

Harnessing the potential of Social Economy and social enterprise

Carlo Borzaga

Euricse/University of Trento

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Conceptual puzzlement

- Multiplication of definitions with “**social**” suffix next to typically economic concepts:
 - **Some are new concepts:**
 - *Social* Capital
 - *Social* Entrepreneurship
 - *Social* Business
 - *Social* Enterprise
 - *Social* Innovation
 - **Other revivals:**
 - *Social* Economy
 - But with different meanings that call for clarification

Conceptual puzzlement

- *Social Economy*: French concept in origin, recently used also as a synonym of Third Sector
- Refers to **collective organizations**, democratically managed, set up and managed by **stake-holders other than investors** with the aim of benefiting members and sometimes the entire community
- Social economy **concept increasingly applied to countries that lack a consolidated “social economy history”** to highlight similarities shared by associations, cooperatives, mutual aid societies, etc. (e.g. Romania)



Social Economy families

- Social Economy does not refer just to one organizational typology, but consists of distinctive organizations with peculiar characteristics
 - **Associations:** wide category that comprehends also organizations that play non-economic roles (advocacy and participation)
 - **Cooperatives:** enterprises engaged in the production of goods and services in the interest of their members; ownership rights assigned to a specific category of agents other than investors
 - **Mutual aid societies:** enterprises aimed at ensuring members against work disability, old age, sickness
 - **Foundations:** legal entities created to accomplish specific goals for the benefits of a specific group of people or of the community at large
- In most countries **each distinctive family** is regulated by **specific regulation**



Social Economy changing role

- **Up until the 1970s, Social Economy** organizations were confined to play a **minor role** in the socio-economic model based on the interaction of the private (Market) and public sectors (State)
- From the 80s, **following the crisis of the bipolar model and the decreasing ability of the public institutions to provide social and general interest services**, in several countries some Social Economy organizations gained a more relevant role and went through an **evolution**
 - Associations strengthened their entrepreneurial stance
 - Cooperatives strengthened their commitment towards the community



The emergence of social enterprise

- The *social enterprise* was developed to grasp this **new dynamic** occurring **within and beyond the Social Economy**
- Social enterprises evolved both:
 - From old Social Economy organizational forms following their commitment in new activities addressed also to non members
 - As new types of enterprises explicitly aimed at pursuing social goals
- In Europe, a gradual convergence towards a **common definition of social enterprise** has taken place over the last years



Defining social enterprise

| Main dimension | General definition |
|---|--|
| Entrepreneurial/ economic dimension | Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises . |
| Social dimension | The social dimension is defined by the aim and/or products delivered. Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives. Product: when not specifically aimed at integrating disadvantaged people to work, SEs must deliver goods/services that generate a beneficial societal impact. |
| Inclusive governance- ownership dimension (social means) | To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require peculiar ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs often limit the distribution of profits . The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways. |

Regulating social enterprise

- Over the last 30 years, several European Countries have approved specific laws regulating social enterprises according to the previously mentioned definition (social cooperatives in Italy, SCICs in France, Community Interest Company in UK etc.)
- In 2011, the European Commission delivered a Communication where it
 - officially recognised the social enterprise and its importance in enhancing social cohesion;
 - established a number of supporting policies

EU Definition

According to the definition of the European Commission a social enterprise “*operates by providing goods and services for the market in an entrepreneurial and sometimes innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities*” (COM(2011) 682; Brussels, 25.10.2011)

Rationale for social enterprise public support

- Differently from other enterprises, including traditional Social Economy enterprises, social enterprises:
 - supply general interest services that should in principle fall under public responsibility
 - when compared to public providers, deliver the same services at lower costs (more efficient)
 - when compared to private for-profit enterprises, run less risks that opportunistic behaviors are adopted
 - succeed in attracting resources additional to mainstream incomes (e.g. donations, voluntary work, community assets)
 - can grasp local unmet needs thanks to their participatory structure involving users
- Against this background, social enterprises ought to be supported by public agencies

Public support

- Public support to social enterprise can be provided through three main means:
 - adequate recognition by means of specific regulation
 - financing of start-ups and risk capital
 - partial or total financing of costs related to the production/provision of services by social enterprises



Public support

- Recognition and regulation will be dealt with later today
- Financing, although of outmost importance, is not essential for all social enterprises: many social enterprises have emerged despite the lack of financing
- We devote particular attention to the relations that social enterprises establish with public agencies

Public support

- Key questions to be addressed are:
 - ✓ How much should social enterprises be supported by public authorities?
 - ✓ Through which strategies should social enterprises be supported by public authorities?



How much should social enterprises be supported?

- It depends on:
 - the type of welfare system and responsibilities taken on by public administrations
 - when minimum State intervention, expectations are low and relations of SEs with public administrations tend to be less systematic
 - In Welfare States covering a large amount of needs relations are more important and intense
 - The degree of public interest of the service provided
- Indeed, Public Administrations can decide to:
 - supply welfare services directly
 - finance the provision of welfare services through private providers
- Various models of interaction exist, which differ in terms of aims pursued, mechanisms implemented, and results achieved

Through which strategies should social enterprises be supported?

Relations of PAs with private providers, especially SEs, can take many different forms. The most common are:

- ✓ Occasional support
- ✓ Incentive strategy
- ✓ Contracting-out strategy
- ✓ Voucher strategy

Each strategy implies advantages/disadvantages

Relations of PA with private providers

- **Occasional/not systematic support:**
 - ✓ support to SE through occasional lump sums or tax benefits
 - ✓ support weakly linked to the amount and the social value of the services provided
- **Incentive strategy:**
 - ✓ public resources conditioned to the fulfilment of specific tasks/results (e.g. employment of disadvantaged workers)

Relations of PA with private providers

- **Contracting-out strategy:**
 - ✓ PA responsible for the provision of services
 - ✓ PA selects providers in different ways
 - ✓ PA enters into contract with social enterprises identifying:
 - users
 - type of services to be provided
 - economic conditions
 - contract duration

Relations of PA with private providers

- **Voucher strategy:**
 - ✓ PA finances users who are entitled to access the services
 - ✓ Users (or a family member, or a case manager) choose the provider



Advantages and disadvantages of each strategy

1. Occasional support strategy

- ✓ Pros: SEs free to define their strategies and decide the needs they serve
- ✓ Cons: economic and financial instability faced by SEs and difficulty to ensure regular and stable provision of services

2. Incentive strategy

- ✓ Pros: SEs free to define and change the amount of services provided
- ✓ Cons: full costs often not covered



Advantages and disadvantages of each strategy

3. Contracting-out strategy

- ✓ Pros: higher financial stability ensured to SEs (at least for the duration of the contract)
- ✓ Cons:
 - difficulties in defining and implementing contracting practices
 - risk of isomorphism owing to a decrease in autonomy
 - when short-term contracts: low investment in human capital and low quality of services



Advantages and disadvantages of each strategy

4. Voucher strategy

- ✓ Pros:
 - ✓ SEs free to define and change their strategies
 - ✓ Possibility of increasing the amount of resources coming from users
- ✓ Cons:
 - for users: difficulties in choosing the provider
 - for SEs: fluctuation in the demand

Summing up...

- **Mix of policies** appears as the most effective strategy
 - ✓ Support strategy stimulates innovation
 - ✓ Contracting-out strategy ensures regular provision of services and financial stability
 - ✓ Voucher strategy contributes to directing private resources towards the production of welfare services
- Choice of policy measures should depend on the type of service involved and degree of public commitment

...and for Romania?

- Based on research conducted social enterprises exist also in Romania :
- However:
 - the Welfare State is still under construction
 - responsibilities of PA in fulfilling social needs are not always clear
 - stable relations of public administrations with social enterprises are limited to specific fields (e.g. work integration)
 - occasional support strategies predominate

...and for Romania?

- Lack of clear and targeted strategies is not necessarily a negative factor
- It offers the opportunity to learn from good and bad practices experienced by other EU countries
- Strategies for supporting SEs should include:
 - recognition of social enterprise through specific and consistent regulation
 - opening to new services beyond work integration
 - development of a mix of policies



Thank you very much!