among members of a cooperative or association, a telling style allows giving directions and works. On the other hand delegation and joining style, is more suitable for strong relationship among members (Phelps, 2000)

According to Rotenberg and Saloner (1993:1317), the style of leadership can be seen through decisions making process where the leader can choose between take into account the ideas of other members (participative) or take its own decision for the group. Also, personality attributes affect the kind of leader. For example, leaders who are more flexible tend to lead groups more participative and delegate more.

The decision making process in Cooperatives and Associations lead to members to choose a leader who should represent the ideas of the group. The kind of leader depends on the relation with the other members. Such relation is based on trust relation and the effectiveness to transmit information.

Collective action is characterized by its complexity going beyond its causes, motivation and dynamics (Oliver. 1993:8). The consideration of some issues of collective action leads to better comprehend the cooperative's behaviour and the

problems that it carries. Table 2 summarizes the indicators taken into account to address each of collective action issues.

Table 2. Indicators of Collective Action

Variable	Indicator
Size	<ul style="list-style-type: none"> • Number of people in the SEG affect or not its control
Selective Incentives	<ul style="list-style-type: none"> • Presence or not of positive incentives (social approval, rewards in kind or money, etc.) • Presence or not of negative incentives (expulsion, social sanctions, etc) • Application mechanism of Selective incentives (Internal or external)
Participation	<ul style="list-style-type: none"> • Frequency of meetings • Presentation of collective ideas • How shift positions such leadership and accountability • Distribution of profits
Leadership	<ul style="list-style-type: none"> • Style of leadership • Communication skills • Capacity to solve problems • Relation leader and the group

2. 2.2 Typology of micro-enterprises

In order to understand cooperatives and associations as collective entrepreneurs, it is necessary to give an emphasis to its main characteristics and determine what kind of collective entrepreneur are the SE movements. The study by Farbman and Lessik (1989) distinguishes three different typologies of the micro enterprise. It explains how each category, survival, micro-enterprise and small-scale, requires a particular approach for intervention and policy support according to their characteristics. The survival category is characterized by those activities that provide minimum means of survival. People who are engaged in this category count neither with the skills nor financial resources to access to market. The survival activities demand a community development approach, where the construction of local capabilities (social infrastructure programs, education and credit) can generate the conditions to create enterprise development.

The micro enterprise category has the capacity to employ full-time workers and in general it uses traditional technology. Entrepreneurs in this category count with basic labour skills develop contact with raw material suppliers and seek to satisfy local demand. The barriers to entry depend on business experience, the capacity to access the market, human and financial capital. The approach for action is marginal / incremental, which is more focused than the community development approach. This approach focuses on the increment of income and maintains jobs of micro entrepreneurs through credit for working capital, training or technical assistance. However, one of the main criticisms to the analysis of Farbman and Lessik (1989) is based on the similarity of characteristics between the survival category and micro enterprises where the only differential is the approach for action Furthermore, the probability to fall again to the survival category is high likely. (Berner et al, 2008:4).

The third category is the small scale enterprise. This category is composed of large firms, with the capacity to hire more than ten workers and use non-traditional or modern technology. In the same sense, this category deals with a market that is more complex than that of micro-enterprise. The small scale enterprise requires a business development approach, where specific technical assistance, training in business skills and credit for large investment are the mechanism to increase employment generation and income growth (Farbman and Lessik, 1989).The analysis given by Farbman and Lessik provides important issues about the micro-enterprise classification however it suffers from a confusion of two categories, the survival and micro enterprise.

Based on different studies and literature review, the analysis given by Berner et al. (2008:6) points out two typologies of entrepreneur, the survival and the growth oriented. The survival enterprise is characterized by the lack of entry barriers, low capital requirements, diversification instead of specialization, and shared risk. Moreover, this category in contrast to growth oriented is formed in majority by women who don't find labour opportunities in the formal labour market. On the other hand, the growth oriented enterprise is characterized by the

presence of barriers of entry, the ability to accumulate and specialize and risk-taking willingness (Berner et al, 2008:7). Such a division helps us to analyze to SE initiatives which are in a constant fight between survival and growth oriented logic (Icaza, 2008)

The score card developed by Gomez (2008) leads us to better classify micro-enterprise as grow-oriented or survival as well as the chances of success in each category. In the survival category, for example, indicators such as the frequency of running the economic activity, access to resources to improve the business and capacity to invest will demonstrate signs that the survival enterprise has a chance or not to be sustainable and that an adequate intervention to support this kind of enterprise can reduce the business mortality. On the other hand, the success or not in grow oriented business will depend on the “financial revenues, external relations established in the market, internal processes and learning and growth orientation” (Gomez, 2008:6)

Differences at an entrepreneur level are present in SE. According to SIES (2008) some groups perform better than other in terms of production, marketing and access to financial resources. Table 3 shows indicators that will allow us to recognize which kind of entrepreneur are the SE initiatives in Canoas.

Table 3. Indicators Typology of SEGs

Issue	Variable	Indicator
Survival or Growth Oriented	Entry-Exit mechanisms	<ul style="list-style-type: none"> • Enter requirements are necessary (Such labour experience, training, scholar level)
	Willingness to take or not risks	<ul style="list-style-type: none"> • Investment in the last period • Acquisition new equipment
	Capacity of specialization	<ul style="list-style-type: none"> • Application of new technologies, techniques. • Improvements in the product • Training
	Ability to accumulate or share	<ul style="list-style-type: none"> • Usage of formal or informal savings • Profits in the last period

Table 3b. Indicators to determine differences among the categories survival and growth oriented.

	Issue	Indicator
Survival	Sustainable or Unsustainable Survival	<ul style="list-style-type: none"> • Frequency of running the economic activity • Access to resources to improve the business • Capacity to invest
Growth oriented	Successful or unsuccessful Growth Oriented enterprise	<ul style="list-style-type: none"> • Number of new workers • Profits • External relations established in the market. • Internal processes and learning and growth orientation

2.2.3 External Support for micro-enterprises.

SE has involved different actors engaging public and private institutions, being important players in its development. The participation of public and private institutions affects the economic performance and sustainability of the different SE initiatives (Culti, 2007).

Sustainability in cooperatives will depend on the quality of support received as well as the relation established with other sector in the economy. Also, success or failure of SE initiatives is affected by its context and their institutional environment. Some studies have demonstrated that cooperatives tend to fail in market unless have political protection. (Lele 1981, Miller 1981). Such protection can be manifested through laws, subsidies and mechanism or taxation mechanisms.

Each actor involved has the instruments and the capacity to lead enterprise initiatives to a better stage. For instance, public sector can create policies to diversify the economy through technological innovation in traditional and non-traditional sectors. Such policies should be addressed to the construction of local capabilities (training, technology access, infrastructure building and institutional

endowments³⁾ and generate an appropriate and enabling environment to the creation and support of small and micro enterprises. However, the design of public policies should counteract the existence of rules and barriers against smallness and informality, which decrease the possibilities to invest and growth (Berner et al 2008:12)

The participation of the private sector promotes the effectiveness of institutions to reach competitiveness. According to UNDP commission (2004) private sector plays an important role in the economic growth. It can generate job opportunities and contribute to poverty alleviation. Private sector can design different activities to support micro enterprises. For instance, it should facilitate the access to financial resources, create and support training programs and it could establish specific programs in partnership with the public sector (UNDP, 2004).

Non-profit organizations also play a determinant role in the promotion of micro enterprises. They can offer different services such as credit schemes, technical assistance, network support and marketing planning (Millard, 222). Moreover those organizations can contribute to create new business opportunities, as well as to provide instruments to empower the community.

Growth oriented can be benefited from development of Business Development Services (BDS) through specific programs addressed to improve their performance and competitiveness. Depending on the needs of each enterprise, BDS can offer training, consultancy and advisory services, marketing assistance, supporting in technology transfer and business network. Nonetheless, the characteristics of BDS support are far from survival enterprise (Berner et al 2008:13).

³ “Institutional endowments embraces all the rules, practices, routines, habits, costumes and conventions associated with the regional supply of capital, land and labour and with regional markets for goods and services” (Helmsing, 2000:292)

According to Berner et al (2008:14) there are three types of policies which can support survival enterprises. The first type concerns with general policies, which are addressed in two levels: (a) policies focused on economic growth and redistribution; and (b) policies aim to improve education, health, infrastructure, infrastructure and property rights. The second type refers to the creation of employment policies which can offer to survival entrepreneur other opportunities in the labour market. Finally, a third kind of policies are aim to support survival entrepreneurs to cope better with their business.

In Brazil, SE initiatives count with an institutional support involving not only public sector but also private and civil society. Most of cases the creation of SEG appeared from the needs of community itself (SIES, 2008). In other cases, the raise of new SEGs comes from initiatives of business incubator, NGO as mechanism of inclusion in the labour market. In our case study, the external intervention is a key issue in the sustainability of the SEGs; therefore the relation not only with the CEI but also with other actors is essential for the development of SEGs as collective entrepreneur.

2.3 Vulnerability & Risk sharing

The analysis given by Udehn refers to different motivations, besides economic activity, that lead people to cooperate. For instance, Barry mentions non-economic incentives to cooperate such as altruism and class consciousness; according to Sen people cooperate for sympathy and commitment, and finally Elster mentions a mix of motivations to explain the collective action (cited in Udehn 1993:251-252). The creation of informal safety nets among SEGs is a mechanism to face risk and therefore to reduce vulnerability. The analysis realized by Moser (1998) identifies how poor households face different types of vulnerability, related to labour, human capital, housing and infrastructure, household relations and social capital. According to Moser (1998), facing shortcomings in its income, the poor diversify their income sources, strengthen

social networks (common risk-management strategy) and built assets by saving money, stocking food and investing in housing and healthcare.

The concept of vulnerability has been defined not only as the lack of means or assets but also it refers to the lack of mechanisms to face risk situations. (Chambers 2006, Moser 1998). Moser defined vulnerability as “insecurity and sensitivity in the well being of individuals, households and communities in the face of a changing environment, and implicit in this, their responsiveness and resilience to risks that they face during such negatives changes” (Moser, 1998: 3). Vulnerability can be explained by three components, the risk events, the capacity of resilience and the outcomes in terms of welfare loss. (Alwang et al, 2002).

According to Scott (1976) the poor are exposed to a subsistence behaviour that leads them to an emergence for safety and to avoid any risk situation. Facing risk situations, social arrangements such as reciprocity, risk sharing and usage of networks are safety patterns for the poor. When such patterns are violated this can generate resentments and conflict among the poor.

Depending on their access and resources, households can manage the risk through formal or informal mechanisms. Among the informal mechanisms we can identify the self-insurance, formation of social networks or informal credit associations. Formal mechanisms are related to access to credit and financial services. However access to these mechanisms is limited, especially for the poor. The formation of networks is a key-mechanism to offer insurance to other members. Factors such as kinship, the number of common friends, wealth and geographical proximity determine the weaknesses or strengths of a network.

The quality of network also depends on other factors. One refers to common characteristics which are base of the networks, such as “common attributes, goal and governance”. (Krebs and Holley, 2004:4) A second factor gives importance, at same time, to differences among networks which is necessary to incorporate changes and improvements in the network. A third factor refers to their

robustness. According to Weerdt (2005) when the networks are less dense, it makes people more vulnerable to face idiosyncratic risks.

In order to understand better which mechanism are used SEGs facing individual risk is important to how risk management can be classified. It is classified in risk reduction, mitigation measures and coping measures. The first two refer to actions to prevent a shock. The third refers to relieve the impact of a shock after it occurs (WDR, 2001).

Risk sharing as mechanism of resilience is based on saving decisions and capacity to save. For instance, saving decisions of cooperatives and associations as instruments of risk management are linked with the internal organization where concepts of equality and distribution can affect individual preferences. In this sense, the analysis given by Mazzocco (2004:1181) affirms that saving decisions have implications at household level. Risk sharing can increase the will to save at individual level but at same time it can reduce the saving motivations for other members in the same household.

Another source of risk sharing is the inter-household transfers. According to Cox and Jimenez (1998:622) private transfers is one of the most common used strategies to face the risk in urban environments, especially to mitigate impacts in income variability. Indicators such as the marital status, female headship, demographic variables and education can determine the quality of private transfer behaviour. As well as other authors, Cox and Jimenez give importance to the diversity among the network. For instance, if someone is better off in the network it can provide help to those who are suffering from an income or health shock.

In his analysis, Dercon (2002:153-154) claims that informal risk-sharing is one of the most common used strategies to deal with idiosyncratic risk, where economic help and transfers within the network play an important role. However studies have suggested that complete risk sharing is limited (Weerdt and Dercon, 2005) For instance, if a poor household has fewer contacts to which to turn in time of difficulty, it only can rely in other poor household.

Risk-sharing network can protect against idiosyncratic risks but not of common risks. In this case, the creation of savings or public safety nets could be a strategy to face shocks not covered by communities. The problem with the creation of public safety nets is that tends to target a determined group and excluded other households, who become more vulnerable. In order to prevent these problems, Dercon (2002) suggests the need of policy intervention that provides support to self-insurance through of incentives such as better saving instruments, access to banking, etc.

The following table summarizes the indicators taken into account to address risk sharing in SEGs

Table 4. Indicators Risk Sharing

Issue	Variable	Indicator
Risk Sharing (for idiosyncratic risks Health and Income)	Presence of social net- works	<ul style="list-style-type: none"> • Support or not in the family. • Support of friend in difficult time • Household size • Geographical closeness with familiar members
	Savings	<ul style="list-style-type: none"> • Own savings • Household saving
	Transfers	<ul style="list-style-type: none"> • Intra-household transference • Workers per household • Receive or not financial Support from other relatives

2.5 Conclusion

Cooperatives and associations are created with the aim to generate employment and income opportunities, mechanisms of self help and social networks. However its sustainability will depend on the adaptability to economic changes, inclusion of entrepreneur elements and the external support from different actors. Cooperatives as an expression of SE involve issues related with the collective action and with the entrepreneur characteristics. Both these issues will be analyzed

in the next chapter with the aim to better comprehend how such initiatives of SE in Canoas can create resilience mechanism for individual risks.

Chapter 3

THE CASE STUDY

This chapter describes SE movement in Canoas. The first section points out the background of SE in Canoas. The second part will show general characteristics of the SEGs selected: four solid waste recycling associations and one cooperative of food production. The third part explains the relation of different actors who support SE in Canoas.

3.1 SE in Canoas

SE initiatives appeared in Canoas since the late 90's. Most of these initiatives were generated inside the community, responding to employment and income needs. SE has also become a mechanism of inclusion especially for women in Canoas who do not have opportunities in the formal labour market. These reasons are the main motivations to belong to SE (SIES 2008, Icaza 2002).

According to Gaiger (1999) economic initiatives under SE have the capacity to combine solidarity elements with entrepreneurial factors. SEGs created in Canoas belong to SE basically for 3 reasons. First, SE seeks to create job opportunities for the most vulnerable especially for the poor. In Canoas, SEGs were created as an answer to the high unemployment rate and as an opportunity to include women in the labour market. Second, cooperation among members, the opportunity to participate and the sense of common property have allowed SEGs members to create an identity based on solidarity issues. Third, the inclusion of some entrepreneurial factors such as training, marketing relations and management has led SEGs to develop their economic activities for more than 10 years.

Based on the theory SE is composed of the following main elements: (a) the combination of solidarity aspects and (b) entrepreneurial factors. Moreover, the development of SEGs as entrepreneur needs institutional support and a participatory environment (Gaiger, 1999). Therefore the (c) external support is

another issue to take into account. In Canoas, SEGs present such characteristics. However the degree of entrepreneurial characteristics, solidarity issues (especially participation) and kind of external support vary among SEG in Canoas as well as other SEGs in the region.

At beginning of the nineties, Canoas had an unemployment rate close to 19% and showed a constant increment in the informal sector (CECan; 2004). With the aim to mitigate this situation, La Salle University, the industrial sector together with members of the municipality of Canoas, built a project to create a business incubator for generating income and work in the city. Thanks to the participatory budget, in 1993, the community chose to invest in this new project, as a response to their own needs.

The creation of Entrepreneur Centre and Technologic Park of Canoas CECan⁴, through the participatory budget, showed how the institutional framework in Porto Alegre has played an important role in the promotion of democracy and competitiveness at the local level. In 1992, Porto Alegre formalized the participatory budget, allowing citizens to participate in the allocation of municipal resources. This fiscal mechanism introduced the idea of a representative democracy, where citizens' preferences are considered just at elections to generate social changes. (Rios and Rios, 2007)

At the same time, La Salle University as a private organisation supported this project, not only recognising the needs of the city to create income and work, but also establishing partnership relations between the public and private sectors. In this way, the exchange of knowledge, experience and information play a role in the construction of networks and therefore of competitiveness.

The CECan has brought about benefits for new entrepreneurs. The main objective of an incubator basically is to reduce the mortality rate of small and

⁴ Centro de emprendedorismo e parque tecnológico de Canoas CECan

medium entrepreneurs. To achieve this objective, the incubator offers flexible conditions and facilities with the aim to create and support new business opportunities that can compete in the market.

Since 2003, CECan along with the municipality of Canoas, started to support some SEGs in order to promote their education and training, and above all, to organize them to incorporate entrepreneur elements in order to face demand needs. Later on in 2006, the CECan handed over the coordination of SEGs to the Entrepreneurship and Innovation Centre CEI, business incubator from La Salle University in order to offer a better and more specific support. Nowadays the CEI and its business incubator for SE have been working with four associations of solid waste recycling and one cooperative of food production. In order to better understand SEGs in Canoas, the next section will describe the main characteristics of these groups.

3.2 Description of SEGs

3.2.1 Solid recycling waste associations

The solid waste recycling sector in Canoas is composed of four associations. All of them belong to the Recycling Federation in Rio Grande do Sul (Federacão de Recicladores de Rio Grande do Sul). This sector is formed by 76 people, where the majority (70%) are women, older than 30 years and with low or null educational level.

Three out of these SEGs started their operations before 2003 in four different sectors of Canoas (See table 1). The four SEGs have a contract with the Municipality of Canoas through the program “Selective Collection”. In this agreement the public trucks of solid waste are providers of materials for each association. Then, each group separates and trades the different materials such as plastic, paper, glass and metals to factories and intermediaries. The solid waste

recycling sector has shown continues progress as entrepreneur and has been consolidated after the intervention of CECan and later by CEI. Nowadays, these groups also count with the institutional support of the private sector and NGO's who help them with the creation of networks with other recycling groups in the region, and promote them through participation in SE conferences.

Table 5. General characteristics solid waste recycling associations

Association	Number Members	Neighbourhood	Since
Renacer	18	Guajuviras	2005
ARLAS	34	Guajuviras	1998
ACCMC	14	Mathias Velho	1993
ATREMAG	13	Mato Grande	2002

ARLAS - Asociação de Recicladoras de Lixo Amigas Solidarias – (Waste Recycling Association of Solidarity Friends) This association was created by head-family women with a low education level, who were seeking a labour opportunity in their community. In 1998 this association started to work with the solid waste material produced in its own neighbourhood, generating the main income for their families. Then in 2002 the association signed an agreement with the municipality of Canoas, getting better material to separate and trade with factories. Due to its good performance this association has got new agreements not only with the public sector but also with the private sector.

ATREMAG – Associação de Triagem Reciclagem Mato Grande – (Selection and Recycling Association from Mato Grande). This association is formed by women between 20 and 50 years old. This association was created in 2002 through a project from the Caixa Economica Federal and a Local Economic Development program from the Municipality in Canoas. Such This agreement granted the provision of solid material during the two fist years, which extends until now.

ACCMC -Associação de Carroceiros e Catadores de Material de Canoas– (Collectors and selectors of material association from Canoas). Located in the neighbourhood Mathias Velho, this association is the oldest, starting to work in 1986 with support of municipality of Canoas. This association is recognized by its trajectory and performance in the recycling sector. It counts with the support not only from municipality but also from shops and schools. Nearly of 60% of their material is provided by the private sector in Canoas.

RENACER – (Renewed) In contrast to the other associations, this is the only association where the majority are composed by men (12 out of 18). Renacer started their activities joint with the ACCMC but its well organization and performance lead them to work separately and get also a contract with the Municipality of Canoas. Despite of its short time in the recycling sector, this association has demonstrated capacity to insert entrepreneur characteristics into its activity being recognized as the most organized recycling association by-for CEI.

3.2.2 Cooperative Vida Saudavel

The Coop Vida Saudavel appeared in 2006 with the aim to improve the trade and production of four food production SEGs in Canoas (BMC, Forno Comunitario, Multiplicar and Naturevida). This cooperative is composed of 19 women older than 45 years, who see in this cooperative an alternative to generate work and income for their families. Their members are characterized by low and medium educational level and a lack of experience in the labour market. However, most of the cooperative members had participated in communal activities such as neighbourhood associations, pastoral activities and promotional courses⁵. Participation is a relevant aspect because members give a high importance to the other non-economic benefits and many of them consider that work in this cooperative has changed their lives.

⁵ Such courses are related to gender issues, empowerment and participation.

For production purposes the cooperative Vida Saudavel works separately. Each SEG produces different products and have a common interest in commercialization of their products located in the neighbourhood Mathias Velho. Moreover, the cooperative has season contracts for companies, neighbour fairs and churches. These events are an opportunity to hire extra personal.

Table 6. Characteristics Cooperative Vida Saudavel

Coop. Vida Saudavel	Number fix workers*	Neighbourhood	Since
BMBC	6	Guajuviras	1998
NatureVida	3	Guajuviras	2000
Forno Comunitario	6	Mathias Velho	2000
Comutti	4	Armonia	2000

* The cooperative generate 15-20 temporal jobs during high seasons

BMBC – Appeared in 1998 as job alternative for women older than 40 in the neighbourhood Guajuviras. The group works in the neighbourhood association building in Guajuviras where they count with the equipment necessary to make products as cakes and snacks. This association was created with public resources.

NATUREVIDA - (Natural Live) This group started operations in 2000. Like BMBC, Naturevida is linked with the neighbourhood association in Guajuviras, and they share the installations but not equipment with the BMC. The group makes bread, syrups and pizzas, and their commercialization is basically at local level.

FORNO COMUNITARIO – (Communal Oven) Forno Comunitario was

the result of the national project Pastoral da Criança⁶, which was linked with the church in the neighbourhood Armonia. The place of work belongs to the community but the equipment belongs to Forno Comunitario who pays the bills and variable costs generated in the building. The main products are bread, cakes and typical cookies from the region and their commercialization is also at local level.

COMUTTI. This food production group was the result of a gender and empower course from the municipality in Canoas, where a group of women felt the need to create work and contribute in their community. This enterprise is located in Mathias Velho. Comutti makes cakes, snacks and pastas and its main costumers are the private sector and the local community. Due to the quality of their products this group has been contracted for events and parties in different Universities from Canoas and Porto Alegre.

3.3 Institutional Support

Institutional support to SEGs in Canoas is reflected through CEI. According to SIES (2005:14) the structure of SE includes other actors supporting enterprise initiatives. The work developed by CEI would be impossible without the active participation of the local and regional government. The interaction between good governance and an institutional framework creates the conditions to strengthen SE in Canoas. The municipalities of Canoas as and Porto Alegre have collaborated in each step in order to improve the conditions for spin-off business as well as SE initiatives. For instance the municipality has cooperated with the CEI in order to open trade spaces for the cooperative and it is the main provider of solid waste for the associations. This aspect is important, because, as stated by Kapron (2003),

⁶ The Pastoral da Criança is an ecumenical organization with the aim to support poor children, families and pregnant women in Brazil. Through health campaigns, educational programs and income projects, this organization provides orientation and support to more than one million poor families.

policies addressed to improve commercialization channels support the growth and strengthening of SE as movement.

Also, there are other public institutions that facilitate the development of organisations and the creation and support of entrepreneurs. In spite of the weaknesses of the actual industrial policy in Brazil⁷ (Suziga and Furtado; 2006), at the national level, the industrial policy from the 70's created the basis for institutions and conditions that still have a positive influence on economic organisations. A clear example is the Brazilian Service of Support for Micro and Small Enterprises, (SEBRAE) which offers a continuous flow of quality information by means of courses, consultancy services, training, lectures, seminars, publications, events and several other channels that, integrated to conventional methods and to new technologies, create a network of knowledge not only for micro and small enterprises but also supporting SE initiatives. However the support offered by SEBRAE is more suitable for growth oriented enterprises than survival enterprises.

Establishing contacts with other business incubators, universities and NGO, CEI has contributed to the development of relationships among SEGs from the region. In the same way, SEGs are encouraged by CEI to participate in all local and regional SE events. The continuous participation in this kind of events has lead to the situation that SEGs are recognized and contracted for their services. The partnerships between CEI and other public/private institutions play an important role for SEGs. For instance, programs of private institutions as Vonpar and Petrobras have provided economical resources to promote the growth of these new businesses.

⁷ According to Suzigan and Furtado, the present industrial policy fails due to its incompatibility with macroeconomic policy, inconsistencies of policy instruments, deficiencies in infrastructure and in the science, technology and innovation system, and lack of coordination and political drive.

Institutions are modified through time, reflecting the demand of the organisations in acquiring different kind of knowledge. Learning capability is an accumulative process, and as such, an important element for technical innovation process and competitiveness (Helmsing, 2000: 285). SEGs in Canoas believe that exchange of knowledge is one of the most important means to acquire new techniques and to built networks. Through the Salle University, CEI every year organise the Feria Solidaria (Solidarity fair) as means to promote new products among students, entrepreneurs and the citizens in Canoas.

The next diagram shows the main actors who support SEGs in Canoas.

Figure 3. Main Actors



Chapter 4

SEGs AS EXPRESSION OF COLLECTIVE ACTION

This chapter explains the SEGs as expression of Collective Action where variables such as participation, leadership, size and usage of selective incentive were taken into account for the analysis. This chapter is divided in three sections. The two first describes the collective action in the recycling association and the food production cooperative. Section three reflects on the collective action in SEGs.

4.1 Collective Action in Recycling Associations

Selective Incentives

Selective incentives, as control mechanism, are applied in the four associations. Based on the typology given by Moya (2004:175), selective incentives in the associations are characterized as being internal and have more social significance than material ones. Taking into account the presence of problems of self-esteem in the recycling associations, social approval is the main positive incentive for recycling association's members. Furthermore, it is notable how such social approval increases the willingness to participate. One of the groups that also apply material incentives is ARLAS. Its leader motivates production with the organization of communal lunches, parties and recreational activities for member's children. These material incentives have a double purpose: to motivate to continue working and to contribute to the strengthening of solidarity relations. In the case of ARTEMAG and Renacer social approval and participation in SE conferences outside Canoas seem to be the best award for their members. In contrast, ACMC does not have a clear application of selective incentives and it demonstrates problems to create penalization mechanisms.

Wages are considered other mechanism of selective incentive. Wages in the association are based on the profit generated in the economic activity. Then, such profits are divided into the number of hours worked for each member. The

payment of wages is monthly but not all members receive the same amount at the end of the month:

“Those members who do not come to work not only do not receive its daily wage but also they should explain us why they are absent... the absence of one worker affect the production of the whole association”

Beatriz, leader from Arlas

On the other hand, the application of negative incentive is not easy for the associations in Canoas. As Oliver (1980:1369) argues, negative incentives tend to generate anger and resentment among punished members. For instance, when a member receives a warning from his association leader or from other members they tend to react aggressively. However because they do not have another option, the “punished” member cooperates again. At this point, the doubt appears if they want to cooperate because they want to or because they have to do it. In the case of the ACMC most of members chose the recycling work because it was a familiar profession or because they simply found no other opportunity. In contrast, ARLAS and ARTEMAGO see the recycling as a profession and there is a general willingness to cooperate due to economic and non economic benefits. When negative incentives become visible, due to shortcomings in the cooperation, association member argue that they are useful as an example for others to see the benefits of cooperation.

Participation

In terms of decision making processes, the four associations have weekly meetings where they discuss issues about production, planning, distribution of profits and problems or conflicts among members. Because the task distribution is not complex in the recycling sector, each member can participate in different operations (receive material and classification). Although every member knows the trade processes and the price of each material, most of the time the association leader executes this task. At an internal level, each organization counts with a leader, a secretary and an accountant who are elected every year from the

association members. However due to the high degree of illiteracy such functions are kept for consecutive years.

One of the main non- economic benefits of collective action is the formation of networks. For recycling associations the participation in SE conferences and the scheduling meetings with other recycling associations at local and regional level, allows them to meet other recyclers, to discuss problems and to get information about market values of materials and about their separation. Furthermore such networks create an identity where recycling is understood as a profession:

“When I arrive to work with ARLAS I just pick garbage from the streets, now I am proud to be a recycler and to belong to this association”

Participation as instrument within the decision making process is used in different ways in the four associations. As stated by Singer (2007:15), participation brings conflicts among equals. Such conflicts refer to interest conflict and discussion of new ideas. In SEGs like Arlas, Renacer and Artemago active participation meaning that decisions concern to each member and common agreements strengthen solidarity bounds (Martins, 2008). On the other hand, participation in ACMC is characterized as being passive and controlled. According to Martins (2008: 9) this kind of participation can affect the self-management present in SE initiatives and its development. The participation is also linked with the kind of leadership and its relation with other members.

Leadership

The leadership is an important issue in the association not only because this function comes with several responsibilities in the association (lobby, commercialization, member control, etc) but also because it represents power that sometimes leads to a formal employment function. With the exception of ARLAS and Renacer, the associations assign all responsibilities to their leader, designating more power and responsibilities to him, and therefore decreasing the participation from other members.

Until now, assigning the complete responsibility to a leader has not generated conflict in Artemago, where each member considers its leader as the most suited member to guide the association. Moreover, there is a strong bound between leader and members based on reciprocity relations and trust. Although members in this association do not experience a loss in participation, this has created a situation of passive control where the leader decides for other members in the decision taking process. In contrast, the leadership style in ACMC shows other characteristics. Issues as trustworthiness and democratic participation are absent. Many of the members consider participation and discussion (as instrument for decision making) as a loss of productive hours. Therefore the decisions of the leader are accepted by other members as common employees.

Based on the classification given by Phelps (2000), the next table shows the style of leader in each association. Each style has a strong relation with the kind of relations between the leader and the other members.

Table 7. Style of Leader in recycling associations

Association	Style of Leader
Arlas	Consulting
Renacer	Consulting
Artemago	Selling
ACMC	Telling

According to Scholz (2008:16) the election of a leader depends on the trust relation with other member and the knowledge about the economic activity. In case of the recycling associations, these 2 factors are essential for the SEGs members. For instance, Dona Beatriz, leader from Arlas, is one of the most recognized leaders not only in the recycling sector but also in the SE movement. Her charisma with other members and her wide knowledge in the recycling profession has contributed to improve the performance of Arlas as collective

entrepreneur and as expression of collective action: “*Bea put her energy in each stage, she is more than a leader she is a real friend*”

Other characteristics found in the association leaders were the communication skills, good relations with external actors (CEI, Unilasalle, local government) and a higher educational level.

4.2 Collective Action in the cooperative Vida Saudavel

Selective incentive

The cooperative uses selective incentives, but these are less evident than in the recycling sector. Such incentives are characterized as being internal and having a social connotation. In contrast of recycling associations, incentives at internal level are not applied by all members in the cooperative. Normally it is the leader who applies positive or negative incentives. For the recycling sector, social approval is the main positive incentive for the cooperative members. Social approval is linked with more power in the cooperative but it does not seem to affect the decision making process up to date. On the other hand, negative incentives or penalization mechanisms are based on reprimands and the non- payment of wages. As well as in the associations, wages in the cooperative are based on the profits and number of hours worked

Participation

At internal level, the cooperative counts with a president and four representatives (one of each group) who are selected every year by the cooperative members. In contrast to the recycling sector these functions are rotating. In terms of the decision making process, the cooperative has weekly meetings in the CEI where, together with the coordinator of ISE, they discuss issues of commercialization, accountability and planning. Issues related with the production are dealing with by each group in their place of work. This constitutes problems for the sustainability of the cooperative, because in contrast to the recycling sector the division of tasks

in the cooperative is more complex and the lack of coordination and communication leads to bad management and shortcomings. Although each group decides who is the responsible for marketing tasks, accountability and control of working hours, there is a lack of clarity in the functions and this generates frequent misunderstandings among the cooperative members.

In general, participation in the cooperative is active. Each member is involved in the decision making process and the differences of opinions are taken into account. However, such participation is passive for some members who delegate full responsibility to its leader. Although active members try to encourage passive members to participate (selecting them for courses, encounters or shifting responsibilities) the participation in the cooperative seems a double burden for such members. In this situation the communication channels between passive and active member play an important role. Passive participation tends to move members away from cooperative decisions and activities. However, according to Martins (2008:16) when information flows from active to passive member, it helps to promote participation.

Leadership

“Lucy is like this, you know... with such temperament and she loves control everything but everybody has their own defects or not?

One common point of discussion in the cooperative is the role of the leader. As stated Scheneider (2002:214), qualities such as experience in the sector, communication skills and capacity to establish external relations are essential in an efficient leader. In Vida Saudavel its leader, Lucy has demonstrated such characteristics. At same time, she tends to behave as an owner being afraid to delegate or to be controlled, demonstrating a telling leader style (Phelps, 2000). This style has influenced the cooperative relations decreasing the active participation of some members who have delegated the absolute power to the leader. Also it has created resistance from others, who try to “punish” the leader when she defaults. For instance, in order to fulfil responsibilities beside production (external relations, commercialization, public meetings, seminars, etc)

Lucy does not work the same amount of hours in the cooperative. This generates tension among member because there are no delegation for certain functions which other members, beside the leader, can do. However is important to say that this tension between the leader, her role and members continue affecting relations between followers and leader. Moreover, it is necessary to take into account the personality attributes to understand the leadership style and relations among followers and leader.

4.3 SEGs as expression of collective action

Based on the available information, the performance of the cooperative and associations is affected by problems related to the collective action. As we noted in the previous section not all SEGs can easily apply selective incentives and penalization mechanisms in order to keep control. For instance, problems related to free riders are linked with the effectiveness of penalization mechanisms. In those groups where selective incentives (positive and negative) are clear, the dilemma between who cooperates or not appears less frequent. However, strong reciprocity relations and common socio-economic conditions hamper the application of penalization mechanisms being costly for SEGs members. It affects not only the SEGs as collectively but also as entrepreneur.

In terms of the size theory given by Olson (1971), a small size has been a key factor for some SEGs while for others it does not represent any advantage. In case of the associations Arlas and Renacer or the cooperative Vida Saudavel the small size helps to maintain the social control and coordination in the production. Also it helps to apply social sanctions when an offender is detected (Casson, 2000). In contrast, in ACMC size does not seem to contribute to improving either production or relations among members of the association.

Leadership and participation are interconnected issues in the SEGs. As we observed the degree of participation varies and it is influenced by the type of leadership in the SEGs. Most members show active participation, especially in SEGs where the leader is flexible and trusts puts other members by delegating functions and sharing decisions. It does not mean that an autocratic leader is worse or better than a participative one. Styles of shared leadership depend on the kind of activity, the relations among members of a collectively and the differences within the group (Phelps, 2000). However SEGs with a less democratic leader tend to affect other solidarity values such as the self-management and cooperation.

Collective action in SEGs has brought about other non-economic benefits such as the construction of networks, identity, self-esteem and solidarity. These are the main profits for association and cooperative members which have guarantee in part the permanence in the economic activity and have led to other benefits such as construction of resilience mechanisms.

Chapter 5

SEGs AS COLLECTIVE ENTREPRENEURS

This chapter pretends to classify SEGs as survival or growth oriented enterprises. With the aim to classify SEGs, entrepreneurial characteristics were analyzed at internal and external level. At internal level the analysis takes into account elements such as entry-exit mechanisms, capacity of investment, and application of new techniques, training and profits. At external level elements such as relations established in the market and access to financial resources will help to determine differences among the categories survival and growth oriented.

This chapter has three sections. The two first parts describe internal and external relations for each sector. The second analyzes and classifies SEGs as collective enterprises. The third part analyzes the importance of external support for SEGs as enterprises.

5.1 Recycling sector

Internal Relations

The entry mechanism in the associations is given by the bounds of friendship and familiar relations where reciprocity plays an important role. In the recycling associations the closeness and shared characteristics (members of the same community, unemployed, low educational level, etc) create easy mechanisms of entry. In the same way, the permanence in the association will depend not only on the labour performance. Due to the low educational level, members in recycling sector do not have many choices to get another job opportunity, therefore, they try to establish good relations inside the association in order to guarantee its permanence as well as improve its performance as recycler. The exit of the members generally is based on their performance, since the lack of cooperation in the activity leads to the expulsion from the association. This situation is not easy because each member knows the socio economic situation of the other and an

expulsion will represent a loss of an important income opportunity. However three out of four associations apply selective incentives to a certain degree. They know that the presence of a free rider or a bad worker is costly for the production and therefore it will result in a reduction in profit.

In terms of production one of the main problems facing associations in the beginning was the trade of materials with common intermediaries, who gave different prices to each association. However they have started to solve this through continued communication among the associations. Despite some advances, the commercialization is still affected by bad management and misunderstanding with the municipal trucks, which are the main providers of materials for the associations. The production is highly dependent on the number of trucks that they receive from the municipality. Although associations have other providers, as schools, shopping centres and hospitals, these provisions are not regular. The high dependence on the municipal trucks, accountancy problems and the low access to technology to give an added value to the classified material are the main obstacles to the generation of profits within these associations.

The monthly wage is determined by the number of hours worked. Although recycling associations have a strict control on labour schedules and the number of hours worked can exceed 8 hours per day, the income generated is less than the minimum wage. This implies a reduction of possibilities to invest and to generate more income than necessary for subsistence.

As collective enterprises, the four associations are concerned with the acquisition of new knowledge. Regional encounters, seminars and social activities with other recyclers are the main source of knowledge exchange for these associations. In this respect, intervention of Universities like Unilasalle and Unisinos play an important role. For instance, Unilasalle through CEI have created short courses in accountability for SEGs entrepreneurs. Also, the Humanitas Institute from Unisinos University has promoted seminars for recyclers with the aim to enhance this sector in the labour market.

External Relations

Since 2004 the CEI has supported the solidarity initiatives through the Incubator of Solidarity Economy (ISE). This support seeks to provide the groups with instruments to improve their organization, internal relations and therefore increase their production and sustainability. The ISE has not a paternalistic role, therefore the entry or exit of members depend on the willingness of SEGs.

Due to their socio-economic condition the access to financial services is almost impossible without a support institution. According to Icaza (2008), without the link to CEI or Unilasalle these groups could not access other financial resources. One of the main activities realized by ISE is attracting resources through social projects which can benefit the SE. For instance during 2006-2007 the associations were supported through CEI with a project from Vonpar Institute⁸ which provided not only financial resources but also training in different areas related to this occupation. This project seeks the improvement of working and production conditions for the solid waste recycling sector. Associations as ARLAS and Renacer could get better tools and equipment for transforming solid waste. Also, the Brazilian Bank has interest in supporting recycling associations with financial resources, specific training and educational support for the family members. According to Icaza (2008) SEGs have benefit from the emergence of social responsibility in the private sector, which see the SE as the best channel for the fulfillment of this obligation.

The market relations between the association and its main provider, the municipal trucks have improved but there is still a high degree of dependence. Associations like Arlas and Renacer seek constantly new providers of materials with metallurgic factories and commercial establishments in the region. This not only helps to reduce the dependence with the municipality but also it contributes to generating more profits.

5.2 Cooperative Vida Saudavel

Internal Relations

The entry mechanism to the cooperative is usually through replacements. When a member of the cooperative decides to leave the cooperative, other members invite a new associate. Generally, the new associate is recognized by the other members of the cooperative because she belongs to the same community or is a relative. This strategy is used as control mechanism.

Although it is not a pre-requisite, Vida Saudavel highly values the skills and capacity of the members for the cooperative. For instance when a new member does not adapt to the rhythm of others after some weeks, she tends to leave the group. As well as the entry, the exit is voluntary. However, the motivation behind that decision is often related to familiar problems, misunderstandings with other members, or dissatisfaction in the cooperative. Another reason to leave the cooperative is the burden of mutual control which tends to generate conflict and disagreements. For example, during the field work one member left the cooperative because she often had disagreements with the leader. According to cooperative members and staff from CEI, the main problem was related with her function: she controlled the actions working hours and financial movements executed by the cooperative members including the leader. In contrast to recycling sector the socio economic situation for members of the cooperative is better which implies that they have the option to leave the cooperative.

As entrepreneur the cooperative presents various weaknesses in the whole productive process. The acquisition of raw materials is still a problem for cooperative members. Although they count with some fixed providers, it is common that the cooperative suspends the production to purchase more raw materials in the neighbourhood. This problem is often due to bad calculation of

⁸ Vonpar Refrescos S.A. is the franchise of Coca-Cola in the states Rio Grande do Sul and Santa

the raw materials used in the production. In terms of commercialization the sales of the cooperative are relatively low. The commercialization point in Mathias Velho Station is not enough for the cooperative. Instead, old costumers and occasional events help to maintain the enterprise. Moreover low technical capacity is an obstacle for increasing their production. According to the interviews undertaken, the income generated in the cooperative is complementary and it is based on the hours worked. The income is irregular and on average each women earns R\$ 150 per month, which is far from the minimum wage (R\$450). Occasionally this income can increase when they have a production opportunity for special costumers (politicians) and social events. The low income is one of the main problems for the cooperative because without minimum wage they can not save for future investments and can not pay for social security. Nonetheless, in the cooperative each member contributes with R\$150 during his labour period and this money is the basis for a common fund used for future investments and as settlement.

One of the main obstacles for the cooperative was the change from informal logic to entrepreneur logic. The shortcoming in the accountable registers is a constant problem for the cooperative. For instance, the lack of registers in the moment of paying raw materials or of calculating the quantity of material row used for each product is a problem. This situation is not only due to a lack of knowledge but also because they are not used to it.

External Relations

Vida Saudavel has been linked with CEI since 2003. This relation has been determinative in the development of this cooperative. Despite of current entrepreneur limitations (accountability and weak planning), Vida Saudavel has improved in terms of quality, production and above all commercialization. As with

Catarina.

the recycling sector, the CEI pretends to be a guide and an information and resource channel for the cooperative and to give it tools to guarantee its permanence. Nowadays, the cooperative receives a weekly visit from a CEI member to make activity plans to improve the commercialization jointly with cooperative members (e.g. coming food fairs, regional solidarity encounters) as well as to discuss problems and possible solutions. Due to problems with the accountability, CEI with Unilasalle is going to offer a free course for all members in order to improve the register control and to give the opportunity to members to better understand the importance of this task.

In terms of external resources, the cooperative already got a project from the oil company Petrobras where the resources were used to improve equipment and to provide technical support to the cooperative. It was one of 70 projects that benefited from the social responsibility program from Petrobras. This external financing is quite important for Vida Saudavel because it is the only fixed investment source. However, it is important to note that the cooperative is continuing to seek new customers through improving the quality of products with the aim to increase sales and decrease the dependence with the project.

The former participation in different social movements, pastoral and communal projects has contributed to establishing a strong link with public sector, NGO and other SEGs in the region. This network has allowed Vida Saludavel to commercialize their products in Porto Alegre and to be recognized as SEG in the capital. Also they had an active participation in local fairs and international events such as “The Fourth ES International Encounter” in the city Santa Maria, where they could broaden their knowledge about the elaboration of other products from Argentina and Uruguay and at same time to straighten its identity as cooperative.

5.3 Classification as Collective Entrepreneur

Given characteristics at internal level and external level of the recycling associations and the cooperative we can categorize them as survival enterprises. SEGs from CEI lack of entry barriers, its income is basically complementary and there are not enough conditions to accumulate. Also, they have to deal constantly with the inclusion of entrepreneur elements to their economic activity. Although the economic situation for members of SEGs has improved and they have learned to manage their enterprise better, their endogenous characteristics keep them in the survival category with only few possibilities of graduating toward growth oriented enterprises. According to Farbman and Lessik (1989:108) barriers or few possibilities of graduation in survival category are associated with the low educational level, lack of experience and cultural or social differences.

According to Icaza (2008), the graduation for recycling associations and for the cooperative is quite difficult not only in terms of capacity (financing, training and technologic access) but also in terms of informal logic which is quite difficult to change. Although the CEI is a facilitator giving support to such groups in terms of capacity, it has been obstacle due to the work logic of SEGs. In the case of the association the survival logic is more related to cultural and educational barriers. In contrast, the survival logic in the cooperative is more related to a lack of willingness to change and adopt entrepreneur characteristics. Although the cooperative has a better educational level and socio economic situation, it is used to an informal logic where the lack of register control, sporadic costumer and providers, no accumulation, etc has functioned for more than 10 years. The survival logic is also linked to reciprocity relations. It helps to reduce vulnerability and at same time avoid the possibility to accumulate and growth (Berner and Knorringa, 2008:16).

The previous characterization demonstrates that there are differences among the survival category. Based on the score card given by Gomez (2008) such differences were more understandable. For instance, associations like ARLAS and Renacer are classified as survival enterprise which can sustain itself. Due to a

major frequency to run the activity, access to financial resources to improve their business and their capacity to invest, these associations have a better opportunity to maintain in the market. Also Cooperative Vida Saudavel, as survival enterprise, has demonstrated signals where the constant search for new costumers, temporal contract of new members and the regularity in its production contributes to the sustainability of the enterprise. On the other hand Artemago and ACMC lack planning and have strong problems to determine their profits. Also, members have not a fixed schedule, affecting the production and the rhythm of work.

5.4 External Support: A key for sustainability

According to Gaiger (1999) the SE entrepreneur is able to combine the entrepreneur characteristics and solidarity issues, but the intervention of external support and resources is necessary in order to assure its sustainability. As we observed in previous sections, SEGs in Canoas have received external support in order to strengthen business activities. Access to better equipment, constant training, and network support are the main components of external intervention.

The knowledge of the differences between survival and grow oriented enterprise are fundamental to set up an adequate intervention policy (Berner and Knorringa, 2008:17). Policies for supporting survival enterprise require of general policies addressed to improve livelihood conditions of population (access to health, education, infrastructure, etc) and economic growth and redistribution (Berner et al, 2008) In this sense, despite advances in education and health programs in Brazil, access and coverage in the provision of these services is still limited. Although the South present better social indicators than other regions in Brazil (IBGE, 2008), differences in income distribution affect most of the population, creating inequality and increasing the number of poor.

Policies aimed creating employment depends in part on the private sector. According to UNDP (2004) the private sector has the capacity to generate employment and has an important role in the poverty alleviation process. In

Canoas, SEGs have a strong relation with the metallurgic sector who eventually contract SEGs services and support them with financial resources in regional events. Other SEGs in the region, for instance in the Vale do Sinos, SEGs have direct contact with the shoemaking industry, providing specific services to the value chain.

Support received by SEGs in Canoas to better cope with their business involves public and private actors as well civil society. For instance, the main private actor is CEI that have been accompanied SEGs since 2003 offering technical support and being channel with other public and private actors. Among the services that CEI offers to SEGs we can mention

1. Infrastructure: SEGs count with a physical space where they can fulfil their meetings with other SEGs and supporting institutions
2. Business Assistance and training: Through weekly meetings and regular follow up, CEI provide assistance to SEGs in different areas such as planning, marketing and accountability.
3. Network construction: Establishing contacts with other business incubators, CEI has contributed to the development of relationships among entrepreneurs from the region. In the same way, SEGs are encouraged by CEI to participate in all local and regional industrial events. The continuous participation in this kind of events has lead to the situation that SEGs are recognized and contracted for their services. The partnerships between CEI and other public/private institutions play an important role for SEGs. For instance, financial and educational programs from Vonpar, Banco do Brasil and Petrobras provide economical resources to promote the growth of these SE initiatives.

Also, the intervention and support of NGOs, neighbourhood associations and other SEGs in the region is essential for the sustainability of SEGs. These actors have promoted SE in the Rio Grande do Sul, creating an identity as entrepreneurs and solidarity movement.

The next table summarizes strengths and weaknesses found in the SEGs as collective entrepreneur and as collective action.

Table 8. SEGs collective entrepreneur vs. collective action.

Reciclyg solid waste associations		
▲ Collective Entrepreneur ▼		
Renacer	Wage close to the minimum Continuous seek of providers Skill in commercialization Planning	Failures in accountability Lack of access of credit
	▲ Collective Action ▼	Participation Active Application of positive incentive Penalization Mechanisms
Arlas	Skill in commercialization Planning Organizational Tasks	Failures in accountability Lack of access of credit Low productivity Subsistencial wage
	▲ Collective Action ▼	Participation Active Application of positive incentive Penalization Mechanisms Members considered as relatives Activities within community Group size allow control
Artemago	Lack of access of credit Low productivity Skill in commercialization	Participation Controlled Lack of accountability Subsistencial wage
	▲ Collective Action ▼	Application of positive incentive Members considered as relatives Penalization Mechanisms
ACMC	Good productivity Skill in comercializacion	Not accountability Low interest for investment Lack in planning Not savings
	▲ Collective Action ▼	Application of positive incentive
		Participation Controlled Lack control mechanism Lack of solidarity Presense free riders

Cooperative Vida Saudavel	
▲ Collective Entrepreneur ▼	
Good productivity	Not accountability
Skill in comercializacion	Low interest for investment
Control hour worked	Lack in planning
External resources	Not savings
Quality in products	Low wage
▲ Collective Action ▼	
Application of positive incentive	Participation Controlled
Members considered as relatives	Presense free riders
Good relation with public actor	
Activities within community	

Chapter 6

RISK SHARING IN SEGs

Facing situations of vulnerability, SEGs strengthen their solidarity bounds and social networks in order to overcome problems. The development of networking is a useful instrument not only for acquiring knowledge, but also it is the main mechanism to cope with risk. Social networks are present at internal and external level. At an internal level SEGs create bonds of trust and support in difficult times, and this is reflected in the economic activity. At an external level these groups have institutional support in order to face problems as group and as entrepreneur.

Based on the literature review, risk sharing is one of the most common mechanisms to cope with risk. This chapter will analyze risk sharing in SEGs to face idiosyncratic risks, especially to cope with health and income shocks. The first section describes risk sharing to face health problems. It takes into account issues related with labour accidents, illness, pregnancy and access to medicines. The second part focuses on mechanisms used by SEGs to deal with income shortcomings. Aspects related to social security and access to credit are discussed.

6.1 Health

According to Kapron (2003) the most effective policies to support SE initiatives are those addressed to improving the provision of public services and therefore the livelihood conditions of SEGs members. Formal mechanisms of insurance such as an effective health public system provide protection and make it possible to participate in the labour market. Members from SEGs are protected under the Sistema Unico de Saude SUS (Unique System of Health). This system allows each member access to basic health services such as diagnosis, treatment and medicines.

However the support from SUS is still disproportional to the total number of population. In Canoas members of SEGs have access to 24 health centres and two

hospitals Nossa Senhora das Gracas (with 387 beds) and Santa Tecla (with 50). Other hospitals in Canoas and in the region are only available for affiliated members who pay a health security. Based on the interviews, more than 90% of the members of SEGs have used SUS services. Nonetheless they affirmed that the service is not always the best and in many cases the medical prescription is not covered by the system. This presents a problem for the members and it is one of the main reasons to withdraw their savings, especially when they have to treat permanent illness such as diabetes or cancer.

When the financial resources are not sufficient to treat an illness, the first solution for Vida Saudavel members is the support of their families: "*When SUS can not cover my medicines I ask to my son...He has a good job and he used to help me*". They are able to offer assistance in kind or money when a member or a member's relative is sick. As stated by Cox and Jimenez (1998:635) intra-household transfers can mitigate risk and provide insurance. In contrast, when a member or relative is sick in the recycling sector the main support are the other members of the association. Most of the women in the recycling sector are family head- women and the family network is less dense. According to Fanfchamps and Gubert (1996:346) the usage of networks plays an import role as means of protection. Nonetheless, the robustness of network determines its quality. Less dense networks make people more vulnerable (Weerdt, 2005:198)

Informal insurance mechanisms are based on reciprocity and social arrangements. Such characteristics are present in each stage of risk management: Risk reduction, mitigation and coping measures (WDR, 2001:141). Active participation in health campaigns offered by the municipality is a useful instrument to prevent diseases and early pregnancy. For instance, Vida Saudavel participates in Pastoral da Crianca, where children and pregnant women receive basic health attention once per month, as well as in prevention conferences. In the case of recycling associations there are some differences. Although they do not participate in a specific program they are concerned with issues related to health. For instance, Artemago has designed a maternity license for their members for one month. The first 15 days are paid where members work for the mother with a

license. In ARLAS and ACMC there is not a clear agreement or specific measure for pregnant women, but they keep the place of the member available during the first weeks and generally they also offer support (collect some money or presents).

According to Moser (1998:13) “adverse economic conditions put an additional pressure on human relationships, resulting in increased conflict and violence between household members”. Health problems are not always physical but also physiological. For instance women, especially in recycling associations, fall into depressions due to domestic violence, discrimination, alcohol problems and in some cases due to the economic activity itself. Unfortunately, the recycling activity is still an unappreciated activity and some members feel ashamed of their work. However, due to creation of external networks and the participation in SE conferences with other recycling associations, members have started to create their own identity where recycling is considered as a profession.

Risk sharing for SEGs in Canoas is present as informal mechanism to mitigate health risks. It is based on occasional economic transfers and above all on mutual help and solidarity. Although SEGs in Canoas count with institutional support (SUS and municipal programs) to cope with health risks, the low productivity avoids accumulation of financial resources and therefore the creation of a saving system to partly cover such health risks.

The table below summarizes the risk management for health shocks in the SEGs.

Table 9. Risk Management again health shocks

Kind risk	Reducing Risk	Mitigating Risk	Coping with shocks
Illness	Participation in prevention campaigns Participation in program pastoral da criança.	Institutional support through SUS. Family network (for the cooperative) Informal insurance	Transfer from networks (family and other members) of mutual support.

		through the formation of networks	
Injury	Prevention in the labour place.	SUS Support from other members	Transfer from networks (family and other members) of mutual support.
Pregnancy	Occasional participation in women's health program.	SUS	Economic and kind transfer from other members
Old Age	None	Closeness with partner and elder children as protection mechanism	Family as safety net rather than members of SEGs

Risk sharing in SEGs to cope with health risk presents a combination between formal and informal insurance mechanism. Despite shortcomings in the SUS, members of SEGs are benefited with this system and they can rely on it. Also, as complement of SUS, the presence of strong social networks and intra-household transfers reduce the vulnerability for SEGs members and their relatives.

6.2 Income

SEGs do not count with any formal insurance mechanisms to cope with income shocks. The lack of unemployment insurance, financial services and social security schemes increases the vulnerability for SEGs members and their family members. On the other hand, usage of savings as mean of risk sharing is affected by the low profit generated in the productive activity. Then, the usage of networks seems the first and only alternative to cope with income shocks.

Income shocks in SEGs go beyond the economic activity. The loss of job of one of the members in the family and events related to the cycle life (births, marriage, elderly and death) affect the income level of the SEGs members, increasing their vulnerability. According to Moser (1998) some of the strategies used by the poor to cope with income shocks are strengthening of informal support networks among household, increasing labour migration and remittances, strengthening of community relations and diversification of income. In Canoas SEGs showed the usage of such strategies, especially strengthening of household relations.

The income generated in the associations and the cooperative is not enough to pay a social security system which provides them with a pension or protects them in times of difficulty. Therefore, the construction of networks and the strengthening of family bounds are considered “investments” that can be used in the future. For instance, 90% of the women in the Cooperative Vida Saudavel state that their children will take care of them when they stop to work: *“If I can not work any more the boys will take care of me... it is their responsibility isn’t it?”*

Despite the fact that Vida Saudavel does not contribute to a pension system, 70% of the women count with the pension of their husbands. Again household transfers can provide security and that it is an asset to cope with the risk.

The associations, on the other hand, tend to rely on reciprocal relations established in the community and inside association because their household networks are less dense than in the cooperative: *“In case of emergency probably I will call to Sandra or I don’t know.., I have not thought about that yet”*

However community relations are not always enough to face income shocks. As stated by Krebs and Holley (2004:3) the heterogeneity is another factor in network quality. For instance, when a member in association faces an income shock the support received for other members is limited because also assets to offer assistance are limited as well.

The next table summarizes the risk management of income shocks in SEGs

Table 10. Risk management against income shocks

Kind risk	Reducing Risk	Mitigating Risk	Coping with shocks
Lost of Job	Occasional saving for cooperative members There is not unemployment security	Family network (for the cooperative) Strength relations in the community (for the associations)	Transfer in kind from networks (family and other members).
Death of familiar member	Access to Health System SUS.	Support from other members. Sharing the worry	Economic and kind transfer from other members (family and other members).
Old Age and disability	Any. Only 2 people have access to social security.	Closeness with partner and elder children as protection mechanism	Family as safety net rather than members of SEGs

Chapter 7

CONCLUSIONS

The region of Rio Grande do Sul has endogenous characteristics that have allowed the development of supporting SE initiatives. Aspects such as cooperation, solidarity, democratic framework and coordination between public and private actors have facilitated the building of formal and informal institutions for SE movement. These institutions have promoted the exchange of information and knowledge and therefore the development of SEGs in Canoas.

The opportune interventions of CEI on SEGs in Canoas have contributed to their sustainability. Moreover, the support received from the local government and local community has strengthened entrepreneurial characteristics and solidarity factors. Despite of a lack of certain entrepreneur elements, most of SEGs were categorized as survival enterprise with possibilities to be sustainable. SEGs have been in the market for more than 10 years, improving socio economic conditions for their members.

In terms of collective action, SEGs are heterogeneous with a different degree of participation, style of leadership and application of selective incentives. Also collective action has brought about other non economic benefits for SEGs members. Non –economic benefits such as cooperation and formation of identity have allowed these groups to extend reciprocal relations to share income and health shocks. Risk sharing is used in each stage of risk management (prevention, during and after shock). However, as we found this risk sharing is stronger when it works together with formal mechanisms such as health programs.

On the other hand, due to the absence of formal insurance mechanisms to cope with income shock, family and social network are the main source of protection. Therefore the construction of networks is an investment for SEGs members. However, when such a network is not dense the vulnerability increases for SEGs.

Reducing vulnerability for SEGs calls for an adequate intervention for these initiatives which have provided a source of income and employment for low income population. Although SEGs in Canoas have achieved important goals there still is a long road ahead and there are important challenges to face. SE movement requires a better public policy intervention that goes beyond its recognition. Such public policy should include effective mechanisms that allow SEGs member to access social protection as other “formal” workers as well as strengthening the coverage of SUS. On the other hand, the private sector should continue supporting SE initiatives. The existence of trade chains among SE initiatives and the private sector in cities such as Porto Alegre, Sao Leopoldo and Santa Maria is a good example which can be expanded to other municipalities like Canoas.

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ANEXXES

Anex 1

Typology of groups	Issue	Indicators/ Possible question
Survival or Growth oriented?	General characteristics	<ul style="list-style-type: none"> • Size • Type of activity • Time in the market • Education Level-Training of member • Main or complementary income
	Internal Organization & production	<ul style="list-style-type: none"> • Mechanisms entry/exit for members • How is the decision making process in the group • Do the SEGs have Sanctions-Incentive mechanisms • Who and how determine the distribution of income • Have SEGs accountancy register • Does the SEGs register profits • Is there a regular wage • Does the SEGs have savings • How much and how frequent
	External Relations	<ul style="list-style-type: none"> • Who are the main customer-suppliers • How is the relation with customers • How is the access and relation with suppliers • Have the SEGs access to formal- informal credit • Have the SEGs realized an investment during the last year • How is the relation with CEI

- Possible Outcomes

Indicators	Survival if	Growth oriented if
General Characteristics		
Size	Less than 20 member	More than 20 members
Type activity	Use traditional technology	Non traditional technology -transformation process-
Education level-training	None-low	Medium-high
Income	Complementary source of income	Main source of income
Internal organization & production		
Organization	Not clear division labour	Clear division of labour and role
Entry-Exit	Not regular staff	Regular staff
Accountancy	Not updated accountancy	Updated accountancy
Profits	Economic activity don't generate profits	Economic activity generate profits
Wages	Occasional or irregular wage	Regular wage
Investment in the business	Not investment – security	Investment – risk taking
Product	Diversification	Specialization
Savings	Not savings or occasional saving	Regular savings – Accumulation to future investment
External Relations		
Costumers	Not recognize the market // Attend Local demand	Clear market // Demand more complex
Suppliers	Problems to access to suppliers	Suppliers defined
Credit	Not access to credit or use of Informal market	Credit in formal system used to invest on equipment.
Loans	Not interested – High risk	Yes – Regular
Supported institutions	High dependence	Low dependence – self-management

Annex 2

Collective Action	Issue	Indicator / Possible question
	Selective Incentives	<ul style="list-style-type: none"> • Presence or not of positive incentives (social approval, awareness kind or money) • Presence or not of negative incentives (expulsion, calling) • Application mechanism of Selective incentives (Internal or external)
	Leadership	<ul style="list-style-type: none"> • Kind of leadership • Communication skills • Capacity to solve problems • Relation leader and the group
	Participation	<ul style="list-style-type: none"> • Frequency of meetings • Presentation of collective ideas • How shift positions such leadership and accountability • Distribution of profits
	Cooperation	<ul style="list-style-type: none"> • Why joint to the SEGs • Which non economic benefits have perceived • How does the relation among members is strengthened

Annex 3

Risk	Issue	Indicator / Possible question
Idiosyncratic risk	Health shock	<ul style="list-style-type: none"> • Have access or not to social security • Do you have access to medical services • Is there disability among members or household members • Reason why have been absented from the job • Presence of insurance or not for labour accidents
	Income shock	<ul style="list-style-type: none"> • Presence of economic crisis due to lost of job/income of household member • Income shock for low sales • Income shock for robbery • Why have you draw out your own savings
Risk Sharing	Social Networks	<ul style="list-style-type: none"> • Presence or not of other social networks beside of the SEGs
	Insurance mechanisms (Transfers)	<ul style="list-style-type: none"> • Who provide you insurance • Member of group ,the whole group • Self-insurance • External help • Transfers
	Risk sharing through savings	<ul style="list-style-type: none"> • Have SEGs saving for medical emergencies from the members • Have SEGs saving for activities related to the life-cycle.

Semi-Structured Interview
(Members SEGs- Portuguese Version)

Informação Geral – General Information

1. Nome do empreendimento & Tipo de atividade
2. Historia começos – Tempo no mercado
3. Tipo de Empreendimento solidário
Associação Cooperativa Grupo Informal
4. Tempo com o CEI – CECan (Relação)
5. Número de pessoas associada
a. Homens _____ Mulheres _____ Total
6. Que tarefa desempenha no empreendimento
7. Edade _____
8. Nível educativo do pessoal
a. Ensino fundamental b. Segundo grau c. Técnico d. Superior
9. A renda gerada pelo empreendimento é
Complementaria
Renda principal
10. Tem você outro(s) trabalho Sim _____ Não _____
11. Organização Interna - Internal Organization
12. Como você se fez membro da associação
13. Como fazem a tomada das decisões no empreendimento

Como é a organização interna
Tem coordenação sim não
Planejamento
Avaliação sim não
14. Como são repartidos os ganhos econômicos
15. Existe trabalho de reflexão e formação?
Como
Com quem
Em quais momentos
16. Tem o ES registros contábeis

17. Tem o ES registro dos ganhos econômicos

18. Tem você um salário estável

19. A renda em relação com 2 anos atrás
Melhorou ____ piorou ____ permaneceu estável ____

20. Faz o ES poupança Sim _____ não _____
Quanto?
Com que periodicidade ?

21. Sistema de poupança

22. imóvel onde funciona o empreendimento é
Próprio alugado financiado cedido

23. Organização externa - External Organization

24. Empreendimento tem vínculo com alguma entidade de representação social

25. Recebe assessoria de alguma instituição qual?

26. Recebeu algum apoio financeiro ou financiamento sim não de quem

27. Condições de pagamento

28. Tem o empreendimento acesso a crédito (sim- formal ou informal)

29. ES tem feito investimento no último ano (sim -quanto > com que proposito)

30. Principais fornecedores

31. Principais produtos produzidos

32. Principais consumidores (mercados que atende)

33. Negociação direta ou com atravessadores

34. Como determinam os preços dos produtos

35. Sistema de vendas

Varejo____ atacado____ misto____ en rede____ por pedido

Principais problemas
Baixa qualidade dos produtos

Pouca formação para a autogetão
Falta de recursos financeiros e capital de giro
Dificuldade de ampliar as vendas
Falta de espaço físico
Outras

36. Quais são as principais dificuldades para ampliar as vendas

Instabilidade das vendas
Propaganda
Qualidade do produto

37. Existe articulação com outros processos e/ou movimentos sociais? Quais?

Riscos - Risks

Saúde

38. Tem acesso a providencia social Sim _____ Nao _____

39. Tem acesso a providencia social por o seu trabalho ou por algum familiar

40. Como faz os aportes

41. Tem acesso a serviços médicos
Público
Privado

42. Tem algum membro do ES idoso ou permanentemente doente

43. Tem algum membro da sua família idoso ou permanentemente doente

44. Quais têm sido os motivos das ausências no trabalho

45. Tem seguro de proteção para acidentes laborais

Renda

46. Caída na renda por
Familiar doente
baixas vendas
roubo
evento relação ciclo de vida (morte, casamentos,etc)
perdida de trabalho membro da família

47. Sim tem poupança, em que tem gastado a suas poupança

48. Mecanismos de segurança

49. Em caso de acidente ou problemas econômicos você recorre à

poupança

membro do grupo

pessoal externo (familiar, amigo ou prestamista)

50. Que medidas o ES toma quando alguns dos membros tem problemas de saúde ou econômicos

51. grupo faz poupança para riscos no lugar de trabalho

52. grupo compartilha riscos (exemplo dividir as preocupações, duvidas)

53. Como resolvem conflitos entre os membros

54. Como o ES enfrentam riscos individuais (doenças, acidentes, caída na renda, perda de trabalho do membro da família, morte, etc)

Ajuda mutua

préstimo

indiferença