



ISTITUTO STUDI SVILUPPO AZIENDE NONPROFIT

Social Entrepreneurship in Designing and Delivering Social and Community Care Services

Giulia Galera
ISSAN - University of Trento
Bucharest, Romania
13 June 2007

VIA S. GIOVANNI, 36 - I 38100 TRENTO
TEL. ++39 0461 882289 - FAX ++39 0461 882294
WWW.ISSAN.INFO - E-MAIL: ISSAN@ISSAN.INFO - P. IVA 01452830225

The Economic Rationale of Social Enterprises

Relevance of SEs in the Supply of SSs: EU-15

- Social service sector=field where SEs have developed the most
 - Non-profit providers dominate in the home care sector
 - Most innovative services originally provided by non-profit organizations
- Increasing formalization of the role of SEs as SS providers
 - through contractual relations with public agencies

The Economic Rationale of Social Enterprises

Relevance of SEs in the Supply of SSs: CEE and CIS

- Re-organization of SS system still weak (gaps in service delivery)
- Liberalization of former mechanisms of social inclusion=reduction of fundamental social rights
- SEs=unique way to address un-tackled socio-economic challenges, but still rare practice

The Economic Rationale of Social Enterprises

Relevance of SEs in the Supply of SSs

- Under what circumstances do SEs arise as the most adequate institutional arrangement?
- Attention to the main characteristics of the SS sector
 - Product
 - Demand
 - Supply

The Economic Rationale of Social Enterprises

SS Sector: PRODUCT

- SSs main characteristics:
 - Non-compliant of equivalence relation
 - Labour-intensive=influenced by workers' effort
 - Personalized, given the diversity of human needs they are expected to meet
 - Relational=quality hard to measure
 - Generative of positive externalities

The Economic Rationale of Social Enterprises

SS sector: DEMAND

- Demand for social services diversified and increasing
- Low able-to-pay demand=users' capacity to pay often below the production costs

The Economic Rationale of Social Enterprises

SS sector: SUPPLY

- Multiplicity of producers, including:
 - Family/neighbours
 - Single care-givers directly employed by the family
 - Public agencies
 - For-profit enterprises
 - Traditional non-profit organizations
 - Social enterprises

The Economic Rationale of Social Enterprises

SS sector: Inadequacy of Mkt logic

- SSc cannot be produced only according to a market logic (by for-profit providers) because:
 - People unable to pay would not have access
 - Many services would not be produced (relational services)
 - Difficulties in evaluating quality

The Economic Rationale of Social Enterprises

SS Sector: Institutional Response

- As a consequence: development of public production of SSs
 - Public administration=main actor entitled to supply SSs
 - Public production of SSs extended consistently with the welfare state model implemented at national level

The Economic Rationale of Social Enterprises

SS sector: Recent Development Trends

- Difficulties faced by the traditional welfare model
 - Incapability of ensuring equal access to SSs to all citizens in need
 - Incapability of encountering the new demand
- Decrease in family/neighbours supply
- Increasing complexity of needs and diversification of the demand

Growing gap between needs and paying demand and between needs and supply

The Economic Rationale of Social Enterprises

SS sector: Private Markets

- REACTION: DEVELOPMENT OF PRIVATE MARKETS =QUASI MARKETS WITH MAINLY FOR-PROFIT PROVIDERS
- Unsatisfactory results
 - Increase in public expenditure
 - low quality of services
 - worsening of working conditions
- Social Enterprises (SEs) emerge as bottom-up initiatives of groups of citizens

The Economic Rationale of Social Enterprises

SEs Added Value

1. What obstacles, associated to the production of SSs, can be overcome by SEs?
2. What institutional features need SEs to exhibit to emerge as the most institutional arrangement vis-à-vis alternative solutions?

The Economic Rationale of Social Enterprises

Obstacles that can be overcome by SEs

- **Face the median vote reluctance**
 - strong links with the local community/groups they are expression of=capacity to meet a diversified demand
- **Ensure provision of Ss also to users that are unable to pay**
 - re-distributive function made possible by the capacity of attracting free of charge resources
- **Overcome the problems of information asymmetry of both users/producers**
 - Non-profit distribution constraint
 - Involvement of users in management and control
- **Alleviate the principal agent gap**
 - Involvement of workers

The Economic Rationale of Social Enterprises

Institutional features that SEs need to exhibit

- **Explicit social goal:**
 - aim to serve the community/fragile group=signal of the organization's nature in addition to non-distribution constraint
- **Membership/governance:**
 - inclusive-multi/democratic-participatory=allows to approach the interests of the community as a whole
 - Democratic/participatory governance=contributes to render the goals pursued by the organization and those of the agents involved consistent to one another
- **Attraction of ideological workers**
 - allows to overcome effort-monitoring problem

Social Enterprise Positive Externalities

Positive externalities result from the specificity of both the **product** and **institutional arrangement**

- o **SSs enhance social cohesion and strengthen trust relations** among the agents involved (producers; workers; users; donors; volunteers)
- o Inclusive/participatory approach favoured contributes to:
 - o enhance the **sense of social responsibility towards the community**
 - o **social capital accumulation at local level**
 - o **social welfare democratization**
- o **Creation of new employment** in the sectors of social and community services (OECD countries: 29-37%)

Closing Remarks

EU- 15: SEs acknowledged as:

1. Innovative actors of quasi markets in the production of SSs (all EU countries)
2. Autonomous actors as a result of SE expansion in new fields of activity (new services supplied: environmental; cultural....)

New legal frameworks introduced (IT; UK)

Closing Remarks

CEE and CIS: still marginal role of SEs in the production of SSs

1. In some new member countries, SEs institutionalized as welfare providers (i.e. Slovenia; Czech Republic; Slovakia; Hungary), but legal inconsistencies prevent the full exploitation of the new legal frameworks introduced
2. In a number of countries, creation of subsidiary commercial companies to conduct economic activities (i.e. Bulgaria; Macedonia; Ukraine; Belarus...)