



Peer Review
in Social Protection
and Social Inclusion

Social entrepreneurship

and other models to secure employment for
those most in need

SHORT REPORT

Croatia, 29-30 October 2013

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The Peer Review on **Social entrepreneurship and other models to secure employment for those most in need** took place in Zagreb, Croatia on 29-30 October 2013. The host organisation was the Croatian Ministry of Labour and Pension Systems. The participating peer countries were the Czech Republic, Finland, France, Greece, Italy, Lithuania, Romania, Slovenia and the UK. The European Network of Social Integration Enterprises (ENSIE) participated as stakeholder organisation in the event. The Thematic Expert was Roger Spear from the Open University in the UK.

1. The policy under review

The current economic crisis has encouraged EU Member States, including Croatia, to examine alternative models of economic development to deal with rising unemployment – especially among young people – the shortage of public finances and the risks of social exclusion. The social economy has shown itself to be relatively resilient in the economic crisis, because it tends to be rooted in local communities, suggesting that lessons can be learned and economic and social objectives achieved by promoting this sector. The first day of the Peer Review focused on strategies for developing social entrepreneurship, while the second was dedicated to programmes for the employment of disadvantaged groups, and specifically young people – for example through youth entrepreneurship.

Social entrepreneurship: In May 2013, the Croatian Ministry of Labour and Pension Systems, in cooperation with other stakeholders, began to develop a Strategy for Social Entrepreneurship 2014-2020, which should be adopted by the government by the end of 2013. Its aim is to provide a stable and supportive framework for social enterprises in Croatia, which until now were not specifically recognised by law, or distinguished from traditional businesses with regard to access to finance, services or tax incentives.

Inspired by the European Commission's 2011 Social Business Initiative, the strategy focuses on five key areas:

- Institutional and legal framework;
- Access to financial capital;
- Education on and for social entrepreneurship;
- Visibility;
- Horizontal issues (research and monitoring).

NGOs and civil society drove the initiative. A leading stakeholder is Slap (Waterfall), the Association for Creative Development. It helped to set up an informal network, the Forum of Social Enterprise (SEFOR) in 2009, with IPA programme funding. This in turn led to a national network of support centres (CEDRA) bringing together 80 organisations, and providing education, research and business counselling.

The Ministry of Labour and Pension Systems is coordinating the drafting of the Strategy, with the involvement of several other Ministries. The provisional definition of social enterprises is *"business ventures that are based on the principles of socially, environmentally and economically sustainable business that invests profit/surplus completely or partly for the benefit of the community."*

Before finalising the Strategy, Croatia took the opportunity to learn from other countries' experience. Croatia's strengths include a long tradition of students' cooperatives (150 years), but current weaknesses are a lack of legislation and financial instruments, a need for education and a professionalised management structure, and absence of evaluation measures.

Employment of disadvantaged groups: To address the severe problem of jobless young people, Croatia was one of the first Member States to introduce a Youth Guarantee. Figures for April 2013 showed a youth unemployment rate of 51.8%, creating a serious threat to the skilled workforce of the future. The Youth Guarantee now comprises 23 different measures, implemented in cooperation with the Croatian Chamber of Economy and the Croatian Chamber of Trades and Crafts. The main goal is to offer all under-29-year-olds a job, ongoing education, training or an apprenticeship within six months of becoming unemployed or leaving formal education. Funding comes from the European Social Fund (ESF) or national resources.

2. Key issues discussed during the meeting

The definition of social enterprise and social entrepreneurship was discussed, with some peer countries pointing out that while the term may be clear in English, it is not always so easy to translate into other languages. It is particularly problematic in some newer Member States where 'social' can be confused with 'socialist' and provoke a hostile reaction. Definitions vary across Europe, and indeed the UK wondered whether any definition at all is unnecessarily restrictive. Lithuania by contrast has a very specific definition, also designed to distinguish social entrepreneurship from corporate social responsibility. In France, the aim is to demonstrate that the social economy is part of the global economy.

Some recommendations suggested building on what already exists. The success of existing social cooperatives in Italy, for instance, led to the enactment of legislation, rather than the other way round.

Consultation with stakeholders in the sector is crucial, and decision-making must be democratic. Croatia has set up a working group with 60 participants including NGOs, banks, social partners, businesses and public authorities.

Funding was a major topic for debate. The European Social Fund is a prime source, especially through thematic objective 9 (promoting social inclusion and combating poverty), for example to finance projects for the education and employment of disadvantaged groups. Regional Development Funds are also available for investment. Croatia is in the process of setting up a private ethical bank. In countries severely hit by the economic crisis, it is particularly difficult for social enterprises to secure funds because investors tend not to understand their nature. As public finances are becoming tighter, a number of countries are exploring other innovative tools and sources such as crowd-funding and competence partnerships.

There was a broad consensus that public-private partnerships are essential. In the UK, the Big Local programme has set up a trust to finance social entrepreneurship initiatives in 150 regions. UnLtd is working with a wide range of partners including colleges and universities, businesses and local authorities. Being part of a network is very important and people value support from peers.

The EU has proposed that national authorities should adapt public procurement rules to accommodate social enterprises: for example to allow for social considerations to be taken into account in tendering. The draft directive also provides for reserved contracts linked to the integration of 30% of disabled people. These could be extended to cover all disadvantaged groups.

In short, it is necessary to create an 'eco-system' or climate that fosters and supports social entrepreneurship. Social enterprises must have the opportunity to 'scale up' and go transnational. France has set up a financial instrument to give support during the crucial period of transition from a small initiative to a sustainable business. Romania

sees the economic crisis as an opportunity to boost innovation, and is aiming to develop business incubators.

To see how networking and support can work in practice to foster social enterprise, the Peer Review participants made a site visit to the Hub centre in Zagreb. Set up as social enterprise where fee-paying members can find a variety of resources including work space and business advice, the Hub took two years to build a community. It now has 40 regular users from different industries ranging from IT to textiles. 90% of staff are volunteers who do other jobs to support themselves financially. Participants heard testimonies from member organisations such as NGO Roda – Parents in Action, which in 2006 set up a social enterprise to manufacture cloth nappies, reinvesting its profits in the community. The Humana Nova social cooperative employs 15 disabled people to make textile products from recycled materials.

3. Key learning elements

A. Developing an appropriate broad policy framework

- Create a pluralist economy; requiring internalisation of external costs (social and environmental), as social enterprises frequently do already;
- State aid can be used to support disabled/disadvantaged groups, since small grants do not distort competition;
- Public Procurement could allow for regulations for reserved contracts for work integration of disadvantaged groups;
- Procurement competition based simply on lowest cost fails both to deliver public value and to recognise the added social value provided by social enterprises – and social value can be specified in procurement contracts.
- On the other hand, it is important to support the role of public authorities in ensuring that social enterprises are not disadvantaged, since frequently there is not a level playing-field in procurement markets;

B. The economic crisis as an inspiration for learning and adaptation

- **Diversifying Resources:** the crisis has created huge pressure on public budgets; but the concept of a support ecosystem emphasises that actors other than the state can play key roles in diversifying sources of support; this includes re-orienting social economy actors to new challenges, attracting CSR resources into the field, and exploring public/private collaborations.
- **Bottom-up social innovation and scaling:** community-based social enterprises are close to social needs, and provide innovative responses; they can also replicate and scale new models.
- **Models of social innovation** can be transformative if diffused and replicated, but this requires adaptation and contextualisation to ensure that local ownership is developed and local specificities incorporated. This includes incubators for socially innovative start-ups, using web technologies, etc.;
- **Finance:** start-up finance may be available, but it is important to ensure resource availability is matched to all phases of the growth cycle;

- **Networking support** – both formal and informal is an essential complement to other resources; it helps build capacity for effective use of resources; it provides support for entrepreneurship (e.g. France CAE business and employment co-operatives, and as incubators in the Croatian Hub); it helps spread best practice; and it provides the capacity for combining scale with localism for example through *consorzi* (local federal bodies);
- **Importance of institutional recognition:** Croatia has rapidly developed an impressive policy, effectively combining high-level support with bottom-up networking; even well-developed social economies like France have benefited from higher-level ministerial recognition of the social economy.
- **Work integration:** there is a need to expand employment opportunities from disabled people to other disadvantaged groups. The Youth Guarantee is very important but should not crowd out other unemployed groups.

4. Contribution of the Peer Review to Europe 2020

Social entrepreneurship can contribute significantly towards achieving the objective of the Europe 2020 strategy: building smart, sustainable and inclusive growth, by fostering employment and social cohesion.

In line with the Social Business Initiative, social entrepreneurship provides innovative responses for increasing employment, promoting social inclusion for disadvantaged groups, and combating poverty. In this way, it contributes to the objectives of the Social Investment Package, offering Member States an opportunity to foster, at relatively little cost, new employment opportunities that provide a way into the labour market for young people and disadvantaged groups such as disabled people. Supporting the social economy can help Member States to meet the existing challenges of social exclusion and record unemployment.

The Croatian strategy is also inspired by the European Platform against poverty, a flagship initiative aiming to ensure social and territorial cohesion through a framework for action and joint commitment by Member States, EU institutions and stakeholders to fight poverty and social exclusion.

Work Integration Social Enterprises (WISEs) contribute to the EU's sustainable and inclusive growth through empowering workers and consumers, reinforcing skills and training, and because they are very often involved in environmentally friendly activities such as repairs and recycling, helping to generate a low-carbon economy.

WISEs support the Europe 2020 flagship initiative for developing skills and promoting labour participation by investing in training for disadvantaged people. At the same time they contribute to the modernisation of welfare systems by integrating people in poverty into the labour market and thereby diminishing dependence on social benefits. They reinforce educational objectives by encouraging people to learn and update their skills, and promote research and innovation through creating new products and services that address social challenges and needs.