Social enterprise in Western Europe

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- Joint Coordinator of Third System in Europe Project
- EMES Network Projects and Books
  - See www.emes.net
- Social entrepreneurship projects
- EMES: Work Integration - PERSE Project
Outline of Presentation

• Social enterprise in Europe (15+10)
• Importance of institutions (national/local)
• Institutions: policy and support themes
• Social enterprise policy – UK & EU
• Institutions and Support
<table>
<thead>
<tr>
<th>Country</th>
<th>Co-operatives FTE</th>
<th>Mutual companies FTE</th>
<th>Associations FTE</th>
<th>TOTAL FTE</th>
<th>% FTE employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>52 373</td>
<td>7 325</td>
<td>173 964</td>
<td>233 662</td>
<td>8.08%</td>
</tr>
<tr>
<td>Belgium</td>
<td>33 037</td>
<td>11 230</td>
<td>161 860</td>
<td>206 127</td>
<td>7.13%</td>
</tr>
<tr>
<td>Denmark</td>
<td>78 160</td>
<td>p. m.</td>
<td>211 322</td>
<td>289 482</td>
<td>13.85%</td>
</tr>
<tr>
<td>Finland</td>
<td>75 896</td>
<td>p. m.</td>
<td>62 684</td>
<td>138 580</td>
<td>8.18%</td>
</tr>
<tr>
<td>France</td>
<td>293 627</td>
<td>91 200</td>
<td>830 000</td>
<td>1 214 827</td>
<td>6.81%</td>
</tr>
<tr>
<td>Germany</td>
<td>448 074</td>
<td>130 860</td>
<td>1 281 927</td>
<td>1 860 861</td>
<td>6.46%</td>
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<tr>
<td>Greece</td>
<td>11 861</td>
<td>884</td>
<td>56 025</td>
<td>68 770</td>
<td>3.31%</td>
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<tr>
<td>Ireland</td>
<td>32 018</td>
<td>1 000</td>
<td>118 664</td>
<td>151 682</td>
<td>15.89%</td>
</tr>
<tr>
<td>Italy</td>
<td>479 738</td>
<td>p. m.</td>
<td>667 230</td>
<td>1 146 968</td>
<td>8.23%</td>
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<tr>
<td>Luxembourg</td>
<td>1 979</td>
<td>28</td>
<td>4 733</td>
<td>6 740</td>
<td>4.6%</td>
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<tr>
<td>The Netherlands</td>
<td>109 000</td>
<td>p.m.</td>
<td>660 000</td>
<td>769 000</td>
<td>16.64%</td>
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<tr>
<td>Portugal</td>
<td>48 750</td>
<td>1 042</td>
<td>60 892</td>
<td>110 684</td>
<td>3.50%</td>
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<tr>
<td>Spain</td>
<td>403 233</td>
<td>1 425</td>
<td>473 750</td>
<td>878 408</td>
<td>9.97%</td>
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<tr>
<td>Sweden</td>
<td>90 718</td>
<td>6 991</td>
<td>83 084</td>
<td>180 793</td>
<td>5.83%</td>
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<tr>
<td>United Kingdom</td>
<td>127 575</td>
<td>22 387</td>
<td>1 473 000</td>
<td>1 622 962</td>
<td>8.42%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2 286 039</strong></td>
<td><strong>274 372</strong></td>
<td><strong>6 319 135</strong></td>
<td><strong>8 879 546</strong></td>
<td><strong>7.92%</strong></td>
</tr>
<tr>
<td>Country</td>
<td>Typology of organizations</td>
<td>Size</td>
<td></td>
<td></td>
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<td>----------------</td>
<td>-------------------------------------------------------------------------------------------</td>
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<tr>
<td>Czech Republic</td>
<td>Associations&lt;br&gt;Co-operatives&lt;br&gt;PBC&lt;br&gt;Total</td>
<td>54,964</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>1,831</td>
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<td></td>
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<td>1,158</td>
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<td></td>
<td></td>
<td>56,852</td>
<td></td>
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<tr>
<td>Estonia</td>
<td>Associations and Societal Organizations&lt;br&gt;Consumer/agricultural coops&lt;br&gt;Housing co-ops/associations&lt;br&gt;Total</td>
<td>12,000</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>200</td>
<td></td>
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<td>8,000</td>
<td></td>
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<td></td>
<td></td>
<td>20,200</td>
<td></td>
<td></td>
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<tr>
<td>Poland</td>
<td>Associations and Foundations&lt;br&gt;Co-operatives&lt;br&gt;Social Integration Centres and Clubs&lt;br&gt;Social Co-operatives&lt;br&gt;Coops for the handicapped&lt;br&gt;Vocational Centres for the Handicapped&lt;br&gt;Total</td>
<td>52,000</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>10,585</td>
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<td></td>
<td></td>
<td>135</td>
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<td>30</td>
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<td>350</td>
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<td>25</td>
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<td></td>
<td></td>
<td>63,125</td>
<td></td>
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<tr>
<td>Slovenia</td>
<td>NP Societies and associations&lt;br&gt;Companies for the disabled&lt;br&gt;Co-operatives&lt;br&gt;Private Not-for-profit Institutes&lt;br&gt;Total</td>
<td>20,000</td>
<td></td>
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<td></td>
<td></td>
<td>150</td>
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<td></td>
<td></td>
<td>988</td>
<td></td>
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<td></td>
<td></td>
<td>534</td>
<td></td>
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<td></td>
<td></td>
<td>21,672</td>
<td></td>
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</table>
The concept of social enterprise as a bridge between traditional approaches?

Co-operatives

NPO's transformed into social enterprises

Non-profit organisations

Production Oriented NPO's

Advocacy Oriented NPO's
The concept of social entreprise is a bridge between approaches and categories that are often separated.
Social enterprise is both:

- Social enterprises are new organisations
- And existing organisations refashioned by new dynamics

INSIDE THE THIRD SECTOR
Characteristics of new social enterprises

1. Co-operative/mutual and voluntary sector
2. Multi-stakeholder
3. Resource mix
4. Social Capital
   - multi-stakeholder
   - strong user linkages
   - worker involvement.

See [www.emes.net](http://www.emes.net) for EMES research projects
The term social enterprise

• Different definitions - SEL, DTI, USA
• EMES – third sector organisations:
  • with enterprise characteristics
    – (trading in the market or contracting, employing people – 25%/50% income)
• But with social goals
  – (participation, user involvement, community benefit).
Dimensions of Social Enterprise

• The EMES criteria are:

• **Four** factors have been applied to define the **economic and entrepreneurial nature** of the initiatives.

• **Five** factors have been selected for the **social dimensions** of the initiatives:
Dimensions of Social Enterprise

- Four factors have been applied to define the economic and entrepreneurial nature of the initiatives.
  - a) A continuous activity producing goods and/or selling services
  - b) A high degree of autonomy (vs dependency)
  - c) A significant level of economic risk
  - d) A minimum amount of paid work
Dimensions of Social Enterprise

- *Five indicators for the social dimensions of the initiatives:*
  - i) An initiative launched by a group of citizens
  - ii) A decision-making power not based on capital ownership
  - iii) A participatory nature, which involves the persons affected by the activity
  - iv) Limited profit distribution
  - v) An explicit aim to benefit the community
3 broad types of social enterprise

- Value based goods/services esp. fairtrade
- Delivering services – e.g. welfare services, childcare, local/community services, environment/recycling [Delors 17 sectors]
- Providing employment for disadvantaged and disabled people: work integration
- And sometimes mix of these
Some major types social enterprise

- Traditional co-ops/mutuals
- Associative structures contracting for services + temporary/permanent employment
- Health/social care mutuals/assns
- Social co-ops (Italy, UK, Sweden, Spain)
- Community owned structures for services + training/employment initiatives
  - Régie de quartier in France, community business in the UK, Sweden, and Ireland
- Transitional employment enterprises
- Housing organisation services
- Sheltered workshops for disabled people
DTI Definition: Social Enterprise

Social Enterprises are part of the growing 'social economy'. The social economy is a thriving and growing collection of organisations that exist between the traditional private sector on the one hand, and the public sector on the other. Sometimes referred to as the 'third sector', it includes voluntary and community organisations, foundations and associations of many types.

“A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners”

Social Enterprise: A Strategy for Success DTI
UK Policy framework for social enterprise

- The Social Enterprise Unit (SEU, now based within the Cabinet Office)
- And Social Enterprise Coalition
- Create an enabling environment for social enterprise;
- Make social enterprises better businesses;
- Establish the value of social enterprise.
UK Policy framework: social enterprise

• Create an enabling environment for social enterprise
  – Government role (interdept, enabling, direct support to 3\textsuperscript{rd})
  – Legal and regulatory issues
  – Public procurement

• Make social enterprises better businesses
  – Business support and training
  – Finance and funding

• Establish the value of social enterprise
  – Establish the knowledge base (research)
  – Recognise achievement and spread the word
  – Create trust: social audit and quality: metrics
<table>
<thead>
<tr>
<th>Policy Interest / Intervention</th>
<th>Full Spectrum of Social Enterprise (e.g. urban/rural; small/large; type of model; level of trading)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Policy</td>
<td></td>
</tr>
<tr>
<td>Regeneration</td>
<td>R niche services in disadvantaged areas</td>
</tr>
<tr>
<td>Economic development</td>
<td>Larger</td>
</tr>
<tr>
<td>Local social care services</td>
<td>Childcare</td>
</tr>
</tbody>
</table>

- Rural SE: Not Applicable
- Community Enterprises: Not Applicable
- Credit Unions: Not Applicable
- Devt. Trusts: Not Applicable
- Social Firms: Not Applicable
UK policy and market drivers for social enterprise

• **Three policy drivers support the promotion of social enterprise:**
  • **Economic competitiveness** – social enterprise contributes to help build an enterprise society in which small firms of all kinds thrive and reduce the persistent gap in growth rates between regions.
  • **Social cohesion** – the role of social enterprise in disadvantaged communities.
  • **Service provision** (public) – to improve the quality and efficiency of service delivery.
• But relevance of the drivers varies across government departments, so nature and extent of departments’ commitment to support for social enterprise varies.

• **Two market drivers support the growth of the social enterprise:**
  • **Service provision** – to fill a gap in the market to meet community needs or to add value to existing public service delivery.
  • The rise of new **ethically-conscious markets**; in fair trade and environmentally friendly goods and services.
EU policy for social enterprise

- Overall view
  - contributing to efficient competition in the markets
  - potential for job creation and new forms of entrepreneurship and employment
  - being largely founded on membership-based activities
  - meeting new needs
  - favouring citizen participation and voluntary work
  - enhancing solidarity and cohesion
  - contributing to the integration of the economies of the candidate countries.

(Toby Johnson)
EU policy for social enterprise

• *Third System and Employment*
  – third system organisations build social capital (trust relations and civic engagement).
  – Tax systems should recognise TSOs internalise social costs, thus reducing public expenditure.
  – Reduced social costs from improved employability could be recompensed by transparent social payments.
  – Public sector contracting-out policies could give credit for the added value of third system delivery, (if contract price is only criterion, quality will be sacrificed).
  – Need for micro-credit and other community development finance institutions.
Some institutional stories

• Italian social co-ops
  • Late 1970s Initial social co-ops in Trieste;
  • 1981 law proposed, but not passed till 1991; several hundred SCs;
  • first consorzi (Brescia) 1984; Federation CGM founded 1987;

• German WISE
  – social movements of the 1970s shaped new non-profit/public partnerships for work integration,
  – which gradually became institutionalised in formal organisations, dominated by business rationales and professionalisation.
Importance of institutional context

• 3 types of institutional contexts that shape entrepreneurship:
  – New legal forms within structured public frameworks (Italy social co-ops)
  – Self/labelling forms and networks: co-ops, social firms, community business, social enterprise
  – Ad hoc constructed contexts (with new types of social enterprise)

• Different levels of recognition, identity, public policy frameworks, support structures, professional advisers

• Thus established institutions important
Europe: Social enterprise institutional development

- Variety of forms/legal structures
- Many use traditional SE structures, but new:
  - Italy 1991 social co-ops types A/B
  - Belgium 1995 enterprise with social purpose
  - Portugal 1996, Social solidarity co-ops (work integration)
  - Spain social initiative co-ops 1999 types A/B
  - Greece social co-ops
  - Finland 2004 social enterprise
  - CICs in UK (2005); SCIC in France (2001)
  - Italy social enterprise 2006
Variety of forms/legal structures

• Themes in new legal structures
  – reshape structures for public service and work integration/community regeneration markets
  – multi-stakeholder
  – social reporting
  – asset lock
  – non-profit emphasis
  – financial partner
Institutions: support and policy frameworks

• Support structures
• Pattern of relations esp. markets/state relations
• Policy framework
  – Legal/fiscal measures
  – Promotion/regulation
  – Shaping/enabling measures
<table>
<thead>
<tr>
<th>Locus/Level</th>
<th>Local</th>
<th>Regional</th>
<th>Specialist</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks (informal to formal)</td>
<td>Early stages of support for innovations</td>
<td>New sector interlinking</td>
<td></td>
<td>REVES</td>
</tr>
<tr>
<td>State</td>
<td>local authority support</td>
<td>Regional government departments</td>
<td>Regional Government</td>
<td>Original promotion of SALs in Spain</td>
</tr>
<tr>
<td>Social Economy Movement</td>
<td>Consorzi Centres for Voluntary Services</td>
<td>Consorzi FESALC; FCTAC; FVECTA Mondragon</td>
<td>See table 3 for specialist financial support orgns</td>
<td>French and Italian Federations Lega, (CGM), Confed. Welfare associational “pillars” UNIOPPS; FNRdeQ Federations of most social economy organisations</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>T&amp;G (London)</td>
<td>Wales CDTC</td>
<td></td>
<td>(Union support for pro-SAL policies)</td>
</tr>
</tbody>
</table>
Summary: evolving institutional contexts

• Different institutional landscapes based on different “welfare regimes”, different cultural traditions (family/church), etc.
• Historical influenced spaces for entrepreneurial activity by traditional/new actors
• Both: a revitalization of historical approaches (co-op/mutuals or assns). And: social movements, political networks embedded in civic environments etc. Using social capital
• “public good arena” for “non-capitalist” stakeholders: public bodies, individual users, church/civic organizations i.e. social entrepreneurs eg making case to construction sector to train low skill workers
• All this building a sector and its institutions (policy/support)
Institutional Framework Required for Social Enterprise

- legal framework which does not disadvantage SEs compared to business organizations –not over-restrictive or over-regulated, for flexible entrepreneurial activity.
- social dimension of the activities carried out by SEs supported through fiscal measures.
- access to the same (financial, products and services) markets as SMEs, including public procurement markets
- equitable institutional framework - business support, coherent policy frameworks
- self-regulatory federal bodies to represent the interests of the sector,
- financial and business support bodies developed to increase the capacity and effectiveness of social enterprise; and to reduce corruption and corrupt exploitation of foreign donors.
Thank You