The Concept and Practice of Social Enterprise in Europe. The Italian Experience

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Social Entrepreneurship – The Possibilities and Prospects
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Concepts used

- *non-profit sector; third sector; social economy*: very general concepts that are unable to grasp recent entrepreneurial dynamics

- *social entrepreneurship; social enterprise; social entrepreneur*: more recent concepts that attempt to emphasize the entrepreneurial dimension of innovative initiatives with a social goal
Social entrepreneurship versus social enterprise

- **social entrepreneurship**
  - broad range of activities
  - emphasis on the individual

- **social enterprise**
  - cuts across various countries/continents
  - 2 main approaches:
    - profit-generating activities carried out by non-profits (US)
    - specific types of institutions which combine economic and social dimensions (EUROPE)
European social enterprise

- different way of doing business and providing general-interest services

- encompasses:
  - entrepreneurial component of the non-profit sector
  - most innovative component of the cooperative movement
Strength of the European approach

- it highlights the contribution of social enterprises – as specific types of enterprises – to:
  - the delivery of general-interest services
  - economic development

- limits confusion with CSR and other forms/trends of social responsibility
Strength of the European approach

- The relevance of social enterprises for economic development stems from:

  1. type of activities performed
     - needs of the entire community addressed
     - considerable emphasis on general-interest, often disregarded by other institutions
Strength of the European approach

2. sustainability

- supply of general-interest services organized and managed in an entrepreneurial way
- limitations concerning eligible sectors/activities (e.g., Italy; UK)
- mobilization of a plurality of resources
- asset lock ensures that welfare and development goals are observed
Strength of the European approach

3. collective dimension of the enterprise
   - reduces the probability of opportunistic behaviours by single individuals
   - ensures the survival of the enterprise beyond the involvement of its founding leaders
   - furthers the participation of several stakeholders
Fields of activity

- social services
- work integration
- new fields of interest for the community (eg local development; cultural services; general-interest services.....)
Social Enterprise in Europe

- until 1970s two-poles institutional framework (State and Market) worked efficiently

- crises welfare states and shortcomings of the privatization process renewed vitality of civil society through the development of voluntary initiatives

- different trends in Europe
Legal evolution

Institutionalization of SEs in EU-15

- pre-existing legal forms
  ✓ association
  ✓ cooperative

- legal frameworks designed for SEs
  ✓ adaptation of existing legislation (e.g., social coops)
  ✓ adoption of new laws on social enterprise
### Adaptation of existing legislation

<table>
<thead>
<tr>
<th>Country</th>
<th>Legal form</th>
<th>Activities</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Social coop</td>
<td>Social services (a-type) Work integration (b-type)</td>
<td>Participatory nature/multi-stakeholder structure</td>
</tr>
<tr>
<td>Portugal</td>
<td>Insertion coop</td>
<td>Social services and work integration</td>
<td>Participatory governance not envisaged</td>
</tr>
<tr>
<td>France</td>
<td>SCIC</td>
<td>Production of goods and services of collective interest</td>
<td>Multi-stakeholder membership prescribed (users, workers and 1 additional category)</td>
</tr>
<tr>
<td>Poland</td>
<td>Social cooperative</td>
<td>Work integration</td>
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</tr>
</tbody>
</table>
Adoption of specific legislation

- enlargement of the activities run and legal forms admitted
  - trend first appeared in Belgium – *Société à finalité sociale*, 1995
  - Italy – Law 155/2006 and Decrees of year 2007 definition of Social Enterprise introduced in the Italian legal system
  - Great Britain – Community Interest Company Regulations of 2005
Social enterprise in Italy

- concept of social enterprise first appeared in Italy (1990)
- high degree of innovation
  - bottom-up phenomenon
  - direct participation of stakeholders/democratic forms of management
  - widespread use of the cooperative form
  - supply of innovative services targeting new users ignored by public providers
- in 1991 new type of cooperative recognized by law (A-type and B-type social cooperatives)
Social enterprise in Italy

- since approval of Law 381/1991 on “Social Cooperative” annual growth rate from 10 to 20%
  - in 1993: 1,479 social coops (National Cooperative Department)
  - in 2003: 6,159 (ISTAT)
  - in 2005: 7,363 (ISTAT) – 59% A-type; 32.8% B-type; 8.2% mixed or consortia

- Law 118/2005 on “Social Enterprise”
  - principle of pluralism of organizational forms
  - opening to new sectors of activity
Social Enterprise and EU policies

- EU approach wavering
  - 1990s-2004
    - emphasis on employment generation and democratization
    - relevance of EQUAL structural funds for re-directing the activity of non-profits towards a social enterprise model
  - 2004-2009
    - Diversity of forms of enterprise disregarded
  - 2009-present
    - working document on *Diverse Forms of Enterprise* by the EESC
    - report on the *Social Economy* by the Committee on Employment and Social Affairs of the EU Parliament
Impact of social enterprises on economic development

social enterprises:

- complement the supply of general-interest services (eg social services, electricity, gas, safe drinking water, etc.) that public agencies and for-profit enterprises fail to deliver
- contribute to a more balanced use and allocation of resources available at local level to the advantage of the community
- generate new jobs in their fields of activity; some social enterprises are specifically aimed to integrate into work disadvantaged workers

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Impact of social enterprises on economic development

social enterprises:

- help foster social cohesion and enhance social capital since they supply goods/services that are characterized by a high social potential and adopt inclusive and participatory institutional structures

- support the institutionalization of informal activities belonging to the underground economy
Closing remarks

Factors contributing to SE development

- High degree of permissibility of economic activity by non-profit organizations
- Existence of a specific and clear legislation
  - Clear identification of the general-interest goal pursued (IT; UK) /fields of activity (IT)
  - Compliance with the partial distribution constraint (IT; UK)
  - Participatory and collective dimension of the enterprise (IT)
Closing remarks

factors contributing to SE development

▪ envisagement of a wide set of activities that can be carried out by social enterprises
▪ implementation of a set of industrial policies consistent with the features of social enterprises
▪ clear definition of partnership policies
▪ clear cut separation between activities conducted
  ✓ social services
  ✓ work integration: not too high threshold; wide focus on new types of disadvantages