



TIVOLI (RM), 4-5 DICEMBRE 2006

LEARNING SEMINAR

HOW CAN SOCIAL ECONOMY CONTRIBUTE TO LOCAL DEVELOPMENT?

MONDAY 4 DECEMBER

09:00 – 09:45 **PLENARY SESSION**

Opening by **Maria Caruso** - Italian EQUAL Managing Authority (Ministry of Labour)

Giorgio Pugliese – Italian Ministry of Economy and Finance

Walter Faber - European Commission DG Employment and Social Affairs

09:45

“When Social Economy supports local development: EQUAL good practices from Italy, Germany, Poland, Sweden”

Four international experts present the themes of the workshops’ session, introducing the case studies and illustrating the social and economic background of the projects

WORKSHOP A **“SQUARING THE TRIANGLE?”** – ITALY - **MAURIZIO FRANZINI**

HOW TO BUILD A FRUITFUL COOPERATION AMONG BANKS, SOCIAL COOPS AND THE STATE

WORKSHOP B **“THE LITTLE COMMUNITY THAT COULD”** – POLAND - **DOROTEA DANIELE**

HOW TO TRANSFORM A SMALL LOCAL PROJECT IN A GLOBALLY RECOGNISED FOUNDATION

WORKSHOP C **“NO ONE LEFT BEHIND”** – SWEDEN - **SVEN BARTILSSON**

HOW TO REPLICATE A SUCCESS AND DEVELOP THE LOCAL LABOUR MARKET FOR THE MOST DISADVANTAGED

WORKSHOP D **“STOP THE BRAIN DRAIN!”** – GERMANY - **TOBY JOHNSON**

HOW TO STEM THE DEPOPULATION OF RURAL AREAS AND CREATE NEW JOBS

11:00 **COFFEE**

11:30 - 13:30 4 thematic workshops (session 1)

13:30 **LUNCH**

14:30 – 17:00 4 thematic workshops (session 2)

17:30 - 19:00 Visit to the SPA “Terme di Roma” in Tivoli

20:00 **DINNER** IN VILLA D’ESTE



TUESDAY 5 DECEMBER

09:00 – 11:00 4 thematic workshops (session 2)

11:00 **COFFEE**

11:30 – 13:00 **PLENARY SESSION**

“How can Social Economy contribute to strengthen local development policies?”

Round Table moderated by **Wolfgang Borde**, European Commission DG Employment and Social Affairs

Eva Ardisson, Member of Swedish Parliament

Johnny Dotti, Chairman of CGM “Consorzio Nazionale Gino Mattarelli”

Steven Wallace, British Cabinet Office

Questions from the experts and from the public

13:00-13.30

Presentation of the Following steps of the Social Economy Platform (Germany and Finland)

14:30 – 15:00 **LUNCH**



1. BACKGROUND INFORMATION

1.1 The European approach to mainstreaming

The dissemination of main results of I round of EQUAL has strengthened the intent, at national and European level, to widen and deepen the added value provided by thematic networks.

Within ETG it has been possible to promote the sharing and validation of valuable experiences, to transfer inside policies and practices and to provide to empower stakeholders and operators.

The enlargement of EU and the new season of EQUAL bring the need to support a new strategy for mainstreaming, on the path of the previous stage, heading to new Structural Funds and related national and regional inclusion, employment and development policies.

Mainstreaming and transnationality represent the main perspective that the European strategy expresses, by means of new approaches, that contemplate a growing role of Member states.

Italy has stated the formal intention to support mainstreaming and transnationality at European level, in order to spread and valorise the contribution and the innovation provided by the I round experience.

European Commission has activated thematic networks jointly directed to adopt, test, share and validate successful model and approaches connected to Equal principles and thematic areas.

The networking and mainstreaming framework is aiming to promote and support integration between inclusion and employment policies.

Stakeholders, policy makers, beneficiaries and operators are the requested audience for the new action, with the expressed objective of bridge the sustainability and transferability from the projects to policies and practices.

Within the framework of Equal principles, the thematic networks will support objectives as:

- Validation of results;
- Empowerment and learning for stakeholders and policy makers;
- Joint development of approaches, to face specific discrimination practices;
- Sharing of knowledge and building of common tools for learning;
- Transfer of best practices;
- Policy recommendations

1.2 The support of Lisbon strategy

The approach to mainstreaming aims directly to support the Lisbon strategy, with particular concern to “guarantee the transfer of added value” and make job and growth more attractive and sustainable.

The Social Agenda, moreover, confirms the need of “integrating and



consolidating inclusion and employment policies, not able – if left alone – to answer to the need of growth and development, at national and European level.

The creation of new job areas, sustainable and coherent with local planning and development policies is a Lisbon priority and it is settled within this thematic platform.

With specific concern to addresses of European cohesion policy intending to support investment in growth and employment vectors, to move additional resources able to improve governance and promote territorial cohesion, the platform on social economy expresses deep and wide coherence with the general European strategy on inclusion, employment and growth.

The MA partnership of the entrepreneurship platform – together with Italy, Flanders, Finland, Germany, Poland, UK GB, Sweden, Greece, Netherlands, Portugal, Spain – divided in two thematic networks – business creation and social economy – managed by two Steering groups, has developed a number of events and meetings. The program, started in September 2005, aims to support the initiative of cohesion between national and European policies and to contribute – also with the providing of policy addresses and recommendations – at the increase of the impact of ESF within processes of social inclusion and growth.

1.3 Role of Italy: thematic contribution on social economy and local development

Italy shows huge contributions related to entrepreneurship, either in terms of projects – I and II round of EQUAL – either in terms of legislative framework. Moreover, Italy has actively participated in ETG2. Within the new thematic network, and in particular through the path of the learning seminar, Italy has decided to drive a platform focused on social economy and local development.

The aim has been to provide policy recommendations led to integrate development and inclusion policies, in the perspective of the new Structural Funds.

Those guidelines are intended to support policy makers – within the planning and the implementation process – and the operators –within their design and realisation approaches.

1.4 Social economy and sustainability of development

Social economy is a priority in the national employment strategy because represents a model that supports the sustainable growth, considering three main issues:

- It is settled in the territory

- Allows the decrease and the contrast to barriers in the market of labour for disadvantaged people
- Offers an entrepreneurial option with a strong social features, that gives identity to social economy itself

The framework of experience developed by national partnership provides a deep contribution to all the specific and innovative issues of social economy and allows to build links with local development processes and policies.



The platform is therefore the right network in which contents and approaches can be shared and validated, and made available and transferable.

This is the national approach to European mainstreaming, this stands as the overall strategy of the thematic networking activity.

1.5 Social enterprises and local development

Among EQUAL Managing Authorities, Italy together with other supporting member states – Poland, Finland, Sweden, UK Gb, Germany and Belgium Flanders – has intended to develop the issues concerning Social Economy, focusing on local development, using the thematic platform provided by the Commission.

This theme has been particularly taken into account during Equal 1st round by 10 member states, and has been extended to new member states.

Social enterprises provide services to the environment and to people of a certain territory, and so doing improve the management in order to prevent marginalisation from market and society.

It follows that the opportunity to increase the social capital of local communities and, as a result, of the national context requires a design of local development that gives social enterprises a central role.

The social capital representing the economy of the Third Sector is a real added value to local development and not only a side effect that releases positive outcomes. It is true to say, however, that the contribution provided by social enterprises is not a automatic achievement, assured by the simple presence on the environment, but shows an ecological opportunity, meaning one that requires specific conditions to emerge.

The experience of the EU Member States from 1st round of EQUAL indicates a considerable contribution of the social economy to a decrease of unemployment and reduction of social exclusion. On the one hand transnational cooperation in this field will be a chance to refine existing models of social economy in other Member States. On the other hand the diversity of social economy models in the Member States provides an opportunity for working out the solution that would be best adjusted to the labour market conditions and to the legal system.

As regards member states that have agreed the proposal, it can be pointed out that, in Poland, the cooperatives went through a period of crises after the regime fell. Nowadays a new concept of cooperation has been developing, connected to the fight against unemployment and the promotion of local development, sustained at a legal level, since the nineties, with the amendments to the 1982 "Law on cooperatives" and the "Law on social work", of 2003. These laws consider social cooperatives as one of the tools in the fight against unemployment and the promotion of local and regional economy.

Out of 107 EQUAL Development Partnerships in Poland 27 are implementing projects on social economy. The budget allocation to Theme 2D is about 50 million euros and Polish DPs' activities cover the following issues:

- promotion of social economy on the Polish labour market through:
 - identification and dissemination of existing good practices, both at national and European level,
 - raising the level of knowledge of society on third sector potential in context of job creation,
 - developing the Polish model of social economy, including definition of its role and tasks in the field of regeneration of deprived areas, taking advantage of the experience of other Member States,
 - developing effective mechanisms of supporting persons moving from the second labour market to the first one e. g. testing the methods of support for the establishment of social co-operatives,
 - developing a platform of co-operation and understanding among the actors of the social economy, through the development of partnership and the creation of new models of activities,
- working out new instruments of social economy and model methods of activity adjusted to the needs of different social groups and to the specific character of geographical areas, where the development of the social economy will contribute to restoring the attractiveness of these areas from the point of view of the labour market situation and the availability of services, including social services,
- testing the methods of mobilisation of local communities in favour of co-operation in the process of revitalisation of local labour markets and development of rural areas, including the promotion entrepreneurs' participation in development and implementation of revitalisation programmes,
- working out model solutions in building the potential of the third sector, in particular up-grading qualifications of employees in management of social enterprises.
- improving the availability of investment capital for social enterprises.

The foreseen support for the development of new models of social economy will not only take the form of working out mechanisms to take advantage of social economy possibilities for persons at risk of social

exclusion, but also in the revitalisation of deprived areas, as well as in bridging the regional gap.

As a matter of fact, the experience from Central East and South-East Europe shows that transition policies towards market economies overlooked the role and potential of the social economy in key areas of social inclusion such as employment, social services and healthcare. While democratisation policies have encouraged civil society development through the creation of charities, foundations and NGOs, a number of countries in the region are now looking to embed the further potential of such organisations by developing legal and governance frameworks built on local experience in order to promote the sector's capacity and know-how in the delivery of goods and services towards social cohesion and labour market integration at local level. The need to develop policy tools and frameworks for a stronger involvement of the social economy in policy development and implementation is further supported by the trends towards effective decentralisation over the past 15 years, coupled with the opportunities offered by EU integration and/or accession.

As regards Finland, in December 2003 the Act for Social Enterprises was adopted, which identifies the main social enterprise objectives: to strengthen active job policies, by offering new forms of employment for disabled and long-term unemployed people, and to upgrade the provision of goods and services in sectors where there is already a demand.

In order to be labelled as "social", enterprises in Finland should be included in the Register of Social Enterprises maintained by the Ministry of Labour and they are required to employ at least one disabled person however big they are. Social enterprises gain special fiscal benefits, but they are not required to have restraints in the redistribution of revenues.

In Italy the non-profit sector grew remarkably in the last 20 years. This growth required the establishment of an adequate legal framework, such as the "General policy law on charities (266/91)", the "General Policy Law on social co-operatives" (381/91)" and the legislative decree on ONG (Onlus) (460/97). As a matter of fact, this sector encompasses several

different types of organisation with different missions, social values and action strategies.

In 2005 a general law on social enterprises was adopted by the Parliament and asks the Government to introduce new rules addressed to this relevant economic subject that is not yet regulated by a specific legislation.

Italy has a twenty years experience of business creation policies, at national and local level. Those policies have been addressed to young people and women by means of specific financial support and to disabled people through the instrument of social cooperatives, providing a number of successful experiences.

In Italy the social economy evolved according to specific patterns in the different regions of Obj. 1 and Obj. 3 and it played a different role in supplying social services and supporting local development. In



particular, social enterprises providing non-social services (such as environmental, manufacturing, etc) are remarkably innovative in the southern regions.

During the last ten years, business creation policies have been more closely connected to policies concerning local development, networking between enterprises and local services. The result is a strengthened governance, in which policy and decision makers gather, at local level, the guidelines for development.

The local dimension has gained a central role in the process of social dialogue, because it assures a better chance of reaching the specific

cultural, social and economic needs of the local community, aiming at the widest and deepest social and territorial cohesion, as expected by Lisbon strategy.

The experience of Equal in Italy concerning entrepreneurship derives from this background. Starting from the human resources of the territory and from the features of disadvantage, the actions implemented by the DPs are mainly related to the following issues:

- a) building of structural networks and creation of new areas of employment, in particular in order to enhance environmental, cultural and touristic resources and the requalification of areas with social, territorial and economic delay, for which new professional profiles and services have been introduced;
- b) planning of strategies for integration of policies of social cohesion with the actions of educational and labour policy;
- c) providing a set of indicators for development of social enterprises, leading to integrated intervention model at local level;
- d) promotion of cooperation among those responsible for local development, (Public Administration, Employment services, Firms, Social partners, etc.) and institution of a territorial conference, with local actors, both public and private

In order to make possible the integration of the two *Entrepreneurship* themes, *Social Economy* will be developed following the same methodology as *Business Creation*.

Therefore the activities will include:

- A. Creation of tools which will be used in assessing the models of social economy from various Member States.
- B. Building a network of practices developed by DPs.
- C. Producing policy recommendations and guidelines for strengthening the social economy at European, national and local level.

2. INTRODUCTION

2.1 Local Development and Regional Policy: Guidelines for Inclusion and Employability

Local development plays a decisive role in integrating inclusion and employment policies with special attention focused on social economy.

Local, or territorial, development policy is formulated taking into account a range of local conditions and regional differences and should be standardized with the ordinary (national) development policy, as part of a significant



process of convergence, coherence and unity designed to maximize the impact and effectiveness of resources.

Community guidelines, which are reflected in national policy indications, draw attention towards priorities and objectives, which are fundamental in making social and economic development policies effective. In this light, supporting competitiveness and productivity through the innovation and improvement of social services and entrepreneurship processes is particularly relevant.

In Italy, Equal has unquestionably supported policy approach concerning institutional co-ordination and territorial design programming as a governance tool for local development and inclusion models. Moreover, the information capital developed within the territory has proved to be necessary in supporting and reinforcing local policies.

This vital resource has enhanced the local decision-makers' programming and planning attitude, hereby empowering it. This, in turn, has positively affected the management of critical phenomena, within local community initiatives, within social infrastructure and, lastly, within transferability and sustainability models. In addition, the acquired information capital has

allowed local decision-makers to create programming, in keeping with Community guidelines on productivity, competitiveness, inclusion and development.

The concept of Partnership, one of Equal's key principles, has contributed to amplify the potential of planning processes and has enhanced local bodies, not to mention the main stakeholders governing development whose efforts are geared towards sustainability, as a result of social economy's involvement, which is not to be considered strictly in economic terms.

One sustainability issue is 'environmental awareness' in terms of cultural heritage's development and maintenance, as well as the reduction of pollution and resource consumption. In fact, local communities with higher levels of inclusion report a more harmonious growth, a decrease in internal conflicts and a constant improvement in residents' quality of life¹.

The results obtained through the application of the partnership principle at the institutional level are remarkable, due to a vertical (i.e. from the European Commission to National and Regional Authorities and, lastly, to local bodies) and horizontal coordination made possible thanks to the creation and strengthening of networks meant to create an alliance involving the public, private and third sectors.

Therefore, local development and social economy coincide, as far as some key aspects are concerned:

- ⇒ providing support for the individual with regards to employment, and capacity building;

¹ ISTAT (2000), *I cittadini e l'ambiente. Indagine multiscopo sulle famiglie "Aspetti della vita quotidiana"*, Year 1998, Roma, ISTAT.

ISTAT (2001a), *Parentela e reti di solidarietà. Indagine multiscopo sulle famiglie "Famiglia, soggetti sociali e condizioni dell'infanzia"*, Year 1998, Roma, ISTAT.

- ⇒ creating new and better job opportunities that are socially useful and economically sustainable;
- ⇒ supporting the entry of disadvantaged groups into the labour market.

More specifically, results derive from a greater "closeness" to the beneficiaries, not only in terms of geographic proximity, but also in terms of needs evaluation and representation. As a matter of fact, third sector organizations enjoy an operational flexibility, associated with their knowledge of local needs, which boosts opportunities for innovation and modernization of the social welfare system. Attention should be drawn to the fact that the natural tendency towards equality in third sector organizations is often supported and strengthened by Equal through specific economic guidelines and objectives, in the attempt to combine the two 'missions'.

As previously mentioned, the social economy is extremely pertinent to the integration of disadvantaged people, often providing primary job opportunities, as well as the creation of a résumé, which can later be applied in other contexts.

Thanks to Equal supported experiments, social responsibility models, new services and agreements, the third sector allows disadvantaged people to reach higher levels of performance within their organizations without any additional costs for the social community.

All of this contributes to enhancing the so-called "social capital", which entails advantages such as the reinforcement of local identity, trust in the community and a sense of cohesion and solidarity, thereby raising citizens' awareness of their rights and responsibilities in civic life.

Thus, convergence between the social economy and local development facilitates the integration process between employment and inclusion policies

through the participatory governance in the territory, thereby improving and fostering the social economy system and entrepreneurship.

Once again, according to Equal methodologies, the key principles of partnership and empowerment reinforce policy strategies and support design and planning. Therefore, partnership members are more able to: identify needs; develop appropriate projects and policies; plan coherent services. This promotes the development of diversified services capable of adapting to the growing complexities of the demand.

Opportunities for dissemination and enhancement, such as this seminar, can and must provide an important opportunity for evaluating and validating the results of Equal's efforts, with special attention focused on the relationship between social economy and local development. Comparison, critical assessment and validation should yield shared guidelines designed for specific territories and should define the content and priorities of specific inclusion and growth policies. These policies support different levels of activity, as has been previously shown in national programming documents:

1. Improvement of local resources in order to consolidate opportunities;
2. Transform local needs and shortfalls into definite and accredited objectives;
3. Amplify participation in order to formulate guidelines and maximize the impact of benefits;
4. Fight segregation and alienation through appropriate actions and solutions, by using transferable and sustainable models.

Thus, considering the current complex and variable context influenced by demographic, social and economic phenomena that are difficult to manage in the short term, and in light of the necessity to provide consistent and sustainable support to groups at greatest risk of social and economic exclusion, Equal's experience seems to prove that social economy can make

an important contribution to local development in order to focus greater emphasis on the identification of policy priorities, impact and quality of solutions, and on the empowerment of practitioners and beneficiaries.

HOW CAN THE SOCIAL ECONOMY CONTRIBUTE TO LOCAL DEVELOPMENT?

TIVOLI, 5-6 DECEMBER 2006

REPORT OF WORKSHOP A

SQUARING THE TRIANGLE?

HOW TO BUILD A FRUITFUL COOPERATION

AMONG BANKS, SOCIAL COOPS AND THE STATE

1. Summary

The Project deals with the problem of the growth of social cooperatives in a developed Region in the North-East of Italy. It identifies the main obstacles and sets up a strategy able to tackle all the most important obstacles at the same time. The Project invites considerations on crucial problems of the social economy and in particular on the paths to follow to make effective the potential advantages that social economy can deliver.

2. The problem

This project, "A pact for the development of social cooperatives" ("Intesa per lo sviluppo della cooperazione sociale"), is based in Veneto in the Northern East of Italy, a region where general economic development driven by small firms, especially concentrated in traditional industrial sectors, has been very intense in the last two decades.

At the end of WWII, Veneto was an agricultural region with a very low income per head, a sort of depressed area in the relatively rich Northern part of Italy. According to the latest data released by Eurostat (referred to 2003), income per head in Veneto now is 21.5% higher than the Ue-25 average and 12,6% higher than Italy's average. It ranks 7th amongst Italy's regions, coming after the richest region in the

North and Lazio (Rome's Region). Unemployment rates are very low, especially in comparisons to other Italian regions, and poverty rates are also very low: only 4,5% of families live in poverty (according to the threshold set by the Italian Statistics Office for relative poverty) against a national average of more than 11%. On the other hand, the informal economy is estimated to be rather widespread and the number of pupils dropping compulsory education is relatively high, also due to the attraction of a fast running economy. The quality of most social services – especially health care - as it comes out from some recent surveys, is in general satisfactory.

Migration flows are quite substantial. The driving force is the demand of workers by the many SMEs operating in the region. According to some recent estimates around 10% of employees in Veneto are non-Eu nationals. Women are slightly less than 50% of total immigrants. Despite exceptions, the general living conditions of immigrants are quite good.

On the basis of these and other figures Veneto can be considered as an economically dynamic region, with well developed social institutions not free, however, of some problems, some of which arise out of the peculiar productive structure characterized by many small firms predominantly operating in traditional sectors, often making recourse to atypical workers. On the other hand, the very fast pace of economic growth during the '90s has left some problems unsolved, in particular those related to the environment. Moreover, new challenges come from economic and social development (like the increasing importance of migration flows and the ageing of population) that are also of great interest for social economy.

Consistently with this characterization Veneto is a region where social economy and social cooperatives are very well established and represent an important economic reality. According to a thorough investigation on the so called third sector by the Italian Statistics Office of a few years ago, in Veneto there were more than 21,000 units of different nature however to be considered as part of the social economy. This figure makes Veneto the second region in Italy, after Lombardia, from the point of view of the presence of social cooperative and other social economy organizations. However if we refer to the density with respect to population, Veneto comes out as the region where social economy is most developed. The figure is around 47 social firms out of 10,000 inhabitants, while the national average is slightly above 38.

It is also interesting that the great majority of such a large number of social enterprises have been established in the last 20 years.

The number of people involved in those firms is also very large: 12,000 salaried workers and no less than 325,000 volunteers, officially declared. The sectors where social enterprises are concentrated are social services (more than half of them), health care, education, culture, sport and environment. Indeed people, especially young people, in Veneto show a high propensity to take part in social life, acting as volunteers in many social and environmental associations.



The social economy, in general, and the co-operative enterprises, in particular, have been recognized as an institutional subject as early as in the beginning of the '90s. Since then their representative are sitting at the table where the planning of

social services and health activities at the local level is agreed among the concerned parties. For many years a lot of initiatives in support of the third sector have been implemented in the region. Co-operative are a living and well recognized reality in this rather rich, dynamic and socially developed region. Precisely because of this they need being supported in making a further step forward towards the creation of a stable environment for a sustained and sustainable process of growth. The high and increasing demand of social and other specialized services – that social cooperatives may enjoy a comparative advantage in producing – makes this step even more compelling.

3. Good practice from EQUAL

3.1. Objectives and results of the Project

The “Pact for the development of social cooperation” is a multi-activity project whose most general objective was to create an environment favourable to the further development of social cooperatives in the Veneto Region, by establishing and rooting appropriate financial, legal, social and management conditions. More precisely its objectives were:

- ◇ train, develop and consolidate the professional skills of public and private enterprises managers of the social sector
- ◇ provide counseling and technical assistance to social enterprises
- ◇ identify new criteria for the assignation of healthcare services to individuals
- ◇ identify network models for new and better local services
- ◇ create sustainability conditions for the cooperatives and enhance job quality
- ◇ identify financial tools for the credit access of the local social cooperatives.

3.2. Results

The project successfully achieved all its main objectives, as the list of results demonstrates:

- ◇ the production of specific and innovative legal proposals concerning the employment of disadvantaged people enrolled in social cooperatives of type b, that have been adopted in the national law and regional laws on procurement in favour of type b cooperatives
- ◇ a package of financial services tailored on social cooperatives' needs has been designed and implemented by Unicredit Bank thanks to the results of the research developed within the Project
- ◇ the establishment of a dedicated support structure at local level for social cooperatives that is still operating after the end of the EQUAL project
- ◇ the participation of non-profit organisation to the planning and development of local projects institutionalized in a special agreement subscribed by the local Councils

3.3. Partnership and strategy

The development partnership included the following 7 members:

- ◇ Association of the Councils of Treviso province
- ◇ Treviso Local NHS Units
- ◇ Local Labour Unions
- ◇ Social Cooperatives Consortium
- ◇ Regional Business Support Structure
- ◇ UNICREDIT Bank
- ◇ Provincial Business Association

The strategy adopted has been articulated in the following phases:

- ◇ Improve perception of cooperation at local and regional level

- ◇ Foster social dialogue and establish the partnership
- ◇ Gather necessary information and carry out targeted research on services quality and provision
- ◇ Design financial tools appropriate to social cooperative needs
- ◇ Provide training to managers and other human resources.

More in detail:

- ◇ institutional platforms with the participation of public institutions have been created and regular meetings between industry, finance and institutions have been promoted; formal networks and relationships have been developed at various levels, involving local government, development and program agencies, employer's associations, trade unions and associations of specific needs, representatives of the financial sector. Informal networks functional to lobbying activities in the cooperative and association's sector have been set up too.
- ◇ Information on the general economic situation and its projections have been gathered and a centre monitoring social economy and Public Administration has been established. This helped also to identify how innovation could be introduced in social economy
- ◇ Specific research for the design of appropriate financial tools has been carried on
- ◇ chairmen and managers of cooperatives, managers and executives in exit from the profit sector, public administration's managers, young people seeking first employment, disadvantaged people have been the various targets of vocational training and knowledge improvement. A special concern has been the easing of generational change.

3.4. Success factors

The discussion in the Workshop A and also some comments in the Plenary Session identified some key factors in the success of the Project.

The Project correctly identified the most important obstacles to the further growth of social cooperatives in particular and social economy more in general.

The first of these obstacles is finance. Like all business, cooperatives and social enterprises, need access to financing both to operate in the short run and to grow in the long run. However, due also to the imperfect functioning of credit and financial

markets - that demands collateral and real guarantees - social enterprises often mention difficult access to finance as their primary barrier to growth.

The second obstacle is demand for the production of social cooperatives. Social enterprises may operate across several different sectors of the economy. Quite often they produce services where the public sector is the main customer. Therefore demand is of political origin and subject to difficult to predict evolution. The Project made it clear that it is very important for social enterprises to establish regular relationship with various level of government to achieve shared objectives.

The third obstacle is represented by the availability of human resources with appropriate skills. Social enterprises need specific skills and adequate human resources, that may be lacking, especially where social enterprises have been successful. Special problems may arise in relation to management: conventional managers usually do not possess all the abilities required by a social enterprise, in particular they may have an approach that is not fit for enterprises where labour is the most important resource, both individually and in its collective dimension. Lack of managers may restrain growth. Besides, human resources may endanger the quality of the service offered, that is so important in the social economy. The Project correctly addressed this problem too.

Finance, demand and skills are obstacles partly internal and partly external to social enterprises. They can be seen both as organizational and political problems. What the project demonstrates is that the best way to tackle each of them is to tackle all of them at one and the same time. The secret of the mainstreaming results of the project seems to lie in the spinning of a web that made it convenient for each to be part of the web given that others were also part of it. The "squaring of the triangle" consists precisely in harnessing this reciprocal advantage.

Reaching an agreement with local government for widening the potential market of social cooperative makes it easier to convince credit markets that the social economy is a financially reliable sector that deserve easy access to credit. On the other hand access to finance and a larger market help develop better skills in the provision of the required services, exploiting the advantages of a more rational internal organization justified by the growing market and by the benefits of "learning by doing". All this will deliver benefits to society at large in the form of better and probably cheaper services. The comparative advantage that social enterprises enjoy in some activities with high labour intensity turns from potential into effective.

An important issue was the role that background conditions played in making the Project and its results possible. Comparing such conditions with those prevailing in most other countries several specific features came out concerning in particular the legislative context, the degree of development of social economy and the wide network it is part of. More in detail, it was stressed that many social enterprises in other countries may be unable to manage financial relations due to the lack of required skills. In some cases this is a more stringent constraint than the unwillingness of the credit and financial system to extend loans to social cooperatives. Of course this depends very much on how the credit market works. In this respect some participants stressed the importance for banks to apply a specific system for evaluating the risk of default when social enterprises are involved. The social content of their activity should in some way be taken into account. How this could be accomplished is a matter of policy intervention and is addressed below. It is however very important that social enterprises be endowed with the skills that have made this project a success: financial skills, negotiating skills and also lobbying skills.



A crucial feature is also the rich web of relations and networks. In particular the network among social enterprises may yield several positive effects. It can help the culture of social economy to spread, it can provide a sort of system of

insurance for its members and can improve the bargaining power of each social enterprises both in the markets and in its relations with the government at various levels. All this would have been useless without the commitment and competencies of local promoters.

An other important aspect is the highlighting of a further possible advantage that social cooperatives may enjoy with respect to the profit sector and public administration. Besides the often stressed social value of its services and activities there is a comparative advantage in producing services where labour is the dominant input. Such advantage stems from their ability to make the most of labour relations

and falls under the heading of “efficiency”. Here lies one more reason for supporting social economy and a further strong link between social economy and local development.

A distinguishing feature of social enterprises remains their contribution to the production of social capital. This may take place both within the enterprises themselves, through rich labour relations, and outside it, through production of high valued social services that enhance relatedness.

4. Policy recommendations

Several recommendations can be drawn from the Project and the discussion of it that took place in Tivoli. The addresses of such recommendations are the government – at various levels - the social economy itself.

Recommendations to the government



Evaluating social economy. The reasons for favouring and sustaining the development of the social economy should all be adequately considered. Those reasons are related both to social justice and efficiency. The

former, in turn, consist in the production of social capital and of social services of high value for inclusion as well as in the employment of disadvantaged people and in the special attention paid to labour relations. Efficiency is enhanced by social cooperatives not only through the indirect effects of social capital but also thanks to the comparative advantage they may enjoy in the production of services at high intensity of labour, especially coordinated labour. Government at all levels should adhere to such principles and should endow themselves with an apt technique for evaluating the value of these contributions the social economy can make to social welfare. Making use of such evaluation is also the best guarantee that helping social

enterprises is not a form of protection but the best way to buy an important social advantage.

Policy measures 1. Actions should be taken that allows social economy to grow further and to become more and more a system adopting an enterprise-style of management. This should be done selectively on the basis mainly of the sector of activity but both social justice and efficiency may gain from social economy evolving in the direction mentioned above. Such legislation should in particular ease the spreading of social enterprises in new sectors and should promote their innovative activity.

Policy measures 2. Specific measures could be taken as regards the financing of social enterprises. As the Project shows, for many social enterprises, finance is required on a regular basis and is to be considered a normal function of the enterprises themselves. This means that it is not a matter of occasional financing and nor do micro-credits represent the best response to this need. It is a matter of regular credit and financial markets. Actions should be introduced that helps bank to take proper account of the specific risks arising in the social economy where capital assets rarely can provide the safeguards usually sought by banks. A possibility, that deserves closer scrutiny, is that specific financial or fiscal support be given by the government to banks extending short or long term loans to social enterprises.

Recommendations to social enterprises



Develop skills. Social economy needs diversified and qualified skills. The more it evolve towards an enterprise-style of management the more it needs negotiating skills, financial skills, lobbying skills, networking and management skills. Special attention should be given to this problem

and the government should be asked to cooperate in the provision of such skills,

both facilitating mobility from the traditional sector and financing appropriate learning.

Invest in networks. Social enterprises need networking. Their growth will be fostered by the creation of horizontal networks that may offer some of the advantages usually provided by the economies of scale and also by the setting up of networks involving potential counterparts and other social actors. Among those actors there may be also representatives of the profit sector in order to identify positive complementarities.

Becoming enterprises remaining social. Society at large can enormously gain from social economy becoming more and more, though selectively, an entrepreneurial system, managed accordingly. However such gains will be rapidly wiped out if enterprises lose their distinguishing feature: being social. This seems to be the true challenge. Social economy should make recourse to all the best safeguards to protect its most valued gift without renouncing to become a larger and more important sector in our market economies. Social enterprises could use social accounting and auditing methods to measure and report their quality and impact. Tools have been developed by some Social Enterprise Partnerships in Equal round 1.

HOW CAN THE SOCIAL ECONOMY CONTRIBUTE TO LOCAL DEVELOPMENT?

TIVOLI, 5-6 DECEMBER 2006

REPORT OF WORKSHOP B

THE LITTLE COMMUNITY THAT COULD - POLAND

SOCIAL ECONOMY IN PRACTICE

1. Summary

The case shows how a small family foundation that started in 1989 helping the most excluded people has become a major actor of Polish social economy. Barka represents a live laboratory where to experiment social innovation and a complex system of social economy initiatives addressing the multiple needs of excluded people (social re-integration, work, housing) and promoting local development.

2. The problem

After the end of Communism social economy initiatives have experimented in Poland a dynamic development. Many of them were engaged in direct activities on behalf of people facing problems of the transformation. Unemployment (particularly high for young people and long term unemployed), low income and huge pockets of poverty still characterise one of the main European countries.

The Polish third sector (TS) consists of a multiplicity of organizations, including foundations and associations (52,000), social co-operatives (30), vocational enterprises for the handicapped (375), social integration centers and clubs (135). The development of TS organizations has been made possible by internal factors, including an enabling political environment, freedom of association and expression, basic legislation on foundations and associations, social employment, legislation on social rehabilitation and employment of the handicapped, legislation on employment promotion and institutions of the labor market, and external factors (the introduction of a culture of 'vie associative', professionalisation, financial support, sponsor-led development of citizen organizations).

During last years, the sector and its role in fighting social exclusion and unemployment has been progressively recognised. A first important act was the Law on Activities of Public Benefit and Volunteerism which introduced innovative elements clearly emphasizing the necessity of building partnership between the public administration and non profit organizations. It also made reference to the as yet unrecognised principle of subsidiarity and gave privilege to activities undertaken by citizens' organizations over those of the governmental or local administration.

In 2003 and 2004 institutional and legal recognition of social entrepreneurship of low-income groups was attained following the enacting of two specific Acts: the act on Social Employment and the act on Employment Promotion and Institutions of the Labor Market.



These new legal acts are especially important because of the possibility they give to undertake entrepreneurial activities by organizations. This has a special meaning for activities in the sphere of social and professional

reintegration of long term unemployed persons. The Law on Social Employment has been a significant success in this sphere. It responds to the problems of exclusion caused by low educational level. It created the Centres of Social Integration that are new forms of social economy structures. The status of the Centre of Social Integration is given for a period of 3 years. Centres of Social Integration may be created by both non-governmental organizations and local administration, as organizationally and budgetary independent units.

A step further is represented by the Law on Social Cooperatives which was approved in April 2006. The law takes inspiration from the type B Italian social cooperatives. The social cooperatives are non-profit social enterprises, which objective is not to generate profit but the professional and social re-integration of persons with minimal qualifications.

Barka Foundation has played an important role in lobbying for this new legal framework and its Equal project aims at experimenting a new model of support structure able to facilitate the development of social cooperatives.

3. Good practice from EQUAL

3.1. Objectives

The *Social economy in practice* project aims at fostering social economy and social cooperatives as a mean to integrate into work social excluded groups, thus preventing their further exclusion. It aims at changing passive welfare approaches that have dominated Polish social policy empowering and training social excluded groups and supporting them through the creation of three model local Social Economy Centres (SEC).

Those centres are created in three different local environments: a big city (Poznan), a small town (Drezdenko in Lubuskie region) and a rural district (Kwilcz in Wielkopolska region).

A second major objective of the project is the creation of mechanisms for local partnership building, mainly through training and education of local social economy leaders (coming both from social economy organisations and local authorities) able to set up activities benefiting both local communities and excluded people.

Therefore the project is addressed to and concretely involves both social excluded people (unemployed, homeless, ex-offenders, alcoholic and drug addicts, people without any income) and social workers, local administrators, social entrepreneurs, representative of housing councils, parishes and educational bodies.

3.2. Partnership

The lead organisation, Barka Foundation for Mutual Help is one of the pioneers of social economy in Poland, having started in 1989 activities aiming at work integration of excluded people combining social and entrepreneurial aspects.

Barka role is to coordinate the project and transnational activity, to animate the DP and to supervise the interaction between partners at local level. Barka-Koefed School

Association has the major task to elaborate training programmes and to promote training activities for social economy leaders.

In the three experimentation areas of the SEC, local partnerships include associations, foundations and local authorities, in order to put together all the relevant actors involved in social and work integration of social excluded people (included housing and sport associations and NGOs representing local communities).

The Institute of Political Studies of the Polish Academy of Sciences is in charge of monitoring and evaluation the project.

3.3. Implementation

Social Economy Centres are set at the centre of a complex system aiming at providing different kinds of support to all the categories of excluded people fostering in the meantime local development and social entrepreneurship.



The Centre has various tasks:

- **Recruitment and information:** selection of final beneficiaries, information on the project, conduct of surveys for final beneficiaries.
- **Work agency:** analysis of the local work market, mediation and guidance to promote employment of final beneficiaries in commercial companies and social enterprises.

- **Vocational counseling and training agency:** planning of training schemes, implementation and supervision of training courses with special attention to trade training and training on creation and management of social cooperatives.
- **Development agency:** identifying local markets for social cooperatives, testing diverse possibilities of cooperation between social cooperatives and other local community actors, cooperation with partners (mainly with the business sector and financial institutions), support to groups and emerging social cooperatives, evaluation of business plans, advice regarding the creation of social enterprises by non-governmental organizations and assistance in searching for possibilities of financing them, promotion of products and services made by social cooperatives and social enterprises, testing of diverse possibilities of financing for SEC.
- **Aid fund:** local financial scheme to support to social economy.

3.4. Main issues and proposals

The discussion of the case during the workshop at Tivoli raised several issues that were important to ensure project's success.

- Mutual trust between all the actors involved (and especially the target population) is a key factor to achieve results.
- Local needs and the needs of excluded people should remain the focal point of any support initiative.
- Continuous and concrete collaboration between all the actors of the territory is essential to face all the problems connected to social exclusion (lack of education, housing, lack of self-esteem, unemployment, etc.).
- An appropriate mixture of skills is necessary to SEC to perform all the identified tasks.
- Common identity and objectives are important to meet all the different expectations. SEC should have clear responsibilities, cooperative attitudes and be integrated in local development.

- Leadership skills are important both in the public sector and in the social economy. Leaders should be able to challenge *status quo* and to think at new ways to fight social exclusion.
- An appropriate legal framework is essential to ensure sustainability and self – sustainability in the long run and to allow the reproduction of experimental solutions.
- Over the years Barka has represented a test-bed and a learning laboratory for social economy initiatives to mainstream.
- Financial support is needed but should come from a mixture of sources (public sector, local authorities, market, donations, SME and business sector).

4. Policy recommendations

Support structures: second level support structures are needed in order to ensure and to foster the development of a viable social economy. Those structures may have different legal forms and composition but a broad participation of all the stakeholders is essential. Support structures should be embedded in the local context and should invest in local development. They can play a major role in many issues that are crucial to the development of the sector such as: business development, training, identification of market niches, finance, social audit, public procurement.

It is important that governments provide an appropriate legal form to develop support structures responding to the needs and the characteristics of social economy



organisations. Up to now, Barka has used the legal form of the Foundation but Italian consortia are recognised as a more suitable structure.

Sustainability:

sustainability is crucial at every level. Social enterprises should

become self-sustainable in order to provide long term employment to excluded

people. In order to do so, public funding and incentives are necessary to make up the productivity gap of integration enterprises. Public procurement opportunities are also a positive way of promoting financial sustainability.

Support structures should attain financial sustainability, as consortia in Italy, using mixed sources of funding. They can receive public money but they have to keep their autonomy in order to represent the interests and the needs of the social economy. Continuity is also relevant because the development of social enterprises is a long process that requires a long term strategic vision (as it is proved by all the successful models of support structures, i.e. consortia, cooperative development agencies).

Partnership: partnership is central at formal and informal level. Collaboration between social economy, government, trade unions and local authorities is important to achieve formal recognition and to transform pioneer initiatives (such as Barka) in recognised economic organisations.

At local level a continuous dialogue should be put in place to discuss all the steps and components of social economy development: identification of needs, identification and selection of target population, training, enterprise start-up, enabling context, public policies (social, employment, education, housing, economy) financial and support tools, impact of enterprises on local development. Local authorities are a key actor that have to be made aware of the need to create an enabling context (e.g. social clauses on public procurement) in order to maximise the positive impact of social economy on local development.

Management and other skills: Social enterprises tend to suffer from low prestige, and to offer employment to people who have not gained formal qualifications. Yet working in them is not easy; it demands flexibility and multiple skills.

Some groups of people disadvantaged in the labour market, such as ex-drug addicts, have the potential to hold down professional jobs, but, having dropped out of formal education, need adapted training/or working conditions.

The specific nature of social enterprises means that they need specific new skills and qualifications in the following areas:

- In personnel or human resource management, social enterprises depend to a far greater extent on the motivation of their workers;

- There is a need to manage the “social capital” of social enterprises. This not only involves workers but suppliers, final users and clients in both the public and private sectors. This social capital is made up of: the level of trust, reciprocity, the norms of behaviour, a sense of belonging and networks;
- Social enterprises do not rely so heavily on conventional, anonymous marketing techniques. Instead they focus on social marketing based on proximity, personal contact and trust;
- Finance is often a combination of private finance, public funding and voluntary contributions of money or time. Managing this mix also requires specific skills.
- Finally, social enterprises require special reporting, monitoring and evaluation techniques that take account of the social as well as the economic objectives.

Social enterprises have used European funds, such as Equal or ESF to provide training and to upgrade the skills of target groups and managers. But ESF rules are conceived for training and are not flexible enough to adapt to different methodologies, such as guidance, coaching, peer-to-peer learning, start-up support, etc.

Access to finance: social enterprises face major difficulties in access to finance. Banks are not often willing to lend money to organisations unable to provide certain kind of guarantees. Public authorities should support investment in commonly-owned equity as well as guarantees, loans and grants. Structural funds can be in interesting mean to set up microcredit/venture capital schemes, maybe in partnerships with private/social ethical investors. Private sponsors can also provide useful resources but they often rely upon partners’ credibility. Local authorities have a specific role to play as “brokers” between local and national actors.

Know why: the main aim of social economy is to change the mind of people and to transfer values. “Know-why” is often more important than know-how. Technical skills are important but they have to be complemented by trust, mutual respect, confidence and passion.

HOW CAN THE SOCIAL ECONOMY CONTRIBUTE TO LOCAL DEVELOPMENT?**TIVOLI, 5-6 DECEMBER 2006****REPORT OF WORKSHOP C****"NO ONE LEFT BEHIND" – SWEDEN*****How to widen the local labour market integrating the most disadvantaged*****1. Summary**

The Social enterprise Basta has shown that social economy can play a decisive role for a vulnerable group by creating employment and ways for integration by building a structure based on empowerment. A socio-economic report calculates a socio-economic gain of around 100,000 Euro per co-worker, mainly generated from reductions in expenses caused by marginalisation. Basta has shown that it is possible to replicate a success of social enterprise in a new region.

If this knowledge is going to be widespread there has to be a recognition of the social enterprises at the highest levels in the EC and followed by policies in many policy areas at both European and national level.

2. The problem

Despite the high growth rate in the Swedish economy the last few years, 4,1 % this year, and that corporate earnings have been unusually good the situation for the 800,000 people excluded from the labour market has not changed much. The unemployment rate was in September 2006 "only" 4,6 %. The old government has not appeared as being successful in their employment policy. Above the 4,6 % declared unemployed, another 2,4 % are subject to employment policy measures. In total, this is 370,000 people, a further 350,000 people below 60 years are granted an early retirement pension due to sickness or disability, another 100,000 are on long-term sick-leave (over a year) and 26,000 people were in prison or in care for drug rehabilitation.

In this situation it is for former drug abusers and criminals very difficult to get jobs - almost impossible. There are more than 30,000 drug abusers in Sweden, of which the majority lacks an earning of income. Crimes are committed to finance drugs. 58 % of the 13,000 people that every year are put into prison in Sweden are drug abusers. Of those who leave prison, 70 % have no work or placement in education. 20 % have no permanent address.

To rehabilitate drug abusers and criminals is thus an industry, an industry with limited effect since the majority returns to a life of drugs and crime.

The number of social enterprises with the primary aim of integrating people that are excluded from the labour market and that are founded on the active involvement of the co-workers is low in Sweden in spite of the fact that 5-6% of total companies is within the Social economy. In Western Sweden only 30 of the enterprises in the Social economy, employing 500 co-workers, are the social enterprise with the primary aim of integrating people. Of these 500 employees, only 20-25% have their main income from a salaried employment. The main income of the others is sickness pension, sickness benefit or a small allowance. But for most of these people the long-term aim is to progress from benefits to salary.

The social entrepreneurship is growing but it's still very invisible. But Basta has been an exception. They started 1994 and currently has 100 employees, nearly all of them have been drug abusers.

There are many actors including Basta itself that would like to see more successful social enterprises as Basta. But for the creation of a successful social cooperative like Basta there need to come up more entrepreneurs. These need to have or develop the right skills to run the enterprises. They normally need network to access the right resources and to market. They need premises and equipment to start the business and this demands capital. To get all these factors in place there must be suitable methods and support.

3. Good practice from EQUAL

3.1. Objectives of Basta and the partnership

In cooperation between Folksam (a leading Swedish insurance-company), the University of Lund and the non for-profit organization FUNK, Basta Arbetskooperativ

in the spring of 2001 applied for Equal financing to the project Empowerment For the Future. The overall objective for the EFF project was to create possibilities for vulnerable groups to gain power and empowerment.

Basta is primarily about leaving your drug abuse behind you and create your own way of supporting yourself through work. The platform for this is the social enterprise. It is the belonging to a group and the empowerment it provides that enables you to change yourself to such a degree, that you are able to take responsibility for yourself, your work and not the least for the common enterprise. Thus, it is also about becoming an entrepreneur.



Basta is registered as a non-profit association. The turnover is 2,5 Million Euro.

To Basta you arrive as an apprentice. The stay is paid by social welfare departments of local governments and by the National Prisons and Probation Administration

(NPPA). They make a contract for one year.

During 2005, sixtyfive per cent of the apprentices were not paid for by public sector institutions. They had stayed and worked there for more than the first year. This figure will increase as more people choose to settle at Basta. Fifty per cent of Basta's turnover are generated from the public sector.

Today, Basta has twelve semi-independent units – finance and administration, canteen, vocational education, construction, gardening, agriculture, horse breeding, dog-hostel, carpentry, insulation of buildings, graffiti removal and rehabilitation. Eleven of these are headed by persons who have been heavily addicted to drugs.

The objectives of the project and the Equal development partnership was intended to be reached via three sub-projects; 1) the start and running of a vocational and entrepreneurial education (Yes-school), 2) the start of a social enterprise in West Sweden, Basta Väst as a replica to Basta Arbetskooperativ as well as 3) the

development of a new transnational education at university level, European Certificate in Community Enterprise.

All these three goals were reached. The YES-school is today a one year vocational training in upper secondary school mixing school drop outs with adults who earlier been either drug abusers or long term unemployed. At the University of Lund social enterprise is included in their range of courses, mixing student, becoming social workers, with persons who earlier been socially marginalized.

3.2. The replication of Basta

During the project period, a new social enterprise, Basta Väst (Basta West), has been developed. It is now a company employing 20 people, and has grown from a starting point of only five people.

They work in maintenance and the cleaning of train coaches, demolition work and carries out other work for a local construction company.

The replication included the appearance of an entrepreneur, the transfer of know how from Basta to entrepreneurs in West Sweden and establishing relations with local actors including City of Göteborg.

The solution of on financial capital and the building of a trustful relation between the original site and the new was to make Basta Väst to a subsidiary of Basta Arbetskooperativ, and that the leaders of Basta Väst became members of Basta Arbetskooperativ and its board.

Both Basta and Basta West are settled in a local community in a rural district. An hour's drive from a major city by car. In these areas these two companies have a great impact on local trade and industry.

Basta is a socio-economic efficient enterprise. Within the framework of NTG Equal Social Enterprise we have developed a method for socio-economic reporting. The calculation shows that the socio-economic gain of Basta and Basta Väst each year is around 9,000,000 Euro. It means a gain of around 100,000 Euro per co-worker. These gains are generated from reductions in expenses for social care, correctional treatment, thefts, insurance expenses and increased tax payments.

Basta Väst makes a difference! in the drug abuser group and in the local development and is a good investment to reduce costs for the society.

3.3. Lessons for future development

The analysis and discussion of the case during the workshop at Tivoli revealed the following factors and qualities that needed to be included in project design and taken into account while developing social economy or working with social enterprises in local development.

The failure is the starting point

The failure to solve the needs of the local people or the discrimination of a group is the cause for the emergence of social enterprises. The demand is expressed by the unsatisfied community. The innovative part is to design new ways of supplying the services. The challenge is to have politicians, authorities and helpers that don't create solutions based on their assumptions and interpretations of the demand.

Power to the group

Basta is a good example of the importance that the group that has the "pain" is in power of the project or the enterprise. There need to be management systems that ensures that the power remain in the control of the target group. Without the democracy they couldn't succeed to break the marginalisation.

A requisite to reach social goals as empowerment and motivation is that the participation is of ones own free will.

A social enterprise is a business

There is a need of entrepreneurship to create and maintain social enterprises. There must be persons with entrepreneurial skills involved. Normally social enterprises interact to little with traditional business sector where know-how and business opportunities could be reached. For Basta as other successful social enterprises there is no ambivalence towards profit.

Support

In creating and developing social economy entities there is a need for support. In the case there was the transfer of know how from an existing enterprise. Another way, to make this more effective and bigger scale is to apply social franchising. There is

also a need for specialised agencies giving tailored support to social enterprises with their dual goals.

Balance between social values and profit

The *raison d'être* for the social enterprise is the social aim but it can never reduce the demand for profitability so that long-term sustainability and development is threatened. There is a need for developing knowledge on management of this kind of enterprises. The division in the education system between business administration and social skills is an obstacle for the sector to have educated staff combining these fields

Credibility for social economy

The overall feeling is that social economy is not recognised and not credible. This has to be dealt with in two ways. The best performing social enterprises must be promoted in order to show the potential of social economy. This can be done in many ways; for example to have a quality brand. The social economy also has to measure the impact that their activities have for the society. This can be done by social reporting, as done at Basta.

Productivity compensation

A task for social economy is to create job for people thrown out from the labour market. Normally the social enterprise is competitive businesses. Due to the competition in the markets there is sometimes a need to fill the productivity gap related to individuals impaired function.

4. Policy recommendations

4.1. European level

- Social enterprises and social economy is not an issue to be dealt with merely within employment policies. If the full potential of social enterprises and social economy shall be used in the achievement of the Lisbon Strategy there has to be a recognition on the highest levels in the EC and followed by policies in various areas such as enterprise, competition, education and social affairs.
- In order to fulfil European strategies on job creation and inclusive labourmarket there is a need for European principles that inspires national strategies on

funding the productivity gap so that social enterprises employing the most vulnerable can compete with companies with lower social aims. In a globalized economy the ones with reduced capacity for work get excluded. The social enterprises has shown their capacity to make everyone to a resource. This funding of the productivity gap should be done in a way that doesn't divide the labour market or prevent the social enterprises to compete with regular companies and give proper salaries to the employees.

- The growth of the sector is depending on the general attitudes towards social enterprises and the credibility of their performance. The development of social reporting could serve to improve the quality of the sector, prove that the social and economical benefit of the enterprises pays back the investment and helps to change attitudes among decision-makers. A quality mark or brand together with a yearly social economy prize on European level is examples on tools that could help to improve the recognition.

4.2. National level

- At national level there is a need of measures that in the same way as suggested on European level coordinates different policy-areas as enterprise, employment, social, education and competition in order to create favourable conditions for development of social enterprises.
- Within general education and training there has to be reforms for cross fertilisation between social and business skills. There is also a need for training-systems that provide the sector with people that has integrated social and business skills. Another group that need to understand entrepreneurship, and especially social entrepreneurship, is social workers, who have the task to assist people with integration. The absence of social economy in school and higher education is a difficulty for those interested in a stronger development of the social economy.
- The promotion of social economy and social entrepreneurship is needed in almost all countries. This is more important than special regulations.
- Project is an important source for "seed capital" to the development of social enterprises. In future this need to be more focused on sustainable businesses. It is also important to give priority to projects and businesses that build on real

participation from the target groups. This priority must take into consideration that many groups have less opportunity to start development processes by themselves. The priority for participative initiatives should not be carried out so that the most vulnerable will receive less resource. To strengthen the bottom-up and participative perspectives, the final beneficiaries could take part at a much higher extent in policy-making and grant allocations.

- Almost everyone understand the need of time and patience in the starting process of a social enterprise but programmes, support and financial structures are not yet designed by this understanding. The bureaucratic perspective is predominant over the entrepreneurial.

4.3. Local and regional level

- The fact that there is a strong connection between social and economic local development has to get stronger attention in planning and policy making. The potential of social economy will then be more taken into consideration when planning local development is done in this way. Also innovative ways of supply services will have higher chance to break through barriers of tradition and stereotype thinking. In many countries this will be reinforced if social policy was changed towards more active forms.
- Such changed planning process could also include joint planning between social economy organisations and public sector where the goals are shared.
- Use systems to estimate and communicate the social value and impact of the social enterprises. It will legitimate support for social initiatives and strengthen the balance between profit and social values in social enterprises.
- Encourage co-operation and networking between social and regular enterprises to raise the efficiency of social enterprises and to spread social values. This could go hand in hand with stronger relations among the social enterprises in order to maintain the social values and cooperate to become stronger in the market.
- Establish accessible support organisations with competence to support development of excellent social enterprises. Let this be a part of a strategy where a culture and skills for self-employment are developed.

HOW CAN THE SOCIAL ECONOMY CONTRIBUTE TO LOCAL DEVELOPMENT?

TIVOLI, 5-6 DECEMBER 2006

REPORT OF WORKSHOP D

STOP THE BRAIN DRAIN

1. Summary

The case shows that endogenous growth based on the 'new sources of jobs' identified in the 1990s by the European Commission are as valid as ever in regenerating areas suffering from industrial decline.

2. The problem

Since the reunification of Germany in 1990, the previously existing industrial base has to a large extent been wiped out. Many firms have been bought out by competitors from western Germany or abroad, and closed. Other industrial sectors



such as lignite mining have been closed because they are very polluting. The resulting lack of economic opportunity led to massive out-migration from eastern Germany, which peaked at 400,000 in 1999, though it has now fallen

back to close to zero. In the five new *Länder* as a whole, 15 years after reunification unemployment still runs at around 17% (slightly higher for women, but only 10% for young people). In the coal-mining area in the east of the *Land* of Saxony, however, the situation is worse, and the threat of depopulation is exacerbated by the fact that it is above all the young women who can most easily find service and administrative

work in neighbouring Bavaria. The area also has a sizeable ethnic minority in the form of the Sorbs, who speak a Slavic language and comprise 35% of the population of the Kamenz district, in which the project is located.

Economic development policy focuses on attracting companies from outside the region to open factories in high-tech sectors such as electronics and car making. This results in a very high cost-per-job figure.

The social economy in Germany is large, accounting for some 7% of employment, but fragmented. Indeed it is sometimes said that although some of progenitors of social economy thought – such as Friedrich Wilhelm Raiffeisen and Hermann Shultze-Delitsch – were German, today it is a practice that lacks a unifying theory. It includes on the one hand the six major welfare associations (*Wohlfahrtsverbände*) which taken together employ 1.3 million people, on the other hand some 8,000 co-operatives (*Genossenschaften*) employing some 500,000 people, and between them maybe 15,000 thousand social and self-managed enterprises belonging to a number of federations. The welfare associations work in close partnership with the state, while the co-operatives, which are mainly in agriculture, banking and housing, have traditionally preserved a strictly commercial self-help stance and played no role in work integration. However this rigidity is now being relaxed and with the transposition of the European Co-operative Statute in August 2006, the scope of co-operatives was extended to cover social and cultural objectives, a form that has been piloted under EQUAL.

A more serious barrier is German social legislation, which essentially creates a rigid distinction between market and subsidised enterprises, rather than providing an integration path through which unemployed people can progress from subsidised to self-sufficient employment. Thus, work integration 'enterprises' tend to rely on annually renewable wage subsidies, sometimes coupled with grants to cover administrative costs. (Several of the *Länder*, but not Saxony, also support a more market-friendly form of work integration enterprise called a *Sozialer Betrieb*, which is allowed to compete and receives a wage subsidy that tapers off over five years.)

A further insurmountable hindrance to self-sufficiency is that subsidised enterprises are when using some of the activation measures prohibited from competing in the open market. The grant they receive is seen as ineluctably leading to unfair competition, whereas the integration enterprises hold the contrary view, that the subsidy only compensates for the lower productivity and, far from distorting

competition, merely establishes a level playing field on which fair competition can take place.

3. Good practice from EQUAL

3.1. Objectives

The *Erschließung neuer Arbeitsplätze für junge Menschen in der Sozialwirtschaft* ('Creation of new jobs for young people in the social economy') development partnership² struck out in a different direction. It aimed to take the existing stock of young people, many of who were well-trained, having gone through apprenticeships, and give them the means to create their own enterprises. As a necessary means, the partners converted a disused railway station in the village of Wittichenau (*Kulow* in Sorbish) into a meeting place that could be used by all sections of the community – the *Kulturbahnhof* ('culture station').

Apart from acting as a crucible for ideas by offering a home for all the local associations, one of the facilities these premises house is a multi-media training centre, the *Internationales Multimedia Zentrum (IMMZ)*. The project organised training in the form of 'socio-economic training modules'. These comprise on-the-job training in vocational skills – events management, multimedia work and public relations along with a comprehensive range of basic skills and project work. Young people thus had an optimistic setting in which they could develop their own business ideas.

The result is that around 30 new jobs have been created. These cover such activities as running a local television station (Krabbat TV), designing websites, and taking video films of weddings and other celebrations.

3.2. Partnership

The lead organisation, IRIS (Institut für regionale Innovation und Sozialforschung eV) assembled a development partnership that included 12 operational partners. These included the umbrella body United Clubs for Kulow, various associations concerned with employment, culture, young people and women, a media training association, the church (Diakonisches Werk), the trade union vocational training

² DP ID DE-EA-42214. See www.equal-sozialwirtschaft-sachsen.de

centre and, as evaluator, the Technical University of Dresden. These gave it access to the target group (young people), to older members of the community with useful skills they could share, and to specialist skills in industries with growth potential.

The partners also gained useful knowledge, particularly about the operation of social co-operatives (of which there are 7,000 in Italy but none in Germany) by virtue of their transnational partnership with *Emporio Lavoro*, a development partnership from Perugia in Umbria.

3.3. Implementation

The project worked outwards from the existing video workshop that was run on a voluntary basis. They contacted the *Arbeitsamt* (Employment Office) in Hoyerswerda and negotiated an innovative variation on the normal use of the '1-euro-job' subsidy scheme, which allowed trainees to receive it for two years rather than one. It put together funding from various sources: from the municipality and the LEADER+ rural local development initiative for the premises; from the ABM (*Arbeitsbeschaffungsmaßnahmen* or job-creation measures) and EQUAL; rent from subletting part of the premises; and earned income. The project is now going to develop an interregional dialogue with neighbouring areas in Poland and the Czech Republic.

3.4. Success factors

Discussion of the case during the workshop at Tivoli revolved around the following factors of the project's success:

- it benefited from the **passion** and **leadership** of the local promoters
- it stimulated **endogenous** growth, by identifying and exploiting the locality's existing resources (skills, markets, premises)
- It used an **integrated** range of tools, addressing the issues of premises, social networking and organisational counselling, as well as training for empowerment and in vocational and managerial skills
- it stimulated **entrepreneurship** by bringing individuals together in an environment where they could develop business ideas
- it **influenced public programmes** by talking to policy-makers
- it used an appropriate **mix of organisational types**: broad **networks** to assemble opinions, ideas and skills and to build consensus, and more formal

associations where structured dialogue, accountability and benchmarking are the issues.

4. Policy recommendations



A single labour market: Certain legal frameworks impose a horizontal bar across the labour market, dividing it between a 'first' labour market open to full and free competition, and a 'second' labour market that provides jobs for

disadvantaged people that benefit from public subsidy. A complementary part of such legislation is often that subsidised social employers are prohibited from competing with conventional firms. Whilst the subsidies provided do play a very positive role in palliating exclusion, the system can in fact be counter-productive as it acts in some way as a barrier to full inclusion, as it prevents employees of social firms bettering themselves by launching competitive market activities. It can thus tend to perpetuate exclusion. The division is false and an easy 'upgrade path' should be provided between subsidised and non-subsidised work.

Endogenous growth: economic development policies that focus on attracting inward investment into high-technology activities are a very expensive way to create jobs (for example the cost of each job in the Infineon chip factory in Dresden is €1.5m). EQUAL shows that new markets can be created within deprived areas. Needs and skills exist that can be matched together, resulting in a raised quality of life along with a raised economic activity and prosperity and reduced exclusion. Some important factors in enabling this endogenous growth to take place are: (a) the existence of meeting places, where people can discuss and develop ideas; (b) the existence of childcare facilities that allow all job-seekers, including women, to become active.

Nurture an entrepreneurial culture: No innovation, no venture into the unknown, is possible without taking a risk, and it is therefore necessary to build a cultural climate where risk-taking is accepted. In doing this, useful tools are **role models** – preferably people who have succeeded in business and are also close to the target group, and therefore make credible messengers. **Ambassadors** and inspirational speakers can be effective motivators. However successful examples from far away can also bring inspiration, and this is one benefit of **transnational partnership**. Create news by involving well-known personalities. Take care to make messages concrete and understandable, and use widely-read media to spread them (for instance mainstream business advice websites).

Contain risk: running a successful business is all about the successful management



of various risks, but some risks are too great as to be real deterrents to enterprise. Dependency should be discouraged, but mechanisms to limit risks such as the loss of one's home if the business fails – loan guarantees and

bankruptcy laws for example – can help to optimise the level of risk new entrepreneurs are expected to face. And more importantly these must be some **upside** risk – some reward for success. This reward does not necessarily have to be limitless material wealth, as social entrepreneurs are often motivated more to earn an honest living and be respected by their peers. **Awards** for success can provide the right sort of recognition.

Tap the right sources: In the feasibility study and market research phase, it can be illuminating to consult two sources: (a) people who have emigrated away from the area, who will tell you what it is that the areas lacks; and (b) the labour office, who will have a good idea of labour demand. Equally, local employers can be useful by **seconding** managers or by including social enterprises in their **supply chains**.

Create meeting places: if the people of a locality are to be empowered to act to improve their own situation, they require a space in which they can meet to exchange and develop ideas. One model is the semi-formal and practice-oriented *tavolo di concertazione* through which local authorities in Italy consult the social partners and local community organisations. Networking does not come cost-free, and these *tavoli* are not only flexible but cheap to run.

Write inclusion into procurement: public authorities should ensure that their procurement practice makes use of the scope to include social objectives such as the employment of disadvantaged people among the objectives of purchasing (that is to say they should be included as selection criteria, not as award criteria).

Calculate cost-benefit: evaluation should be done, and its evidence then used to good effect. When preparing regional strategies, social benefits should be included when assessing the returns to social spending.