

## A SMASHING IDEA – WITH BENEFITS ALL ROUND

**Finland's ELWARE partnership focused on developing social firms in electronics recycling, and has shown the way forward for environmental and vocational training policy, as well as for corporate behaviour. It has started two new social firms, prepared the ground in the regions for further start-ups, and contributed proposals to the review of the law on social enterprises.**

Europe is estimated to throw out some six million tonnes of electrical and electronic waste every year – that's 130 kilograms per head of the population. Recycling some of this was the field that the ELWARE development partnership chose to develop in the EQUAL initiative.

Recycling is a sector of industry that is uniquely suited to social enterprises that seek to integrate disadvantaged people into the workforce.<sup>1</sup> It has a social mission, as it is clearly worthwhile to society for its benefits to the environment. It can make a sizable labour market impact because is quite labour intensive, it offers accessible jobs that have relatively low skill demands yet offer some therapeutic contact with mainstream society. As an economic proposition it is growing, while from the political point of view, its novelty means it does not directly threaten any existing commercial interests. Finally, its shape is driven by European environmental legislation, so it seems an obvious match for a European initiative such as EQUAL. Finland offers a case of leadership in this field.



*Finnish president Tarja Halonen tries on a brooch made from a transistor, at the InnoFinland 2003 award ceremony, watched by Mauri Korhonen and Raimo Salmi from social enterprise Tervatulli.*

The idea took seed when in 1996-98 STAKES, the National Research and Development Centre for Welfare and Health, co-ordinated 41 Horizon projects in Finland. STAKES, which comes directly under the Ministry of Health and Social Affairs, has about 400 staff, mostly working in a majestic former warehouse by the harbourside in Helsinki. Some of these local or regional projects aimed to start up social firms, and the concept of a social firm became more widely known and understood. Project manager Eeva-Marja Loukola got the feeling that they were nibbling at the edges of a much more important underlying issue. "I heard of Finland's first social firm, Tervatulli,<sup>2</sup> started by Mauri Korhonen in Oulu in the northern part of the country, and started discussing the problems of integrating the long-term unemployed," she recalls. "STAKES prepared a set of recommendations, which they presented at the closing seminar of Horizon. One recommendation was to promote social firms." STAKES therefore decided to run an EQUAL project to actively investigate the process of starting a social firm and what the conditions for success are. The initiative has been quite a success, as the country now has 31 social firms, employing some 300 people.

<sup>1</sup> It accords with guideline 18 of the *Integrated guidelines for growth and jobs (2005-2008)* – ensuring inclusive labour markets for job-seekers and disadvantaged people – as well as guideline 14 – encouraging the adoption of environmental technologies. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)

<sup>2</sup> [www.tervatulli.fi](http://www.tervatulli.fi)

## A WAVE OF START-UPS

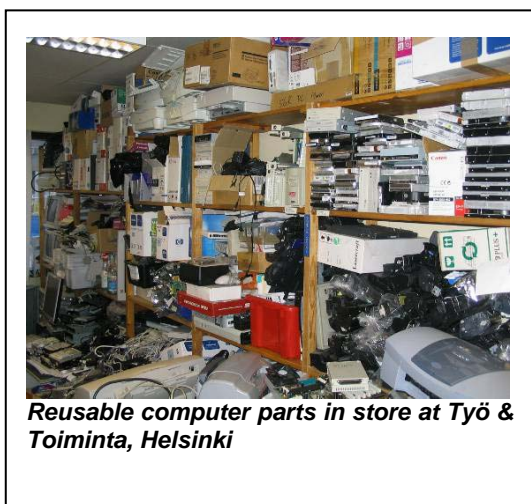
---

The partnership focused much of its attention on establishing two new social firms. The first, Elwira, is located in Kemijärvi, just north of the Arctic Circle in central Lapland, and provides 15 jobs, half of which are occupied by disadvantaged people. It is an area that is in great need of jobs, since unemployment runs at 20% and 300 existing jobs in telephone manufacture have recently been lost to China. The other new firm is Neo-Act in Helsinki, which carries out industrial contracts. Three more social firms have subsequently been established in the field of recycling in different parts of Finland. In the future, Tervatulli plans to open a new social firm even further north, in Muonio, close to the Swedish and Norwegian borders. After all, it now collects waste from four countries – not only Finland, but Sweden, Norway and Russia too.

However the project's efforts to create new enterprises and jobs in the far north did not please everyone. "A recycling firm in the south fought hard to keep their monopoly, and claimed that public money was being misused," Ms Pöyhönen remembers. "What they did not know was that they could claim the same subsidy as we did – if they chose to employ disadvantaged workers. So we said – please do so!" This underlines one of the chief benefits of social firms – they will employ marginalised people whom conventional firms have consistently ignored, even if they can get their labour for free. "When all the emphasis is on efficiency, companies have no time to train workers or to operate a diversity policy. So once you have been out of work for over a year, you are already stigmatised. Social firms have a chance of bridging the gap between unemployment and the needs of employers," – and thus reducing structural unemployment.

Any social firm can claim a national government wage subsidy of about €770 a month, and in some cases the municipality will top this up, but this introduces an element of unpredictability because local authority budgets vary from year to year, so the total subsidy goes up and down. This can lead to the problem of 'skimming', where social firms are obliged to select the most productive of the workers in the target group, so as to be able to compete and survive economically. Clearly a subsidy which is adapted to the individual's level of disadvantage would be a better tool.

"A social firm is a step in the reintegration path that comes after a sheltered workshop – it behaves more or less like a normal company. Employees have a standard employment contract at the wages set by collective bargaining, and normally have to work at least 75% of a full-time job. This is quite arduous for some individuals, so we suggest the law should be more flexible on this point," says Ms Pöyhönen.



Where do social firms come from? Some have their roots in sheltered workshops, which decide to convert to a more market-oriented style of operation. Some spring from associations promoting local development. Most of those in the recycling business are based on the model of Tervatulli in Oulu and of Työ & Toiminta in Helsinki.

Tervatulli was the first social firm in Finland. Its founder, Mauri Korhonen, was an engineer in a shipping company, and both his parents were deaf. Through this family connection, he knew that the vast majority of deaf people were destined to remain unemployed, and so he decided to do something about it. With the help of his sister, who worked in a large voluntary association, in 1996 he set up a firm to employ handicapped people,

starting in the welding business and then spotting recycling as a promising sector. It now provides work for some 35 people in metal fabrication (including wheelchair ramps and recycling machinery), construction, recycling and cleaning.

Five years later Mr Korhonen saw an opportunity to use EQUAL to spread the idea of social firms further. "I think he contacted STAKES because he thought we would be better at coping with the paperwork aspects of the EQUAL partnership," says Ms Pöyhönen self-deprecatingly. "And we

saw the recycling field as a very solid and down-to-earth business with a growing future, especially as the European WEEE (waste electrical and electronic equipment) legislation,<sup>3</sup> which would oblige producers to take back and safely dispose of household electrical goods, was about to come into force in August 2005.”

## ALADDIN’S CAVE

On an industrial estate on the north-eastern edge of Helsinki stands the premises of Työ & Toiminta ry (‘Work & Action’),<sup>4</sup> a 1,600 square metre warehouse stacked high with the most astonishing Aladdin’s cave of electronic equipment. Along the corridor are rooms with just space for a workbench squeezed in among a teetering jumble of slightly dusty televisions, radios and stereos. The basement is full of wonky bicycles. Out in the main store there is pallet racking to the ceiling, jammed with unwanted consumer durables, including dozens of wide-screen televisions, apparently already past their sell-by date. In a corner stand bins for four grades of reclaimed aluminium, copper and other metals. Against one wall stands a specialised workbench for dismantling cathode ray tubes, which are what make up the screens of televisions and computers. “You need to take great care with these, as the front of the screen is coated with a compound containing lead,” says the company’s genial managing director Kari Honkanen.

The business grew out of the unemployed association in the Vuosaari district of Helsinki, which Mr Honkanen ran. “We provided unemployed people with facilities such as a €1 lunch, use of a computer and newspapers, with financial support from the Ministry of Labour and the Slot Machine Association,”<sup>5</sup> he says. “One day we started a flea market, and more or less by accident it grew. People started bring in things they didn’t want, such as computers. One of our regulars knew how to repair them, and so the activity grew, and after a while we had to have it off into a separate association. Eventually in 1999 Helsinki city council gave us a grant for three years to set up Työ & Toiminta.”

The company is now big business, and typically gets through over 90 tons of computers in a single month – and could do more if it had more storage space. “We can sell about a fifth of what we receive whole or in parts, and the rest is dismantled. Some of the precious metals like gold and palladium even go as far away as Chicago for recovery. The vast bulk of what we recycle is computers, but we do take in other types of equipment such as washing machines from individuals.



## TOPSY-TURVY PRICES

The visitor can only be amazed at the high value of what some people throw away – next to the large number of wide-screen televisions stands even a translucent iMac computer. And sometimes less is more: one worker is doing nothing more than clipping the power cables off a wooden binful of transformers: in the looking-glass world of recycling, they are worth more without the cables than with them.

<sup>3</sup> Directive 2002/96/EC as amended by Directive 2003/108/EC, see <http://reuse.org>

<sup>4</sup> [www.kierratys.net](http://www.kierratys.net)

<sup>5</sup> The Slot Machine Association (*Raha-Automaattiyhdistys*, RAY) is a national membership body for NGOs, operating under the guidance of the Ministry of Social Affairs and Health, that holds a monopoly on slot machine and other gambling licences. Each year it allocates some €300 million of the resulting revenue to over 1,000 NGOs in the social welfare and healthcare field. See [www.ray.fi](http://www.ray.fi).

In this industry, prices have a habit of suddenly being stood on their head, too. Instinctively, you would expect an old computer to have a positive residual value. But the WEEE directive has changed all that. Now that manufacturers have an obligation to take back their old products and recycle them, you have to pay to give such junk away. Työ & Toiminta accidentally accumulates pallet-loads of equipment made by manufacturers who have not signed an agreement with it. "We can't do anything with it, and the recycling tax goes straight into the national coffers," says Mr Honkanen, "so the easiest thing is to give it back."

Stricter regulation is causing similar upheavals in other markets. "A kilogram of plastic has the energy content of 800 grams of oil," says Mr Honkanen, "and we used to grind up the salvaged computer casings and sell them to the power company for incineration. Our output used to keep 20 homes warm. But from the beginning of 2006 this is no longer allowed on pollution grounds, so we shall have to pay to dump them. A lot of plastic is taken all the way to China for recycling."

Where does the equipment come from? Most comes directly from companies such as electrotechnical giant ABB – to whom Työ & Toiminta last year gave an award for the most responsible recycler – and under contact with manufacturers' federations. Other manufacturers, such as Electrolux, run their own recycling operations. This is the crux of the recycling business – the contracts with the manufacturers, who offer varying prices for different types of equipment, usually calculated per kilogram of material recovered. "We do not have any contracts with manufacturers to recycle white goods like washing machines and fridges," says Mr Honkanen, "although we do accept white goods from individuals."

And what happens to all the equipment that is so carefully rebuilt and tested? "Some goes to our second-hand shop a mile away," says Mr Honkanen, "and we also have a contract with the City of Helsinki to furnish homes for refugees. Some we even sell in bulk to people who build their own computers in Russia and Nigeria."

## A DIVERSE WORKFORCE

The firm employs around 70 people, of whom about seven are in administration. About half the workers are drawn from the long-term unemployed, and have spend over 500 days out of work. They receive a combination of benefits from the state and the municipality which gives them an income of about €1,110 per month, so that the net cost to the business is nothing. There are also some trainees, who receive their benefit plus an allowance of about €8 per day for expenses. "It's better than drinking!" is one workers' 'throwaway' comment on his working conditions.



**Skilled repairers (L to R), Mahdi Al-Rabiey, Moujid Abdel Ilah and Sergei Pushkin give old electrical equipment a new lease of useful life.**

Työ & Toiminta employs a wide range of workers, and does not try to skim off only the most capable. In a business where language is not the first priority, they take in a high proportion of foreigners, including many from Eastern Europe and Africa. "Since 1999 we have trained 700 people of 40 different nationalities, and we could take 50 more people right now – if the price was right," says Mr Honkanen. "For many of them, it is their first job, so they have to learn habits of timekeeping and regularity, as well as some Finnish. We give language lessons and try to arrange things so that foreigners and native speakers work in pairs." The firm seems quite popular as an employer, because a number of workers turn up at the doorstep under their own steam, and have to be sent to the employment office to register before they can be taken on.

After they have spent up to two years at there, Työ & Toiminta tries to place workers in permanent jobs elsewhere, a task which is successful in about a quarter of cases. The rest go back on the dole. "The deal is that they get work for one or two years, and then have a better chance to get a permanent job," says Mr Honkanen. "So there is a strong incentive to work, but

we don't give people false hope." A few 'graduates' have even started their own businesses – in fields such as restaurants or, of course, repairing televisions. But without the right qualifications this is an uphill struggle.

The business thus serves at least five policy goals: it contributes to environmental policy by cutting the need for landfill; it reduces pollution by separating our heavy metals and other toxic components from the waste stream; it improves social cohesion by employing 70 people who would otherwise face exclusion; it trains a specialist workforce in a growth sector; and it relieves poverty by raising the living standard of some of Helsinki's poorest residents.

## **BOTH USE AND ORNAMENT**

---

It is this kind of long-range thinking – creating new markets by matching several different but complementary needs – in this case environmental, employment, social integration and poverty – that led to Tervatulli's winning the annual InnoFinland Award in 2003. "In the recycling sector, social firms fill a gap by really thinking about the capacities of workers, and by co-operating with conventional companies," says Ms Pöyhönen. "Both sides benefit." At the award ceremony, Tervatulli's founder Mauri Korhonen presented the company's operations to the Finnish President Tarja Halonen, who thought that some of the electronic components were quite beautiful. This spurred Mr Korhonen to give the idea of 'tuning in to your transistor' a new twist. To show how versatile old electronic components can be, he made a pair of earrings and a bracelet out of old transistors – and presented them to the president, who was duly impressed. Now Helsinki University art school is investigating what other new products can be made from waste.

## **A SERIOUS INTERNATIONAL BUSINESS**

---

The partnership behind the new social firms within Finland is rather limited, and it seems that neither the co-operative nor the environmental movement has yet woken up to their potential. But the project is clearly situated in a pan-European frame, as befits an industry that is responding to European legislation in an electronic equipment market that is global. "Being part of a larger movement, via RREUSE,<sup>6</sup> means that we can learn from other's experience," Ms Pöyhönen says. "It lends us credibility too in a number of ways, which is helpful, as at first a lot of people were sceptical. It is good to be part of a network whose members operate 900 recycling centres and employ 40,000 people, and which European Commissioner Margot Wallström thought important enough to listen to." Structures have grown up over time to keep pace with the sector's development. Tervatulli was the original partner in RREUSE, but has now passed on the baton to SEKY, the Finnish Electronics Recyclers' Association. The next stage under discussion is the creation of a stronger trading vehicle, embodied in a European Economic Interest Group (EEIG), to promote an international brand.

The Finns joined in two transnational partnerships, having found their partners through the EQUAL Common Database. "We learnt a lot from our experience in the SENECA (Social Economy Network for Environmental Cooperation Activities) transnational partnership, especially from our Austrian partners. For instance SYTrim, the new EQUAL partnership led by Oulu University, is addressing another new environmental market – producing biodiesel from old frying oil – as has been piloted by Ökoservice in Graz," says Ms Pöyhönen. "Similarly, the 'Mind the Gap' partnership gave us access to experiences in Germany – in fridge recycling – and the Netherlands."

## **BIG PEOPLE WANT BIG RESULTS**

---

The project has had a range of impacts. "We did the groundwork that has led to impacts on manufacturers, on environmental policy, on corporate social responsibility and on vocational training," says Ms Pöyhönen. But the prime objectives were to improve the practical conditions under which social firms are working, and the project lobbied parliamentarians and companies on

---

<sup>6</sup> Re-Use and Recycling European Union Social Enterprises, <http://rreuse.org>

this. Both Mauri Korhonen and Kari Honkanen have appeared before a parliamentary committee to press for improvements to the social firms law.

The project also strengthened the capacity of the recycling sector to drive its own growth. The project developed SEKY from a paper network into a functioning lobby representing ten social firms and taking part in RREUSE at European level.

In terms of changing the broader business culture, Tervatulli has acted as an example to more conventional firms, who have perhaps seen how ethics can be incorporated into business. Tervatulli, Elwira, Kiepura and Työ & Toiminta have since made agreements with Elker, a 500-strong manufacturers' federation that was founded in March 2004 to organise the collection and recycling of electrical and electronic equipment waste in Finland. "This was maybe the most important outcome of the ELWARE project – that we were able to establish our social firms as reliable business partners for some of the largest private companies in the field", says Ms Pöyhönen.

"We struck lucky with the Ministry of the Environment, over the implementation of the WEEE directive", recounts Ms Pöyhönen. "The person who was in charge of this was also a member of our ELWARE steering committee, so social firms had a strong link to the policy-making process. This counterbalanced the weight of the large companies, who would have preferred to bury or burn waste rather than reuse or recycle it." ELWARE's strategy was to ensure that social firms were in at the start and had a piece of this new and growing market. The big companies still seem ambivalent. "We had a representative of the electronics manufacturers on our steering committee, and he was able to tell us what the industry's requirements were. He recognised that working with social firms was good for the industry's image – but he still would not go as far as funding us."

## A NATIONAL NETWORK

---

One tool the partnership used to embed an awareness of social enterprise was a national thematic network under the EQUAL banner.<sup>7</sup> It tendered for a budget from the ministry to manage the network, which was one of five that were set up, the others concerning employability, adaptability, equal opportunities and asylum. Its membership consisted of all six development partnerships in the theme.

The network took to the road and organised five regional seminars to promote social enterprise, based on the existing local examples, thus directly reaching some 350 people. The subject covered varied from region to region, but included human resources management, business start-up support, finance and recommendations for legal reform.

Network members also organised a series of workshops to draw up a set of recommendations for social enterprise, which have been distributed in booklet form. The booklet is entitled *Integrating Social Enterprises into the Mainstream* and was published in both Finnish and English. The network also published a book called *Yhteisötaalous ja sosiaalinen yrittäjyys (Social Economy and Social Entrepreneurship)* that presented articles from representatives of the public, private and social economy sectors. The book has exhausted its first print run of 3,000 and is now being reprinted. It has been distributed to the EQUAL development partnerships and their contacts, to the ministries – the Labour Minister Tarja Filatov contributed a chapter – and parliamentary committee members, as well as to business development agencies. "On the one hand this fulfils a promotional role as we need to make business advisers aware of the options and potential that social enterprises offer," says Ms Pöyhönen. "On the other hand it is a policy document. The law on social enterprise<sup>8</sup> came into force two years ago at the start of 2004, and is now under review. It is a helpful law, but it was drafted too fast. It defines social enterprises very strictly, so we are pressing for a broader definition. We think the law could be improved in several ways: the level of subsidy, an option for tax relief, a stronger focus on job creation, widening it to cover other target groups. For instance as the law currently stands, at least 30% of employees have to be

---

<sup>7</sup> [www.elware.fi/teematyo](http://www.elware.fi/teematyo)

<sup>8</sup> law 1351/2003

registered as unemployed. This excludes mentally ill people, who are not on the employment register.”

There is also an issue of government perceptions of social enterprises. “At the moment start-up support is provided by the VATES foundation, which is supported by the Ministry of Labour and the Slot Machine Association. However, this is a temporary project which will finish next year. What we need are permanent solutions, which means incorporating social enterprises into the mainstream business advice structure in Finland. As we state in the Development Recommendations, the Ministry of Trade and Industry and business advisers should treat social enterprise as a mainstream issue as well.”

A third area where change is called for is in finance. “There is no ethical investment sector in Finland, and banks take no account of social aspects and tend to look at the presence of disadvantaged workers purely as a risk. A special investment fund is needed,” says Ms Pöyhönen.

An added push to this sectoral development will be given by the national Forum for Social Entrepreneurship<sup>9</sup> that forms part of the work of the HOT development partnership in EQUAL’s second round. It has the virtue of bringing together people who would not normally talk to each other about how to create more jobs and develop a more mixed provision of social services. “It involves industrialists, trade associations, governors, mayors of the big cities, researchers and social enterprises, and operates at a high political level – in fact it is chaired by the husband of Finland’s President, Mr Pentti Arajärvi,” says Ms Pöyhönen.

## CONTACT

---

**DP name:** ELWARE – Social firms specialising in electrical waste recycling

**DP ID:** [FI-15](#)

**National partners:** STAKES, Tervatulli Oy, Työ & Toiminta ry, Kiepura Oy, Service Foundation for the Deaf

**Transnational partnerships:**

TCA 237 SENECA (Social Economy Network for Environmental Co-operation Activities) – partners: AT-3-08/135 RepaNet – Reparaturnetzwerk Österreich, CZ-3 Employment of disabled – Waste separation, IT-IT-G-VEN-038 Intesa per lo Sviluppo della Cooperazione Sociale, IT-IT-S-MDL-216 Fare Impresa Sociale nell’Ambito delle Fonti Energetiche Rinnovabili; TCA 665 Mind the Gap – partners DE-EA-64929 Second Chance, NL-2001/EQD/0002 Direct Access To Work (DATW)

**Contact:** Eveliina Pöyhönen

**Address:** STAKES (National Research and Development Centre for Welfare and Health), PO box 220, Lintulahdenkuja 4, 00531 Helsinki, Finland

**Telephone:** +358 9 3967 2617

**E-mail:** [eveliina.poyhonen@stakes.fi](mailto:eveliina.poyhonen@stakes.fi)

**Website:** [www.elware.fi](http://www.elware.fi)

---

<sup>9</sup> [www.syfo.fi](http://www.syfo.fi)