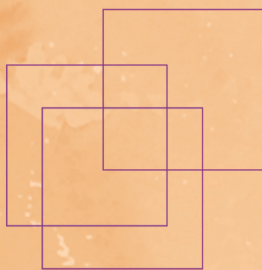




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International **Training** Centre

Public policy in the social and solidarity economy: Towards a favourable environment

The case of Europe



Public policy in the social and solidarity economy: Towards a favourable environment

The case of Europe

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Prologue

The International Labour Organization (ILO) boasts a long tradition and experience in the social and solidarity economy. In fact, the first official document to make direct reference to enterprises in the social economy dates back to the year 1922. The ILO's commitment to advancing the social and solidarity economy is based on its Constitution and the ILO Declaration on Social Justice for Fair Globalization (2008), which states that, in a globalized world, "productive, profitable and sustainable enterprises, together with a strong social economy and a viable public sector, are critical to sustainable economic development and employment opportunities".

The social and solidarity economy is a concept that is being increasingly used to refer to a set of economic activities that involve organizations such as associations, cooperatives, foundations, mutual societies, and social organizations that are guided by principles, values and practices related to participation, democracy, solidarity and a commitment to the environment, with a social purpose as their priority.

The sector of the social economy has not only been resilient to economic crises in terms of employment; it is also providing a specific response from civil society to its own needs, for example by means of the provision of basic services that traditional systems of the welfare state can no longer provide and that the traditional private sector has no interest in providing.

The social and solidarity economy continues to grow in many countries, along with the recognition of its role in sustainable and inclusive development. In fact, more and more governments see the social and solidarity economy as a relevant work area for dealing with challenges in the spheres of employment, the delivery of services, social cohesion, and so on.

This article will examine the case of Europe, where public policies – understood in the broad sense of legal frameworks, public policy concerning credit, taxes, training, education, health, infrastructure and public agreement – have been designed explicitly to support the social and solidarity economy. It aims to describe and explain the general context and the evolution, from a historical and institutional point of view, of a process which has encouraged a more favourable political framework.

The most important aspects dealt with in this work are as follows:

- the context and evolution of the social and solidarity economy in recent years;
- the identification of the main measures (laws, public policies, programmes, institutional reforms, and so on) applied by governments to support the social and solidarity economy;
- analysis of the key challenges faced by the social and solidarity economy.

Many different ways of organizing the SSE can be found across the Member States of the European Union. Historically, SSE organizations have been split up into four different categories: cooperatives, mutual societies, associations and foundations, whose legal form may vary considerably from one state to another.

Nevertheless, the central role of this range of organizations is frequently underestimated. Recent attempts at mapping social enterprises in Europe have not managed to deal with the scope and complexity of the situation. This article aims to investigate the most important characteristics of social enterprises in Europe and analyse the impact that their legal recognition has on testing the limits and the advantages of laws designed to boost their consolidation.

The end purpose of this work is to offer a more complete and in-depth understanding of the global scenario for the social and solidarity economy, to share some examples of support for the sector, and highlight the role of the SSE in inclusive and sustainable development with decent work.

For our part, we would like to take this opportunity to thank the authors, Giulia Galera and Gianluca Salvatori, for their work in researching and compiling data with the hope that the contents would be useful for those readers who want to know more about how the social and solidarity economy contributes to constructing a new model of production and consumption.

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Abstract

Europe suffered a great deal during the financial crisis that began in 2008, and the continent had to rethink its economic system, as well as the role that this system has in competition and the pursuit of profit. To continue with the previous model would mean settling for a model based on inadequate regulation of the financial markets, the abuse of non-renewable resources and unsustainable consumption patterns.

For this reason, the macro-region of Europe has rediscovered cooperative and solidarity models that represent valuable alternatives to the pre-existing paradigms. The need to pursue more sustainable and inclusive targets for economic growth has led many governments to tackle the debate on the social and solidarity economy.

Various ways of organizing the SSE can be found across the EU Member States. Europe is increasingly recognising the contribution made by these organizations to the system, although their importance is still underestimated. This work aims to highlight the most important characteristics of social enterprises in various European countries and the role of a favourable legislative framework as an element for consolidating actors in the SSE.

Beyond the processes of recognition and institutionalization that have taken place in recent years, this article will also argue that a larger number of more far-reaching measures have to be implemented.

The evolutionary dynamics of social enterprises at European level

Giulia Galera and Gianluca Salvatori

1. Towards a new development paradigm

The bi-polar economic model was sorely tested by the 2007 financial crisis, whose origins can be traced to unexamined beliefs about the role of competitive versus cooperative behaviours, and the conviction that markets alone can ensure growth and welfare.

These beliefs, which led to inadequate regulation of financial markets, deep and increasing inequalities in income and wealth distribution, misuses of non-renewable resources, and the predominance of short-term and irresponsible consumption models that threaten the environment, are now strongly condemned.

The market alone has proved to be unable to manage a changing, increasingly complex, and unstable economy; public authorities have demonstrated to be unable to both finance the traditional infrastructure-based services of general interest and address new needs arising in society. It has become thus apparent that, in order to overcome the economic crisis and support smart, sustainable, and inclusive growth rooted in a greater coordination of national and international policy, new and credible alternatives to the mainstream economy are needed.

Against the background of proposing valid alternatives to existing paradigms, new concepts and practices relying on civic local engagement have become increasingly popular over the past decade. A new wave of responsible economic behaviours has spread worldwide with a view to replacing short-termism with a renewed commitment from citizens, reducing environmental impact and maximizing social benefits. New definitions have entered policy and academic debates. These include social entrepreneurship, the sharing economy, the

collaborative economy, collaborative consumption, peer economy, and re-economy. What all these concepts highlight is an attempt to shift power from centralized institutions to networks of citizens and local communities.

In other words, what these new initiatives propose is a new way to manage asset utilization which is fuelled by community level action to build a new and more inclusive economy. Consumers and investors have also prompted conventional enterprises to increasingly take responsibility for the social and environmental sustainability of their activities. This has resulted in a gradual change in behaviour known as corporate social responsibility.

This new mindset, which questions the traditional concept of unconditioned profit-maximization, seems to also present the social economy with a new challenge. The social economy has been recognized as a distinct set of economic actors only recently, although its organizations have been playing a key role in sustaining socio-economic development, employment growth, and a more balanced redistribution of wealth in both industrialized and developing countries. Moreover, an expanding set of innovative activities are based on cooperative efforts, especially in the provision of new services such as open-source software and general interest services that improve the quality of life for entire communities. The role and importance of the social economy is increasingly apparent in the wake of the global financial and economic crisis.

In most countries, social economy organizations have responded more effectively to the crisis than investor-owned firms. The main reason for the success and longevity of social economy organizations is that they are not motivated by a need to maximize profits for investors; rather, they aim to address the needs of communities. What social economy organizations share and what sets

them apart from conventional enterprises is the overall aim of their activities, which encompass both the provision of goods and services (including employment opportunities) to their members and the pursuit of community interest goals (i.e. activities that benefit society at large such as the provision of general interest services). Another characteristic shared by most social economy organizations is their ownership structure, in which ownership rights are assigned to stakeholders other than investors and a significant emphasis is placed on stakeholder involvement and participation. These stakeholders can include workers, customers, or even volunteers: many social economy organizations are characterized by strong participation of volunteers who often play a key role, particularly in the start-up phase of the organization (Borzaga, Salvatori, Bodini and Galera, 2013). In essence, social economy organizations incorporate an intrinsic social responsibility and provide an inclusive institutional framework that, by definition, allows for the institutionalization of the request for participation and “sharing” of local assets, products, services, and relations among local stakeholders.

Historically, social economy organizations have been grouped into four major categories: co-operative enterprises, mutual societies, associations and foundations (the latter being the least common of the four), whose legal form may vary considerably from one country to another. Beyond these four distinct organization types, social economy organizations often adopt a mix of organizational forms. We can have, for instance, voluntary associations that control cooperatives or foundations; foundations which control

associations or other kinds of organizations; cooperatives organized into networks, utilizing legal entities different from the cooperative type or even controlling corporations. In fact, in some instances social economy organizations can even adopt enterprise forms that typically belong to the for-profit sector. Moreover, in addition to the four “traditional” organization types described above, in recent years new organizational forms have emerged (Borzaga, Salvatori, Bodini and Galera, 2013), including social enterprises. It is on these new forms that we would like to focus our attention, as they have revitalized traditional social economy organizations and given rise to innovative organizations whose development has been particularly noteworthy. These bottom-up initiatives can be interpreted as concrete expressions of an increasing sense of responsibility on the part of citizens and as an “endogenous response” to their discontent about the failures of the market and the shortcomings of public policies.

Following a brief conceptual introduction, this paper investigates the key characteristics shared by social enterprises in Europe and provides a critical analysis of the impact of legislative recognition, which reveals the limits of law as a driver of social enterprise expansion and consolidation. The paper then examines the evolutionary trends of social enterprises across the enlarged Europe. Four stages of development are identified with a view to assessing the stage of development reached by social enterprises in a number of representative countries: Ukraine, Croatia, Sweden, Italy and the United Kingdom.

2. A European concept of social enterprise

The concept of social enterprise is still contested in the literature on the subject. Many different traditions, cultures and approaches to social entrepreneurship and social enterprise have emerged over the last few years, contributing to diverse interpretations of this new entrepreneurial trend. This multiplicity of notions and definitions was developed to cover the wide set of innovative initiatives and responsible behaviours aimed at tackling key social and economic problems under a common brand.

Definitions often overlap, mixing the entrepreneurial process behind the development of socially responsible entrepreneurial initiatives with the formal creation of enterprises pursuing explicit social aims. Thus, terms like social entrepreneurship and social enterprise are often used interchangeably, ignoring the intrinsic differences between the concepts of entrepreneurship and enterprise as far as the actors, beneficiaries and aims pursued are concerned. To overcome such limitations, the first step is to make a clear distinction between social entrepreneurship and social enterprise.

Social entrepreneurship refers to a widespread trend of designing innovative solutions to address unresolved economic, social, and environmental concerns. This means that social entrepreneurship initiatives maximize on different variables; they are promoted alternatively by individuals, private organizations, or public agencies; and are not necessarily designed to last for a long time. As a result, social entrepreneurship does not result in a specific type of enterprise. Rather, it embraces everything from social initiatives occurring in profit-seeking businesses; institutionalized entities explicitly pursuing a social goal, relations and practices that yield social benefits; entrepreneurial trends in non-profit organizations; or ventures developed within the public sector (Johnson, 2000; Roper and Cheney, 2005; Mair and Marti, 2006). Given their complexity, social entrepreneurship initiatives are normally not regulated by a specific piece of legislation.

The situation is different when it comes to social enterprises. Although there is no agreed definition of what constitutes a social enterprise at international level, there has been a gradual convergence of meanings in Europe as a result of intensive research by a growing number of scholars and the intervention of numerous European legislations which have set out the characteristics of this new type of enterprise in laws.

This converging process, which is still in progress, was moreover supported by the European Commission with the recently issued Communication on the Social Business Initiative. In contrast to social entrepreneurship initiatives, which can at once lead to market success in the generation of surplus revenue and achieve social value, social enterprises need clarity of purpose in order to engage with their environment in a consistent way (Santos, 2012). Thus, what distinguishes social enterprises is the primacy of social goals. As a result, in social enterprises it is economic efficiency as opposed to a specific aim per se that should be exclusively regarded as the condition enabling reinvestment and the sustainability of the social enterprise. In this respect, legislation regulating profit distribution normally has a role in both enhancing the social impact of social enterprises and reducing their economic dimension, which is conceived to be instrumental to the pursuit of explicit social goals.

The first studies on social enterprises in Europe were carried out almost twenty years ago in the mid-1990s when researchers from the EMES network revealed the presence of social enterprises (in the sense of completely new organizations or an innovative dynamic within existing non-profit organizations) in almost all the countries of the European Union. They focused on certain shared features of these organizations regardless of their various legal forms. These criteria were translated into a definition of a “social enterprise” capable of codifying both its status as an enterprise and its social nature (Borzaga and Defourny, 2001). Subsequently, as theoretical reflections progressed, these same criteria were developed along three dimensions: economic-entrepreneurial, social, and

the dimension relative to ownership and governance structure.

The concept of the social enterprise is not merely a theoretical definition. Thanks to the introduction of *ad hoc* laws in various Member States, social enterprises have also been defined in legal terms. In Europe, the Commission has played a leading role in achieving the definition of a shared concept of social enterprises through the *Social Business Initiative* (European Commission, 2011), which applies the definition developed by the EMES

network (Borzaga and Defourny, 2001). In line with legislative development, the Commission proposed a European definition of the social enterprise that was sufficiently broad enough to include the diversity of schemes developed in the various European countries while also being specific enough to identify some of its principal features. These features (which are illustrated in Table 1) are arranged within the three dimensions identified above: the entrepreneurial dimension, the social dimension, and the dimension of ownership and governance structure.

Table 1: The entrepreneurial, social, and inclusive aspects of social enterprises

The entrepreneurial dimension	The stable and continuous production of goods and services <ul style="list-style-type: none"> Revenue is generated from both the direct sale of goods and services on the market and government contracts
	The (at least partial) use of production factors (paid labour, capital) <ul style="list-style-type: none"> In order to become sustainable, social enterprises can also make use of non-commercial resources The role of volunteers tends to be fundamental during the start-up phase, but decreases in importance as the enterprise becomes consolidated
The social dimension	Explicit social purpose <p>The products supplied have a social connotation</p> <ul style="list-style-type: none"> The type of services and goods produced can vary significantly from place to place
The inclusive dimension	Inclusive and participatory governance model <ul style="list-style-type: none"> Social enterprises may be created as single or multi-stakeholder organizations. <p>The non-profit distribution constraint guarantees that the enterprise's social purpose is safeguarded</p>

Source: Mapping Social Enterprises and their Ecosystem in Europe, European Commission (ICF, 2015).

3. The visibility of social enterprises in Europe

According to the above definition, a social enterprise is a private legal entity, independent from public administration, that carries out productive activities but – unlike conventional businesses – has an explicitly social purpose. This translates into the generation of benefits for an entire community or disadvantaged individuals.

From an empirical viewpoint and at a European level, the social enterprise is a structural phenomenon present in all the Member States, regardless of their type of welfare system and whether or not there is a structured third sector, a tradition of cooperative types of organization, or *ad hoc* legislation.

In spite of the profound differences that exist among the various countries, the feature shared by the various social enterprise initiatives that have emerged in Europe over the past thirty years is that groups of citizens assume responsibilities hitherto ignored or treated as government prerogatives, including the direct production of goods and services of general interest to the community. For the most part, therefore, social enterprises are initiatives that arise from the bottom up but have contributed to modifying welfare systems – sometimes profoundly – by extending the range of actors and redesigning the services supplied.

The empirical studies carried out to date confirm that this dynamic is present in all the Member States, and has its roots in the cooperative, associative, and voluntary tradition that preceded the creation of the modern welfare systems after the end of the Second World War (Borzaga and Defourny, 2001; Nyssens, 2006; Borzaga, Galera, Nogales, 2008; ICF, 2015). In Europe, the majority of social enterprises were first developed using the legal forms available, primarily those of cooperatives and associations. Social enterprises are still mainly created in these two forms. Associations are prevalent in countries where the associative model permits a certain degree of freedom in the performance of entrepreneurial activities, in particular as regards the sale of goods and services on the market, as in France and Belgium and some

of the new EU Member States such as Slovenia and Bulgaria. Conversely, in countries where associations conduct limited economic activity, as used to be the case in Italy and still is the case in the Nordic countries, social enterprises are more frequently created in the legal form of cooperatives.

Despite the fundamental role played by the various social enterprise initiatives at a local level, their actual importance is often largely undervalued. Past research has tended to underestimate the magnitude of the phenomenon, and to recognize only certain types of social enterprise. In this regard, the new laws have played a dual role, and one not lacking in ambiguity. On the one hand, they have contributed to capturing a part of the phenomenon, given its visibility and supported its development (this was, at least, the intention) by granting social enterprises formal recognition. On the other hand, by legitimizing only certain forms of social enterprise (for example, work integration enterprises in many European countries), legislative interventions have involuntarily contributed to obfuscating the numerous *de facto* social enterprises: that is, those which have not been formally recognized but nevertheless produce important services of general interest.

Additionally, the recent attempt undertaken by the Commission to map social enterprises at a European level has confirmed a general inability to grasp the complexity of social enterprises and to include within their definition a plurality of initiatives that are not necessarily social enterprises under the law but have the same characteristics (ICF, 2015). Instead, the prevailing tendency is to only focus attention on and from time to time give visibility to, those types of social enterprise that enjoy formal recognition or have obtained *ad hoc* forms of financing from European funds, domestic policies, and donor assistance programmes.

In short, what distinguishes one country from another is, above all, the level of visibility of social enterprises within the various sectors of interest to the community.

Beginning in the 1990s, the spread of social enterprises was accompanied by the enactment of a series of legislative measures which favoured

their institutionalization. The purpose of developing specific legislations on the social enterprise was to further their multiplication by eliminating some of the obstacles, created by the existing legal frameworks, which hampered the associations and cooperatives employed to conduct social enterprise activities thus far. Indeed, in numerous European countries, the law on associations did not allow – at least when social enterprises initially emerged – for the free conduct of economic activities (e.g. Italy); neither did it permit such entities to engage workers as members (e.g. France). At the same time, most laws on cooperatives across Europe prevented the pursuit of general interest aims to the advantage of non-members.

Two main legislative strategies were adopted at European level. The first fostered an adaptation of the cooperative formula to the typical features of the social enterprise, while the second was distinguished by the adoption of new ad hoc legal forms and classifications for social enterprises intended to amend company law to make it compatible with the existing legal forms (Borzaga and Galera, 2015; Galera and Borzaga, 2009). The former strategy was promoted in numerous European countries by social actors who used the cooperative format to conduct activities deemed to be in the public interest, above all on behalf of non-members, thereby inducing the legislator to intervene *ex post*.

A second, parallel legislative strategy has led to the adoption of new legal forms or brands specifically designed for social enterprises. This strategy presupposes an amendment of existing legal forms to render them consistent with the concept of the social enterprise, with the result that the number of forms that can be used is greater than in countries that opted to use the cooperative form (Borzaga and Galera, 2015).

With regard to both strategies – adaptation of the cooperative formula, and adoption of new legal forms – it is possible to identify a number of features shared by the various laws. These include the social purpose, which may be associated with a particular area of intervention (such as work integration or the provision of social services) or the production of services of interest to the wider community. Also apparent is an obligation to comply with a profits distribution restriction, which is provided for in all the laws analysed with the exception of those of Finland and Lithuania (Borzaga and Galera, 2015). We can note that in Lithuania numerous cases of abuse of this legal form have been recorded (ICF, 2015o).

Therefore, it can be confirmed that it is important laws clearly define the social purposes to be pursued and the characteristics that this type of enterprise must possess, thereby safeguarding the general interest. The aspects on which the laws are generally still unclear relate to governance, especially the manner in which participation by the various stakeholders is ensured (Borzaga and Galera, 2015). In any event, the laws introduced in most countries do not seem to have succeeded in their attempt to support the growth of the sector to any great extent. Although it is premature to draw conclusions in regard to some countries, the impact of the new laws does not seem to have been particularly significant. This is also true in the case of Italy: although Law 381 of 1991 generated an exponential growth of social enterprise, this has not been the case with the law on social enterprises.

4. Evolutionary trends at the European level

As we have seen, legislative recognition has not always proved able to promote the replicability of social enterprises. The speed, level, and context of the spread of social enterprises in Europe are mostly associated with the interaction between historical and political aspects and the characteristics of the context, which vary significantly from country to country.

By means of a comparative analysis of the evolutionary trends relating to social enterprises at European level, and by observing social enterprises in some of the most representative national contexts, it is possible to identify certain stages of development indicating various levels of maturity of the social enterprise. The maturity of the phenomenon is evaluated by means of a number of variables that we considered significant for the purposes of our analysis. For the sake of simplicity, they can be related to three distinct aspects:

- *Recognizability of the social enterprise*: presence or otherwise of a shared definition, nationwide visibility, and a presence throughout the country;
- *Endogenous characteristics*: the mobilization capacity of civil society, the presence or absence of a well-structured non-profit sector integrated into the public welfare system, and the level of identification of the non-profit sphere and the cooperative movement in the social enterprise model;
- *Exogenous characteristics*: the presence or absence of features of the context that favour the development and spread of social enterprises, including the capacity of the economic and welfare systems to respond to new collective needs; the stage reached in administrative and fiscal decentralization and the autonomy of local entities in defining local welfare policies, whether or not policies for the privatization and outsourcing of social services have been adopted, as well as an optimal use of European funds in support of sustainable social enterprise projects.

The interaction between these variables aids understanding of the level of maturity reached by the social enterprise in each country. To this end, we can identify four stages in the development of a social enterprise that can help map social enterprises at a European level: i) the embryonic phase; ii) progressive emergence; iii) gradual consolidation; and iv) institutionalization of the various types of social enterprise.

A brief description of each development phase follows, with the addition of a national case deemed particularly representative in order to illustrate how the institutionalization process has evolved. For the sake of completeness, the reference geographical horizon used is the enlarged European Union. In fact, according to our model no European country is at the embryonic stage of social enterprise development.

4.1 The embryonic phase

The countries that can be positioned in the embryonic phase of development are those of the former Soviet Union, such as Ukraine, Russia, Belorussia, and Armenia. In these countries there are some examples of often extremely innovative social enterprises; however, they are isolated and virtually invisible initiatives managed exclusively by donors (mostly North Americans) who have contributed towards their promotion – or else they are known only at local level. There is a plethora of often contradictory definitions in these countries; this generates considerable conceptual confusion, and it means that very different initiatives are treated as social enterprises, including corporate social responsibility practices. Given this problem, defining the universe of social enterprises becomes an impossible task in the countries at an embryonic stage of development, and as a result it is equally impossible to estimate the numerical significance of these initiatives.

From an organizational viewpoint, there is a notable absence of second-level networks and organizations. Cooperative movements are frequently shackled by forms of institutional rigidity

inherited from the previous regime, and there are considerable shortcomings in the entrepreneurial abilities of organizations that could theoretically be drivers of this institutional model. Most of the social enterprise initiatives analysed rely exclusively on the contributions of volunteers, and often operate in the informal economy so as to avoid fiscal obstacles that preclude associations and foundations from carrying out economic activities. Apart from a few aid programmes promoted by the remaining donors, there are neither government nor community support policies. Thus, the overall quality of public policies is extremely low in terms of laws, policy measures, development programmes and institutional reforms supporting the development of social enterprises. Nevertheless, analyses carried out in Ukraine have confirmed the existence of some social enterprise initiatives operating in innovative contexts, including the delivery of drinking water and the provision of a transport services. These initiatives were spontaneously created from the bottom-up, and are sometimes noteworthy for their fruitful collaborative relationships with local authorities. These examples highlight the huge but currently unexpressed potential of these enterprises for the construction of local welfare policies, even in countries where the relevant political, economic, and social characteristics are extremely unfavourable (Borzaga, Galera, Nogales, 2008; Galera, 2009).

4.2 Progressive emergence

This development phase is shared by many new Member States in which social enterprise is attracting the attention of a growing number of political decision-makers and local authorities. This is in part due to the strong support provided by European programmes, especially the structural funds, which promote social enterprises as means for social inclusion. Nonetheless, although the concept is growing in popularity, the level of political recognition is inadequate, often because of the incapacity of policy-makers, local authorities, and practitioners to fully understand the role that these enterprises play in completing the supply of general interest services.

Germany and Austria are situated in this same phase of development. In both countries, cultural preconceptions about social enterprises persist. Moreover, the space for action by social enterprises is limited by the presence of traditional and powerful religious associations such as Caritas and Diakonie which have strong relationships with the public sector and guarantee the provision of social welfare and social health care services within a regime of heavy dependence on the state. In both countries, social enterprises have emerged only recently, and are mostly present in sectors other than welfare, as well as in highly innovative areas such as the production of renewable energy. Owing to a lack of political and legal recognition, they tend to have scant visibility.

A similar situation can be found in most of the new Member States of the European Union where social enterprises are still somewhat invisible, partly due to a conceptual confusion that makes it impossible to define their universe with precision. The coexistence of a variety of concepts of social enterprise is also apparent in this block of countries. Over the years, they have been imported by successive donors, which have proposed diverse interpretations of what constitutes a social enterprise, taking their inspiration either from the North American tradition or from the concept promoted by European programmes, which holds that the social enterprise is above all a means for social inclusion.

In the new Member States of the European Union, social enterprises have relations with the public sector that are frequently poor due to the fragility of the welfare system with which they must interact. Compared with countries with longer experience there is also greater versatility with respect to areas of activity: these enterprises are concerned with both social and work integration services, along with other activities of community interest. Overall, in many Eastern and Central European countries, the traditions of associationism and volunteerism which survived the socialist regimes have been regenerated, giving rise to interesting social enterprise initiatives that range from cultural services (as in Bulgaria, for example) to work integration enterprises in nearly all the countries of the region. This has been by virtue of both a

tradition of cooperatives for disabled people and European structural funds. Nonetheless, the spread of these initiatives is frequently hindered by the considerable stigma attached to certain categories of beneficiaries. This often leads social enterprises to conceal their purpose, thereby creating further barriers to development and making the role of advocacy especially important (Galera, 2010; ICF, 2015). Despite a number of features common to the countries of the former Soviet bloc, there are also significant differences. These are mainly associated with the diversified transition of welfare systems, their degree of centralization, and a propensity to outsource welfare services, as well as the level of mobilization of the cooperative movement and volunteerism, which varies greatly among countries. Whilst in some countries the delegation of certain general interest services to social enterprises is a practice adopted by a growing number of local authorities (in Bulgaria, for example), in other countries it is still an exceptional practice concerning only a few local bodies (in Croatia, for example).

In Croatia today, social enterprises are at the centre of numerous policy debates following the adoption of a National Strategy aimed at developing social entrepreneurship on the initiative of the Ministry of Labour and Pension Systems and the recent passage featured in an Operational Programme for 2014-2020 that makes express reference to social enterprises (Operational Programme, 2014). Nevertheless, profoundly diverse social enterprise typologies coexist in Croatia, ranging from the so-called “trading arm” of North American inspiration to forms of social enterprise aimed at work integration which spring from European cooperative culture. In light of the high visibility of both these types of social enterprise, there is generalized underestimation of the associations involved in economic activities, including in the production of social, health care, and educational services. Despite the programme’s low visibility, Croatia has a number of strengths, including numerous social enterprise networks that provide support services and perform an important lobbying function, as well as supporting research to understand the specificities of these enterprises. However, extensive administrative and fiscal centralization, which prevents local entities from developing local welfare policies in partnership with

social enterprises, does not help (ICF, 2015g). In essence, the quality of public policies is rather low in Croatia: key legal and institutional reforms are needed to create an enabling environment where social enterprise can thrive in their endeavour to tackle social exclusion and support community development.

4.3 Gradual consolidation

The countries at this stage of development are in a situation of “incomplete institutionalization” in which only some types of social enterprise have a privileged status and can be beneficiaries of targeted support policies. An example is provided by the Scandinavian countries, which are traditionally characterized by a universalist welfare system. This translates into a broad-based range of social services and the capacity of the welfare system to adapt itself to the evolution of needs. In these countries, social enterprises initially only emerged in niche sectors, such as the management of child services (Sweden) and work integration (Sweden, Finland, and Denmark), to later move into other general interest services, in particular since the recent economic and financial crisis.

An instructive example of “gradual consolidation” is provided by Sweden which, despite the universalist nature of its welfare system, has a long tradition of social activism and involvement in civil society in various areas of interest to the community (Strjhan, 2001). Civil society in Sweden has been undergoing a fruitful period of revitalization since the 1980s that has led to the development of new social enterprise initiatives. Noteworthy sectors of intervention include assistance for children and seriously disabled persons (Pestoff, 1998). The area commonly acknowledged to be a typical sphere of intervention for social enterprises, however, is work integration for disadvantaged individuals. It is no coincidence that social enterprises for work integration are the only ones to have obtained formal recognition in Sweden, with the consequence that statistics on them are available. These enterprises also enjoy an especially favourable support system: they have

access to loans provided by the Swedish Agency for Economic and Regional Development, the Government Service for Employment, and the Swedish Social Security Agency.

One factor that has favoured the development of new social entrepreneurship initiatives in Sweden is undoubtedly the growing competition in the range of public services which has been gradually introduced since the 1990s. In this respect, we can mention the 2008 law on the System of Choice in the Public Sector, which permits local authorities to opt for the so-called choice system in the context of health and social services. This system is currently used by approximately 60 per cent of local entities, which corresponds to far more than 60 per cent of the total Swedish population since it is mainly the larger municipalities that have opted for it. Under this law, an individual user may also choose a private supplier of services from among those with which the public authority has drawn up a contract. This is the case, for example, of child services, up to 90 per cent of which are still funded by the state. However, families living in municipalities that use this system may choose from among several types of intervention: private suppliers or the local government supplier. This new system of choice for consumers has opened up new markets for private producers of welfare services (Gawell, 2014), including social enterprises. Social enterprises and conventional enterprises compete on an equal footing. Some empirical studies have shown that, in the larger geographical areas, it is the conventional enterprises that prevail while social enterprises are more common in smaller areas. With regard to numerical aspects, statistical data are only available for social enterprises in the sphere of work integration, which numbered 300 in 2012, compared with 210 and 150 in 2010 and in 2007, respectively. The number of individuals employed in 2012 was approximately 2,550. The statistical data on social enterprises other than those for work integration are incomplete. The prime reason for this omission is the lack of an agreed definition as to what constitutes a social enterprise; this does not allow social enterprises to be extrapolated from among the available data or from company registers (Borzaga and Galera, 2015; ICF, 2015n).

4.4 Institutionalization

The final developmental phase concerns countries such as Italy, France, Belgium and the United Kingdom, where the various types of social enterprise have completed the institutionalization process thanks, in part, to the presence of well-organized social movements and their access to a series of support measures. However, these countries exhibit very different developmental features and dynamics. For example, while the birth of social enterprises in Italy was stimulated by weaknesses in the welfare system (notoriously unable to keep pace with social changes and deficient in the services that it offers), in the United Kingdom their spread has received significant support from the privatization of social services and the implementation of support policies.

In both countries, social enterprises are fully recognized as producers of welfare services, and they are moving away from traditional sectors – such as work integration and the production of social services – and towards new activities of community interest, some of which compete to satisfy a paying private demand. Among the new areas of expansion for social enterprises are social housing, the production and consumption of renewable energy, and a range of environmental, cultural, and recreational services.

In both Italy and the United Kingdom there has been significant growth within a relatively short space of time which has, nonetheless, been accompanied at both the individual enterprise and system levels by a slackening of the innovative thrust of these initiatives and the involvement of volunteers.

In Italy, social enterprises have developed very rapidly, and have attained high levels of integration with public welfare policies over time. As a result, they have also developed close ties – including financial ones – with public administrations. Indeed, since the 1990s central and local public authorities have been progressively allowed to outsource the production of services to private organizations such as social cooperatives and voluntary organizations (contracting out), while a voucher system was introduced in the social and health care domains.

On the one hand, the stable relationship with public authorities has ensured the sustainability of many of these enterprises; on the other, it has created isomorphic pressures. Unlike the Italian case, which developed from the bottom-up, the sudden growth of social enterprises in the United Kingdom has been heavily supported by policy initiatives and welfare system reforms which have led to the creation of quasi-markets for the production and supply of a wide range of general interest services (Le Grand and Bartlett, 1993). The strategy adopted by the government to support the development of social enterprises has three purposes: to remove barriers, to consolidate relations between social enterprises and public agencies, and to boost the capacity of social enterprises to attract additional resources. With regard to the removal of barriers, the government has implemented a series of measures to facilitate the creation of new social enterprises. Factors limiting the presence of volunteer labour and some tax barriers have been eliminated. The government has also committed itself to facilitating access to the information required by actors interested in creating new social enterprises. It has also sought to make the interaction between social enterprises and public agencies more stable. In this regard, the Public Services Act 2012, which came into force in 2013, provides that when outsourcing government agencies should take account of the contribution made by outsourced services to improvements in economic, social, and environmental wellbeing in the territory in which they operate. The underlying logic here is to ensure that the public sector's purchasing capacity is directed towards generating social and environmental benefits, as well as guaranteeing greater levels of efficiency (ICF, 2015n). Finally, investments have been made in social enterprises so that they can attract additional resources to support their activities. Given the problems that social enterprises experience in accessing the traditional credit market, UK governments have heavily supported the generation of a social investments market by creating a specific "fund of funds", Big Society Capital Ltd. To conclude, the development scenario for social enterprises in the United Kingdom is fairly favourable. The various policy measures recently adopted by the government should improve access by social enterprises to

both funding and new markets. At the same time, the existing networks of social enterprises should provide solid support for the development of social enterprises (ICF, 2015m). From the numerical point of view, fully 71,000 *de facto* social enterprises were estimated to be operating in the United Kingdom in 2012 (Cabinet Office, 2013).

In conclusion, the various countries can be classified in terms of the level of maturity reached in the evolution of social enterprise, but also by reconstructing the timescale on which this evolution has taken place. As Figure 1 shows, the initial pioneering initiatives in social enterprise emerged in Italy towards the end of the 1970s, followed by in Sweden in the 1980s and the United Kingdom from the 1990s onwards, when the Labour government provided strong support for the growth of the sector.

In essence, we can conclude that countries that have reached the institutionalization phase are distinguished by good quality public policies, broadly understood to include legal regulations, public policies, government programmes and institutional reforms suited to creating a propitious environment for social enterprises.

At the time of writing, although social enterprises have reached an advanced stage of development in Italy and the United Kingdom, in Sweden they are partially recognized, and only work integration enterprises enjoy a privileged status and benefit from targeted governmental programmes. In Croatia, the phenomenon is emerging timidly, thanks above all to support from European programmes, especially structural funds; however, the overall quality of public policies dealing with social enterprises is still very poor. Finally, some innovative social enterprise initiatives exist in Ukraine, but they are isolated and invisible, and often operate only informally due to a prevailing hostile ecosystem. To sum up, social enterprises have taken less time to multiply in places where they have been implemented from the top-down, and more time where they have been the outcome of social movements.

Figure 1: Developmental stages of social enterprises

Institutionalization				Italy UK	Italy UK
Gradual consolidation			Italy	Sweden	Sweden
Progressive emergence		Italy	Sweden		Croatia
Embryonic development	Italy	Sweden	UK	Croatia Ukraine	Ukraine
	1970	1980	1990s	2000s	2010s

5. Conclusion

At a European level, if one excludes the case of the United Kingdom, social enterprises are predominantly bottom-up initiatives that have contributed to modifying welfare systems by broadening the range of actors and redesigning the services on offer, according to a logic of participation, democratization, and the personalization of services. This is a structural dynamic which is bound to increase in importance, given the lack of public funds and the constant emergence of new needs in the wake of profound demographic, social, and economic transformations involving the entire European Union.

Various factors have driven social enterprises, including civil society's capacity for mobilization, the presence or absence of a well-structured non-profit structure integrated into the public welfare system, and the level of identification of the non-profit sector and the cooperative movement with the social enterprise model. Other factors which have played an important role in promoting the development of social enterprises are the capacity of economic and welfare systems to respond to new collective needs, the level of autonomy of local authorities in establishing local welfare policies, the adoption – or otherwise – of privatization and outsourcing policies,

and an optimal use of European funding to support sustainable social enterprise projects.

The introduction of new laws has undoubtedly contributed to making the phenomenon of the social enterprise visible and recognizable, but legislative recognition has not always been able to stimulate its spread and replicability. The success of legislative interventions seems to be mainly tied to the capacity of the new laws to institutionalize an already ongoing process by strengthening opportunities for expansion into further general interest sectors. In fact, international comparisons and observation of the evolutionary dynamics in countries in which social enterprise is most developed show that the social enterprise format operates in various sectors of public interest, and not just in work integration or social services. Conversely, the impact of new laws has been weak in cases where the legislature has not been able fully to grasp the potential of these enterprises and has introduced excessively rigid constraints that hinder their creation in practice.

In summary, in order fully to enhance the competitive advantage of social enterprises, these need to be provided with an ecosystem that is in keeping with their nature. In this regard, international comparisons confirm the path to be followed continues to be uphill for both Member States and the European Union as a whole.

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