



Social enterprise in Europe: recent trends and developments

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202

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Abstract

Purpose – Twelve years ago, the concept of social enterprise was rarely discussed in Europe, however it is now making significant breakthroughs in European Union (EU) countries. Within this context, the purpose of this paper is to synthesize major evolutions experienced by social enterprises across Europe and the key challenges they are facing; and specific members of the EMES European Research Network provide a more in-depth update as to current trends and debates in their respective countries

Design/methodology/approach – This paper is based on a comparative analysis of the different institutions (legal frameworks, public policies, supporting structures, public procurement policies . . .) which support the development of social enterprises in the different EU countries. To delimit the field, the paper relies on the “ideal-type” social enterprise as defined by the EMES network: “Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity”.

Findings – It was found that although the concept of social enterprise itself has not gained the same recognition in all EU countries (and is even still poorly understood in several of them), the reality is that growth and social enterprise are being experienced in most EU countries.

Originality/value – If the concept of social enterprise is on the public agenda of several EU countries, the understanding as well as the institutions to support their development vary from one country to the other. This paper provides a comparative analysis of this heterogeneous but rich landscape.

Keywords Europe, Public policy, Non-profit organizations, Organizational structures

Paper type Case study

Social enterprise in Europe: introduction to an update

Twelve years ago, the concept of social enterprise was rarely discussed, however, it is now making significant breakthroughs on both sides of the Atlantic, especially in EU countries and the USA. It is also attracting increasing interest in other regions such as Eastern Asia (especially Japan and South Korea) and Latin America.

The notion of social enterprise first appeared in Italy in the late 1980s, but it really began to be used at the European level in the mid-1990s, especially through the works



of the EMES European Research Network[1]. As will be shown in the following pages, although the concept itself has not gained the same recognition in all European countries (and is even still poorly understood in several of them), the field realities that it aims to highlight are developing almost everywhere and increasing research efforts are being made to analyse them.

International literature on this theme is thus now developing significantly. Within this context, the objective of the present paper is twofold: firstly, through this introductory part, we aim to synthesize major evolutions experienced by social enterprises across Europe and key challenges they are facing; in the second part, some members of the EMES Network provide a more in-depth update as to current trends and debates in their respective countries[2]. However, before proceeding further, it seems useful to commence with some terminological clarifications.

Social entrepreneur, social entrepreneurship, social enterprise

- Until recently, the notions of “social entrepreneur”, “social entrepreneurship” and “social enterprise” have been used interchangeably. To clarify, one could say that social entrepreneurship was seen as the process through which social entrepreneurs created social enterprises. In the last decade, however, a fast-growing literature has produced various definitions and approaches of each of these three notions. A detailed analysis of these different approaches is clearly beyond the scope of the present work, but a few features may be pointed out in order to stress some current trends.
- The term “social entrepreneur” has been particularly emphasized by American foundations and organizations like Ashoka since the mid-1990s. Those entities identify and support in various ways individuals launching new activities dedicated to a social mission, while behaving as true entrepreneurs in terms of dynamism, personal involvement and innovative practices. Such a social entrepreneur brings about new ways of responding to social problems. In Europe, on the contrary, the emphasis has been much more often put on the collective nature of the social enterprise, as well as on its associative or cooperative form, although the US approach is gaining some influence.
- The notion of “social entrepreneurship” has been conceptualized in rather precise ways in the late 1990s[3]. These conceptualisations stress the social innovation processes undertaken by social entrepreneurs. However, the concept is increasingly being used in a very broad sense as, for various authors, it now refers to a wide spectrum of initiatives, ranging from voluntary activism to corporate social responsibility[4]. Between these two extremes, a lot of categories can be identified: individual initiatives, non-profit organizations launching new activities, public-private partnerships with a social aim, etc. While Americans now tend to stress the “blurred boundaries” among institutional and legal forms as well as the “blended value creation” (profits alongside social value) that characterizes social entrepreneurship, Europeans rather stress the fact that social entrepreneurship most often takes place within the “third sector” (i.e. the private, not-for-profit sector). In any case, it seems clear that, of the three notions briefly defined here, that of “social entrepreneurship” is the most encompassing one.
- As to the concept of “social enterprise”, it first appeared in Europe (a few years before it emerged in the USA), and more precisely in Italy, where it was promoted

by a journal launched in 1990 entitled, *Impresa sociale*. The concept was introduced at the time to designate the pioneering initiatives for which the Italian Parliament created the legal form of “social cooperative” one year later. As will be shown, various other European countries have since passed new laws to promote social enterprises. Along with such approaches, the EMES Network stresses the positioning of European social enterprises “at the crossroads of market, public policies and civil society”[5], especially to underline the “hybridization” of their resources: social enterprises indeed combine income from sales or fees from users with public subsidies linked to their social mission and private donations and/or volunteering. This clearly contrasts with a strong US tendency to define social enterprises only as non-profit organizations more oriented towards the market and developing “earned income strategies” as a response to decreasing public subsidies and to the limits of private grants from foundations[6].

While being aware of the conceptual diversity that we have just underlined, we mainly focus here on the notion of social enterprise as developed by the EMES Network through a permanent dialogue among researchers from all parts of the EU, representing various social, political and economic “traditions”. The conceptualization of social enterprise developed by the network is based on four economic criteria and five social criteria[7]. Those criteria, however, do not represent a set of conditions that an organization should meet to qualify as a social enterprise; indeed, rather than constituting prescriptive criteria, these indicators describe an “ideal-type” (in Weber’s terms) that enables researchers to position themselves within the “galaxy” of social enterprises. In such a perspective, they constitute a tool, somewhat analogous to a compass, which can help anyone to locate the position of the observed entities relative to one another and maybe to establish the boundaries of the set of organizations that he or she will consider as that of social enterprises.

For the purpose of the present overview, we may summarize the EMES definition as follows:

Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity.

Social enterprises as third sector organizations

Within the terminological landscape described in the previous section, it is possible to argue that some forms of social entrepreneurship may be found in the private for-profit sector and the public sector. However, as far as social enterprises are concerned, the different approaches across Europe locate them, mainly, within the third sector or the social economy, understood as embracing non-profit organizations as well as co-operatives and related not-for-profit private forms of enterprises.

From the pioneering Italian experience to the British policy promoting social enterprise. In the late 1980s, new co-operative initiatives emerged in Italy to respond to unmet needs, especially in the field of work integration, as some groups were increasingly excluded from the labour market, as well as in the field of personal services, in a context of rapid ageing of the population and changes in family

structures. In contrast to traditional co-operatives who were primarily oriented toward members' interests, these initiatives were serving a broader community and putting more emphasis on the dimension of general interest[8]. They also differed from traditional co-operatives in that they often combined different types of stakeholders in their membership (paid workers, volunteers and other supporting members, etc.), whereas traditional cooperatives are usually single-stakeholder organizations. In 1991, the Italian Parliament adopted a law creating a specific legal form for these "social solidarity co-operatives" – which were subsequently renamed "social co-operatives". The law distinguishes between two types of social co-operative: those delivering social, health and educational services, called "A-type social co-operatives" (*cooperative sociali di tipo a*), and those providing work integration for disadvantaged people, referred to as "B-type social co-operatives" (*cooperative sociali di tipo b*). In 2005, there were more than 7,300 social co-operatives in Italy; they employed some 244,000 workers.

This impressive development of social co-operatives has not prevented other types of Italian third sector organizations from developing social entrepreneurial activities; consequently, a broader law on social enterprise (*impresa sociale*) has been adopted in 2005. This law crosses the boundaries of legal forms, enabling various types of organizations (not only co-operatives and non-profit organizations, but also investor-owned organizations, for instance) to obtain the "legal brand" of social enterprise, provided they comply with the non-distribution constraint and organize the representation of certain categories of stakeholders, including workers and beneficiaries. This law on social enterprise identifies a wide range of activities defined as fields of "social utility": welfare services, work integration, environmental services, health, education ... However, up to now, very few organizations have adopted this new legal brand as it does not so far involve any concrete advantage.

More than a decade after Italy gave the first impetus to the social enterprise concept, the UK Government defined social enterprises as:

[...] businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (DTI, 2002).

Social enterprises can tackle a wide range of social and environmental issues and operate in all parts of the economy. In 2005, it was estimated that there were some 15,000 social enterprises in the UK, although there is concern about the validity of this data, as the suggested definition does not provide clear-cut criteria to identify such organizations[9]. A Social Enterprise Unit was created in the Department of Trade and Industry to support their development. In 2006, this unit was transferred to the Cabinet Office, where it is now linked with government responsibilities for the voluntary sector within the "Third Sector Office". Moreover, a new legal form, the "Community Interest Company" (CIC), was approved by the British Parliament in 2004. The CIC legal form includes a community interest test and an asset lock to ensure that the new entity is dedicated to its expressed community purposes. The 1,000th community interest company was created less than two years after the implementation of this legal form.

Both in Italy and in the UK, social enterprises are thus embedded in the third sector. They are defined by their social purpose and the limitation on the distribution of profit they impose upon themselves. In both countries too, social enterprises are active in a wide spectrum of activities. However, these two models also differ in some aspects.

While the Italian laws stress a specific governance model, through a requirement to involve various stakeholders, the British model stresses the business character of social enterprise: although no reference is made to the percentage of market resources in the definition, it is widely accepted that a significant part (usually 50 per cent) of the total income must be market based for the enterprise to qualify as “social enterprise”.

New legal forms reflecting social enterprise dynamics within the social economy. Between the adoption of the Italian law, in 1991, and the implementation of the British one, in 2004, other European countries introduced new legal forms reflecting the entrepreneurial approach adopted by an increasing number of “not-for-profit” organizations, even though the term of “social enterprise” was not always used as such.

In France, Portugal, Spain and Greece, these new legal forms are of the co-operative type. The Portuguese “social solidarity co-operative” (*cooperativa de solidariedade social*) legal form was created in 1997. This type of co-operative provides services with an objective to foster the integration of vulnerable groups, such as children, people with disabilities and socially disadvantaged families and communities. Portuguese social solidarity co-operatives combine in their membership users of the services, workers and volunteers; they cannot distribute any profit to their members. As for Spain, a national law created the label of “social initiative co-operative” (*cooperativa de iniciativa social*) in 1999; any type of co-operative providing social services or developing an economic activity aiming at the work integration of socially excluded persons can use this label. Twelve autonomous regions have since developed their own legislation linked to this national law. As their Portuguese counterparts, Spanish social initiative co-operatives cannot distribute any profit, but their organizational forms are usually less oriented to a multi-stakeholder structure than what is the case in some other European countries.

On this last point, however, it is worth underlining that empirical research has shown that the single-stakeholder character does not seem to jeopardize the multiple-goal nature of social enterprises; the latter can have governing structures made of a single stakeholder category, as it is the case in many traditional co-operatives, and still pursue the satisfaction of the needs of the community at large or of particular disadvantaged groups (Campi *et al.*, 2006). This suggests once more that the borders of the social enterprise phenomenon are not clear-cut ones.

In Greece, a status of “limited liability social co-operative” (*Κοινωνικός Συνεταιρισμός Περιορισμένης Ευθύνης Κοι.Σ.Π.Ε* or *Koinonikos Syneterismos Periorismenis Eufthinis*, KoiSPE) has been designed in 1999 for organizations targeting very specific groups of individuals with psycho-social disabilities and aiming at the socio-professional integration of the latter through a productive activity. These organizations are based on a partnership between individuals of the “target group”, psychiatric hospital workers and institutions from the community. Such a multi-stakeholder strategy is also at the heart of the French law, passed in 2002, which defines the “collective interest co-operative society” (*société coopérative d'intérêt collectif*, or SCIC). Indeed, this new form of co-operative undertaking brings together employees, users, volunteers, local and regional authorities and any other partner wishing to work together on a given local development project.

In Belgium, the “social purpose company” (*société à finalité sociale*, or SFS, in French; *vennootschap zonder winstoogmerk*, or VSO, in Dutch) legal framework, introduced in 1996, does not focus on the sole co-operative tradition, although it is often combined with the latter. More precisely, this framework is not, strictly speaking, a

new legal form, as all types of business corporations can adopt the “social purpose company” label, provided they “are not dedicated to the enrichment of their members”. Therefore, the company must define a profit allocation policy in accordance with its social purpose and provide for procedures allowing each employee to participate in the enterprise’s governance through the ownership of capital shares.

In France and Belgium, these legal innovations have met, up to now, with little success. This may be explained by the fact that they involve a considerable number of requirements which add to those associated with traditional legal forms, without bringing a real value added for the concerned organizations. Unlike the concepts of social economy or solidarity-based economy, which have inspired coalitions of actors for the last 20 years, from both the world of associations and that of co-operatives, and which are increasingly characterized by a social entrepreneurial approach, the notion of social enterprise itself is far from having achieved general recognition in these two countries.

A variety of other legal forms adopted by social enterprises. Although newly created legal forms may prove to be important tools in some countries, most social enterprises across Europe, even in countries where these new legal forms have emerged, still adopt legal forms that have existed for a long time, namely those of association, co-operative, company limited by guarantee or by share, Industrial and Provident Societies in the UK, etc. More generally, social enterprises are often established as associations in those countries where the legal form of association allows a significant degree of freedom for selling goods and services. In countries where associations are more limited in this regard, social enterprises are set up, more often, under the legal form for co-operatives. And in some cases, social enterprises adopt traditional business legal forms.

In some European countries, the concept of social enterprise is not part of the political agenda nor of the academic discourse outside a very small circle of experts; this is in particular the case in Germany. The main reason for this probably lies in the fact that the German socio-economic model is based on a wide social partnership agreement around the concept of “social market economy”, understood as a specific articulation between the market and the state to foster socio-economic development. Within such a model, the specific roles of social enterprises – or the social economy as a third sector – are particularly difficult to highlight. Although there exist plenty of not-for-profit organizations characterized by an entrepreneurial approach and addressing emerging social needs, these organizations are not considered as making up a distinct group; they seem to be “split up” in a variety of different “milieus”, each with its own identities.

Work integration: a key field of activity for European social enterprises

Social enterprises may be active in a wide spectrum of activities, as the “social purpose” may refer to many different fields. However, one major type of social enterprise is clearly dominant across Europe, namely “work-integration social enterprises” (WISEs; Nyssens, 2006). Indeed, the persistence of structural unemployment among some groups, the limits of traditional active labour market policies and the need for more active and innovative integration policies have naturally raised questions concerning the role that social enterprises could play in combating unemployment and fostering employment growth. Precisely, the main objective of WISEs is to help low-qualified unemployed people, who are at risk of permanent exclusion from the labour market.

WISEs integrate these people into work and society through a productive activity. In a number of European countries, the development of specific public schemes targeted at this type of social enterprise has even led to the concept of social enterprise being systematically associated with such employment creation initiatives.

Social enterprise within labour market policy debates. The Finnish Act on Social Enterprise (2003) is emblematic of such a trend, as it reserves this term to the field of work integration. According to this act, a social enterprise, whatever its legal status, is a market-oriented enterprise created for employing people with disabilities or long-term unemployed (it has to be noted that, probably due to the limited extent of benefits linked hereto, only very few organizations in Finland have decided to register as social enterprises so far – around 70 till the end of 2007). In 2006, Poland also passed an Act on Social Co-operatives, specifically intended for the work integration of particular needy groups (such as ex-convicts, long-term unemployed, disabled persons and former alcohol or drug addicts). And Spain's national Parliament has just voted for a law on work integration enterprises (in December 2007). It should be noted that these different legislations do not define any new legal form; rather they create a tool like an official register for social enterprises.

In several other European countries, even when the term of social enterprise is still relatively absent, both from mainstream policy and academic debate, it also appears, when used, as associated with the issue of active labour market policies. In Portugal, for instance, there is an on-going debate about the role of third sector organizations when they support the creation of integration companies (*empresas de inserção*) in the “social employment market”, which aims to reintegrate disadvantaged persons through work. In Sweden, the term “social co-operative” (*sociala kooperativ*) has become synonymous with “work integration social enterprise”, even though the Swedish landscape is also characterized by the development of social entrepreneurial dynamics in the field of personal services, for example under the form of parent or worker co-operatives and voluntary (commonly multi-stakeholder) associations. Social enterprise as a concept is just about to enter Danish discourse on social cohesion (Hulgård and Bisballe, 2004), but it has primarily been used so far as part of an active labour market policy, with an ambition to make traditional enterprises – and especially small and medium enterprises (SMEs) – more socially responsible in matters of integration of unemployed persons into the labour market.

Public schemes targeting WISEs: advantages and risks. In many countries, besides the creation of new legal forms or frameworks, the 1990s have seen the development of specific public programmes targeting social enterprise, most of them in the field of work integration[10]. Examples of public programmes at the national level include those promoting integration enterprises (*empresas de inserção*) in Portugal, integration enterprises and intermediary associations (*entreprises d'insertion* and *associations intermédiaires*, respectively) in France, and the already-mentioned social enterprises (*sosiaalinen yritys*) in Finland, as well as the Social Economy Program in Ireland. At the regional level, there are public programmes focusing on work-integration enterprises (*entreprises d'insertion*), on-the-job training enterprises (*entreprises de formation par le travail*) and social workshops (*sociale werkplaatsen*) in Belgium and on work-integration enterprises (*empresas de inserción*) in Spain.

Indeed, WISEs have increasingly represented a tool for implementing active labour market policies. In several countries, they have really become a “conveyor belt” of such

policies. In France, for instance, 2,300 registered structures were providing work-integration services through public schemes and employed some 220,000 salaried workers in 2004. On the other hand, one should not forget that WISEs were pioneers in promoting the integration of excluded persons through a productive activity, and in many contexts, it can even be said that the first WISEs actually implemented active labour market policies before the latter came into institutional existence.

The recognition, by public authorities, of the mission of work integration performed by social enterprises allows the latter, in most cases, to access public subsidies that – even though they remain limited – are more stable. However, these subsidies are often only temporary; they are usually granted to launch an initiative and to compensate for the “temporary unemployability” of the workers. Such measures are in fact intended only to facilitate the transition from unemployment to the “first” labour market. In some cases (like under the Finnish Act), social enterprises are only eligible to active labour programmes just as any other type of enterprise hiring employees with the required profiles.

While recognizing and supporting WISEs, public policies also influence the objectives of these organizations, which may change over time through a process of institutionalisation. This appears clearly when analysing the philosophy of the innovative social enterprises which emerged in the 1980s. The key issue then was the empowerment and integration of excluded groups through their participation in enterprises whose aim was to offer disadvantaged workers a chance to reassess the role of work in their lives and to recover control over their own personal project. Such a conception implied not only giving an occupation to these persons, but also developing specific values, for example, through democratic management structures in which the disadvantaged workers were given a role, and/or through the production of goods and services generating collective benefits (such as social services or services linked to the environment) for the territory in which these social enterprises were embedded. Getting workers back into the “first” labour market was thus not the priority of these pioneering WISEs. However, the progressive institutionalization and professionalization of the field over the years, through public schemes increasingly linked to active labour market policies, generated strong pressures to make the social mission instrumental to the integration of the disadvantaged workers into the labour market. This explains why some pioneering initiatives chose not to use WISE-specific public schemes; this is for example the case of the “local development” initiatives in Ireland, which did not make use of the “social economy” framework (O’Shaughnessy, 2006a). Indeed, although local development initiatives-originated prior to the implementation of the national Social Economy Programme, which in effect gave rise to social economy WISEs, their reluctance to avail of national social economy programme funding is more related to two reasons:

- (1) local development WISEs were already benefiting from one type of active labour market policies (ALMP) namely Community Employment; and
- (2) the conditions of entry for national social economy programme funding were quiet strict, in particular the priority that was placed on the social enterprise to become financially viable within a three year period (O’Shaughnessy, 2006b).

It should be noted too that, while public schemes have encouraged some initiatives, they sometimes excluded others such as some WISEs characterized by a self-help dynamic in France.

The future of social enterprise beyond work integration

A widening range of activity fields. Although the work integration of disadvantaged people is often seen in Europe as a major field for social enterprises, the latter also experienced a significant development in a wide range of other areas. For instance, from the early 1990s, Italian “A-type” social co-operatives, providing social and personal services, underwent a rapid development and hired thousands of highly skilled professionals in the fields of health care, psychology, mental health care and training. Indeed, the number of enterprises and jobs created in such services has always been much larger than in “B-type” (work integration) social co-operatives.

In Sweden and France, childcare services are clearly a major field of activity for social enterprises, which are often set up and managed by parents and professionals as a response to a public provision shortage (Fraisie *et al.*, 2007). The same can be said of the UK, which also witnesses a fast growth of social enterprises in social housing and home care services, as well as in a wide spectrum of community and social services, including culture, arts and sports. In Belgium and France, the so-called “proximity services” refer to a variety of personal or collective services offered by social enterprises.

In some countries, like Ireland, the emphasis is put on the role of social enterprises and the social economy in local development. A similar trend may be observed in Greece, where agrotourist co-operatives are being set up in remote areas, mostly by women.

When looking at new legal frameworks, it appears clearly that the French “collective interest co-operative society”, the Portuguese “social solidarity co-operative”, the Belgian “social purpose company” and the Spanish “social initiative co-operative” are not especially designed for work integration enterprises; the provision of social services is at the heart of the Spanish and Portuguese laws. Even in countries such as Finland and Poland, where current legislations on social enterprises or social co-operatives only focus on work integration, new fields of activity, such as social and community services, are emerging.

In the same line, the Italian law on social enterprise which was passed in 2005 opens up explicitly new fields of “social utility”, such as environmental and eco-system protection, cultural heritage and cultural services, social tourism, research activities and education.

Given all those developments, one might reasonably expect a diversification of social enterprises’ activities throughout the EU, including in new member states.

Public contracts and other public policies. The contracting out of the provision of goods or services is a key channel for public authorities to support the mission of social enterprises. Indeed, empirical analysis highlights the importance of the sales of social enterprises to local public bodies (Laville *et al.*, 2005).

Under certain thresholds defined by European legislation, public bodies (usually at the local level) may simply “privilege” social enterprises they know in order to support the latter and their social mission; in the case of purchases over these threshold amounts, specific rules have to be respected, but these rules do not exclude the possibility to take into account social dimensions in the procedures for the award of public contracts. Indeed, two different types of award criteria are allowed: public authorities can award a contract to the tender with “the lowest price” (i.e. the bid with the lowest price, for the required level of quality, is chosen) or they can choose to award the contract to “the most economically advantageous tender”, i.e. take into consideration criteria other than price alone (such as social or environmental criteria) in their purchasing decision.

They can, for example, introduce social clauses regarding the integration of disadvantaged workers or a requirement to make services available for specific target groups or communities[11]. However, the practice of inserting social criteria into public contracts is not yet very common in the EU. Italy provides the oldest example of such practices: in 1991, a law was passed in this country to reserve certain public contracts to social co-operatives. Although this law had to be re-designed following objections from the European Commission alongside its competition policy, such a possibility has been maintained and remains a key tool. Debates about this kind of issue are still going on today at the European level[12].

In many countries, the legal framework regulating public procurement is less favourable to social enterprises than in Italy. For instance, the tender regime implied by the Swedish Law on Public Procurements prevents authorities from considering social factors; the Swedish interpretation of EU public procurement legislation does not allow for preferred treatment for social enterprises. The same situation prevails in Ireland, the UK, Portugal and Spain. But legislation is evolving in other countries (such as Belgium), which are considering introducing social clauses into public tenders. Indeed, national and regional practices in this matter are relatively diverse across the EU. Competing in the market with for-profit companies solely on the basis of financial criteria often appears difficult for social enterprises, which often support costs that are externalized by traditional companies, and some of them therefore request that public authorities take their social dimension into account when awarding public contracts. This is clearly an important debate for the future of social enterprises across Europe.

Another channel that opens a space for social enterprises is the development of voucher systems, wherein the consumer can choose the provider. Such systems are usually open to a broad set of providers – public, for-profit private and not-for-profit providers – and put them in a situation of competition on a quasi-market. This is the case of the voucher systems which have recently been introduced in the field of domiciliary care in France and Belgium. In a context where the services industry – and more specifically personal services – is “on the rise”, the development of these services generates high expectations, based on the collective benefits they can produce (impact in terms of equity among users, creation of high-quality jobs). Therefore, it is important that the question of the value added of social enterprise models – which are driven by their explicit aim to benefit the community – be studied more thoroughly.

Is the development of social enterprise in the field of services a sign of a retrenchment of the welfare state or, on the contrary, a way to enhance the collective benefits that may be associated with these services? The answer is obviously complex. Previous EMES works suggest the response will vary depending on the type of public regulation which is developed (Spear and Bidet, 2003; Nyssens, 2006). If public authorities limit their action to developing quasi-market policies and place all types of providers on an equal contractual footing, without taking into account the collective benefits that the providers create, the risk exists that the social innovation role of social enterprises will be curtailed, as most probably will be their capacity to provide specific answers to these collective problems. Conversely, if public bodies recognise the specific features of social enterprise models and foster their development, social enterprises could make their specific contribution to the public good.

A series of EU country case studies will be presented.

Belgium*The concept of social enterprise*

The concept of social enterprise is still fuzzy in Belgium, but it is more and more frequently used to stress the entrepreneurial approach adopted by an increasing number of organizations in the third sector[13]. The introduction of the “social purpose company” legal framework, in 1996, is clearly linked to this trend. This framework is not, strictly speaking, a new legal form; in fact, all types of business corporations can adopt the “social purpose company” label, provided they “are not dedicated to the enrichment of their members”, and their statutes comply with a series of conditions[14]. However, this legal status (revised in 2007) has been adopted by no more than 400 enterprises between 1996 and 2006; this may be accounted for by the fact that it brings with it a considerable number of requirements, in addition to those associated with the traditional company legal form. Most initiatives that meet, to some extent, the criteria of the EMES definition of social enterprise have adopted the legal form of ASBL (non-profit association); this very flexible form allows developing commercial activities, provided that these activities are subordinated to the organization’s social mission. Moreover, the legal form of ASBL is necessary to qualify for several forms of public support. However, some public schemes, such as the “work integration enterprises” scheme in the Walloon region, require that the organization adopt the legal status of a social purpose company.

The field of WISE

In the current context of persistent unemployment of low-qualified people, the most recognized field of activity of social enterprises is that of “work integration” (Nyssens, 2006). This field gathers the organizations whose main aim is to help people who have been excluded from the labour market, reintegrating them through productive activity. WISEs are present in a wide spectrum of sectors: environmental sector, building industry, proximity services ...

The first WISEs targeted at disadvantaged people were launched by civil society groups in the 1970s and 1980s[15]; they questioned conventional social policies, which they considered too limited. When these projects began to grow, during the first half of the 1980s, regional governments developed specific public schemes and public financing according to the model of integration developed: “on-the-job training enterprises” (around 70 in Wallonia), which offer transitional traineeship; “work integration enterprises” (around 250 over the country), which create temporary or long-term employment through subsidies decreasing gradually; “social workshops” (around 100 in Flanders), which create long-term employment in a sheltered work environment for jobseekers with serious socio-professional disabilities ... (Grégoire, 2003). This legal and institutional recognition, in turn, led to a further increase in the number of projects.

Other WISEs, mostly associations, became active though without applying for public accreditation. “Self-accreditation” (i.e. independent classification) and enterprise networking practices also developed alongside legal institutionalisation.

The field of proximity services

Proximity services are regularly evoked both as new sources of jobs and as a response to new needs that cannot be met by traditional organizations, be they private or public.

The federal government, but also the Belgian Communities and Regions, recently took a set of initiatives which demonstrate their interest for this sector.

At the federal level: a service voucher for domiciliary care. At the federal level, a new public scheme, referred to as the “service voucher system”, has been introduced in the field of domiciliary care. This system is open to a broad set of providers – public, for-profit private and not-for-profit providers – and puts them in a situation of competition on a quasi-market. A voucher corresponds to one hour of work; vouchers are bought by the user and then given to the provider organization, which hires the worker within a normal work contract[16].

The service-voucher opens a new space for social enterprises. The concerned social enterprises are in some cases entities from the third sector; in other cases, they are rather situated on the – blurred – border between the third sector and local public bodies. Social enterprises accredited within the framework of the voucher system can also combine it with other public schemes, such as one of the work integration schemes or the “home-help to families accreditation”, a social service scheme. A key question for future research is to determine how this “quasi-market” structure implies itself a possible segmentation, among this diversity of providers, of the customers and/or workers hired.

At the regional level. The three Belgian Regions have recently adopted public schemes for not-for-profit initiatives (associations, companies with a social purpose or local public bodies organizations) embedded in local networks that combine a work integration objective with a proximity service provision. These schemes are targeted at services which cannot be included in the voucher system. The initiatives have to employ “particularly hard-to-place jobseekers” and provide services which are not provided by traditional private or public enterprises; the services must have a social value-added for the territory (small house fittings and fixtures works, gardening, transport for vulnerable users). They also have to be organized in a participative way, involving the workers (and the users in Flanders) affected by the activity. Accredited enterprises benefit from public funding to cover part of the expenses attached to their twofold social mission, namely providing work integration services and ensuring a better access to proximity services.

The vision of social entrepreneurship underlying these various public schemes in the field of proximity services clearly identifies social enterprise with the “work integration field”; as to the promoters of these initiatives, they can be actors both from the civil society and from the public sector.

Supporting structures

At least two important facts are to be mentioned as to the overall environment of social entrepreneurship, especially with respect to supporting structures. First, at the national level, a special fund has been set up by the government in 2001 to finance the “social and sustainable economy”. Given the financial means allocated to this fund, it has become an important partner for an increasing number of initiatives. Secondly, the “consultancy agencies for the social economy” (in the Walloon region), many of whom are currently working for all kinds of social economy initiatives, are increasingly incited by public bodies to concentrate their efforts on the support to market-oriented initiatives.

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Denmark

Social enterprise and related concepts

“Social enterprise” (*social virksomhed*) as a concept is still new in Denmark; it is just about to enter common vocabulary and Danish discourses on social cohesion (Hulgård and Bisballe, 2004). Until now, it remains primarily used by insiders of the field – mainly researchers in the third sector, social entrepreneurs themselves and third sector representatives in general. Among politicians, the concept has been used as part of an active labour market policy, with an ambition to make traditional enterprises – and especially SMEs – more socially responsible in matters of integration of unemployed persons into the labour market.

Related concepts used in the Danish context are those of social economy (*social økonomi*) and social innovation (*social innovation*). The concept of social economy is used almost as an equivalent to the concept of social enterprise, but with a lesser focus on democratic ownership or ownership not based on capital than the notion of social enterprise such as defined by EMES (Defourny, 2001, quoted by Nyssens, 2006).

The concept of social innovation is often linked to a focus on neglected “societal growth”; social innovation is considered as a characteristic of enterprises combining *both* economic *and* moral values (Ellis, 2004, 2006). The concept of social innovation is used – and highlighted as a way to produce new growth – by representatives of the private sector and by researchers in this sector.

Areas of activity of social enterprise and social economy organizations

Social enterprises and social economy organizations can be classified in four main groups, according to their area of activity:

- (1) Organizations providing voluntary social support, for example, crisis centres and refuges for battered wives, “self-help groups” in all areas of social and/or psychological crisis (divorce, suicide, serious illnesses, etc.) or thrift shops related to ecclesiastical communities.
- (2) Cooperatives and companies with membership democracy, where members do not necessarily work in the company, but influence decisions and planning through their vote. These organizations can be found in the fields of retail trade, financing, insurance or farming (for example, member-owned insurance companies or cooperative ecological farms producing and selling goods).
- (3) Organizations offering education or on-the-job training to vulnerable groups of unemployed persons. These “work-integration social enterprises” (WISEs) have been studied in the framework of the PERSE project (Hulgård, 2006; see below).
- (4) Local development and urban renewal projects, which set up local partnerships between representatives of the public, the for-profit private and the third sectors (Bisballe, 2006).

Social enterprises, at the crossroads of the three sectors

The integration between the public sector and the third sector is high in Denmark. Danish social enterprises often rely on public support and publicly subsidized staff. The tasks carried out by Danish social enterprises are frequently the same as those carried out by the public welfare state, and the aims and values of social enterprise are

often part of a public political strategy. Conversely, social enterprises can take part in raising public debates, and thereby influence the political agenda.

As regards companies characterized by social innovation, they are for example to be found in the area of biotechnology, with companies inventing, e.g. products to be used in the third world, fighting malaria or finding landmines. These companies are often small, family-owned or owned by the small group of entrepreneurs/innovators themselves, but ownership structure is usually not central to those focusing on social innovation; as a result, most of these organizations do not meet the criterion stating that the decision-making power should not be based on capital ownership, which in the strict sense excludes them from the field of social enterprises. However, criteria should not be applied too rigidly in a national context characterized by the intertwined use of the concepts of social entrepreneurship, social economy and social innovation and by blurred borders between the different types of companies and institutions and their major purposes.

Social enterprise in the field of work integration

Whereas research into social enterprises in general is scarce, WISEs have been studied, as already mentioned, within the framework of the PERSE project.

The landscape of WISEs in Denmark is dominated by local community enterprises offering traineeship and temporary work (*lokalt orienterede sociale virksomheder som tilbyder uddannelse og midlertidig beskæftigelse*) [17]. Danish WISEs are both similar to and different from European social enterprises as they have been depicted in the EMES ideal-type. On the one hand, Danish WISEs fit the general European picture of social enterprises in that they have a strong entrepreneurial component, while remaining strongly embedded in the associative or co-operative world; indeed, most WISEs were founded by local actors, often in close co-operation with third sector organizations. On the other hand, many Danish WISEs distinguish themselves from most European WISEs as regards the extent of public sector involvement: Danish WISEs (as other organizations in the field of social enterprise), though formally autonomous, are under pressure from public authorities, which often determine their objectives (Riis, 2003).

Self-owning institutions in public partnerships

In Denmark, there is no specific legislation for social enterprises. Among the variety of legal forms adopted by Danish social enterprises, the prevailing one is that of the “self-owning institution” (*selvejende institution*). The term self-owning institution refers to the legal status of a wide range of cultural, environmental, educational and social institutions and organizations providing various public goods under subcontract, especially within the field of welfare provision – day care, cheap meals, work integration, rehabilitation, nursing homes, hostels, emergency centres, etc. – and within the private school sector. Riis (2003) estimated that there were 9,000 self-owning institutions operating in the social area in Denmark.

The strength of the ties between these organizations, on the one hand, and national, regional and local public bodies, on the other hand, varies from one organization to another – ranging from social enterprises that are more or less integrated parts of the local public welfare system to organizations under little or practically no direct supervision from public authorities.

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France*The concept of social enterprise*

In France, the concept of “social enterprise” (*entreprise sociale*) is still a new concept, whose use and understanding remain limited to a circle of experts and social entrepreneurs; it is not really used as a key concept by policymakers and is not well-known to the wider public. Indeed, the notion of social enterprise is far from having achieved a recognition similar to that gained by the concept of “social and solidarity-based economy”, which has gathered coalitions of actors for the last 20 years.

However, some events constitute tangible signs of the progress made by the social enterprise concept within French society. These include, inter alia, the “regional conferences of the social entrepreneurship” in 2003; the creation, during the same year, by some business schools, of a “chair of social entrepreneurship”; some activities launched by the “Agency of valorisation of socioeconomic initiatives” (*Agence de valorisation des initiatives socio-économiques*, or Avise); and the organization, in June 2007, of an international conference in Paris on the theme of “Reconfiguring relations between economy and solidarity: associations, cooperatives and social enterprises”[18].

Moreover, the boundaries between associations and cooperatives are becoming increasingly blurred; this evolution leads to the creation of new legal forms that can be said to focus on the concept of social enterprise. Associations’ increasing commercial activities and the role the former play as employers have already led a number of authors (Hély, 2004) to talk about “associative enterprises” (*entreprises associatives*). With the changing public regulations and the advent of competition between associations and private companies for the provision of social services (e.g. services to the elderly), market pressure is no longer limited to mutual benefit societies and cooperatives; it has also become a reality for a significant section of the associative sector. In the social sector, in other words, the question of public governance of associations’ economic activities blurs the commonly accepted boundaries between market cooperatives and associations.

Obviously, France – as the other EU countries – has seen the development of different kinds of “work integration social enterprise” (Eme and Gardin, 2002; Bucolo, 2006; Gardin, 2006). In the area of the fight against the various forms of exclusion, WISEs have constituted, in the 1980s and the 1990s, a strategy of fight against unemployment and exclusion which has appeared as innovating insofar as it mobilized work and the creation of enterprises to serve a social goal – namely the integration, into the labour market, of disadvantaged persons (unemployed persons, social aid recipients, low-qualified young workers, handicapped persons, etc.). In 2004, the 2,300 registered structures providing work-integration services – work-integration enterprises (*entreprises d’insertion*), temporary work integration enterprises (*entreprises de travail temporaire d’insertion*), intermediary associations (*associations intermédiaires*), integration work sites (*chantiers d’insertion*) – employed some 220,000 salaried workers (DARES, 2006).

A new legal status, the “collective interest cooperative society”

The main statutory innovation in recent years in France has been the creation, in 2002, of a new legal form: that of “collective interest cooperative society” (*société coopérative d’intérêt collectif*, or SCIC). The SCIC is a private, collective-interest organization; this new form of co-operative undertaking brings together employees, users, voluntary

workers, local and regional authorities and any other partner wishing to work together on a given local development project. The creation of the SCIC legal form is one of the outcomes of a debate on the need to take into account, in the range of legal forms available to social economy enterprises, the different stakeholders involved in the setting up of local initiatives. It also results from the work of think tanks organized by the French co-operative movement regarding research being carried out and initiatives being set up in Europe in the area of social enterprise (Borzaga and Defourny, 2001); the experience of social co-operatives in Italy, in particular, was a source of inspiration. However, after five years of existence of this legal form, only 94 SCICs have been created[19].

Social entrepreneurship support and funding

One of the recurrent issues regarding social entrepreneurship is the lack of recognition of their specificity in the public programmes and funds for starting a business or running a small enterprise. One of the goals of the new local public action in favour of the social and solidarity-based economy (Laville *et al.*, 2005) is to launch special methodological and financial support mechanisms taking into account the immaterial investment, the collective dimension, the non-monetary resources and the positive externalities of social entrepreneurship.

Besides, public representatives in charge of the social and solidarity-based economy increasingly try to include work integration-related social clauses in public markets.

There exist, in most places, local schemes aiming to support integration through economic activity; but a major stake of public policies for the social and solidarity-based economy is to manage not to make the support to social entrepreneurship conditional upon the sole goals of job creation and integration of disadvantaged people into the labour market. As a matter of fact, for many social entrepreneurs, what motivates them to create an enterprise is not the fight against exclusion, but sustainable development, international solidarity, the creation of social links, artistic and cultural activities, etc. Job creation and work integration, in such cases, are only indirect consequences of the activities set up rather than their main goal.

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Italy

From social cooperatives to a broader legal conception of social enterprise

Social cooperatives have so far represented the main type of social enterprise in Italy. Since the approval of law 381/1991, which introduced the social cooperative legal form, these organizations have registered an average annual growth rate ranging from 10 to 20 per cent. In 2005, there were over 7,300 social cooperatives; they employed 244,000 workers.

However, this impressive development of social cooperatives has not prevented other types of third sector organization from developing social entrepreneurial activities, and a law on social enterprise (law 118/2005) has recently been adopted, which undoubtedly constitutes a landmark in the history of the Italian third sector.

The new law incorporates the principle of pluralism of organizational forms and does not consider the organizational structure as a condition for eligibility as a social enterprise. The law divides eligible organizations into two sub-sectors: that of

companies and that of organizations that are not companies. The innovative character of the law results from both the opening towards new sectors of activity, other than welfare, and the variety of the types of organizations eligible to become social enterprises.

As said, the law crosses the boundaries of legal and organizational forms, enabling various types of organization (not only cooperatives and traditional non-profit organizations, but also investor-owned organizations, for instance) to obtain the “legal brand” of social enterprise, provided they comply with the non-distribution constraint and organize the representation of certain categories of stakeholders, including workers and beneficiaries.

The law also provides that associations and foundations that want to be registered as social enterprises must provide evidence of their entrepreneurial nature; conversely, investor-owned companies applying for the social enterprise brand have to comply with certain requirements regarding the distribution of benefits (namely respecting a total non-distribution constraint) and participation of relevant stakeholders.

Interestingly, the definition of social enterprise introduced by the Italian legislator mirrors the EMES definition, except on three points:

- (1) the law imposes a “total non-distribution constraint” on social enterprises. Indeed, the latter have to invest all their income in their core business or in increasing their assets;
- (2) the goals pursued and the sectors of activity overlap; and
- (3) the criteria of stakeholders’ involvement (workers and users) prescribed is weaker than the one proposed by EMES, as the definition of “involvement” introduced is indeed very wide.

Business activity of social utility

The law on social enterprise identifies a number of new fields of business activity, defined as fields of “social utility”. According to paragraph 1 of article 2, sectors of public utility are precisely:

- welfare;
- health;
- welfare-health;
- education, instruction and professional training;
- environmental and eco-system protection;
- development and cultural heritage;
- social tourism;
- academic and post-academic education;
- research activities and delivery of cultural services;
- extra-curricula training; and
- support to social enterprises.

Furthermore, the law acknowledges the experience gained by social cooperatives in the field of work integration. Enterprises active in this latter field can apply for the social enterprise label, whatever their field of activity. What matters is that the activity be

carried out by employees of whom at least 30 per cent are disadvantaged or disabled. In addition to the categories provided for by law 381/91, long-term unemployed people are also taken into consideration. However, no fiscal benefits or social security reductions are granted.

Socio-economic context: current challenges

The above-mentioned factors of institutional innovation create a favourable context for the development of social enterprises; but other variables, related to the socio-economic context, also have to be taken into account in analysing the state of the art and the prospects of development of social enterprises, given the potential impact of these variables on the start-up of new enterprises. Variables to be considered include:

- The shrinkage of public resources in the concerned fields of activity, including social policies. Hence, two controversial phenomena are currently at work: re-publicization, on the one hand (i.e. services previously contracted out by public authorities to third sector providers with public subsidies are now being again provided directly by public organizations), and the entry of new, for-profit providers (above all single individuals), in fields of activity traditionally occupied by social enterprises, on the other hand.
- The substantial legitimization of social enterprises in the framework of local governance systems, where new policies are planned in sectors of relevance for social enterprises.
- The possibility for social enterprises to implement new partnerships, involving other third sector actors, especially banking foundations – not only for representation and lobbying purposes, but also with a view to bringing about innovative welfare models at the community level.
- The establishment of fruitful relations with other economic actors – beyond a few “best practices” examples in the sphere of corporate social responsibility – with a view to integrating disadvantaged workers into work.

Some of these variables (such as the first one) can hinder the creation and development of social enterprises, while others can positively impact the sector’s perspectives and prospects (this is the case of the last three variables mentioned).

Social cooperatives have developed intensively in a specific niche; the next challenge Italian social enterprises will have to face is the expansion of their activities in a wider set of economic sectors, and under a plurality of organizational forms.

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Poland

Recognition of the social enterprise concept

The concept of social enterprise is an emerging notion in Poland; there is not yet a common definition of the concept, which originates in the concepts of third sector, non-profit sector and cooperatives. The specificity of social enterprises, compared to third sector, non-profit or cooperative organizations in general, lies in the fact that they are profit-makers, although not profit-maximizers, and that they focus more on general interest/community interests, and not only on mutual interest goals.

Social enterprises are still rarely a subject of public discourse and they are only partially integrated into policies and laws. Only recently have a few policy debates recognized the potential of third sector and social enterprises as a vehicle for creating services for households and communities and jobs for hard-to-employ groups.

Fields of activity

Despite these obstacles, recent development dynamics indicate that social enterprises are growing in the field of work integration, some social services and community services. Indeed, social enterprise have come into being as a response to the human costs of transition – mainly the mass increase of unemployment and poverty and the welfare gap created by the shrinking of the public welfare system. All categories of WISEs – those providing transitional occupation, those aiming at the creation of permanent self-financed jobs and those based on socialization through productive activities – have registered significant growth lately. This trend was reinforced by the EU's policy recommendations and structural funds to address problems of social exclusion and unemployment (e.g. European Employment Strategy, Lisbon Strategy, White Paper on European Governance) as well as donors' programmes, in cooperation with some local government bodies, relevant ministerial authorities, academics, experts and civil society groups.

Legal forms

Most social enterprises in Poland operate within the legal framework of associations or other voluntary organizations, foundations or cooperatives. Beside these traditional legal forms, there are several entities that do not have a legal personality and act as substructures of associations, foundations and other voluntary organizations, e.g. vocational enterprises for the handicapped (*Zakłady Aktywności Zawodowej*, or ZAZ), social integration centres (*centra integracji społecznej*, or CIS), social integration clubs (*Kluby Integracji Społecznej*, or KIS), job-seeking clubs (*Kluby Pracy*, or KP) and workshops of vocational therapy (*Warsztaty Terapii Zajęciowej*, or WTZ).

Poland has also introduced recently a new legal form, specifically intended for WISEs: the Act on Social Cooperatives, which was passed in April 2006, allows selected needy groups (such as ex-convicts, long-term unemployed, disabled persons and former alcohol or drug addicts) to set up a social cooperative. This act constitutes an important policy innovation in the field of employment for disadvantaged groups. Social cooperatives are entitled to perform public tasks, similarly to associations and foundations, and to produce goods and services on a not-profit-maximizing basis.

The "legal future" of social enterprises in Poland is still uncertain. Indeed, some analysts are in favour of expanding the range of legal forms available to social enterprises, namely by allowing these to adopt the legal form of limited liability company and stock company of public purpose (Barański, 2006). In parallel, the possibility to legally forbid associations and public benefit organizations to carry out any economic activity has recently been debated. Other analysts are critical of the few existing non-profit commercial companies, which they accuse of deconstructing the boundaries of the third sector. There is also a recent initiative of some social economy activists to introduce a new legal form of social enterprise, but this initiative has not yet received significant support, be it from politicians or from the social economy sector itself.

Public schemes and procurement practices

There are a few public schemes at the national level supporting the mission of third sector and social enterprise organizations. The Public Fund for Citizen Initiatives (*Fundusz Inicjatyw Obywatelskich*, FIO), created for the years 2005-2007, awarded grants ranging from about 1,000 euros to about 50,000 euros, to over 1,300 associations and foundations. There are also specific public schemes supporting the creation and mission of social cooperatives – namely the “seed money for start-ups” distributed by the “Regional Funds for the Social Economy” (*Regionalny Fundusz Ekonomii Społecznej*). The latter, which have been in existence since 2004, have been replaced in 2006 by “Support Centres for Social Cooperatives” (*Ośrodki Wsparcia Spółdzielczości Socjalnej*, OWSS) supporting social cooperatives’ ongoing activities. There are 11 support centres in Poland; each of them has been granted a sum of approximately 40,000 euros to award grants and render support services to social cooperatives.

Local public authorities, according to the Act on Public Benefit and Volunteering of 2003, may delegate public tasks to social enterprises (including social cooperatives), on the basis of a competitive bidding procedure or – more often – of the so-called “open competition of offers”. The most frequently delegated public tasks include sport and recreational activities, social services and services for the handicapped, health promotion, local development (agritourism and ecology), educational services, cultural and arts activities and national heritage protection.

Training structures

Several Polish universities offer training programmes developed for social enterprise leaders and staff. One example is a pilot training/educational programme for social enterprise managers, which was launched in March 2006 at Warsaw University’s Institute of Social Policy, within the framework of the EQUAL project “We Have Jobs”. This innovative postgraduate programme for existing and would-be managers in social enterprises and local leaders is supplemented by winter and summer schools on social enterprises with a series of national and international visits. Various state and private universities also include the subjects of social economy and cooperative movement to the curricula of the general studies (mainly within the faculties/institutes of economics, management, law, social policy, economics and management of agriculture, etc.); some of them also organize postgraduate studies on these topics.

Some cooperatives and other social economy organizations themselves organize training courses for the managers/employees/elected leaders of social enterprises. Most of them focus on very concrete issues (accounting, taxes, marketing, quality control, personnel management, etc.). Most of these courses are financed by the participants themselves (sometimes with the support of the organizations of which they are members/employees); sometimes they are organized in the framework of EU or national projects.

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Sweden*Social services and labour market integration*

The public sector’s increasing inability to satisfy demand and quality expectations stimulated the emergence of the first social enterprises in social services in the 1980s. Cooperative childcare was the first and most successful field, presently providing over

10 percent of child-care services (Pestoff, 1998). In other welfare services, the trend peaked in 1992, only producing limited results (Stryjan, 1996).

Labour market integration in Sweden is steered by a separate set of institutions. The progressive erosion of these and the restructuring of mental health-care in the late 1980s fuelled an increase in openly marginalized groups (Stryjan and Wijkström, 1996; Stryjan, 2001). The first WISEs were started as a response by those directly affected and/or by committed public employees; this grass-roots' action produced new organizational models. No specific institutional/legal groundwork was laid beforehand, and formal financing agreements or rehabilitation contracts were negotiated locally with some municipalities. Likewise, relations with labour-market and social-insurance organizations were developed locally, but never regulated nationally. On the whole, the level of institutionalization remains extremely low, which increases the enterprises' vulnerability but also provides for a high level of innovation.

WISEs gained increasing recognition, first at the directly involved county and municipal levels (which dispense medical care, social aid and residential care), and gradually at the national level as well. A recent national review of mental health and rehabilitation systems[20] acknowledges social enterprises' important contribution to rehabilitation but also notes the makeshift character of their financing, and the lack of adjusted tendering mechanisms as major development hinders, and recommends a review of WISEs' situation. It is unclear whether this recommendation will be followed by the present government.

Business-wise, WISEs are active in a broad variety of branches, ranging from technical ones (as logistics and a scrap yard) to services, gardening and janitoring (Stryjan, 2006). Some enterprises provide services to the population, while others rely on business-to-business contracting. Only a handful has municipal contracts in their mainstream business activity, though contracts for rehabilitation placements and occupation are a source of additional revenue for some. No incentive for a commercial binding to public authorities exists, since the Swedish interpretation of EU public procurement legislation does not allow for preferred treatment for social enterprises, and periodic public tendering makes public agencies less reliable as business partners than the private ones.

Organizational forms

Cooperatives are the dominant organizational form of social enterprise, in keeping with the Swedish organizational tradition and with a pervading ethos that emphasizes self-help, autonomy and democracy. Typically, the term "social cooperative" became synonymous with "WISE" in Swedish usage[21]. In fact, WISEs follow two main organizational models: social cooperatives proper, that are worker cooperatives run by the participants themselves, and community enterprises, which have a broader agenda and are characterized by a multi-stakeholder governance.

In the day care and school sector, three organizational models co-exist: parent cooperatives, worker cooperatives, and voluntary (commonly multi-stakeholder) associations promoting special pedagogical approaches (Pestoff, 1998).

Sweden lacks specific incorporation forms for social enterprises, which thus adopt standard cooperative incorporation forms: economic association (*ek. för.*), and – more rarely – voluntary association (*ideel för.*), sometimes combined in a double-tier structure. A new legal form, namely that of "Firm with Limited Profit Distribution"

(*Aktiebolag med särskild vinstutdelningsbegränsning*) introduced in 2006 by the Social Democratic Government (prop 2004/05: 178) to stave off pressures for privatization of public education and health care, failed to win any noticeable following thus far, and its relevance for social enterprises is doubtful.

Recent developments

The September 2006 elections explicitly focused on labour-market issues and yielded a firm parliamentary majority for the *Alliance for Sweden* right-centre coalition. Though committed to a reform of ALMP and friendly to local governments' ambitions to privatize social services, the present government, unlike its liberal predecessor from 1991 to 1994, avoids sweeping proclamations, making future projections extremely difficult.

In as much social cooperatives developed in the fault lines of the ALMP, and largely subsist on the market imperfections of this system, any sweeping reform may have profound consequences for the entire organizational population. Social cooperatives' superior ability to perform tasks that ALMP organizations had the mandate and resources but lacked the competence to tackle often gained them a position of subcontractors. Unfortunately, subcontractors, regardless of their competence, are often shed off in major reorganizations. Streamlining the labour-market system may lead to social cooperatives being deprived of vital revenue sources, unless specific provisions for their survival are made.

In a similar manner, privatization drives by key municipalities and the introduction of tax breaks on proximity services may provide both opportunities and threats. The opening for privatization bids on service provision opens new fields of operation for initiatives by committed personnel and participants' groups. However, both the complexity of tender procedures and the uncertainties and risks that this process entails presuppose a deal of resources and economic reserves that precisely these groups lack. Furthermore, the tender regime implied by the Swedish Law on Public Procurements (*Lagen om offentlig upphandling*, or LOU) prevents authorities from considering social factors. Within elderly care, that was opened for privatization in a similar manner in the 1990s, this configuration eventually led to the field being taken over by corporate actors (Stryjan, 1996). Though the present reform course may lead to promising developments, some basic institutional adjustments need to be made if this promise is to be met.

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Notes

1. These research works, mainly supported by the European Commission's Research Directorate-General, resulted in a first book entitled *The Emergence of Social Enterprise* (Borzaga and Defourny, 2001), a wide series of EMES working papers (available on www.emes.net) and, more recently, a second book, edited by Nyssens (2006), focusing on WISEs. The EMES Network has also extended its research area to Eastern and Central European countries, including some countries of the Community of Independent States, such as Ukraine (Borzaga and Spear, 2004; EMES European Research Network, 2006).

2. Contributions to this joint paper were first prepared for an EMES Members' Seminar in Barcelona, in December 2006. They were then discussed and revised for 11 EU countries during the year 2007. Only some of them are presented here but the whole set of country notes is available from the EMES website (Working Paper 08/01). Authors of country updates not presented here for lack of space include K. Birkhölzer (Germany), M. O'Shaughnessy (Ireland), P. Pättiniemi (Finland), H. Perista (Portugal) and R. Spear (UK).
3. Especially by Dees (1998) and by the EMES Network (EMES European Research Network, 1999; further developed by Defourny, 2001). See also Defourny and Nyssens (2008) for a EU-US comparative perspective.
4. See, for instance, Nicholls (2006).
5. This is precisely the subtitle of the latest EMES book (Nyssens, 2006).
6. See, for instance, Dees and Anderson (2006).
7. These criteria are presented in Appendix.
8. In the 1980s, initiatives in the same fields also appeared in various other countries, but they could often be seen as an evolution of traditional associative or non-profit sector organizations toward a more productive role.
9. One year later, it was suggested that 55,000 organizations might meet the criteria of the definition (Office of the Third Sector, 2006).
10. Those public programmes sometimes impose a specific legal form to be eligible. In other cases, they do not do so.
11. On the subject of the inclusion of criteria other than the price alone in public procurement, see Navez (2005).
12. More broadly, the access to specific public supports is at the very heart of discussions about "social services of general interest".
13. This interpretation of social enterprise can be linked to the "market social economy" concept, which is sometimes used in Belgium (EMES European Research Network, 2007).
14. Among other requirements, SFS statutes must stipulate that "the members seek little or no return on investment". The articles must define a "profit allocation policy in accordance with the enterprise's internal and external purposes". The social purpose company's articles must also provide for procedures allowing each employee to participate in the governance of the enterprise (as a shareholder or/and through a participation in the management of the enterprise).
15. It has to be noted that WISEs targeted at individuals with disabilities had already been developed in the 1960s.
16. Any household can buy vouchers at 6.70 euros/unit. The government finances the provider through a subsidy of 14.30 euros/hour and it also offers a tax deduction to the user.
17. The field of WISEs also includes sheltered workshops (*beskyttede værksteder*), but these initiatives were not included in the sample of WISEs constituted for the purpose of the PERSE project. For a more detailed review of the Danish contribution to this research project, see Hulgård and Bisballe, 2004.
18. Conference organized by Jean-Louis Laville and the CNAM with the support of EMES.
19. www.scic.coop/ (accessed May 2007).
20. SOU, 2006: 100, nationally known as *The Milton Report*.
21. The Milton Report (see above) applies the label "social cooperatives" to all WISEs, though a handful of important actors (most notably the Fountain-House Foundation) adopted different models.

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Appendix. The EMES definition of social enterprise

The EMES definition of social enterprise, built up by the whole Network in 1996-1997, distinguishes between criteria that are more economic and indicators which are predominantly social.

As already stated, those criteria do not represent a set of conditions that an organization should meet to qualify as a social enterprise; indeed, rather than constituting prescriptive criteria, these indicators describe an "ideal-type" (in Weber's terms) that enables researchers to position themselves within the "galaxy" of social enterprises. In such a perspective, they constitute a tool, somewhat analogous to a compass, which can help anyone to locate the position of the observed entities relative to one another.

To reflect the economic and entrepreneurial dimensions of initiatives, four criteria have been put forward:

- (1) *A continuous activity producing goods and/or selling services.* Social enterprises, unlike some traditional non-profit organizations, do not normally have advocacy activities or the redistribution of financial flows (as, for example, many foundations) as their major activity, but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.

- (2) *A high degree of autonomy.* Social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. They may depend on public subsidies but they are not managed, be it directly or indirectly, by public authorities or other organizations (federations, private firms, etc.). They have both the right to take up their own position (voice) and to terminate their activity (exit).
- (3) *A significant level of economic risk.* Those who establish a social enterprise assume totally or partly the risk inherent in the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.
- (4) *A minimum amount of paid work.* As in the case of most traditional non-profit organizations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

To encapsulate the social dimensions of the initiative, five criteria have been proposed:

- (1) *An explicit aim to benefit the community.* One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at the local level.
- (2) *An initiative launched by a group of citizens.* Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in one way or another, even though the importance of leadership – often embodied by an individual or a small group of leaders – must not be neglected.
- (3) *A decision-making power not based on capital ownership.* This criterion generally refers to the principle of “one member, one vote” or at least to a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the registered capital are important, the decision-making rights are generally shared with the other stakeholders.
- (4) *A participatory nature, which involves various parties affected by the activity.* Representation and participation of users or customers, influence of various stakeholders on decision-making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at the local level through economic activity.
- (5) *A limited profit distribution.* Social enterprises not only include organizations that are characterized by a total non-distribution constraint, but also organizations which – like cooperatives in many countries – may distribute profits, but only to a limited extent, thus allowing to avoid a profit-maximizing behaviour.

Source: Defourny (2001)

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