

How can the social and solidarity economy tackle inequalities? The case of a circular economy and social inclusion entrepreneurship in Peru

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Introduction

The COVID-19 pandemic has taken a drastic number of lives and its economic and social consequences are being felt around the world, this has seriously disrupted the efforts to attain the SDGs 2030 agenda (World Bank, 2021). There is a growing number of literature that acknowledges the decisive role of changing the structures that generate inequality and poverty and point out that the Social and Solidarity Economy (SSE) can be instrumental in achieving shared prosperity and inclusive growth through social innovation (Inter-American Development Bank, 2016; Cambridge Scholars Publishing, 2021; OECD, 2021). With such diversity of environmental and social problems - which also signify opportunities for progress and innovation - there is a need to transform the global agenda into national and local solutions to catch up with the targets, and the social and solidarity economy stands out as a new way to transcend the classic capitalist monetary pursue and a shift towards a human-centered and solidarity-based economy. (United Nations Research Institute for Social Development, 2017; Cambridge Scholars Publishing, 2021). Within the range of different SSE organizations, the *social enterprise* has risen as a hybrid model, representing a harmonization between economic activity and social equity to guarantee equal opportunities and tackle inequalities all around the world, and the Latin American region didn't stay behind (Martin and Osberg, 2007; Borzaga, Salvatori and Bodini, 2017; Ames Brachowicz and Villamar, 2020; Cambridge Scholars Publishing, 2021).

Despite the decades of progress, the UNDP stated that Latin America is in a development trap with high inequality and low growth, being some of the main problems of the region (a) the lack of social protection systems for the vulnerable and (b) poor labor market regulatory frameworks leading to informality (United Nations Development Programme, 2021). However, its local communities represent fertile land for the generation of

innovative projects that support job creation and the extension of fundamental social and economic rights to the powerless (Pereira Morais, International Labour Office. and International Training Centre of the ILO., 2014). This paper will provide an overview of Recidar, an existing SSE initiative based in Lima, Peru that represents a valuable case of how SSE organizations using transformative localization¹ can promote the economic and social empowerment of vulnerable and marginalized groups while at the same time improving unsustainable consumption patterns and tackle multiple sustainable development goals for inclusive societies. This paper will first review the various types of inequality the target beneficiaries of Recidar face and the implications in their daily lives. Next, the case study is presented and their model is discussed as well as their achievements. Finally, an overall assessment of SSE organizations and their impacts on inequality is given. The video will complement the assessment from a qualitative perspective and will present the story of the social enterprise and its experience of resilience in the pandemic.

Lima la gris: Urban poverty, deprivation of basic goods, informality, and precarity of jobs

In Peru, about 11 million people live on less than 130 dollars a month and are forced to buy products for their homes in the “*cachinas*”, black markets that sell stolen and contraband objects² exposing their physical and emotional integrity. Furthermore, 90% of them live in informality providing their families through self-employment with activities like street commerce, underemployment, and others; this means they

¹ As defined by the United Nations Research Institute for Social Development (2017): “meeting diverse needs and transforming economic, social, and political structures at the local level in an inclusive, democratic and sustainable way”

² The main products sold are clothing, furniture, electronic devices, and electro domestic goods.

have no social benefits such as health insurance, savings, or retirement funds which are typically private or dependent on a formal job. As part of this marginalized – but representative – group of the population, they are also forced to be part of a chain of corruption among officials, undermining public health, and tax evasion because there is no available market that satisfies in a legal way their needs. People from the lowest socio-economic sectors in urban areas are only left on average with 8 \$ for buying footwear, clothes, or other necessary goods for living such as kitchens, fridges, or a bed. Most of their budget is used on rent, transport, and food (APEIM, 2017). The National Police of Peru identified that all the contraband of stolen objects was in 17 black markets in the periphery of Lima, plagued with insecurity, threats to their health, life, and the constant of being scammed. If we take the case of clothing, the bottom of the pyramid is forced to shop for robbed imported garments despite being a prohibited activity by law 28514 due to its threat to public health and the insalubrious conditions in which it is transported, stored, and sold.

The informality trap and the migration crisis

According to the Peruvian Institute of Economy (2021), the informality rate in the country has increased from 73.6% in the mobile year July 2019-June 2020 to 78.1% in July 2020-June 2021. This is mainly explained by the increase in informality in urban areas from 66.8% to 72.5% between the same periods. In addition, the share of self-employed workers in the total employed urban labor force has increased from 32.9% pre-pandemic to 35.7% in 2021. Now if we talk about the Venezuelan migration crisis, an ILO investigation revealed that they suffer from constant labor abuse with situations like (a) underpayment, (b) unpaid wages, (c) extended

working shifts, (d) withholding of personal documents, (e) sexual harassment (International Labour Organization, 2020).

The waste management crisis in Lima: revictimizing the urban-poor

Peru generates 20,000 tons of solid waste per day and only 1% is recycled, even though 73% of it could potentially be recycled (organic + inorganic materials). In Lima, the amount of waste generated represents, 44.2% of the total waste generated in the country, and approximately 50% of that waste ends up in informal and illegal dumps which are located in urban slums, the home of the most vulnerable, revictimizing them and threatening their health living next to waste with no government control or intervention (World Wide Fund, 2018). Despite the existence of the general law N°1278 to promote the correct solid waste management since 2017, this issue remains a major challenge for Peruvian society especially due to an educational component. The contrasting inequalities have socio-economic sectors A-B who buy compulsively and have completely disengaged themselves from their responsibility as citizens to dispose their waste correctly, while the sectors C-D-E struggle to attain a minimum standard of living and have no choice for decent shopping. Around the city, we can find “*botaderos*” places where used objects in terrible state accumulate in corners as part of the view.

Recidar: reutilización para la inclusión

Recidar was born in the year 2017, created by Boris Gamarra, a Peruvian economist who lived his younger years in urban poverty in the district of Chorrillos. This venture was born from the union of two urgent problems in the country: social inequality and the pending task of solid waste management. Recidar stands as socio-environmental entrepreneurship that promotes circular economy and solidarity

reuse for social inclusion in Lima, working for equal opportunities while tackling a huge waste management problem. Their impact business model operates by offering a free pick-up service of used goods - such as clothing or household appliances - to families of the highest socio-economic sectors of Lima and partnering companies. The goods are then refurbished in their plant and have their life extended, to provide a legal and dignified purchase to families in their two Solidarity Shops. For most of their clients, it is the first “shopping” experience they ever had in the formal system and that is not sourced from delinquency or whose products is carrying with the violence of street assaults. On the contrary, they are solidarity-sourced. Simultaneously, their aim is the job creation for people living in Chorrillos and Villa El Salvador – with a special focus on women and the migrant population - with career opportunities in the company. This creates a sustainable system that allows legal and dignified access to basic necessary goods to families living on the periphery and generates employment in areas with high labor insecurity and informality, allowing them to attain minimum social safety nets like healthcare and pension funds.

During their years of existence, they have impacted the lives of more than 40k people, through dignified access to goods in their solidarity shops and having a history of almost 900 thousand donated items. This figure was achieved thanks to the more than 8,000 families that have joined the Recidar Movement³, as well as the more than 2.5k companies that partnered and include them in their social responsibility strategies. Overall, they have achieved to divert 1200 tons of waste

³ Citizen movement that promotes circular economy lifestyles with a solidarity-based approach. They promote tips and sustainability in their online community through social media and a mailing.

from landfills, averted 129 thousand tons of CO₂, and saved 499 m³ of water. In their workforce: 80% live in districts considered urban-poor, 54% are women, and of those, 47% are mothers whose career was uninterrupted due to motherhood, and the share of Venezuelan workers is 20%. Partnerships and networks are also an important part of their strategy. They have recently launched the ClubR, a free benefit for donor families to access discounts on other social ventures to dynamize the social entrepreneurship ecosystem as well as being leaders in a Coca-Cola Company Foundation multi-stakeholder program that seeks to educate in circular economy and sustainable citizenship to the urban settlements Los Cedros, Bello Horizonte, San Genaro, and Villa Marina.

Can the SSE tackle inequalities?

Recidar represents one of the most outstanding cases in Peru and has received the highest recognition in the social ecosystem in the country. They have been incubated by Nesst, won the Kunan Award⁴, the National Environmental Award in 2021, and were named for the third time within the list of Best for The World of B Corps. However, there is still room for improvement so that SSE organizations like Recidar can amplify their impact and escalate. An enabling environment is a necessary condition for social entrepreneurs to make it through the valley of death, and policymaking is necessary. Peru, has already taken the first step by signing *The #BICLaw* which grants legal identity to triple impact companies, i.e. those that integrate economic, social, and environmental value creation. Recidar was selected as one of the piloting organizations for the elaboration of the guidelines to apply the

⁴ Most important award for social enterprises in the country.

law. This is a major improvement since (a) entrepreneurs and triple impact enterprises didn't have the legal recognition that protects them and allows them to freely pursue their purpose; (b) the new legal regime makes it easier for the State or other market actors to identify and empower them, so that through them they can achieve the goals of the 2030 Agenda. While the scope and length of this essay hinder a complete overview of all the complex aspects of SSE and its direct impact on tackling inequalities, Recidar exemplifies how social enterprises can help tackle urgent problems communities are facing and how localizing the global agenda using innovative solutions can be a powerful tool for creating a bridge between two contrasting realities, while protecting the environment and dignifying historically marginalized people through decent access to work and being included for the first time in the formal economy no matter how small their purchase.

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