



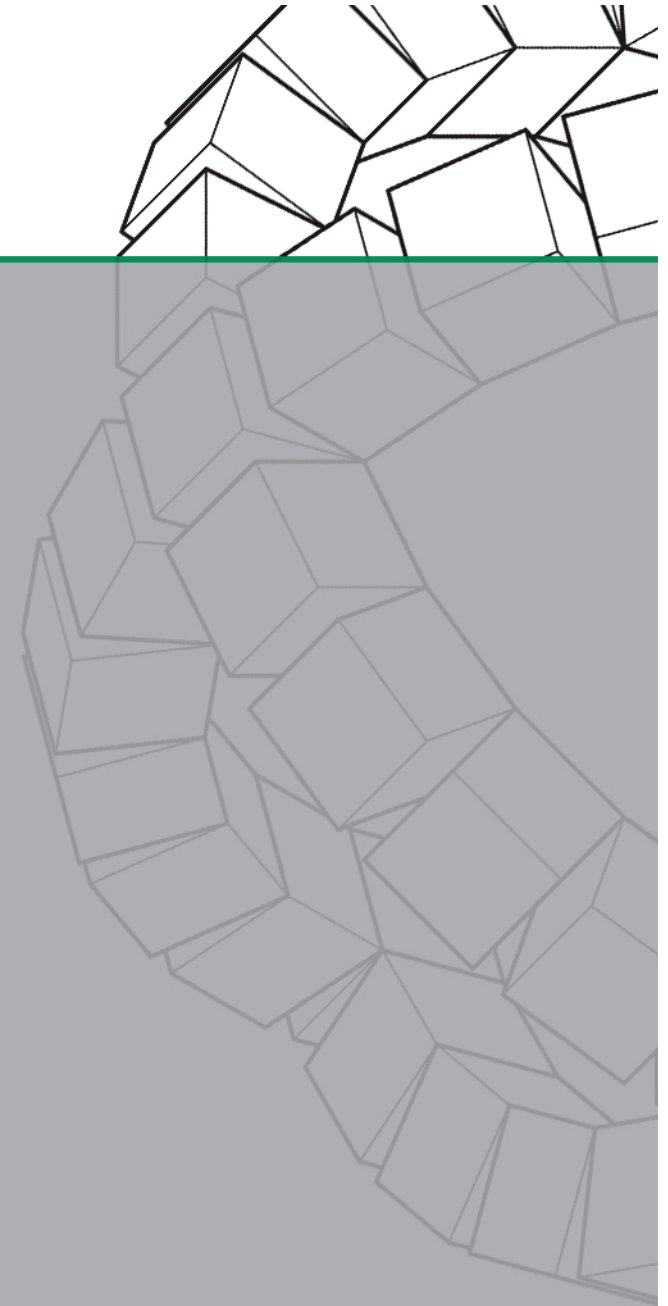
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Social Entrepreneurship in Designing and Delivering Social and Community Services

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Main Issues

1. THE SECTOR OF SOCIAL SERVICES

- Main Characteristics: Product/Demand/Supply
- Consequences of Social Enterprise Specificity
- Institutional Public Response to Market Failures
- Recent Development Trends
- Reaction: Private Markets and Social Services (SSs)

2. THE EMERGENCE OF SOCIAL ENTERPRISES (SEs)

- Non-profit Evolution
- SEs Added Value
- SEs Main Characteristics
- Positive Externalities on Society at large
- SEs Fields of Activity
- Development Trends



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The Sector of Social Services

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The Sector of Social Services Main Characteristics (1)

PRODUCT

- Social services (SSs) cover a wide range of activities: services for people in need, education, health, cultural services
- SSs have a strong impact on the well-being of the population



The Sector of Social Services Main Characteristics (2)

PRODUCT

- SSs main characteristics:
 - Labour-intensive=influenced by workers' effort
 - Not-standardized, given the diversity of human needs they are expected to meet
 - Relational=quality hard to measure
 - High positive externalities



The Sector of Social Services Main Characteristics (2)

DEMAND

- Low able-to-pay demand=users' capacity to pay often below the production costs
- Spread of third party-purchasers (public administration; donors, users other than direct beneficiaries)
- Weakness of the consumer: information asymmetry at the consumer disadvantage



The Sector of Social Services Main Characteristics (3)

SUPPLY

- Multiplicity of producers
 - Family/neighbors
 - Single care-givers directly employed by the family
 - Public agencies
 - For-profit enterprises
 - Voluntary organizations
 - Social enterprises



Consequences of Social Service Specificity

- 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)
 - Consumers' and third payers' difficulties in evaluating quality



The Sector of Social Services Institutional Responses

As a consequence: development of public production of SSs in all countries

- Public administration=main actor entitled to supply SSs
- Public production of SSs extended consistently with the welfare state model implemented at national level
- Decrease in relevance of other providers
 - Family/neighbourhood
 - Non-profit organizations



The Sector of Social Services Recent Development Trends

- Demand growth: new needs
- Decrease in family/neighbours supply
- Increasing complexity of needs and diversification of the demand
- Difficulties faced by the public model:
 - financial difficulties
 - difficulties in identifying needs
- Growing gap between needs and paying demand and between needs and supply



The Sector of Social Services Private Markets and SSs (1)

REACTION: PARTIAL WITHDRAWAL OF PUBLIC BODIES=DEVELOPMENT OF QUASI MARKETS

- “Top-down” stimulation aimed at overcoming the difficulties faced by public bodies
- State stops being both the funder and provider of SSs=only funder
- Resources allocated through: bidding process/voucher given directly to potential users/agents acting on their behalf
- Multiplicity of suppliers in competition with one another on price basis:
 - a) for-profit providers (UK)
 - b) non-profit providers (other EU countries)



The Sector of Social Services Private Markets and SSs (2)

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



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The Emergence of Social Enterprises

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The Emergence of Social Enterprises Non-Profit Evolution

- Nonprofit organizations recent evolution: from advocacy activity towards production of SSs

New trend:

Associations/Foundations increasingly engaged
in the production of services

Co-operatives engaged in the production of
general-interest services for non-members



**Social
Enterprises**



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The Emergence of Social Enterprises Non-Profit Evolution

- Strengthening of the productive role of nonprofit organizations
- High innovation potential (product/process)
- Institutionalization of recent evolution (IT; UK)



Social Enterprise Added Value (1)

SEs=institutional arrangement apt to:

1. Meet the new demand

- strong links with the local community/groups they are expression of=capacity to meet a diversified demand

2. Ensure provision of SSs also to users that are unable to pay

- re-distributive function made possible by the capacity of attracting free of charge resources

3. Overcome the problems of information asymmetry of both users/producers

- Involvement of users in management and control=induce them to reveal the quality/quantity of services to be supplied

4. Alleviate the effort-monitoring problems of workers

- Especially relevant when dealing with relational services: involvement of workers=helps solve agency problems



Social Enterprise Main Characteristics (1)

- **Goal:** explicit aim to serve the community/fragile group=signal of the organization's nature in addition to non-distribution constraint
- **Membership:** inclusive/multi (users; workers; donors; volunteers; public representatives....);
 - o Internalization of the demand allows to overcome informational advantage of both producers and users
 - o Empowerment of the community=improves the ability of state bodies to synthesize the preferences of the electorate



Social Enterprise Main Characteristics (2)

- **Capacity of attracting ideological workers**=allows to overcome effort-monitoring problem; and **working environment** that favours personal interaction=strengthens the relational component of the services produced
- **Governance Model** enhancing participation and democratic management=decision making power not based on capital ownership
- **Links to the Community** and local embedded-ness contributing to flexibility=capacity to adapt to the evolution of the local context



Social Enterprise Main Characteristics (3)

- **Funding Sources:** commercial incomes and public subsidies, but also: voluntary work and donations= plurality of resources allows to counterbalance SEs low capitalization capacity
- **Entrepreneurial Management:** human and economic resources committed managed in an entrepreneurial way

To sum up: SE can be defined as an incentive structure, for:

- Workers
- Donors
- Volunteers
- Community (trust)



Social Enterprise Positive Externalities

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



Main Fields of Activity of SEs

1. Social services of all types (those not developed by the national welfare systems): assistance to elderly and disabled people, drug addicts, homeless
2. Services to families: educational, child-care
3. Soft health services
4. Cultural and recreational services
5. Activities aimed at protecting and regenerating the environment
6. Services aimed at supporting the economic development of specific communities



Social Enterprise Development Trends

- 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....)
- Recent development trend recognized by new legal frameworks