



# **A map of social enterprises and their eco-systems in Europe**

## **Country Report: Sweden**

**European Commission**

*This report provides a non-exhaustive overview of the social enterprise landscape in the Sweden based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.*

*The information and views set out in this publication are those of the author(s) and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained therein.*

*The rights relating to this study and those pertaining to its duplication and publication will remain the property of the European Commission. Any document based, in full or in part, on the work completed under this contract, may only be transmitted or published with European Commission's permission.*

A report submitted by ICF Consulting Services



Date: 31 October 2014

Charu Wilkinson  
Lead Managing Consultant  
+44 (0)782 794 6021  
[\*\*charu.wilkinson@ghkint.com\*\*](mailto:charu.wilkinson@ghkint.com)

ICF Consulting Services  
Limited Watling House  
33 Cannon Street  
London  
EC4M 5SB  
T +44 (0)20 3096 4800  
F +44 (0)20 3368 6960  
[\*\*www.icfi.com\*\*](http://www.icfi.com)

## Document Control

---

<b>Document Title</b>	A map of social enterprises and their eco-systems in Europe
<b>Prepared by</b>	Mattias Wihlborg (ICF), Malin Gawell (country expert), Eva Johansson (legal experts)
<b>Checked by</b>	Charu Wilkinson

---

## Contents

<b>Headline summary</b> .....	<b>i</b>
<b>1</b> <b>Definitions and concepts of social enterprise in Sweden</b> .....	<b>1</b>
<b>2</b> <b>The ecosystem for social enterprise in Sweden</b> .....	<b>4</b>
2.1      The policy and legal framework for social enterprise.....	4
2.2      Public support schemes targeting social enterprises.....	5
2.3      Other specialist support and infrastructure available to social enterprises.....	7
2.4      Networks and mutual support mechanisms .....	8
2.5      Marks, labels and certification systems .....	9
2.6      Social investment markets .....	9
2.7      Overview of the key actors in the social enterprise ecosystem .....	13
<b>3</b> <b>Mapping social enterprise activity in Sweden</b> .....	<b>15</b>
3.1      The spectrum of social enterprises in Sweden .....	15
3.2      Application of operational definition: determining the boundaries .....	16
3.3      Measurement of social enterprises .....	17
3.4      Characteristics of social enterprises .....	18
3.5      Summary of mapping results .....	21
3.6      Opportunities and barriers .....	24
3.7      Future perspectives.....	24
<b>Annex 1</b> <b>Comparative overview of legal forms commonly used by social enterprises in Sweden</b> .....	<b>26</b>
<b>Annex 2</b> <b>List of Information Sources</b> .....	<b>33</b>

## Headline summary

### Definition(s) and concepts

Sweden has a long tradition of social engagement and third sector involvement, including through the popular mass movement.

Concepts such as “social economy” and “social enterprise” are relatively new in Sweden and are used alongside more traditional terminology such as cooperatives, not-for-profit organisations and civil society organisations.

The term social enterprise tend to be associated with work integration social enterprises (WISEs) and/ or civil society organisations in Sweden. To a considerable extent, this reflects the existence of a targeted national policy towards WISEs and the lack of a commonly recognised and used definition for social enterprises more broadly. This is, however, not to say that other types of social enterprises do not exist. It simply implies that such social enterprises operate without reference to the term social enterprise. Indeed, other social enterprise-related terms and concepts commonly used in Sweden include idea-based organisations and societal entrepreneurship.

### Policy and legal framework

There is no legal form that is specifically designed for use by social enterprises in Sweden. Social enterprises use adaptations of the cooperative (economic association), non-profit association, limited company, limited company with distribution restriction and foundation forms to carry out their activities. The most commonly used legal forms adopted by social enterprises are the cooperative, non-profit association and limited company which are adapted to provide for a social purpose in their constitutions.

The Swedish Government among others recognise the work integration social enterprise (WISE). This recognition can be obtained by an organisation that operates with the aim of integrating people into society and working life and creating involvement by co-workers. WISEs are required to reinvest profits into furthering their aims and be independent of public authorities. However these WISEs are governed by the same laws as any other enterprise of the corresponding legal form. There are no incentives that attach to being recognised as a WISE. There is no recognition of, or incentives for, social enterprises that carry out other social purposes.

### Public support and initiatives

Public support and initiatives are primarily targeted at WISEs and/ or cooperatives.

### Networks and mutual support mechanisms

There are a number of networks and mutual support structures that are directed at particular types of social enterprises, including most notably WISEs and/ or cooperatives.

### Marks, labels and certification systems

There are no marks, labelling schemes or certification systems for social enterprises in Sweden.

### Social investment markets

There is no real social investment market in Sweden. With the exception of a couple of banks (Ekobanken and JAK banken), social enterprises are treated the same as mainstream enterprises. There are no specialist intermediaries or financial products catering to the specific business models and/ or needs of social enterprises.

### Spectrum of social enterprise

In the absence of a clear definition of social enterprises in Sweden, the term tends to be equated to WISEs and/ or applied in a more general sense (i.e. “social purpose businesses” and/ or organisations based on non-profit principles). As a result, it is difficult to distinguish social enterprises from WISEs and/ or the wider social economy.

In terms of WISEs, there are many different forms of governance that are used, including social work cooperatives, not-for-profit organisation, staff cooperatives and community enterprises.

### **Scale and characteristics**

There are around 300 WISEs in Sweden, most of which are organised as social work cooperatives (and which adopt the legal form of economic association). This represents a doubling since 2007. WISEs employ some 2,600 people and activate a further 6,500 through work placements, subsidised employment, internships, etc. Beyond WISEs, there is currently very little data and information regarding social enterprises.

An important characteristic of many social enterprises in Sweden is that they are still closely connected to the public sector and heavily dependent on public funding. With regards to WISEs, this can largely be explained by the close connection between WISEs and active labour market policies. For other types of social enterprises, the public sector often represents the primary procurer of products and services. For example, social services are still generally publically funded, although increasingly provided by non-public sector providers.

### **Factors constraining the start-up and development of social enterprise**

There are a number of barriers that impact on the creation, growth and development of social enterprise development. These particularly relate to access to finance and public procurement opportunities.

Recommendations have been drawn up to address these barriers and the successful implementation of the proposed measures is likely to be an important determinant of the future trajectory of social enterprises in Sweden.

# 1 Definitions and concepts of social enterprise in Sweden

Sweden is widely recognised for its universal and comprehensive welfare state and it is therefore commonly thought that the Swedish third sector is not very well developed (Stryjan, 2001, in Borzaga and Defourny, 2001, *The Emergence of Social Enterprise*).

This perception does, however, not reflect reality in Sweden, which has a long tradition of social engagement and third sector involvement. The fields of activity, and the associations which characterise it, however, differ from its European counterparts, with Swedish third sector organisations traditionally, and primarily, engaged in the fields of culture, leisure, adult education and interest representation. Moreover, until recently, relatively few organisations were engaged in actual production of goods and provision of welfare services (Stryjan and Wijkström, 1996).

Notably, the composition and societal positioning of the Swedish third sector, and hence social enterprises, has been influenced and shaped by a number of institutional developments over the last couple of centuries:

## *The emergence of the social movement*

The institutional origins of the Swedish third sector can be traced back to the social movement which emerged in the early to mid-1800s (although before this mutual social insurance arrangements, charitable societies and the parish councils also help shaped the development of the Swedish welfare state and the third sector). The first of these emerging social movements was the temperance movement in the early 1830s. By the end of the century, major popular mass movements and associations had been formed, including free churches, the labour movement, consumer cooperatives, the sports movement and adult education institutions (Stryjan, in Borzaga and Defourny, 2001). Importantly, the popular mass movement differed from the mutual social insurance arrangements and the charitable societies in a number of respects. For example, it had a much wider remit and was populated, defined and organised by its members. Moreover, the members contributed to the growth of the popular mass movement organisations through their voluntary work (Wijkström, 2012). This has, to a considerable extent, influenced ideas of organisational models in the Swedish civil society, which traditionally have been characterised by “open” associations with democratic governance.

## *The establishment of the welfare state*

From the 1930s, the provision of social and welfare services were gradually taken over by the state and municipalities; maturing into a universal and comprehensive welfare state with a broad array of welfare services administered and produced by the public sector (Pestoff, 1991; Stryjan, 1994). Underlying this model was a clear division of tasks among the organised societal sectors: the public sector, private enterprises and the popular mass movement. In this division, the private enterprises were tasked with production and accumulation (Erixon, 1996), whilst the public sector administered (re)distribution (Abrahamsson and Boström, 1980) and provided welfare services. This left the popular mass movement to focus on the articulation of interests, and on central aspects of consumption (Lundström and Wijkström, 1997; Stryjan, in Borzaga and Defourny, 2001). So, rather than having a direct role in the provision of welfare services, there was a tacit assumption that the third sector would, of their own accord, identify, and mobilise to meet, the social needs that had not yet been met by the state and municipalities, thus acting as a pathfinder and a corrective tool for the public sector (Lundström and Wijkström 1997; Stryjan, in Borzaga and Defourny, 2001).

Notably, voluntary and charitable organisations were effectively barred from involvement in “job creation” or integration, in the ordinary sense of the term. Instead, a system of wage subsidies was introduced to offset the disadvantages of handicapped people on the labour market. Furthermore, a network of state-run sheltered workshops - Samhällsföretaget (later renamed Samhall) - was created to accommodate those capable of regular work who did not find employment. Also a number of other public initiatives developed different kinds of activities for these groups. A substantial group of people were also defined out of the labour market altogether, through measures such as early retirement, disability pension, indefinite sick-leave or institutionalisation (Stryjan, in Nyssens, 2006).

## *Introducing competition and consumer choice in welfare services*

By the 1980s and 1990s, national and international trends led to a reconsideration of the provision of welfare services. Indeed, since the 1990s public services have increasingly been subject to competition. The extent of that competition, and to a certain extent the model followed, varies between municipalities and regions (although in some areas national decisions overrule local and regional authorities). Whilst still being funded publicly, public procurement and consumer choice

have particularly been introduced to schools, primary care, psychiatric care, eldercare, and labour policy measures. This has resulted in the gradual emergence of markets for non-public service providers within the current welfare system (Gawell, 2013a, 2014).

Currently, private for and not-for-profit organisations compete on the same terms in the provision of such welfare services. In some areas large international for profit enterprises dominate, whilst in other areas smaller enterprises have been more successful. For example, work integration social enterprises have mobilised on a relatively small niche related to labour market policy initiatives (Tillväxtverket, 2012b). Various types of social cooperatives, including Basta in 1994, were established following changes to mental health care, and building on new ideas in relation to addiction treatment and working with former criminals. Notably, the direct involvement by social enterprises in the provision of welfare services represents a significant divergence from the traditions of the third sector.

Whilst Sweden has a long tradition of social engagement and third sector involvement, the term social economy was only introduced in Sweden after joining the European Union in 1995.

At the time, the term “social economy” was a slightly alien concept to many Swedish civil society organisations, including cooperatives, associations and the popular mass movement. As a result, a working group was set up in 1998 tasked with defining the social economy in a Swedish context and highlighting its importance to civil society. The definition proposed by the working group was simply that the social economy consists of “...organisations that have primarily societal purposes, builds on democratic values and that is organisationally independent from the public sector.”

Furthermore, it stated that “[t]hese social and economic activities are conducted primarily through associations, cooperatives, foundations and similar organisations. The organisations within the social economy have public benefit, or member benefit, not profit-making, as the main driver.” (Regeringen, 1999).

Notwithstanding the introduction of newer concepts such as social economy, social entrepreneurship, and social enterprises and civil society, the traditional concepts such as cooperatives, popular mass movement (“folkrörelse”) and not-for-profit associations (“ideella föreningar”) are still being used alongside these newer concepts.

Apart from the broad definition of the social economy set out above, there are few commonly recognised and used definitions of social enterprise and social entrepreneurship in Sweden. Discussions about social enterprises in Sweden tend to focus on work integration social enterprises (WISEs). WISEs were first defined through a project funded under the EQUAL programme<sup>1</sup>, as those organisations that:

- Undertake economic activities with the principle aim of integrating people into society and work;
- Foster worker participation;
- Reinvest any surplus in their own activities or other similar activities; and
- Are independent from the public sector.

This definition was further elaborated upon in the Government Action Plan for WISEs (2010) in which WISEs were defined as those that:

- Have some form of economic activity (producing/selling goods and/ or services);
- Have a primary objective of integrating people, that have significant difficulties to obtain and/ or keep a job, in work and society;
- Create participation for workers ownership, contractual or other well-documented means;
- Reinvest most of any surplus in their own activities or other similar activities; and
- Are organisationally independent from the public sector.

---

<sup>1</sup> Social Entrepreneurship – Extending the Labour Market, 2004-2007

This is also the definition that is most commonly recognised and used by the stakeholders consulted. Nevertheless, the term is not regulated in Sweden (Tillväxtverket, 2012b).

According to the stakeholders consulted, the definition for WISEs grew out of the emergence of a clear policy directed at such organisations (e.g. the Governments Action Plan for WISEs), which in turn grew out of the policy priority to create jobs for disadvantaged groups. This necessitated the need for these organisations to obtain a separate identity from the wider social economy. Such a need or policy framework has not yet been forthcoming in relation to social enterprises more broadly.

Apart from WISEs, there is currently no common understanding and definition of social enterprises and as a result the term tends to be used inconsistently and/ or infrequently. For example, according to one stakeholder, the term social enterprise may sometimes simply refer to WISEs, whilst in other instances it may be applied in a more general sense (i.e. “social purpose businesses” and/ or organisations based on non-profit principles). Moreover, organisations that may display most of the characteristics of social enterprises may not necessarily refer to themselves as such. Consequently, traditional terminology such as cooperatives, civil society organisations and not-for-profit organisations are still very much used in Sweden.

In addition to the traditional terminology used, there are also a number of more recent social enterprise-related terms and concepts that have been introduced in Sweden, including idea-based organisations (*“idéburna organisationer”*). According to the 2008 agreement between the Government, the Swedish Association of Local Authorities and Regions (SALAR) and over 70 idea-based organisations, the definition of such organisations are as follows:

*“Organisations within the third sector and the cooperative movement. Organisations may be for-profit and generally have some form of social purpose without being governmental or municipal. They are autonomous and often have elements of idealism and are often conducted with an ideological awareness.”*

Another concept that is increasingly referenced, by policy makers and academics alike, is “societal entrepreneurship”, which, to a considerable extent, overlaps “social entrepreneurship” and “social enterprise” (Gawell et al. 2009). The term societal entrepreneurship was first used in Sweden in the mid-1980s, with reference to entrepreneurship with local community development in mind (i.e. community entrepreneurship) (Johannisson, 1990; Johannisson and Nilsson, 1989), but is now largely used as an umbrella term for social entrepreneurship, community entrepreneurship, cross-sectoral initiatives, and social enterprises, as well as enterprises, especially new and small for-profit ventures, that focus on their social contribution as well as their profits (Gawell, 2013a). Some of these would most likely also be viewed as social enterprises, while others would basically be viewed as enterprises with more general “societal” aims. Some actors that are strongly bound to the economic growth discourse tend to favour the concept societal entrepreneurship, but there is currently a relatively open debate about how this term is to be defined or related to in policy (Gawell, 2013a).

## 2 The ecosystem for social enterprise in Sweden

### 2.1 The policy and legal framework for social enterprise

#### 2.1.1 The national policy framework for social enterprise

The policy framework for social enterprises in Sweden generally relates to WISEs and/ or the wider social economy.

For example, in 2010 a **national action plan for work integration social enterprises (“Handlingsplan för arbetsintegrerande socialt företagande”)** was adopted to support the establishment and growth of WISEs. Notably, the action plan explicitly distinguishes WISEs from other civil society organisations using the definition set out in section 1.

The areas identified as requiring action are as follows:

- Regulatory framework for work integration social enterprises;
- Economic support for work integration social enterprises;
- Public procurement opportunities for certain target groups;
- Information available for public and other organisations;
- Financial models and support; and
- Statistics on work integration social enterprises.

In terms of the wider social economy, the Government presented a Bill entitled “**A policy for civil society**” to the Swedish Parliament (“Riksdag”) in December 2009, with the aim of replacing the previous policy on the popular mass movement. The policy, which was adopted in February 2010, seeks to highlight the importance of civil society; develop and clarify the relationship between the state and civil society; and take a holistic approach to general issues concerning civil society and its conditions. Notably, the Bill also addresses issues concerning “civil society entrepreneurship”. In particular, the Bill considers the civil society to be an integral part of democracy - enabling participation; providing a collective voice and shaping opinions.

In the Bill, social enterprises are largely equated to WISEs – “[s]ocial enterprises generally refer to entrepreneurship that has an overarching aim of integrating people that find it difficult to establish themselves on the labour market or in society.”

It further defines social enterprises as organisations:

- Within the civil society and/ or organisations initiated by a group of citizens or the public sector;
- That are characterised by the fact that they empower employees through ownership, employment or other forms of agreements/ contracts;
- That primarily reinvest any profits in their own enterprise or an organisation within civil society; and
- That are organisationally independent from the public sector.

The Government and the Swedish Association of Local Authorities and Regions (SALAR) has also entered into an agreement with over 70 idea-based organisations in order to improve the relationship between the public sector and the not-for-profit sector. More specifically, the agreement aims to clarify the role of the idea-based organisations in the social sector and make it possible for them to operate and compete on equal terms with other actors. The agreement – which is a joint declaration of intent – contains common principles and commitments, as well as measures that each party is to implement.

#### 2.1.2 Legal framework for social enterprise

There is no legal form that is specifically designed for use by social enterprises in Sweden. Social enterprises are registered using a range of different legal forms, including the

cooperative (economic association), non-profit association, limited company, limited company with distribution restriction and foundation forms. The most commonly used legal forms adopted by social enterprises are economic association, non-profit association and limited company (see Annex 1 for further information). Among some social economy organisations, hybrid solutions are also used (i.e. adopting different legal forms for different activities).

WISEs have a slightly different status to other social enterprises in that they are officially recognised by the Swedish Government and are mostly listed on the Sofisam website ([www.sofisam.se](http://www.sofisam.se))<sup>2</sup>. However, as WISEs do not represent a specific legal form they are still governed by the same laws as other enterprises of the corresponding legal form. Indeed, there are no specific incentives attached to being recognised as a WISE. Similarly, there is no legal recognition of, or fiscal incentives for, social enterprises that carry out other social purposes.

## 2.2 Public support schemes targeting social enterprises

There are no ministries specifically responsible for social enterprises in Sweden. Instead, a number of government agencies have been tasked with supporting the development of the social enterprise market – primarily the Swedish Agency for Economic and Regional Growth (formerly NUTEK and since 2009 Tillväxtverket), the Swedish Agency for Youth and Civil Society and the Swedish Public Employment Service<sup>3</sup>.

The Swedish Agency for Economic and Regional Growth has been particularly instrumental in developing the policy framework for, and providing support to WISEs. For example, in 2007, NUTEK, in collaboration with the Swedish Public Employment Service, the Swedish Social Insurance Agency and the National Board of Health and Welfare, was tasked to develop a cross-sectoral programme of initiatives to stimulate start-up and growth of WISE.

Following the adoption of the “**Action plan for work integration social enterprises**”, the Swedish Agency for Economic and Regional Growth was also tasked with coordinating its activities with a number of Central Government agencies and organisations: Swedish Public Employment Service, the Swedish Social Insurance Agency, the National Board of Health and Welfare, SALAR and the National Association for Social Work Cooperatives (SKOOP). This resulted in cooperation and collaboration in terms of removing barriers for WISEs, as well as the development of a website ([www.sofisam.se](http://www.sofisam.se)) where Government agencies and others can obtain information about entrepreneurship within the social economy. The website also contains a “list” of WISEs. This list contains approaching 300 WISEs with approximately 2,500 people employed and another 6,000 people participating in active labour market initiatives, etc. (Tillväxtverket, 2012a). Notably, networks on social enterprise have also been set up by the Swedish Public Employment Service and the Swedish Social Insurance Agency, as well as SALAR.

Another important stakeholder that has been mentioned by most of the social enterprises and stakeholders consulted for this study is Coompanion<sup>4</sup>. Coompanion is an advisory organisation for cooperatives and have offices in 25 locations across Sweden (at least one in each county). Coompanion is part-funded by the public sector/ state and the EU. Specifically, it has been tasked with promoting cooperative entrepreneurship nationally and working with advocacy for cooperatives and the social economy. Coompanion is also the main contact point between the local cooperative development system and the Parliament, Government and other national bodies.

---

<sup>2</sup> Sofisam is a joint initiative between the Agency for Economic and Regional Growth, the Social Insurance Agency, and the Public Employment Service and provides information for relevant stakeholders regarding WISEs. It also includes a list of WISEs in Sweden, which is administered and updated by the Agency for Economic and Regional Growth. In order to be included on the list, enterprises must meet the criteria set by the Government and the Agency for Economic and Regional Growth.

<sup>3</sup> Social Entrepreneurship Network, 2014, Comment paper from Sweden: Financial eco-system for social entrepreneurship

<sup>4</sup> <http://coompanion.se/english/>

Another example of a policy intervention that has contributed to the development of WISE is the so-called RESA-project. In 2009, the Government commissioned the Swedish Public Employment Service and the Swedish Social Insurance Agency to procure work integration activities with a focus on rehabilitation and targeting the 50,000 people that have psychological disabilities and are not in employment. In total, the state committed 150 million SEK to the project. As WISEs had been shown to be effective in terms of working with this target group the project made use of social criteria and thus targeted the procurement of services towards social enterprises (although this was subsequently extended to include private sector providers as well).

The Swedish Public Employment Service is also procuring educational services in relation to work integration social entrepreneurship through two ESF projects:

- *SIGRID* is a project involving the three Swedish regions of Värmland, Dalarna and Gävleborg. The project particularly aims to develop methods for working more efficiently with the long-term unemployed. The project is targeted at individuals who have been out of work for at least one year, or three months in the case of under-25s, as well as foreign-born individuals of all ages, young people under 25 years who have completed or attended special upper secondary school and unemployed people aged 50+ years.
- *SPRING* offers work and rehabilitation within WISEs to those who have fewest opportunities in the job market. The project also seeks to develop new WISEs and/ or social enterprises and new ideas within existing WISEs. The project has a particular focus on those that have been on sick leave and/ or had sickness benefits for a longer period of time and that are able to work at least part-time. The project is delivered in cooperation with PUST's business development network and social franchising concept. Four WISEs across four municipalities are involved in the project - Eko-Teck in Kramfors, Roslagens sociala företag in Norrtälje, Rättvisecaféet in Falun and Atrium in Växjö. The project also includes a 40 week education and training programme in social entrepreneurship.

In addition to the nationally funded schemes, it is also the case that EU structural funds, particularly ESF, continue to play an important role in terms of funding projects focusing on WISEs. Indeed, a recent report published by the Swedish Agency for Economic and Regional Growth, found that out of 137 entrepreneurship and enterprise projects that were granted ESF funds between 2008 and 2009, 12 projects involved WISEs and 17 projects related to entrepreneurship and enterprises in the wider social economy (Tillväxtverket, 2011a). ESF is also funding a thematic group on entrepreneurship which collates experiences, as well as developing and transferring knowledge around entrepreneurship and how it can be used to combat exclusion and unemployment. The project is run by the Cooperative Employers' Organisation (KFO).

Projects and support schemes are also funded and delivered at the local level. The interest and dedication of individual municipalities and counties/ regions may therefore be an important determinant for the development of social enterprises.

Beyond the support structures described above, there is very little public support that is designed specifically for social enterprises. Indeed, most of the available enterprise support is provided for private and social enterprises alike. A recent report by Tillväxtanalys (2011) concluded that there are examples of WISEs, albeit relatively few, benefitting from this mainstream support. This suggests that there are no regulatory barriers for social enterprises to benefit from the mainstream support. Notwithstanding this, many stakeholders consider this system to be relatively ineffective, either because the providers of the support have a lack of competences and/ or interest in relation to social enterprises or because social enterprises do not have the knowledge and awareness to seek such support.

It is also useful to make a distinction between the public support aimed at enterprises and that aimed at individuals. For example, most public support from the Swedish Public Employment Service and the Swedish Social Insurance Agency is targeted at the individual (e.g. grants compensating for individuals' reduced working capacity). Such support can have an important impact on enterprises' finances. As with the support to enterprises, this support

is “neutral” in that it can be accessed by social enterprises, private enterprises as well as public sector organisations.

An overview of the existing publically funded schemes is provided in Table 2.1. Notably, these schemes primarily relates to WISEs.

**Table 2.1 Overview of publicly funded schemes specifically designed for or targeting social enterprises**

Support type	Are there any schemes specifically targeting social enterprises?
Awareness raising (e.g. award schemes, communication, advocacy )	✓
Social entrepreneurship education (e.g. academic courses)	✓
Pre-start / start-up support e.g. <ul style="list-style-type: none"> <li>■ Business support e.g. mentoring, consultancy, coaching etc.</li> <li>■ Grants</li> <li>■ Infrastructure e.g. incubators</li> </ul>	✓
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	✓
Investment readiness support	X
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	X
Physical infrastructure (e.g. shared working space)	X
Collaborations and access to markets	X
Networking, knowledge sharing and mutual learning initiatives	✓

### 2.3 Other specialist support and infrastructure available to social enterprises

Other support structures available to social enterprises, including the Impact Hub Stockholm, which provides co-working office space, and Inkludera Invest, which provides non-monetary support and guidance for social enterprises in exchange of social impacts. Support is also provided through Sweden’s first incubator for social entrepreneurship, which is located at the Centre for Social Entrepreneurship (CSES) in Stockholm, and Social Initiative, which helps social entrepreneurs/ enterprises create operational business models and/ or social impact indicators. Since 2012, Ashoka also has a base in Stockholm.

There has also been an increasing focus on entrepreneurship education. For example, in 2009, the Government adopted a national strategy for entrepreneurship in the education field. The strategy aims to promote entrepreneurship at all levels of the education system. In particular, the strategy emphasizes that entrepreneurship is connected to the development processes across all sectors of society (private, public and civil society).

As a result of this increased emphasis on entrepreneurship, it is also the case that social entrepreneurship increasingly features as part of educational programmes. However, apart from a few ESF projects, there are currently no programmes that focus exclusively on social entrepreneurship. Instead, it is provided as part of more general entrepreneurship programmes (e.g. through elected courses).

Notably, at the higher education level, social entrepreneurship research and educational provision is closely linked to specific individuals rather than particular institutions. The interest to develop courses has however, increased significantly during the last few years. Some universities and higher education institutions also provide incubator support for social innovation and entrepreneurship.

Swedish folk high schools and study associations (non-formal adult education) have also been mentioned by the stakeholders as having an important role in terms of facilitating

social entrepreneurship, including through projects funded by ESF and/ or national funds. This includes the provision of education and training, as well as support structures such as incubators. For example, three social enterprises, or cooperatives, have been created following projects and training at Sunderby folk high school.

## 2.4 Networks and mutual support mechanisms

In Sweden, there are a number of networks and mutual support structures that have been designed for social enterprises, although naturally these tend to be directed towards WISEs (including social work cooperatives). These include:

- *The Partnership for the Development of Social Enterprises (PUST)* which works to strengthen WISEs by facilitating collaboration, networking and social franchising; it is also providing a 40 week education and training programme in social entrepreneurship on behalf of the Swedish Public Employment Service through the SPRING project (see above).
- *The Swedish Association for Non-Profit Health and Social Service Providers (FAMNA)* which represents and supports non-profit health and social service providers. It currently has around 50 members.
- *The National Association for Social Work Cooperatives (SKOOPI)* which works to support and provide training for social work cooperatives<sup>5</sup>. It also works with advocacy to influence the conditions for starting and running social work cooperatives. Notably, since 2013 the support has been extended to also include WISEs (some of which of course can be defined as social work cooperatives).

More recently, the SE Forum, a non-profit membership organisation, has been established to promote, inspire and empower social entrepreneurship. A network for second-hand shops (IDELL SECOND HAND) has also been established.

In addition to these national networks/ organisations, many WISEs are also part of local enterprise networks and other platforms for collaboration (e.g. Glada Hudik modellen).

### Glada Hudik-modellen

In the municipality of Hudiksvall social enterprises are at the forefront of development. Currently, they have some 40-50 employees. In addition, they offer job training, rehabilitation and other daily activities for just as many people. Taken together, the social enterprises contribute to better health, reduced social costs and local growth. Glada Hudik-modellen is powerful in its simplicity. The model is based on coordination and cooperation between public authorities and social enterprises.

The social enterprises cooperate with Coompanion Gävleborg, the Public Employment Service, the Social Insurance Agency and the municipality of Hudiksvall in several ways. Some of the collaboration is to find work tasks and develop opportunities in the social enterprises to those who needs employment. People are referred to the social enterprises by the Public Employment Service, the Social Insurance Agency and/ or the local authority, who then become customers for social enterprises. Another important part is that Coompanion works as a continuous adviser to the social enterprises. Coompanion works with education, skills and business development. This makes it easier to start and develop a social enterprise

Glada Hudik-modellen has strengthened the social enterprises. The number of employees has grown substantially in recent years and more people have come out to work. The range of goods and services provided is constantly evolving and more and more businesses and individuals have discovered how good it is to be a customer of a social enterprise.

Source: Sofisam.se

<sup>5</sup> According to SKOOPI, social work cooperatives are independent associations of individuals that for various reasons are prevented to work in the regular labour market. Social work cooperatives are engaged in economic activities that produce and/ or sell goods and/ or services. They operate under the principle of one member one vote and the board of directors is principally made up of members. In social work cooperatives the profit motive is subordinate to the social mission. Social work cooperatives are closely connected with the public sector through various forms of support, grants, sale of work placements or services.

## 2.5 Marks, labels and certification systems

There are currently no marks, labels and certifications systems for social enterprises in Sweden. Neither are there any plans to introduce such systems.

## 2.6 Social investment markets

This section provides an overview of the social investment market, and broader access to finance issues, in Sweden.

### 2.6.1 The demand for finance

Available research suggests that it is more difficult for social entrepreneurs to secure external finance than mainstream entrepreneurs. As reported by NUTEK in 2007:

*“To finance the start-up and development of new businesses is often difficult, for social entrepreneurs it is almost always more difficult, particularly as both the business ideas and the entrepreneurs themselves may be perceived as unconventional and different. The existing market for venture capital and loans, which provide the conditions for a good start and development of business ideas, find it difficult to assimilate and assess these enterprises' potential and ability to succeed.”*

A similar picture is described in a more recent report by Tillväxtanalys (2011, p. 66), which suggests that there is a “*perceived gap between (accessible) supply and demand for external finance*” for WISEs.

The above report also notes that there is a large proportion of WISEs that require external finance (72 per cent based on a sample of 43 WISEs), although it also notes that WISEs are very diverse and have different needs and requirements. Notwithstanding such differences, a general characteristic among those that require external finance is that they require some form of working capital or lines of credit in order to manage the operational costs (including facilities and staff costs). This need is further exacerbated by the fact that employment subsidies and grants are often paid in arrears.

According to the above survey of WISEs, the need for external finance is particularly important during start-up and expansion.

Another study (Tillväxtverket, 2012b) identified three main reasons for WISEs seeking external finance:

- *Bridging*: covering expenses from start-up to when incomes are generated.
- *Investments*: WISEs often have limited capital available and thus require external finance to pay for equipment, facilities, etc.
- *Skills development*: many WISEs require various forms of skills development, including leadership, business skills, marketing as well as job-specific skills.

### 2.6.2 The supply of finance

According to Tillväxtverket (2012b), there are a number of different methods that are/ can be used by WISEs to solve issues around finance, including:

- Bootstrapping<sup>6</sup>;
- Project funding;
- Municipalities acting as the guarantor or even providing the loan;
- Cooperation through credit unions ('kreditgarantiförening'), groups of guarantors ('borgensringar'), consortia and collaborations;

---

<sup>6</sup> Bootstrapping refers to the process of starting or growing a business by using limited resources. Rather than seeking external funding in the form of loans or investments, bootstrappers typically rely on personal savings, early cash flow, and penny-pinching to fund their business.

- Use of qualified intermediaries (e.g. private advisers and Coompanion); and
- Selling shares to the public/ community (e.g. by creating a subsidiary enterprise).

The most common source of external finance is project funding, particularly during the seed and start-up phases. Indeed, many WISEs start as projects, funded by ESF, the Swedish Inheritance Fund, municipalities and/ or other public agencies. A recent survey of WISEs found that 61 per cent (or 19 respondents) of those requiring external finance had obtained it through public grants and/ or subsidies (Tillväxtanalys, 2011). Project and grant funding is particularly important in terms of testing new ideas, entering new development phases and working with individuals/ groups that need it the most (see, for example, Gawell, 2013b), but there is also a risk that social enterprises become too dependent on such funding. Whilst some social enterprises have made a successful transition from project to enterprise, many are stuck in the project phase. There may also be incidences where municipalities consider project financing as allowing them greater control of activities (NUTEK, 2007).

A further 23 per cent stated that they had received funding from private/ public foundations, such as the Swedish Inheritance Fund (see box below). Moreover, when asked to rank the importance of various sources for external finance, public funding was ranked the highest followed by grants from private/ public foundations. Grant and project funding can, however, be relatively fragmented, which may make it difficult for social enterprises to identify such funding streams. Moreover, consultations with social enterprises reveal that securing grant and project funding often requires experience and expertise in writing funding applications.

Municipalities may also act as guarantors or supply loans directly, although the incidences of such arrangements are very rare.

#### **The Swedish Inheritance Fund**

The Swedish Inheritance Fund was established in 1928 when the Swedish Parliament decided to abolish the right of inheritance for cousins and more distant relatives. If a deceased person has no spouse or close relatives and has not left a will, his/ her property goes to the Swedish Inheritance Fund. The Fund provides grant funding to organisations and other voluntary associations wishing to test new ideas for developing activities for children, young people and persons with disabilities.

A recent evaluation of the Swedish Inheritance Fund (Gawell, 2013b) identified 67 projects involving social enterprises that had been funded between 1994 and 2012. The total value of funding allocated was around 139 million SEK – ranging from less than 0.5 million SEK to around 18 million.

Among the 67 projects there was a great variation of activities supported. Some of the smaller projects have produced information material or arranged specific activities, whilst others have conducted preliminary studies. With regards to the larger projects it has been common to combine information and education activities with the development of activities for target groups that are furthest away from the labour market, suffer from mental health issues or have some form of physical disability.

The number and size of the projects funded has increased significantly since the mid-2000s, with projects funded from 2005 accounting for around two-thirds of the projects and nearly 90 per cent of funding.

Outside public funding and grant/ project funding, the options are fairly limited for social enterprises in Sweden. However, there are a couple of banks that provide finance on different conditions than other mainstream banks - Ekobanken and JAK banken. In the survey of WISEs mentioned above (Tillväxtanalys, 2011), 23 per cent (or 7 respondents) of those requiring external finance had secured a bank loan. WISEs have different experiences of securing a bank loan. Some WISEs report that they do not have any problems securing a bank loan, whilst others report that they would never be able to secure a bank loan.

#### **Ekobanken**

Ekobanken focuses (almost) exclusively on enterprises that provide ecological, social and cultural added value as well as financial returns. A large proportion of their loans relate to enterprises involved in health and social care (35 per cent); and ecology and fair trade (20 per cent). Culture and children and young people account for 17 per cent and 14 per cent of loans respectively. The

remaining share relates to private customers. At Ekobanken, 40 per cent of deposits are sourced from private customers, whilst the remaining share comes from enterprises. Currently, there is potential to provide further loans, but the tough economic times have resulted in underutilised funds.

Ekobanken provides secured loans, credit lines and guarantees. In order to qualify for a loan you have to buy a share of the bank. For example, all borrowers have to have a minimum of 1,000 SEK deposited in the bank (no further deposit is required for loans of up to 250,000 SEK). For loans to enterprises:

- under 2 million SEK a deposit of 5 per cent is required
- 2-5 million SEK a deposit of 3 per cent is required
- 5-10 million SEK a deposit of 2 per cent is required
- Over 10 million SEK a deposit of 1 per cent is required

For credit lines and guarantees a deposit of 1.5 per cent of the pledged credit is required.

Importantly, borrowers are assessed on the basis of their social, environmental, ethical and cultural added value, as well as their ability to pay back the loan.

### **JAK Banken**

The JAK Members Bank is a cooperative, member-owned financial institution. All of the bank's activities occur outside of the capital market as its loans are financed solely by members' savings. The bank do not charge or pay interest on its loans. The JAK Bank employs a "Saving Points" system, in which members accumulate Saving Points based on their saving performance. These points can subsequently be used when applying for a loan. Notably, earned Saving Points must be equal to spent Saving Points to ensure sustainability. Notably, some municipalities have, by saving in the JAK Bank, been able to provide social enterprises with a loan from the bank. Social enterprises may also be members of the bank, although it is not known to what extent this is the case.

Further to the above external finance options, there are also a number of other ways in which WISEs can secure external finance, including loans from friends, family and members, sponsorships from private businesses, support from other associations and organisations (Tillväxtanalys, 2011)

There is also growing interest in impact investment. For example, in Malmö, a foundation – Uppstart Malmö - has been established, drawing investment from a number of local investors (around 15 investors contributing around 30 million SEK in total). The foundation also benefits from a wider network of partners and advisors.

Another impact investor is Hjärna.Hjärta.Cash, which was established in 2010. Hjärna.Hjärta.Cash provides seed-stage equity investments in for-profit social ventures with a clear aim to solve social and/or environmental problems. It also provides business development support and events/ education. Currently, it supports five different ventures and a number of other projects and events.

Regional micro funds are also emerging across Sweden. Such micro funds may invest capital as member contributions or shares in social enterprises, provide security for bank loans and/ or provide a guarantee for the payment of rent. To date, there are three regional micro funds, Micro Fund West (Västra Götaland County), Micro Fund Z (Jämtland County) and Micro Fund East (Stockholm County). Funding for the micro funds comes from a combination of public and private organisations.

Platforms for crowdfunding, such as FundedByMe and Polstjärna, are other recent additions to the financial market in Sweden.

In addition to the external finance that enterprises can seek, there is also support for individuals that can benefit social enterprises indirectly, particularly WISEs. Such individual-based support is primarily provided by the Swedish Public Employment Service and the Swedish Social Insurance Agency.

### 2.6.3 Market gaps/ deficiencies

The (mis)match between supply and demand of external finance for enterprises have been debated for a long time and the results of various studies have varied (Olofsson and Berggren, 1998, SWECO EuroFutures, 2008, Tillväxtanalys, 2011).

A recent report (Tillväxtanalys, 2011) usefully categorises the market gaps and deficiencies as follows:

- *a perceived financing gap* – perceived lack of supply. Enterprises apply for finance, but are not successful due to a poor business plan.
- *a contact-based financing gap* - enterprises seek finance but cannot identify a suitable financial intermediary/ investor despite a good business plan and growth potential. The gap is caused by information failures.
- *a real financing gap* - enterprises cannot obtain external finance despite a good business plan, growth potential and good knowledge of where to obtain finance.
- *a self-inflicted financing gap* - enterprises refrain from seeking external finance even if it would benefit the enterprise.

A further categorisation of barriers to accessing finance is provided in by Tillväxtverket (2014). This suggests that the external finance gaps and deficiencies are caused by a combination of structural, institutional, interpersonal and individual issues<sup>7</sup>. The table below presents the barriers relating to each of these issues (in descending order based on the proportion of respondents that mention it).

**Table 2.2 Barriers to accessing external finance**

Structural	Institutional	Interpersonal	Individual
Lack of debt security	Attitudes and values regarding different types of enterprises	Lack of coordination among relevant stakeholders	Lack of knowledge in assessing the business idea
Lack of support structures	Lack of knowledge regarding social value of social enterprises	Weak relationships with support structures	Lack of debt security
Legal form acts as a barrier	Lack of knowledge regarding social enterprises	Lack of information and marketing	Dependence on project financing
Dependence on project financing	Attitudes and values regarding specific sectors	Lack of trust for business leader	Lack of business skills among enterprises.
Lack of political will	Mistrust of people with criminal background		Lack of ability to explain business idea.
Credit terms are too strict			
Dependence on public sector – public procurement a barrier			

Source: Adapted from Tillväxtverket, 2014

<sup>7</sup> Structural issues - political systems, laws and regulations (e.g. range of different funding sources - external equity capital, external loans and guarantees); institutional issues - standards and values (e.g. attitudes towards social enterprises, perceptions of what a "real" business is and which industries are important); interpersonal issues - relationships and collaboration between stakeholders (e.g. how funding providers are working together to inform entrepreneurs about relevant funding opportunities); and individual issues - individual abilities and attitudes (e.g. the individual entrepreneur's ability to present their business idea to a funding provider or the funding provider's ability to assess the entrepreneur's idea).

These barriers correlate well with other studies (see, for example, Tillväxtverket, 2012b) and the interviews undertaken for this study. Importantly, it also highlights that the main barriers to accessing finance include a combination of supply and demand side issues.

One issue that is not represented above, and that many social enterprises interviewed for this study have mentioned, is the lack of capital investment for social enterprises in Sweden. The market for equity capital is to some extent constrained by the legal forms adopted by social enterprises and the overall social purpose. For example, investors would normally require a share of the enterprises and the profit for the investment made. As such, the social investment market for social enterprises is primarily suitable for philanthropic investments. Some social enterprises also mention the need for interest free loans.

Whilst recognising the above barriers and issues, it is also important to acknowledge that many social enterprises still rely heavily on public and/ or project/ grant funding to establish and grow social enterprises. Furthermore, social enterprises are often faced with a challenging paradox – to become more enterprise like whilst at the same time being true to their social mission, regardless of the availability of financial resources. Notably, financial empowerment is generally considered to be low or insufficient, especially among those who work with people with the greatest need for support (Gawell, 2014). This has resulted in a constant battle for funding, which in some cases results in social enterprises going from project to project (Gawell, 2013b).

## 2.7 Overview of the key actors in the social enterprise ecosystem

The table below provides an overview of the key actors/ agencies in the social enterprise ecosystem.

<p><b>Policy makers - Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</b></p>	<ul style="list-style-type: none"> <li>■ Swedish Agency for Economic and Regional Growth</li> <li>■ Swedish public employment service</li> <li>■ Swedish Social Insurance Agency</li> <li>■ Swedish National Board of Health and Welfare</li> <li>■ Swedish Agency for Youth and Civil Society</li> <li>■ Counties/ regions</li> <li>■ Municipalities</li> </ul>
<p><b>Customers – authorities contracting social enterprises</b></p>	<ul style="list-style-type: none"> <li>■ State</li> <li>■ Regions</li> <li>■ Municipalities</li> <li>■ Public Employment Service</li> <li>■ Social Insurance Agency</li> </ul>
<p><b>Organisations promoting, certifying and awarding social enterprises labels</b></p>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>
<p><b>Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models</b></p>	<ul style="list-style-type: none"> <li>■ Folk high schools and study associations</li> </ul>
<p><b>Organisations that have the capacity act as an observatory and to monitor the development and to the assess needs and opportunities of social entrepreneurs/social enterprises</b></p>	<ul style="list-style-type: none"> <li>■ Swedish Agency for Economic and Regional Growth</li> </ul>
<p><b>Providers of social enterprise start up and development support services and facilities (such as</b></p>	<ul style="list-style-type: none"> <li>■ Universities</li> </ul>

<b>incubators)</b>	
<b>Business support providers</b>	<ul style="list-style-type: none"> <li>■ Coompanion</li> </ul>
<b>Facilitators of learning and exchange platforms for social enterprises</b>	<ul style="list-style-type: none"> <li>■ Thematic group for entrepreneurship (ESF)</li> </ul>
<b>Social enterprise (support) networks, associations</b>	<ul style="list-style-type: none"> <li>■ Coompanion</li> <li>■ SKOOPI</li> <li>■ Famna</li> <li>■ PUST</li> </ul>
<b>Key providers of finance</b>	<ul style="list-style-type: none"> <li>■ Public sector, including municipalities</li> <li>■ EU structural funds, particularly ESF</li> <li>■ Swedish Inheritance Fund</li> <li>■ Ekobanken</li> <li>■ JAK banken</li> <li>■ Social impact investment funds (e.g. Uppstart Malmö, Hjärna. Hjärta. Cash)</li> <li>■ Regional micro funds</li> </ul>
<b>Research institutions</b>	<ul style="list-style-type: none"> <li>■ Individual researchers as opposed to specific institutions (e.g. Malin Gawell, Yohanan Stryjan, Filip Wijkström, Victor Pestoff, etc)</li> </ul>

### 3 Mapping social enterprise activity in Sweden

This section maps the scale and characteristics of social enterprise in Sweden. It describes the role of social enterprises in addressing societal problems and the key enabling factors and constraints influencing their development.

#### 3.1 The spectrum of social enterprises in Sweden

In the absence of a clear definition of social enterprises in Sweden, the term tends to be equated to WISEs and/ or applied in a more general sense (i.e. “social purpose businesses” and/ or organisations based on non-profit principles). As a result, it is difficult to distinguish social enterprises from WISEs and/ or the wider social economy.

In terms of WISEs, and according to Sofisam (a joint initiative between the Agency for Economic and Regional Growth, the Social Insurance Agency, and the Public Employment Service which provides a range of information regarding WISEs), there are many different forms of governance that are used. These can be broken down into roughly four types of organisations (although new and innovative types constantly emerge and in some cases a combination of different structures is used):

- *Social work cooperative (“sociala arbetskooperativ”)* – this is the most common form of WISE in Sweden and is generally set up for the benefit of the majority of the members. The board is generally made up of members, but may be complemented by representatives outside the cooperative.
- *Not-for-profit organisation (“ideella organisationer”)* – this may include religious organisations and social organisations targeting particular groups (e.g. the disabled).
- *Staff cooperative (“personalkooperativ”)* – this may include organisations involved in rehabilitation and other work integrating activities. Such enterprises generally have a high degree of participation from the individuals that they target.
- *Community enterprise “gemenskapsföretag”* – this is generally linked to a not-for-profit organisation (serving local interests) or a group of local people setting up a social enterprise.

In addition to WISEs, there are also other organisations in Sweden that display many of the defining characteristics of a social enterprise. For example, the members of FAMNA all reinvest any profit or surplus in their organisation and have an overriding social purpose with their organisation. Moreover, nearly 90 per cent of their annual income is estimated to come from market sources, with donations and grants accounting for only a small share of income (6 per cent). In terms of public funding, some 43 per cent is secured through framework contracts with municipalities and regions, with a further 29 per cent being secured through other public procurement process. A further 18 per cent of public funding is related to the recent introduction of LOV (the Act on the System of Choice in the Public Sector). The remaining share of public funding is made up of grants (4 per cent), project funding (1 per cent) and other funding (5 per cent). Many of the member organisations also have a high level of participation and engagement. As such, the members of FAMNA can be seen to comply with many, if not all, of the criteria for social enterprises. Examples of such social enterprises include:

- Bräcke Diakoni – established as a foundation in 1923, it provides a range of non-profit health and social care. The overall vision for the foundation is “a more humanitarian society”.
- Skyddsvärnet – established as a not-for-profit organisation in 1910, it seeks to combat crime and social exclusion. It provides social rehabilitation and “habilitation” and works closely with municipalities, regions, the Swedish public employment service, the Swedish Social Insurance Agency, the Swedish Prison and Probation Service and the Swedish Migration Board.

Some commentators would also argue that childcare cooperatives represent a form of social enterprise. However, it is not clear whether such cooperatives (particularly parent-led childcare cooperatives) actually fulfil the EU definition of social enterprises. Pre-school childcare is heavily subsidised and regulated in Sweden. There is a maximum monthly fee of with fees capped at SEK 1260 (or 3 per cent of the parent's gross salary – whichever is lower). The rest is subsidised. As such, the childcare cooperatives do not really have any control of how they are financed. Moreover, their social benefit is questionable unless they are set up as an employee cooperative (there are around 300 of these). Parent cooperatives are run for the benefit of the members.

### 3.2 Application of operational definition: determining the boundaries

The general consensus among the stakeholders consulted is that the EU operational definition is appropriate and reflects the defining characteristics of social enterprises.

Notably, one of the stakeholders was particularly encouraged to see that the governance dimension has been separated from the social dimension (e.g. as in the EMES definition) and thus making it more prominent. The governance dimension has a strong tradition in the Swedish third sector and is still seen in many social enterprises (e.g. social work cooperatives). However, it was also noted that it should not be a requirement to have multiple stakeholders represented in the governance structures of social enterprises, as this rarely works in practice, particularly if large organisations are represented. Indeed, large organisations (including public organisations) may gain too much influence in the decision-making process in such instances.

As presented in the table below, it is clear that the EU operational definition is strongly correlated with the definition of WISEs in Sweden. For example, both definitions state that social enterprises must engage in economic activity and pursue an explicit and primary social purpose (although in WISEs this is narrowly defined as encompassing the integration of people in work and society). EU social enterprises and WISEs should also be independent from the public sector and reinvest most of its surplus. Both definitions also have an explicit criterion in relation to stakeholder participation.

**Table 3.1 Differences and similarities between the EU operational definition and the national definition of WISEs**

EU operational definition	National definition of WISEs
<b>must engage in economic activity</b> (must generate income from market sources)	This is almost identical to WISEs, which must have some form of economic activity (producing/ selling goods and/ or services).
<b>must pursue an explicit and primary social aim</b>	This is more narrowly defined for WISEs, which have a primary objective of integrating people into work and society.
<b>must have limits on distribution of profits and assets:</b> the purpose of such limits is to prioritise the social aim over profit making	This is almost identical to WISEs, which must reinvest most of any surplus in their own activities or other similar activities.
<b>must be independent and governance based on democratic decision making and/or participatory and/or transparency and accountability:</b> independence means autonomy from the state while participation means it allows stakeholder views to be appropriately represented in its decision making processes	This is almost identical to WISEs, which must be organisationally independent from the public sector. WISEs should also facilitate participation for workers through ownership, contractual or other well-documented means.

Whilst the EU operational definition is generally considered useful in terms of identifying the principle characteristics of social enterprises, challenges remain in terms of operationalising the definition in relation to policy initiatives and the development of measurements or statistics. For example, one of the stakeholders noted that it is currently difficult to accurately

distinguish social enterprises from other enterprises, particularly as there are no specific legal forms for social enterprises.

One of the stakeholders also questioned the need for a separate definition for non-WISE social enterprises. In Sweden, there is no clear policy framework directed at non-WISE social enterprises and as such there has not been a need to further define the enterprises that may be contained within such a concept.

### 3.3 Measurement of social enterprises

There have been very few attempts to measure social enterprises apart from the “list” that the Swedish Agency for Economic and Regional Growth update and administer on the Sofisam website ([www.sofisam.se](http://www.sofisam.se)). The aim of this list is to identify WISEs that fulfil the national criteria presented above. The list of enterprises has been identified through a “snowball methodology”.

The latest estimate of WISEs is from January 2012 (Tillväxtverket, 2012a) and suggests that there were approaching 300 (271) WISEs in Sweden. This represents a significant growth compared with previous estimates - 150 and 210 WISEs were identified in 2007 and 2010 respectively.

Notably, the analysis by the Swedish Agency for Economic and Regional Growth also shows that many of the larger WISEs have several business units with a high degree of self-governance (to facilitate participation in decision-making). As such, there is likely to be more self-governed workplaces than 300.

There are a number of important reasons for this recent growth in the number of WISEs, including that more people are faced with unemployment and social exclusion, combined with the fact that more support is available for WISEs and that there is greater awareness and recognition of WISEs (Tillväxtverket, 2012b).

Further to the list of WISEs, recent initiatives have aimed to develop statistics on civil society organisations (a first report was published by Statistics Sweden in 2012). In this report, civil society is described in the sense of an arena – separate from the state, the market and the individual household – where people, groups and organisations act together in the pursuit of common interests. Importantly, the statistics presented in this report are aligned with the UN “*Handbook on Non-Profit Institutions in the System of National Accounts*”. In the handbook, non-profit organisations are defined as units that are:

- Organisations;
- Not-for-profit and non-profit-distributing;
- Institutionally separate from government;
- Self-governing;
- Non-compulsory

The report does not, however, separate out social enterprises (i.e. it is not possible to apply the EU operational definition to this “population” in order to estimate the number of social enterprises).

According to the delimitations used in the study (SCB, 2012), and the organisations contained in Statistics Sweden's Business Register, it is estimated that there were roughly 77,000 economically active organisations<sup>8</sup> within the civil society in 2010. This estimate was made up of a range of different legal forms, including not-for-profit organisations (“ideell förening”, 43,344), economic associations (“ekonomisk förening”, 1,525) and private limited companies (“aktiebolag”, 101). In terms of employment, these three legal forms were estimated to employ in excess of 84,000. Total employment was estimated at over 142,000. It should, however, be noted that there is currently significant uncertainty around the number

---

<sup>8</sup> Defined as organisations that are VAT-registered and/ or registered as an employer or registered for corporation tax.

of civil society organisations and particularly the number of people that they employ and engage.

A further estimate of civil society organisations is provided by Statistics Sweden’s Business Survey (“Företagens Ekonomi 2010”). This business survey is based on the annual accounts from all businesses (excluding the financial sector) in Sweden (around a million businesses). This survey includes market-producing non-profit organisations that can be attributed to the civil society. In total there were data for 3,219 organisations from civil society in 2010, employing approaching 27,000. The most common legal forms for these organisations are economic associations, foundations and not-for-profit organisations (SCB, 2012). It is, however, unlikely that all of these would be considered as social enterprises. For example, around 15 per cent of the organisations represents employer organisations or trade unions, which you would normally not be associated with social enterprises.

Measurements of social enterprises beyond WISEs and civil society organisations are rather fragmented, largely reflecting the absence of a recognised and distinct definition of social enterprise in Sweden. This is further complicated by the fact that it is generally not possible to clearly delimit social enterprises in existing data sources and business registers.

Consequently, additional measurements of social enterprises are mainly provided by sector specific organisations and/ or interest groups. For example, the Swedish Association for Non-Profit Health and Social Service Providers (FAMNA) has over the last few years presented estimates of their members’ economic contribution based on annual accounts and a questionnaire. As of 30th June 2013, it had 47 members, with a total turnover of 4.4 billion SEK (in 2012). Notably, 70 per cent of members reported an economic surplus (totalling 187 million SEK).

### 3.4 Characteristics of social enterprises

#### 3.4.1 Legal forms

As noted above, there are no specific legal forms for social enterprises in Sweden. Social enterprises are free to use whichever legal form that they feel is appropriate for their specific purposes and requirements.

For WISEs, there are particularly three legal forms that are commonly used (Tillväxtverket, 2011b). The key characteristics of these legal forms are described in the table below (further information is contained in Annex 1):

**Table 3.2 Legal forms**

Type of organisation	Key characteristics
Economic association (“ekonomisk förening”)	<ul style="list-style-type: none"> <li>■ Supports the economic interest of its members (by buying or selling for the association and/ or working in the association)</li> <li>■ Association statutes are set by the members</li> <li>■ Open for new members (may be specified in the association statutes)</li> <li>■ Registration compulsory</li> <li>■ One member one vote</li> <li>■ Board should consist of at least three people (often members but may include external people)</li> <li>■ Generally no personal liability</li> <li>■ Any surplus/ profit can be distributed to its members or reinvested in the organisation</li> <li>■ Suitable for social work cooperatives and as a separate economic activity for a group of organisations.</li> </ul>

Type of organisation	Key characteristics
Not-for-profit association (“ideell förening”)	<ul style="list-style-type: none"> <li>■ Should have a principle social aim</li> <li>■ Any economic activities should not be undertaken to favour members’ economic interests</li> <li>■ Generally open for new members (regulated by the association statutes)</li> <li>■ Registration required if economic activities are undertaken</li> <li>■ Generally one member one vote</li> <li>■ Board should be set up</li> <li>■ Any surplus/ profit is generally reinvested in the association or donated to charity</li> <li>■ Suitable for activities where members are rehabilitated or supported into employment and/ or where the people employed are separate from the members of the association.</li> </ul>
Private limited company (“aktiebolag”)	<ul style="list-style-type: none"> <li>■ Generally, the primary purpose is to generate profits for the shareholders, although this can be renegotiated</li> <li>■ Requires capital investment before registration (50,000 SEK)</li> <li>■ Registration compulsory</li> <li>■ One share one vote</li> <li>■ A private limited company can be registered as a company with limited distribution of profits.</li> <li>■ Suitable for activities that wish to restrict the “membership”</li> </ul>

Whilst it does not represent a specific legal form, most WISEs are organised as cooperatives (or so-called social work cooperatives) and thus are owned and governed by the workers. The most common legal form for cooperatives is economic association (Tillväxtverket, 2012a).

Recently, it has also been possible to establish a private limited company with limited profit distribution. Notably, this makes it easier to distinguish WISEs and other social enterprises from other private limited companies. However, this legal form has not had much of a breakthrough so far.

In addition to the legal forms presented above, some WISEs (and social enterprises) also organise themselves as foundations. Foundations are particularly used by organisations that have specific statutes that the founders do not wish to be altered.

There are also WISEs (and social enterprises) that have several legal forms – e.g. a not-for-profit associations owning one or more private limited companies. Organising activities in this way may be useful for organisations wishing to separate advocacy-related activities and economic activities (including work integration).

In terms of civil society organisation more widely they tend to organise themselves as not-for-profit organisations, housing cooperatives, foundations and, to a lesser extent, economic associations.

Similar trends are found among FAMNA’s members who are primarily organised as not-for-profit organisations and foundations (accounting for around four in five members). Economic associations and private limited companies account for around 15 per cent of members.

### 3.4.2 Business models

#### *Sources of income*

In terms of WISEs, the sources of funding are varied but at least a part of their income is derived from their economic activities. This is complemented by grants and subsidies from

public agencies and organisations, including from the Swedish Agency for Economic and Regional Growth (preparatory study, implementation, etc) and the Swedish Public Employment Service (start-up grant, etc). Notably, if a person receives a start-up grant from the Swedish Public Employment Service, that same person cannot also benefit from other employment grants and subsidies.

Donations, sponsorships and pro bono services are also an important source of income for many WISEs, particularly during the start-up phase. It is also the case that many WISEs start as a project with funding from the Swedish Inheritance Fund or ESF. However, an important limitation in terms of building momentum from ESF projects has been the restrictions placed on income generation (during the project period). As a result of these restrictions, it is not possible for projects (and prospective WISEs) to build up its business in terms of income generation during the project period.

The opening up of welfare and public services to competition, including, most notably, education, health and social services, has created opportunities for WISEs and other social enterprises. Indeed, the overwhelming majority of WISEs and other social enterprises produce products and services for the public sector, particularly municipalities and counties/ regions.

Based on statistics from the municipal accounts, it is estimated that idea-based organisations account for around 16 per cent (or 14.7 billion SEK) of purchases by municipalities, most of which relates to educational services and health and social services (SALAR, 2014). Notably, such educational service and health and social service providers do not tend to represent WISEs. Nevertheless, they still, in most cases, combine a social mission/ vision with the provision of services.

### **Social impact**

WISEs have been shown to be successful in terms of integrating people into the labour market, through a combination of economic activities, empowerment and social integration. This may generate surplus/ profits for the organisations that they work for but can also be expected to deliver societal impacts (e.g. health, well-being, etc). Recent estimates suggest that such impacts range from 300,000 SEK to 1 million SEK per employee<sup>9</sup>. Using the lower end of the spectrum, this would suggest an annual saving of at least 1.8 billion SEK per annum (Tillväxtverket, 2012b). Other types of social enterprises also generate social impacts, although at this stage very little is known about the scale and scope of such impacts.

### **Use of paid workers**

In January 2012 it was estimated that some 2,550 were employed in WISEs, with a further 6,500 people active in WISEs through work placement, subsidised employment, internships, job training, etc. Notably, the number of people employed has increased more than the number of WISEs, suggesting that the WISEs are becoming larger.

The Swedish Public Employment Service, municipalities and counties/ regions, the Swedish Social Insurance Agency and the Swedish Prison and Probation Service are important customers or clients for WISEs. These organisations may purchase places for work training and/ or enter into other contracts/ agreements. This particularly involves people that have difficulties in getting and/ or maintaining a job due to a disability, illness, abuse, crime, learning disability or something else.

In particular, the role of WISEs is to support people towards self-sufficiency, in whole or in part, and provide a place of work (temporarily or permanently). People coming into a WISE through public support measures can pursue a career within the social enterprise or find work at another workplace. Notably, some WISEs are not concerned with providing long-term unemployment, focusing instead on supporting individuals through rehabilitation and work training.

---

<sup>9</sup> See, for example, NUTEK, *Det sociala företaget och samhället*, 2006; Tema Unga i arbetslivet, *Det lönar sig*, 2011 and Nilsson, I and Wadenskog, A, 2005, *Ur samhällets perspektiv*

In terms of civil society organisation, it is estimated that some 65,000 FTEs are employed, with a further 1.7 million actively involved through voluntary participation (equivalent to 60,000 FTEs). Notably, civil society organisations involved in recreation and culture account for around a quarter of the employed and nearly half of the volunteers.

There are no employment estimates in relation to social enterprises, beyond WISEs and the wider social economy (civil society organisations), although FAMNA's members, which represent some of these social enterprises, employ 5,840 FTEs.

### **3.4.3 Fields of activity**

It is common for WISEs to get involved in several different activities – this provides greater opportunities for workers to try different tasks or to find tasks that suit them (Tillväxtanalys, 2011). However, this may also result in diseconomies of scope (i.e. rather than creating synergies between different activities it creates inefficiencies and negative effects).

The most common sectors that WISEs operate within are retail and hotel and restaurants. Household services and construction and real estate services, horticulture, handicraft and recycling are other common sectors. However, generally there is a wide spread of activities, including training, advice and guidance, transport, assembly work, office work, car and bicycle repairs, recruitment, dog nurseries, culture, leisure/recreation and tourism.

This is largely consistent with the findings of the SELUSI research on social enterprises in Sweden, which found that more than three in four of the interviewed organisations were active within the agriculture, hunting, forestry and fishing; construction; community and social services; education; and health and social work sectors (SELUSI, 2010). More specifically, the SELUSI research identified that the primary social activities within the interviewed organisations related to philanthropic intermediaries and voluntarism promotion; environment (including organic goods); economic, social, and community development; other education (i.e. not primary, secondary or higher education); and other health services (i.e. not hospitals and rehabilitation, nursing homes, or mental health and crisis intervention).

Recreation and culture represents the main field of activity in relation to the wider social economy. This includes around 20,000 sports organisations. Another important area of activity is education and research, including, most notably, folk high schools and study associations. Other important activities undertaken by civil society organisations include, health and social care, environmental protection and animal welfare, housing and local development.

In terms of FAMNA's members, the focus is naturally on health and social care.

### **3.4.4 Target groups**

Naturally, the emphasis among WISEs is on the long-term unemployed and those with limiting long-term illnesses. To a considerable extent, this is driven by the resources that are available for work integration, including active labour market initiatives (e.g. employment grants or subsidies). Employment in WISEs may also be deemed appropriate for those that have the right to meaningful employment, as determined by the Social Services Act (Socialtjänstlagen) and the Act concerning Support and Service for Persons with Certain Functional Impairments (Lagen om stöd och service till vissa funktionshindrade).

## **3.5 Summary of mapping results**

Given the difficulties in mapping Swedish social enterprises, the table below seeks to provide a range within which the true number of social enterprises can be expected to lie. Rather than providing a comprehensive list of the types of organisations that may be categorised as social enterprises, we have focused on those types of organisations that are reasonably well defined and where data exists on the number of enterprises.

Table 3.3 Mapping the 'universe of social enterprises' in Sweden

Dimension	Criterion	Types of organisations that may be considered as social enterprises		
		WISEs	Market-producing civil society organisations	Economically active civil society organisations
<b>Core criteria</b>				
Entrepreneurial dimension	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	Yes	Yes	Yes
Social dimension	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Yes	Mostly	Mostly
Independence and governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	Yes	Yes	Yes
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	Yes	Yes	Yes
	It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes	Yes	Yes	Yes
<b>Estimated number (2012 unless stated otherwise)</b>		<b>271</b>	<b>3,219 (2010)</b>	<b>77,008 (2010)</b>
<b>Estimated % meeting core criteria (appx)</b>		<b>100%</b>	<b>&lt;100%</b>	<b>&lt;100%</b>
<b>Estimated number meeting core criteria</b>		<b>271</b>	<b>&lt;3,219</b>	<b>&lt;77,008</b>
<b>Mapping criteria</b>				
Entrepreneurial dimension	Share of income derived from : fees (incl. membership fees); trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	Significant	Considerable	Some

Dimension	Criterion	Types of organisations that may be considered as social enterprises		
		WISEs	Market-producing civil society organisations	Economically active civil society organisations
	The use of paid workers	Commonly	Commonly	Commonly
Social dimension	Fields of activity	Large variation	Large variation	Large variation
	Target groups (customers/ users of goods and services provided)	Varies but generally relates to the unemployed or economically inactive	Varies	Varies
Independence and governance	Transparency - a system for measuring and reporting impact	Not a requirement	Not a requirement	Not a requirement
<b>Other characteristics</b>				
	Legal forms	Economic associations, not-for-profit organisations, private limited companies (with or without limited profit distribution and foundations	Economic associations, foundations and not-for-profit organisations	Not-for-profit organisations, housing cooperatives, foundations and economic associations

### 3.6 Opportunities and barriers

As the public sector represents the primary source of income for many social enterprises, the creation, growth and development of social enterprises in Sweden is highly dependent on the relationship with the public sector.

In this regard, the social enterprises and stakeholders consulted for this study have particularly identified access to public procurement opportunities as an important issue. The difficulties for social enterprises to access public procurement opportunities are multifaceted and include:

- *the size of the contracts* – it is primarily the commercial providers that have the required resources to tender for large contracts and, if successful, employ the required staff and deliver the services. Indeed, most social enterprises are micro or small enterprises.
- *the common use of framework contracts* – framework contracts accounted for around one in three public procurement opportunities in 2012 and social enterprises rarely have the resources to prepare bids. Moreover, framework contracts do not provide a guarantee for future income.
- *the interpretation of public procurement rules by the procurer* - some social enterprises feel disadvantaged by having to comply with what is considered disproportionate requirements. This includes paying for credit ratings, which are freely available for some legal forms but not for all.
- *the limited use of social criteria* - the potential to use social criteria in public procurement procedures are of particular importance to social enterprises. However, based on consultations with social enterprises and other stakeholders, it is understood that the use of such criteria is limited in scope and scale; focusing in particular on work integration. This is seen as a missed opportunity. Notably, some of the consultees suggest that certain public procurement processes should be exclusively targeted at social enterprises. Some social enterprises would also like to see the LOV being used more frequently (as an alternative to public procurement).

Access to finance represent another barrier that is commonly mentioned by social enterprises and stakeholders. This has been discussed in some detail above and will not be repeated here.

Further to the above barriers, some social enterprises and stakeholders also mention the lack of internal skills (business management, leadership, etc) and the limited external support structures as important barriers to the creation, growth and development of social enterprises.

### 3.7 Future perspectives

In terms of strengthening the eco-system for social enterprises, a recent report by the thematic group for entrepreneurship, part-funded through ESF (Tillväxtverket, 2012b), identifies a number of priorities and opportunities to support and improve the policy (nationally, regionally and locally) on social enterprises (particularly in relation to WISEs):

- Improve the legitimacy of WISEs (e.g. by developing a labour market programme targeted at social entrepreneurship; allowing workers that are also members of the board to receive wage subsidies and other subsidies in order to facilitate social entrepreneurship; etc.).
- Improve opportunities for external finance (e.g. by setting up an investment fund(s), providing credit guarantees, etc.).
- Create more jobs through public procurement (e.g. by making greater use of social criteria and the Act on the System of Choice (LOV), etc.).
- Provide relevant competence development (e.g. for staff within Government agencies and other public sector organisations and partnerships, integrate social entrepreneurship in upper secondary education and higher level education, etc.).
- Establish support structures (e.g. by ensuring that all phases of development is covered by existing structures, improving cooperation among stakeholders, providing better incubator facilities, etc.).

- Coordinate evaluation, follow-up and validation (e.g. to develop common standards, etc)
- Use / policy documents (e.g. by ensuring that social enterprises are referred to in relevant guidelines and policy documents).
- Encourage better matching (e.g. between the long-term unemployed, social enterprises and growth initiatives).

Many of these have also been mentioned by the stakeholders and social enterprises consulted for this study.

Further to the above, it is also the case that social franchising has been identified as an opportunity for increasing the number of social enterprises and thus the number of people employed in such enterprises. In particular, social franchising is seen as a way of spreading good practice and reducing the barriers for social entrepreneurs. Indeed, enterprises that have shown to be profitable and socially efficient find it easier to access resources such as capital and competences (Bartilsson, 2012). One social enterprise that have successfully implemented social franchising is the cooperative "Vägen Ut!" ([www.vagenut.coop](http://www.vagenut.coop)).

### **Vägen Ut!**

The Vägen ut! cooperative was founded in Gothenburg in 2002. Specifically, a partnership was set up to run an EQUAL project with the objective to create social enterprises. The partnership involved the Social Insurance Agency, the Prison and Probation Service, the Public Employment Service, Coompanion and other professional organisations.

At the end of the project, three social cooperative enterprises were developed: Villa Vägen ut! Solberg (a halfway house for men), Karins Döttrar (a handicraft co-operative for women) and Café Solberg. Together they initiated the consortium Vägen ut! which today includes ten social enterprises. Vägen ut! still work in a broad partnership with the above mentioned public authorities/ agencies as well as a number of NGOs.

The cooperative enterprises in Vägen ut! offers services and products and create real jobs for individuals far from the regular job market. Currently, the Vägen ut! enterprises have around 100 employees, more than half are self-employed members and/ or part-owners.

Through its methods and models, Vägen ut! is considered a successful social innovation. Vägen ut!'s method is process oriented, run by the participants and built to support self-help. The cooperatives in Vägen ut! all have a clear empowerment perspective in their processes and the everyday work. The result of that is independence for the individual, as well as a good sense of responsibility.

Scientists from the Institution for Social Work at the University of Gothenburg have followed the work of Vägen ut! And have concluded that "work in social cooperatives is rehabilitation for drug abusers and criminals that works". They also verify that for a person at a turning point in life, the everyday work in a strong and closely united work group provides structure and safety. In the study it also becomes apparent that workers find it important to identify themselves with others in the group.

Vägen ut! has also created a network of social franchising at European level - the European Social Franchising Network – with members from Sweden, the UK, Finland and Germany.

## Annex 1 Comparative overview of legal forms commonly used by social enterprises in Sweden

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
Definition	<p>An economic association is an association of people united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.</p> <p>Economic associations, though not exclusively social enterprise orientated, are often established to achieve social value.</p> <p>As economic associations have members - not shareholders - that take decisions democratically, they are perfectly designed to deliver social value.</p> <p>Economic associations can be recognised as a work integration social enterprise (WISE) if it has the aim to integrate people into society and into a working life, creates involvement by co-workers, uses its profits for the furthering of its aim and is independent of public authorities.</p>	<p>A non-profit association is an organisation made up of a group of individuals, who have decided to come together for a particular purpose.</p> <p>The founders can use the statutes of the association to provide for the features of a social enterprise. For example, the statutes can include social purposes.</p> <p>An association can be recognised as a work integration social enterprise (WISE) if it has the aim to integrate people into society and into a working life, creates involvement by co-workers, uses its profits for the furthering of its aim and is independent of public authorities.</p>	<p>A limited company is a form of company commonly used by for-profit organisations. A limited company is typically established with commercial aims, to distribute profits to its members. A company established with solely commercial aims would not be considered a social enterprise. The shareholders are the owners of the company.</p> <p>A social enterprise can use a limited liability company as its legal form. The constitution (Articles of Association) of a limited liability company can be drafted to provide for the features of a social enterprise. For example, the Articles can include social purposes and provisions which cap the dividends that may be paid to shareholders.</p> <p>The limited company can be recognised as a work integration social enterprise (WISE) if it has the aim to integrate people into society and into a working life, creates involvement by co-workers, uses its profits for the furthering of its aim and is independent of public authorities.</p> <p>A limited company with restrictions on its distribution of assets can be registered as an Aktiebolag (svb), a special kind of limited company with limited payout.</p>

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
Key national legislation governing legal form	Law on Economic Associations - <i>Lagen om ekonomiska föreningar</i> .	There is no law regulating the non-profit organisations	Law on Limited Companies – Aktiebolagslagen.
Whether the legal form is used exclusively or not exclusively for social enterprise	<p>Not exclusively for social enterprises.</p> <p>An economic association can pursue virtually any purpose subject to the requirement that there should be a common, economic, social or cultural need or interest among the members of the association.</p> <p>The enterprise should be run for the mutual benefit of the members so that the benefit the members obtain will stem principally from their participation in the business.</p> <p>Finally, the economic association must work for the sustainable development of its community.</p> <p>An economic association recognised as a WISE must have as its primary aim the integration of target groups into working life.</p>	<p>Not exclusively for social enterprises.</p> <p>An association can pursue any purpose and the purposes shall unlimited unless regulated in the statutes.</p> <p>An association recognised as a WISE must have as its primary aim the integration of target groups into working life.</p>	<p>Not exclusively for social enterprises.</p> <p>A limited liability company can carry out any business purpose and the purposes shall unlimited unless regulated in the Articles.</p> <p>A company recognised as a WISE must have as its primary aim the integration of target groups into working life.</p>
Methods of creation	To establish an economic association, an application form must be completed and signed by three members and then submitted along with the company statutes to Bolagsverket, (the Swedish Companies Registration Office) with the appropriate fee.	To establish an association the founding members, must agree the statutes, elected a board, and then register the association to pay income tax and VAT at Skatteverket.	To establish a limited company, an application form must be completed and signed by one or more members and then submitted along with the company's constitution to Bolagsverket, (the Swedish Companies Registration Office) with the appropriate fee.
Required capital or assets	3 SEK.	No minimum requirement.	50,000 SEK.
Management and corporate governance	Legal form requires an elected board of a minimum of three board members which oversees the management and	Legal form requires an elected board of a minimum of three board members which oversees the management and	Legal form requires an elected board of a minimum of two board members which oversees the management and

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
	<p>affairs of legal form.</p> <p>The board is responsible for all economic decisions and planning.</p> <p>Board members are appointed and removed by members at the annual general meeting.</p>	<p>affairs of legal form.</p> <p>The board is responsible for all economic decisions and planning.</p> <p>Board members are appointed and removed by members at the annual general meeting.</p>	<p>affairs of legal form.</p> <p>The board is responsible for all economic decisions and planning.</p> <p>Board members are appointed and removed by members at the annual general meeting.</p>
Rights of members	<p>Legal form has members.</p> <p>The ultimate control of the economic association rests with the members through their right to attend and vote in annual general meetings.</p> <p>The members can pass resolutions which give directions to the board or change the statute. They also have the power to appoint or remove directors.</p>	<p>Legal form has members.</p> <p>The members of the association have the ultimate control. The members elect the board and can amend the association's statutes.</p>	<p>The legal form has members, its shareholders.</p> <p>The ultimate control of the company rests with the members. The members can pass resolutions which give directions to the managing directors or change the Articles of Association. They also have the power to appoint or remove directors.</p> <p>The shareholders have the right to receive the annual accounts, including the directors' and auditors' reports (if any).</p>
Voting and representation of members in general meetings	<p>Members are represented at the annual general meeting.</p> <p>All members in economic associations have the right to take part in annual general meetings.</p> <p>If 10 per cent of the members call for it the board has to convene an extra general meeting to deal with the questions raised by the members.</p>	<p>Members are represented at the annual general meeting.</p> <p>All members in have the right to take part in annual general meetings. If 10 per cent of the members call for it the board has to convene an extra general meeting to deal with the questions raised by the members.</p>	<p>Shareholders are represented in a general meeting. They can also pass resolutions outside of a general meeting.</p> <p>If not otherwise required by the Articles or by company law, resolutions are passed with the majority (&gt;50 per cent) of the votes cast.</p> <p>General meetings may be called at any time by the directors. 10 per cent of members can also require the directors to call a general meeting.</p>
Types of shares, if any	Economic associations have stakes/	Not applicable for legal form.	Limited companies have shares.

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
	shares.		
Distribution of dividends on share capital	<p>Any distribution of surplus capital is made subject to the requirement that it is not needed by the business of the economic association.</p> <p>The Co-Operative Principles require that share capital receives a strictly limited reward. Any distribution to members must be in the form of a dividend on their transactions/trade with the society.</p> <p>Economic associations registered as a work integration social enterprise there is only very restricted distribution to members.</p>	Not applicable to legal form.	<p>Subject to profits available for distribution, there are no limits on dividends unless the articles of association include such limits.</p> <p>In most cases the company will have to set aside assets for the stipulated reserve fund.</p> <p>Limited companies registered as a work integration social enterprise there is only very restricted distribution to members.</p>
Distribution of reserves	The reserve can only be used to cover the loss and only by decision of the general meeting.	No legal provisions regarding reserves.	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	There is a requirement to allocate to legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.
Distinction dividends/refunds and distribution of refunds	Dividends can be distributed on a decided percent of surplus but refunds can only be distributed relative to how much the member has contributed to the surplus by working with or using the services of the economic association.	Refunds not applicable to legal form.	Refunds not applicable to legal form.
Restrictions on ability to trade	There are no restrictions. An economic association recognized as a WISE has to have the aim to integrate people into society and into a working life, as well as create involvement by co-workers, only use its profits for the furthering of its aim.	There are no restrictions to an association's activities unless it is recognized as a WISE where it has to have the aim to integrate people into society and into a working life, as well as create involvement by co-workers and only use its profits for the furthering of its aim.	There are no restrictions unless it is recognized as a WISE where it has to have the aim to integrate people into society and into a working life, as well as create involvement by co-workers and only use its profits for the furthering of its aim.

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
Internal financing (e.g. investment title, member investors, increase in members contributions)	There may be legitimate circumstances for an economic association to look to its members for additional share capital. It can also seek donations or loans from its members and it can issue bonds to its members.	One of the most important sources of associations revenues are membership fees. An association can also seek donations or loans from its members and it can issue bonds to its members.	The members (shareholders) of the company can invest in the company in various ways, e.g. by giving loans to the company (also in the form of loans substituting equity) by payment of supplementary contributions to the company's capital or by increasing the company's capital.
External financing (e.g. banking loans, issuing bonds, specific investment funds) including possibility for non-member investors	An economic association can attract external investment through conventional equity finance. It can also obtain loans from banks or other financiers or it can issue bonds. It can also seek grants and donations.	An association can obtain loans from banks or other financiers. It can also seek grants and donations.	In general, different forms of external investment are possible, in particular by subscribing to member units / increasing the statutory capital.  Investments can be structured in different ways. Typically, an investor will either be a creditor and/or a member.
Transparency and publicity requirements (and related auditing issues)	Economic associations have to file the annual report, accounts and activity/management report with Bolagsverket. These reports are publically available on request. Larger companies must always publish these reports.  A cooperative's annual accounts for a financial year must be audited unless the company is exempt from audit due to its size, number of employees. Most social enterprises are too small to require an external audit but can choose to have one.	Dependent on the annual turnover of the association, it may have to file the annual report, accounts and activity/management report with Bolagsverket. Associations which carry out commercial activities will be required to register.  These reports are publically available on request. Larger companies must always publish these reports publically.  There is no legal requirement for an association to have an external audit.	Companies have to file the annual report, accounts and activity/management report with Bolagsverket. These reports are publically available on request. Larger companies must always publish these reports publically.  A company's annual accounts for a financial year must be audited unless the company is exempt from audit due to its size, number of employees. Most social enterprises are too small to require an external audit but can choose to have one.
Employee involvement systems	Economic associations are trading organisations owned by their members and governed on the principle of one member, one vote, regardless of shareholding. Members of an economic association are often	Only employees who are members can participate in the association's decision making.  However, larger organisations will have staff representation at the	Paid members of staff of the can sit as directors on the company's board. Companies can involve their staff in other ways, such as establishing consultative boards or encouraging a staff representative to join the board,

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
	<p>employees, as in work cooperatives, which are owned and controlled by their employees.</p> <p>Larger organisations will have staff representation at the decision making level.</p> <p>Many social enterprises are owned and run by the staff.</p>	<p>decision making level.</p> <p>Many social enterprises are owned and run by the staff.</p>	<p>but there is no legal requirement for a company to do so.</p> <p>Larger organisations will have staff representation at the decision making level.</p> <p>Many social enterprises are owned and run by the staff.</p>
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>The members can chose to wind up the economic association at a general meeting. Usually the procedure requires the decision to be taken at two meetings with at least a month in between unless all members attend and vote unanimously for the winding up at the first meeting.</p> <p>The court can wind up the economic association under certain situations such as if the held capital is too low for a prolonged period of time or if the number of members of the economic association is less than three persons for a period of two months.</p> <p>If the economic association is insolvent, the members or creditors can also apply to have the association put into liquidation or undertake bankruptcy proceedings.</p>	<p>The members can chose to wind up the association at a general meeting. Usually the procedure requires the decision to be taken at two meetings with at least a month in between unless all members attend and vote unanimously for the winding up at the first meeting.</p> <p>The court can wind up the association under certain situations.</p> <p>If the association is insolvent, the members or creditors can also apply to have the association put into liquidation or undertake bankruptcy proceedings.</p>	<p>The members can chose to wind up the company at a general meeting. Usually the procedure requires the decision to be taken at two meetings with at least a month in between unless all members attend and vote unanimously for the winding up at the first meeting.</p> <p>The court can wind up the company under certain situations such as if the held capital is too low for a prolonged period of time.</p> <p>If the company is insolvent, the members or creditors can also apply to have the company put into liquidation or undertake bankruptcy proceedings.</p>
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>Any remaining assets are distributed in accordance with the economic association's statutes, usually to the members.</p> <p>A WISE can only distribute the assets</p>	<p>Any remaining assets are distributed in accordance with the association's statutes, usually to the members.</p> <p>A WISE can only distribute the assets to a similar association or activity.</p>	<p>Any remaining assets are distributed in accordance with the company's statutes, usually to the members.</p> <p>A WISE can only distribute the assets to a similar association or activity.</p>

Legal form	Economic association – Ekonomisk förening	Non-profit association – Ideell förening	Limited Company – Aktiebolag, AB
	to a similar association or activity.		
Conversion to another form of company	Not applicable to legal form.	Not applicable to legal form.	Not applicable to legal form.

## Annex 2 List of Information Sources

### A2.1 References

- Abrahamsson B. and Boström, A., 1980, *The Rights of Labour*
- Bartilsson, S., 2012, *Social Franchising*, in Tillväxtverket, 2012, *Att lära av mirakel – att vända arbetslöshet till hållbart företagande. En antologi om arbetsintegrerande socialt företagande*
- Erixon, L., 1996, *The Golden Age of the Swedish Model. The Coherence between Capital Accumulation and Economic Policy in Sweden in the Early Postwar Period*. Stockholm
- Gawell, M. Johannisson, B. and Lundqvist, M., 2009, *Entrepreneurship in the Name of Society*, Stockholm: KK-stiftelsen.
- Gawell, M., 2013a, *Soci(et)al entrepreneurship and different forms of social enterprises*, in Lundström et al. (eds.), *Social Entrepreneurship: Creating new ideas for the future*. Springer.
- Gawell, M., 2013b, *Socialt företagande och försöken att finna fungerande sätt*. Arvsfonden
- Gawell, M., 2014, *Social Entrepreneurship and the Negotiation of Emerging Social Enterprise Markets*. *International Journal of Public Sector Management*, Vol 27 No 3, online first.
- Hvenmark, J. and Wijkström, F., 2004, *The popular movement marinade: The dominant civil society framework in Sweden*. *Stockholm School of Economics/EFI Working Paper Series in Business Administration*, 2004:18; Stockholm: SSE/EFI.
- Johannisson, B., 1990, *Community Entrepreneurship – Cases and Conceptualization*, *Entrepreneurship and Regional Development*, 2 (1): 71-88.
- Johannisson, B. and Nilsson, A., 1989, *Community Entrepreneurship – Networking for Local Development*, *Journal of Entrepreneurship and Regional Development*, 1 (1): 1-19.
- Lundström, A. and Sundin, E., 2008, *Perspektiv på förnyelse och entreprenörskap i offentlig verksamhet*. Örebro: Forum för småföretagarforskning.
- Lundström, T. and Wijkström, F., 1997, *The nonprofit sector in Sweden*; Manchester: Manchester University Press
- Nilsson, I. and Wadenskog, A., 2005, *Ur samhällets perspektiv*
- NUTEK, 2007, *Kapitalförsörjning för sociala företag*
- Olofsson, C. and Berggren, B., 1998, *De mindre företagens finansiella villkor – en replikstudie*.
- Pestoff, V., 1991, *Between Markets and Politics: Co-operatives in Sweden*. Frankfurt & Bolder: Campus Verlag & Westview Press. ISBN: 3-593-34400-9/0-8133-8294-7 + 4-7710-0892-2.
- Regeringen, 1999, *Social ekonomi – en tredje sektor för välfärd, demokrati och tillväxt? Slutrapport från Arbetsgruppen om den sociala ekonomin och dess utveckling*, Kulturdepartementet
- Regeringen, 2008, *Överenskommelse mellan regeringen, idéburna organisationer inom det sociala området och Sveriges Kommuner och Landsting [A national agreement between the Government, idea-based organisation within the social field and the Swedish Association of Local Authorities and Regions]*
- Regeringen, 2009, *En politik för det civila samhället [A Policy for Civil Society]*
- Regeringskansliet, 2012, *Den nationella innovationsstrategin [The National Innovation Strategy]* [www.regeringen.se/innovationsstrategi](http://www.regeringen.se/innovationsstrategi)
- SALAR, 2014, *Idéburna utförare i lokal välfärd*
- SCB, 2012, *Det civila samhället*, Örebro: Statistics Sweden.

- SELUSI, 2010, Social Enterprises in Sweden: Evidence from a sneak preview selection of SELUSI survey questions
- Stryjan, Y., 1994, Co-operatives in the Welfare Market
- Stryjan, Y., 2001, Sweden: The Emergence of Work-Integration Social Enterprises, in Borzaga and Defourny, 2001, The Emergence of Social Enterprise
- Stryjan, Y., 2006, Sweden: Social enterprises within a universal welfare state model, in Nyssens, M. (ed.) Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society, Routledge
- SWECO EuroFutures, 2008, Strukturfonder för kompletterande kapitalförsörjning i Sverige.
- Tillväxtanalys, 2011, Arbetsintegrerande sociala företag – användning och behov av statliga finansieringsstöd
- Tillväxtverket, 2011a, Entreprenörskap och företagande i projekt finansierade av Europeiska socialfonden, Rapport 0089
- Tillväxtverket, 2011b, Att välja företagsform för arbetsintegrerande sociala företag
- Tillväxtverket, 2012a, Företagen som öppnar dörren till arbetslivet - Arbetsintegrerande sociala företag i Sverige 2012
- Tillväxtverket, 2012b, Nio områden där politiker och tjänstemän kan göra skillnad för långtidsarbetslösa, Rapport 0130
- Tillväxtverket, 2014, Förutsättningar för tillgång till kapital - en studie om samhälls-/sociala företag och företagare med utländsk bakgrund
- Trägårdh, L. (ed) (2007). State and civil society in northern Europe: The Swedish model Reconsidered. New York: Berghahn Books. Ringqvist, 1996
- Wijkström, F., 2012, Charity speak and business talk: Civilsamhällets nya kläder, Kurage #2
- Wijkström, F., and Zimmer, A. (2011). Nordic civil society at a cross-roads: Transforming the popular movement tradition. Baden-Baden: Nomos.

## A2.2 List of consultees

Name of the person interviewed	Organisation/ Role	Stakeholder category
<i>Anna-Karin Berglund</i>	<i>Project manager (dialogue and cooperation with civil society); Swedish Association of Local Authorities and Regions</i>	<i>Social enterprise stakeholder</i>
<i>Birgitta Hällegårdh</i>	<i>Project manager (work integration social enterprises); Swedish Association of Local Authorities and Regions</i>	<i>Social enterprise stakeholder</i>
<i>Eva Johansson</i>	<i>Swedish Agency for Economic and Regional Growth</i>	<i>Social enterprise stakeholder</i>
<i>Gunnar Backman</i>	<i>Ulva Park</i>	<i>Social enterprise</i>
<i>Kristoffer Lüthi</i>	<i>Vice CEO, Ekobanken</i>	<i>Social investment financial intermediary</i>
<i>Yohanan Stryjan</i>	<i>Prof of Business Administration, University of Södertörn</i>	<i>Social enterprise stakeholder</i>
<i>Mikael Eliasson</i>	<i>Founder, Servicecentrum i Övre Bygden ek för</i>	<i>Social enterprise</i>
<i>Amir Sajadi</i>	<i>CEO, Hjärna Hjärta Cash</i>	<i>Social investment financial intermediary</i>
<i>Christina Rosengren-Gustavsson</i>	<i>Swedish Public Employment</i>	<i>Social enterprise stakeholder</i>

<b>Name of the person interviewed</b>	<b>Organisation/ Role</b>	<b>Stakeholder category</b>
	<i>Service</i>	
<i>Kerstin Eriksson</i>	<i>FAMNA</i>	<i>Social enterprise stakeholder</i>
<i>Nilla Helgesson</i>	<i>Director, Föreningen Skyddsvärnet i Stockholm</i>	<i>Social enterprise</i>
<i>Malin Gawell</i>	<i>Researcher, ESBRI</i>	<i>Social enterprise stakeholder</i>

Several other stakeholders were also contacted but either did not respond to our emails/calls or did not want to participate in the study.