

Technologie-Netzwerk Berlin e.V.

in co-operation with the

European Network for Economic Self-Help and Local Development

(Eds.)

***"Community Economic Development
and Social Enterprises"***

Experiences, tools and recommendations

Berlin 1997

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1. INTRODUCTION TO THE PROJECT

This study was supported by the *European Commission, DG V (Employment and Social Affairs)*, and was produced within the framework of the programme 'Action Aimed at Combating Social Exclusion and Poverty'. A budget line had been approved in this context which emerged from **Declaration 23 of the Treaty of Maastricht**, according to which the European Union should, under all circumstances, seek to collaborate with the welfare organisations, charitable foundations and associations and other such bodies in order to contribute to the realisation of Article 107 of the Treaty, which sets out as a goal the alignment of the standards of living between all Member States.

Welfare organisations from all over Europe contribute to achieving this goal by carrying out, or assisting with, social objectives such as improving health and the social environment via health and/or anti-poverty programmes which the state would not be in a position to provide by itself. To this end, various welfare organisations from all the countries of the EU have formed themselves into the '*European Round Table of Welfare Organisations (ETWelfare)*', with its headquarters in Brussels.

One member of this association is the *European Network for Economic Self-Help and Local Development*, which has its Co-ordinating Office in Berlin; the Network has a membership made up of not-for-profit organisations such as local self-help groups, co-operatives, development agencies, employment sponsoring bodies and academic institutes, as well as other regional and/or national networks. The Network's activities involve the following:

- research, consultancy and training for local employment and economic development, and also social aspects of technology development and application
- development and realisation of social-economic projects and enterprises, partly on the basis of community development work
- local and regional networking and lobbying with and for initiatives concerned with local development and economic self-help.

Within these parameters, the working party formed by the Network had a particular interest in the **structural and functional elements** which mark out social enterprises, which are in a sense a special variety of social welfare organisation: their special feature is that they approach poverty, unemployment and social exclusion from a social-economic, rather than a social-political angle. Social objectives are achieved by way of economic activity, i.e. through employing or accommodating socially disadvantaged elements of the population, by providing social services for targeted groups in the population or through the manufacture of socially-useful products.

At the present, the social welfare organisations are gaining weight within the European Union: the European Social Charter provides for a *European Social Policy Forum* in which, alongside employer organisations and trades unions the social welfare bodies and charitable associations are represented on an equal basis. Our Network is represented there by ETWelfare; via the *Platform of Social NGOs*, social enterprises have now taken their place as welfare organisations alongside the charitable associations.

The **innovative role of social enterprises** can be described as using social welfare measures on a cost-effective basis, using decentralised and unbureaucratic structures and integrating their clients into the enterprise's activities. To what extent they achieve this in each of their respective communities is examined, evaluated and presented in this study.

The **objective** of this project was to investigate and to disseminate examples of good practice by social enterprises from six European Union countries - France, Germany, Great Britain, Italy, Sweden and Spain.¹ A further goal was the **identification of successful instruments** geared to promoting social enterprises and community economic development (cf. chapter 2). The primary focus was on how social enterprises in the various countries approach the task of **developing local communities**, with particular emphasis on combating social exclusion (cf. chapter 3).

¹ Detailed country reports will be published shortly.

The **practical** objective of the project was to make these experiences known

- within the European Network for Economic Self-Help and Local Development,
- within the general spread of European organisations and networks active in the social welfare/social policy area, and
- vis-a-vis EU institutions. Cf. chapter 4.

A short description of this project is also available via the ARIES Network:

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2. GOOD PRACTICE MODELS OF INSTRUMENTS FOR SOCIAL ENTERPRISES PROMOTING COMMUNITY ECONOMIC DEVELOPMENT

1st Tool: Mixing of Economic Activities for Regional Development:

The Borgvattnet Model² (Jämtland / Sweden)

This project has taken place in a part of Sweden where extensive distances make **unemployment** especially problematic. The parish of **Borgvattnet** is made up of six small villages, which together have a population of 250 inhabitants. It is situated in an isolated part of north-eastern *Jämtland*, in the municipality of *Ragunda*. From Borgvattnet it is 60 kms to the nearest town with any employment opportunities and 60 kms to the administrative centre of the municipality.

But Borgvattnet is renowned over the whole of Sweden for its 'haunted vicarage'. Today this is open to the public as a café and 'bed-and-breakfast', which attracts a fair number of tourists to the area. Borgvattnet can also offer tourists unspoilt nature, and excellent opportunities for fishing and hunting.

During the 80s, representatives from Borgvattnet village formed a committee to actively encourage young families **to settle in the community**. They succeeded so well in achieving this goal that in the late 80s early 90s they were the only parish in Ragunda municipality to show an increase in population. This trend secured the future of the village school and spread a new optimism and enthusiasm in the community.

Borgvattnet's village committee has continued to play an active role in the development of the community. In the autumn of 1993 they began to tackle the problem of unemployment. They realised that **local employment**, especially for women, was essential if they were to keep the young families they had succeeded in attracting to the parish.

A **course** was started so that eight unemployed villagers could learn basic computer usage and modern telecommunications. The course was designed not only to give new skills and raise the level of competence in the area, but equal weight was given to teaching the members in theory and practice how to actively establish business contacts, build up a network and attract prospective employers to the area.

One of the first tasks for the course members was to invite all the interested members of the community to a **meeting** where together they analysed the community's situation, and assessed strong and weak factors. From this analysis the group could both grasp the positive in their situation and become aware of the problems they had to tackle. It also established their position in the community where they received enthusiastic support and a broad base to work from.

They also received many tips about people in the business world who had a connection to Borgvattnet, whom they could contact with a view to establishing a network. The group of eight course members were encouraged to take an **active part** in steering the aims and direction of the course. They were highly motivated as they were working for the future of their own community and to create jobs for themselves and their fellow villagers. The practical experience of making contacts in the business world, presenting their own community and its advantages increased their confidence both as individuals and as a group. The course was extended from the original ten weeks to four months.

One of the practical results of the course has been the starting of a **Community Co-operative** (*samhells / by kooperativ*). This association has 30-40 members from the whole community. Its objective is to stimulate, initiate, develop and organise activities such as small business, services, adult education, tourism, and social activities with the objective of creating jobs and suitable conditions for permanent residence in the area.

The association's initial aim is to create jobs and to follow up the contacts already made with prospective employers, but in the long run it is also able to extend its activities to include other **community concerns** e.g.

² From Borgvattnet's own information material

the village shop, old peoples' accommodation, a workshop for craftsmen etc. Already work has started on building a six person residential home for the elderly which will also create some part-time jobs.

At present the members of the course are continuing to work in together for their community's development. In their office in Borgvattnet they have produced a number of documents and brochures advertising their locality to employers and to tourists. They have undertaken a pilot project in archiving on CD-ROM for the local municipality, which they hope to develop as a **business**, if it proves a success. They are working on a computerised documentation of their own village's history to gain experience in computer use. Currently the group has taken in two new members who are receiving a basic training in computer usage from their colleagues. Eventually, the project aims to create at least five **new jobs** per year.

2nd Tool: *Development and Setting up of Consortia*
(Northern Italy)

In Italy, social enterprises, in general, take on the form of (social) **co-operatives**³. Here are some of their main characteristics:

a) *Typology*

The aim of social co-operatives is either :

- to provide social welfare, health or educational services (type A); or
- to engage in productive activities facilitating the integration of disadvantaged people into work (type B)

b) *Sectors of activity*

The type A co-operatives work in the following sectors : health services (ca 13%); educational services (6%); social services (81%).

The type B co-operatives operate mainly in the sectors of agriculture (ca 24%), industry (13%), crafts (26%), trade (8%) and services (30%).

The "Strawberry Field Strategy"

The majority of social co-operatives choose to remain small (from 10 to 30 workers) in order to guarantee a participatory management structure / style and to maintain strong links with the local community, a crucial condition if the social co-operative wishes to continue to enjoy important support, in various ways (such as donations, volunteer work, etc.), from civil society. Once a co-operative reaches a substantial size, new small "spin-off" co-operatives are formed to undertake part of the activities.

This development strategy has been called "the strawberry field strategy", because strawberry plants grow quite rapidly, but once they have reached a certain size they stop growing and send out branches to give birth to new small plants, and so on.

The Consortia Strategy

The social co-operatives have followed the typical tradition of co-operative evolution and formed associations of enterprises. During the last decade, this has been happening within social co-operation at an increasing pace, and has evolved into complex integrated second level and even third level structures, called respectively local, regional and national consortia.

A Consortium is a stable, institutionalised form of partnership, created to satisfy needs that could not otherwise be catered for by a single, small co-operative. Such needs can be: getting complex administrative services, obtaining credit at preferential rates, being able to qualify for important tenders, provide training opportunities, carrying out research, etc.

³ As laid down in the law 381/91.

3rd Tool: Local development and Social Economic Integration **(Alsace/France)**

In France there are two main types of social enterprise: Associations intermédiaires and entreprises d'insertion.

A.I. = association intermédiaire

- a "non profit organisation" in compliance with the Association Law of 1901; the organisation has to apply to the prefecture for the annual renewal of its licence, which is granted on the basis of their results;
- contact office for unemployed people with serious personal problems, aimed at their social and professional re-integration;
- legally established on 27. January 1987, the organisation's primary function is to supply staff to co-operatives, commercial enterprises and private individuals (at an hourly rate);
- the A.I. is exempt from social security contributions (employers' share), value added tax and trade tax. Wages generally comply with the *SMIC* (legal minimum wage);
- approximately 950 A.I. have been set up throughout France to develop the abilities of unemployed individuals and facilitate their re-integration into the labour market or world of work;
- at an economic level, they help to create new spheres of activity in the personal services' sector and environmental protection.

The major obstacle facing the A.I is the lack of qualifications among their target group, a fact which, in rural areas, is compounded by transport problems, the absence of further education programmes and the reluctance manifested by the local population to recruit from the ranks of the unemployed.

E.I. = Entreprise d'Insertion

The E.I. is characterised by its social and its target group:

- the participants are generally commissioned by the Office for Public Health and Social Affairs, the statutory authorities, and the agencies responsible for job creation and training programmes.
- the aim of the E.I is to enable unemployed to re-enter the labour market on the basis of training or further education schemes (maximum contracts of 2 years), including individual supervision by a social worker. As a rule, the wages correspond to the *SMIC*. However, in the case of exceptional qualifications or working hours, individual wage agreements can be negotiated.

In a broader context, the E.I aims to make partners in the political, economic and social sectors aware of the problems associated with re-integration ('insertion').

In order to compensate for the difficulties caused by the constant rotation of employees and reduced productivity as a whole, the E.I. receives appropriate state funding:

- AFI = aide forfaitaire d'insertion, which consists of an annual subsidy of 38,000 FF per position;
- funding by the DDASS from the Fonds de Solidarité et Travail, amounting to an annual subsidy of 78,000 FF per position;
- financial support from vocational organisations;
- funding by regional authorities and direct subsidies for specific jobs created.

Régie de Quartier (R. de Q.)

A *régie de quartier* consists of three partners: the local inhabitants, municipal politicians and the housing authorities, who co-found re-integration enterprises based on economic (business) activity in urban districts or settlements. They are mainly municipal organisations with 4 principal priorities:

1. *Markets (economic aspect)*

- maintenance of buildings, public parks and gardens, and the provision of personal commercial services;

2. *Re-integration through economic initiatives*

- focused on meeting the needs of the local inhabitants and creating employment opportunities: a *régie de quartier's* main target group is local inhabitants with personal and economic problems, who are assigned a social worker and given a place on a training scheme;

3. *Dialogue and participation*

- in accordance with the principles of co-determination, local residents are involved in the respective projects;

4. *The community*

- the aim of the procedure is to alter residents' attitudes to their locality and to promote forms of grass-roots democracy.
- The *régie de quartier* plays an important role in creating integration strategies for immigrants and in the promotion of better inter-generational relations. The diversity of assignments provides training opportunities and fosters neighbourhood solidarity.

4th Tool: Qualification and Training for Product Development
(Berlin-Brandenburg / Germany)

The example of ATLANTIS

ATLANTIS is a non-profit limited company producing eco-technical products and offering ecologically orientated services. At the same time its activities are to provide training and employment for otherwise unemployed persons.

Fields of activities are the development, planning, installation and maintenance of:

- solar-thermal water heating systems;
- photovoltaic equipment for the generation of electricity;
- wind energy systems for generating electricity and the operation of water pumps;
- equipment for combined heat and power systems;

as well as

- ecological construction;
- energy efficient building renovation;
- environmental audits;
- energy and traffic concepts using renewable energies and related
- implementation and finance strategies.

The **social economic aims** are

- (1) providing accredited training and supportive counselling,
- (2) creating jobs in the environmental field; and
- (3) involving people into **product development**.

(1) *ATLANTIS* qualifies women and men from different experience for the ecological labour market. It is tailored to practical work and is complemented by seminars in the subjects of Environment / Energy and Work. Besides, social workers offer accompanying counselling and help with personal problems and conflicts in the job for the employees.

(2) Since its foundation in 1989, *ATLANTIS* has created 450 new jobs in the Berlin borough of Kreuzberg and an additional 100 in the Land of Brandenburg. The subsidiary *ATLANTIS IN BRANDENBURG* is situated at the Centre *Kesselberg (Neu-Zittau)* after the model of *ATLANTIS* in Berlin and produces botanical purification systems as well as a 37 kW wind turbine. Another branch is situated at Potsdam and offers a car sharing service there.

(3) Through the training of people who are involved in product development such as the production of rotor blades for windmills etc *ATLANTIS* not only provides development skills but also tries to open up new markets (but predominantly market niches). It also promotes SME development to a limited extent and in this way seeks to restructure the local economy.

On the 1.6.94 it started a so-called "*Arbeitsförderbetrieb*" (job promotion enterprise) in Berlin-Kreuzberg so that it can retain its surplus and can reinvest in the company there. 50 employees manufacture solar power equipment and wind energy systems, conduct projects to save energy in public buildings, and operate a catering service.

ATLANTIS is financed by regional and European employment and environmental promotion schemes and (with its *Arbeitsförderbetrieb*) by its own sales activities.

5th Tool: Social Auditing for Community and Co-operative Enterprises
(Scotland / Great Britain)

Social auditing⁴ can be described as a process whereby an enterprise measures and reports on its performance in meeting its declared social objectives. 'Social' in this context includes all non-commercial objectives - social, environmental and cultural. Some of the pioneering work being done in this field has emanated from Scotland, often in association with the programme of the *New Economics Foundation*.

Out of 74 enterprises surveyed as part of a recent study of community and co-operative enterprises 39 claim to carry out some form of social audit, but only exceptionally is it a systematic process. More usually it takes the form of an unpublished internal review, an item in the annual report or agenda items at meetings.

The **Scottish social audit model** seeks to create a formal but simple and inexpensive process and consists of eight essential stages:

1. Agree and decide to do a social audit.
2. Define the social, community, environmental and cultural objectives of the enterprise and prioritise them.
3. Agree who are the key stakeholders in the enterprise who should be consulted as part of the social audit, and how.
4. Establish what is done/can be done to meet the objectives.
5. Agree the information (indicators) needed to assess the performance and what it is practical to collect.
6. Set up a social book-keeping system which includes a mechanism for acquiring qualitative information from stakeholder groups; keep the books and monitor progress, including the preparation of regular social management accounts.
7. At the year end: verify, analyse and interpret the social accounts; gather the qualitative information from the agreed stakeholder groups; and prepare the social audit report which will:
 - a. establish the effectiveness of the enterprise as regards achieving its social objectives,
 - b. identify the costs to the business of pursuing these objectives,
 - c. assess the perceived value to society.
8. Consider and act upon the findings; publish a *social audit report*.

An effective social audit process will aim to involve all concerned in and with the enterprise: the stakeholders. For most community and co-operative enterprises these may include

- the original founders, the members / the local community, the management committee, the workers / employees, customers / clients / beneficiaries / volunteers, funders / social investors / local authority

The social audit process is essentially an internally generated process and the objectives will therefore be determined and modified over time according to experience and performance as shown through the social audit. Some (but not of all) of the following are likely to be included:

- to create jobs
- to be a good employer
- to provide a community service
- to provide an environmental service
- to assist a disadvantaged group
- to provide training for the community

⁴ Social *accounting* (or book-keeping) is the means by which the information can be collected in order to measure social, community or environmental benefit.

- to use environmentally sustainable practices
- to make socially useful products
- to help community projects
- to encourage internal democracy
- to encourage community participation/ownership

The social audit process serves five main purposes.

1. It permits the enterprise to **monitor** its performance.
2. It permits all **stakeholders** to affect its behaviour.
3. It allows the enterprise to **report** on its own achievements.
4. It permits social and other investors to **assess** whether their investment is achieving the social or community or environmental added-value which had been intended.
5. It encourages continuous improvement.

6th Tool: Local Partnerships
(Catalonia/Spain)

Example: POSA'T A PUNT (The 'Get Yourself Ready' Project in Catalonia)

A recent innovative example of support from and **co-operation with the public sector** is that of ADIGSA, a public company set up under the auspices of the Department of Social Welfare of the Generalitat (regional autonomous government of Catalonia) whose aims and activities concern urban and housing renewal in public housing estates. For the current year (1996), this body has allocated an item of its budget for the renewal of dwellings to those social enterprises that employ excluded populations from the neighbourhoods where works is to be carried out.

<p><i>Posa't A Punt</i> is a collaboration of the General Employment Office, the General Community Service Office and ADIGSA on the one hand and social initiative and economy bodies on the other hand. This measure comprises 4 steps from exclusion to inclusion: Preparation and motivation, training, social and vocational integration and economic integration.</p>

The process begins with assessing the social and economic needs of individuals. Vocational training together with job search skills and counselling are delivered by the Employment Department to ensure that individuals will integrate into the labour market. Social enterprises which combine training and social support with practical work experience are preferred to purely business projects. ADIGSA secures that this "**intermediary market**" can exist by allocating some of its investment into such initiatives. Pilot projects have closely involved neighbourhood and other community organisations and seek to combine job creation with economic and social integration.

3. CONCLUSIONS

3.1 THE SOCIAL ENTERPRISE SECTOR IN WESTERN EUROPE

The social enterprise sector in Western Europe has generated a broad spectrum and variety of fields of activity and organisational forms. On the one side, it includes firms, e.g. the traditional limited company, but on the other side also registered associations, foundations and funding bodies of various kinds. Among these are the *Beschäftigungs- und Qualifizierungsgesellschaften* (employment and qualification companies) as found in Germany, the community businesses and co-operatives in Great Britain, the Italian *co-operative sociale* (social co-operatives), the *entreprises d'insertion* (re-integration enterprises) in France, the rural development co-operatives (*samhells / by kooperativ*) found in Sweden, and the social enterprises and co-operatives operating in Spain.

All these enterprises have their roots in initiatives which emerged from intermediary organisations⁵, which contribute to social welfare from the basis of civil society. This sector has launched a multiplicity of support organisations: research and consultancy institutes, funding institutions and banks, development agencies and - often transnational - networks.

However, no matter how widely their origins differ, the objectives of European social enterprises reveal clear similarities with one another.

3.2 WORKING DEFINITION OF SOCIAL ENTERPRISES

The following are the **key characteristics** which can be identified as common to all social enterprises:

- 1) They seek to tackle specific **social aims by engaging in economic and trading activities**.
- 2) They are **not-for-profit-organizations**, in the sense that all surplus profits generated are either re-invested in the economic activities of the enterprise or are used in other ways to tackle the stated social aims of the enterprise.
- 3) Their legal structures are such that all the assets and accumulated wealth of the enterprise do not belong to any individuals but are held in trust to be used **for the benefit of these persons or areas** who are the intended beneficiaries of the enterprise's social aims.
- 4) Their organisational structures are such that the full participation of members is encouraged on a **co-operative basis** with equal rights accorded to all members.
- 5) It is a further characteristic of the social enterprise sector that it encourages **mutual co-operation** between social enterprises and with other organizations in the wider social and local economy.

3.3. OBJECTIVES, ROLES AND PROBLEMS OF SOCIAL ENTERPRISES

The starting-point and trigger for the founding of such enterprises is **the fact of the process of social exclusion** of people due to poverty and unemployment, a phenomenon which has manifested itself and taken hold in many regions throughout Europe. Having these origins means not only that the objectives of such enterprises are socially determined right from the start, but also that the enterprises' twin targets of social provision and economic activity are merged. Thus there is, a priori, **a necessity for an integrated approach**, yet the character and form of such integration can differ considerably from enterprise to enterprise. For all the examples of successful integration, one senses now and then that social and economic activities are just running parallel, or sometimes even working against each other.

⁵ Intermediary organisations are non-state agencies which support the institutions of civil society.

The **creation of employment as a means of combating social exclusion** is, as a rule, in the foreground of the economic activity. The income of the employees is not ignored as a factor, but the reality is that such income is often so minimal (e.g. in the case of the Spanish and French minimum income support⁶) that they can only pay the employees at the lowest possible rate. Underlying this situation are often the job creation programmes which do not permit any higher wage levels.

On this foundation **a broader understanding of economic activity** has to be developed in which the concepts of 'social' and 'economic' are redefined. Just as in our case social objectives are tackled economically, rather than merely politically, our understanding of 'the economic' is broader than the traditional goal of profitability. It has to do with the generating of income, with satisfaction and self-respect at work and with **the social integration of individuals** into the productive process of society as a whole. This leads in turn to the key question as to whether a social enterprise which is operating on the margins due to its carrying higher social costs than normal businesses can be expected or enabled to begin generating a surplus for the benefit of the enterprise itself or the community in which it is based, and if so, how?

As the Italian example shows, **the political and legal framework**, which marks out the field of activity for the social enterprises, plays a significant role. Both the subsidising of extra social costs and positive discrimination when issuing contracts can have considerable effects. Even the recognition of these enterprises as a special form, e.g. via legislation, can be a key factor when it comes to acquiring grants which are normally reserved for companies in the private sector. On the other hand, however, too inflexible legal regulations can seriously restrict the social enterprises' room for manoeuvre.

Social integration tends to be geared to already selected target groups rather than being a multidimensional **area-targeted approach**. The target groups for employment creation measures are often women, young people, ethnic minorities and people with particular disadvantages, e.g. with disabilities, former addiction problems or criminal convictions, homelessness or long-term unemployment histories.

Although these victims of social exclusion have great need of socially integrative work, **the danger of the ghettoisation of social enterprises** within the wider economy can be a considerable threat. This process can often happen parallel to the ghettoisation of the target group within the enterprise itself. Without doubt, the danger exists that a homogenous group are kept in a kind of 'workhouse' and steered into work for which they don't even receive a halfway acceptable wage. To put it another way, is it not important for such an enterprise to have a healthy mix of disabled people, socially disadvantaged and 'normal' employees and staff? This is not only crucial for the ability to meet business / economic requirements but also to avoid reproducing the segregation of disadvantaged individuals in society inside the enterprise itself.

⁶ e.g. the French RMI is a state transfer paid to individuals working in re-integration enterprises, which includes health insurance contributions.

34 HOW SOCIAL ENTERPRISES CAN BE MORE EFFECTIVELY SUPPORTED

The **social impact** of the activities of social enterprises has not yet been adequately researched and demonstrated. Social accounting and social audits (e.g. those beginning to be used by community businesses in Scotland) are required here.

Equally urgently required is the **formulation of strategies** for

1. launching (e.g. the work of the *samhells föreningen* in Sweden) and
2. enlarging and/or broadening the activity of social enterprises (e.g. the consortia in Italy).

In this context the creation of **protected markets** for social enterprises needs to be brought into the discussion (e.g. the public sector contract quotas for social co-operatives in some Italian regions).

Furthermore, the necessity for **decentralising the enterprises** has emerged, in order to respond more effectively to the needs of the clients/producers and the consumers/users (e.g. the so-called 'strawberry fields model' in Italy as an example of successful spin-offs').

The role of **intermediary organisations** is of considerable importance with respect to the stabilising of this sector (e.g. the role of the community enterprise development organisations in Scotland).

The **short-term and long-term prospects** of social enterprises must be identified, put into concrete form and stabilised. The ability of all sections of a social enterprise to survive is strengthened by **a combination of several interrelating economic activities** (e.g. the municipality of Borgvattnet in Jämtland, Sweden).

Likewise, **financing strategies** are of prime significance (e.g. the finance organisations in Italy and the development funds in Scotland).

The **professionalisation** of the sector likewise contributes to its ability to survive in the long term (e.g. the high level of qualification in Germany and the work of equivalent institutes in Spain).

In addition, the **setting-up of partnerships** by the social enterprise sector in collaboration with the public and private sectors produces in general an entity which serves all involved, and whose symbiotic and synergetic effects can help to save costs. (e.g. the Catalonian initiatives in Spain).

On the **European, national and local/regional levels** the optimal conditions would be

- a supportive legal framework
- optimal co-operation, and
- positive relations with other sectors.

The subsequent chapter presents specific recommendations to promote social enterprises in terms of each particular institution involved, including social enterprises themselves.

4. Recommendations Concerning the Development of Social Enterprises

4.1. RECOMMENDATIONS FOR GOVERNMENTS

4.1.1 LOCAL/REGIONAL LEVEL:

- **Improving the efficacy of public investment policy** concerning social enterprises is a cost efficient contribution to the development of social welfare in the region:

The policies of the local and regional policy should reflect the fact that social enterprises reduce the costs of public social welfare policy. Subsidies should be comprehensive so that no grant or loan from one unit will be accompanied by reductions through another unit of a local/regional government.

- Strategies for initiation and growth of the social enterprise sector should be such that a real **partnership between the local/regional public and the social enterprise sector** is established. The setting up of local/regional development agencies should be fostered.

- Financing strategies should deliver **start-up financing for social enterprises** and subsidise those social enterprise businesses which by their nature are not able to generate profits, but do provide verifiable social added-value.

- As being partially the case for businesses of the private sector, a protected market for the products and services of the social enterprise sector is necessary to guarantee the progress of well-being through social economic activities. This means for instance that a part of the local/regional budget of public expenditure should be reserved as **tenders for social enterprises** (e.g. analogous to the grade of social deprivation or unemployment of an area).

4.1.2 NATIONAL LEVEL:

- A **legal framework promoting social enterprises** should be developed. Additional costs emerging from e.g. the employment of socially disadvantaged persons should be compensated by tax exemptions and other measures which reduce the labour costs for the social enterprise.

- Social enterprises should have **access to all subsidies** that enterprises of the first (and second) sectors are entitled to receive.

- As for the regional/local level the **protection of the social enterprise market** is also necessary on the national level.

4.1.3 EUROPEAN LEVEL

The European Union should **acknowledge the contribution of social enterprises** to social welfare in the EU societies. The EU organizations particularly should seek to care for the alignment of supportive structures for social enterprises including the provision of legal framework for social enterprise **joint-ventures** on the European level.

The EU definition of the social economy, including co-operatives, mutuals, associations and trusts, should explicitly be **extended to include social enterprises** as they are a "new sector" of the social economy which can take the form of each organisation type mentioned in the EU definition.

4.2. **RECOMMENDATIONS FOR THE SOCIAL ENTERPRISE / ECONOMY SECTOR:**

The social economy sector should clearly **improve performance** in all 4 aspects mentioned in the working definition;

Its central aim to pursue social integration should be realised without producing new 'ghetto situations' of a segregated workforce. This means that a **mix of personnel** should be employed and a permeability within the staff should be possible.

The **role of volunteers** within the enterprise should be clearly recognised in relation to the work of paid (voluntary) workers.

The **quality of work** and the **general working conditions** should not produce a "second (lower) class of workers" but be at least the same as in the traditional economy.

Regional, national and European **networking within the social enterprise sector** should be extended to benefit and to learn from each other. This includes the establishment of local/regional/national consortia.

Investments should be made in several economic areas of the economy including the 17 employment areas mentioned in the ESSEN document⁷. Accordingly, a **mix of financing tools** should be used to have a stable funding pool.

Decentralisation of social enterprise organizations is necessary to enhance internal co-operation.

Social accounting and auditing measures not only document the social economic performance of social enterprises but also are a means to improve overall practise.

Communication on common goals is necessary within the social enterprise sector. It not only should consider key values and structures but also the commitment to an integrated holistic approach.

4.3 **RECOMMENDATIONS FOR THE PRIVATE SECTOR**

Private businesses and their representative organizations should **recognise the fact that social enterprises focus their activities on social markets**. Through trading and common projects (**local partnerships**) they can benefit from each other. The workforce trained in social businesses can be a valuable labour pool for private enterprises; goods and services can be bought one from the other. There might even be common interests of the (local) private, public and social enterprise sectors in regard to the regeneration of a local economy / community.

⁷ Commission des Communautés Européennes: Communication de la Commission et Proposition de Décision du Conseil relatives aux activités de la Commission en matière d'analyse, de recherche, de coopération et d'action dans le domaine de l'emploi (ESSEN). Brussel 13.6.1995 (COM(95)250 final / modifiziert durch COM(96) 449 final)

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