



# **Mutual Learning Programme**

DG Employment, Social Affairs and Inclusion

## **Synthesis Report**

**Peer Review on  
"Social business for people with mental health difficulties"  
19-20 June 2018, Nicosia (Cyprus)**



**EUROPEAN COMMISSION**

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# **Mutual Learning Programme**

DG Employment, Social Affairs and Inclusion

Directorate-General for Employment, Social Affairs and Inclusion  
Peer Review on "Social business for people with mental health difficulties"  
Cyprus, 19-20 June 2018

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## 1 Introduction

The Peer Review on 'Social business for people with mental health difficulties' on 19 and 20 June 2018 in Nicosia (Cyprus) focused on providing insight into the employment opportunities of people with mental health difficulties provided by social business. The event discussed policies and practices to support social business and people with mental health problems.

The event was hosted by the Vocational Rehabilitation Unit of the Mental Health Service at the Ministry of Health in Cyprus. Besides the Cypriot host delegation and a thematic expert, government representatives and independent experts<sup>1</sup> from seven Member States participated at the Peer Review, namely Bulgaria, Croatia, the Czech Republic, Finland, Hungary, Latvia. Two representatives from the European Commission also participated at the event.

The Peer Review covered EU and country specific presentations on how people with mental health difficulties can be supported to participate in employment, as well as working groups in which exchange of specific measures and activities and lessons learned took place.

### 1.1 Background

According to some data estimates, more than one in four adult Europeans have experienced at least one form of mental condition during any one year<sup>2</sup>. Poor mental health is a **major social and economic challenge** for the individual, his and her family and friends, as well as for society as a whole. The overall financial costs of mental conditions, including direct medical as well as indirect costs through care, lost productivity and disability benefits, are estimated to be more than 450 billion Euro per year in the EU<sup>3</sup>. The cost does not account for the additional hidden costs related to education and, potentially, criminal justice. As a result, inaction has a nefarious effect on social capital as a whole<sup>4</sup>.

While mental health covers our emotional, psychological, and social well-being, mental illness or **mental health problems** are, according to the World Health Organisation (WHO), a part of mental disorders: 'They comprise a broad range of problems, with different symptoms. However, they are generally characterized by some combination of abnormal thoughts, emotions, behaviour and relationships with others. Examples are schizophrenia, depression, intellectual disabilities and disorders due to drug abuse<sup>5</sup>.'

Mental health does not solely depend on biological factors that define mental ill-health as an 'illness', but also depends on **multiple factors**. The mental condition of people is determined by a multiplicity of factors, including biological (e.g., genetics, gender), individual (e.g., personal experiences), family and social (e.g., social support) and economic and environmental (e.g., social status and living conditions)<sup>6</sup>.

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1 Namely from Croatia, the Czech Republic, Hungary and Finland

2 World Health Organization (2016) Global Health Estimates 2015 Summary Tables: DALY by cause, age and sex. WHO, Geneva.

3 European Framework for Action on Mental Health and Wellbeing. Available here: [https://ec.europa.eu/health/mental-health/framework\\_for\\_action\\_en](https://ec.europa.eu/health/mental-health/framework_for_action_en)

4Ibid.

5 World Health Organization (2003), Investing in Mental Health, WHO, Geneva.

6 European Commission, (2005), Green Paper Improving the mental health of the population: Towards a strategy on mental health for the European Union.

Mental health problems may occur at any point over the life-course, as short reactions to life events or long-term ones. While mental health problems may impact on personal relations as well as on skills, the diagnosis itself may lead to further **stigmatisation**. Stigma can be described as a wide social disapproval which leads a group or an individual to avoid, fear or discriminate people with mental health problems<sup>7</sup>. Stigmatisation and discrimination of people with mental health problems still prevail, which was confirmed by recent research on the topic<sup>8</sup>.

Mental health problems have also become a **major cause of work absence** and early retirement all over Europe<sup>9</sup>. The WHO states: 'Mental disorders are one of the greatest public health challenges in the European Region as measured by prevalence, burden of disease and disability. Mental health problems, including depression, anxiety and schizophrenia, are the main cause of disability and early retirement in many countries and a major burden to economies, demanding policy action<sup>10</sup>.'

Moreover, most participants in the Peer Review stressed the **difficulty to determine the employment status** for people with mental health issues. This is often due to the fact that a breakdown of data differentiating between disabilities and mental illness is not available or people with a long-term mental illness are considered as inactive and therefore not included in employment statistics. However, it is necessary to estimate the number of people with mental health problems, and therefore the need for help, and to evaluate and monitor effective ways of labour market integration.

In many countries rights and support of people with mental health difficulties are provided within the **framework of support and rights for people with disabilities**. On international level, the UN Convention on the Rights of Persons with Disabilities (UNCRPD) defines people with disabilities as those who have 'long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others'. The UNCRPD promotes, protects and ensures the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities. This includes in particular the right to live in the community, participation and inclusion, education, health, employment and social protection, which should therefore be also guaranteed for people with mental health problems.

Countries who ratified the UNCRPD, including all 28 EU Member States, realise policies or programmes to implement the rights outlined above. However, the national level often lacks a **specific policy framework** addressing stigmatisation and enabling recovery to offer people with mental health problems a chance in the labour market and therewith a fully-fledged place within society. Considering these challenges people with mental health problems face to enter into the labour market, social businesses offer the potential to provide sustainable support.

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7 McDaid, D. (2008) Countering the stigmatisation and discrimination of people with mental health problems in Europe European Commission, Luxembourg.

8 Crosby Hipes, Jeffrey Lucas, Jo C. Phelan, Richard C. White (2016) The stigma of mental illness in the labour market, Social Science Research, Volume 56, , Pages 16-25

9 According to 2013 data, employment rates of people with common mental disorders were 60-70%, with 45-55% for those with severe mental disorders, compared to 70% for people with no mental problems. (source: Matrix Insight (2013). Economic analysis of workplace mental health promotion and mental disorder prevention programmes and of their potential contribution to EU health, social and economic policy objectives, Matrix Insight, Research commissioned by the European Agency for Health and Consumers. Available at:

[http://ec.europa.eu/health/mental\\_health/docs/matrix\\_economic\\_analysis\\_mh\\_promotion\\_en.pdf](http://ec.europa.eu/health/mental_health/docs/matrix_economic_analysis_mh_promotion_en.pdf)

10 WHO, (2015) The European Mental Health Action Plan 2013–2020

## 1.2 European policy context

The mental health and well-being of European citizens has become more important in terms of policy and practice across Europe in recent years.

The European Union's strong commitment to an inclusive and cohesive society is included in the **Europe 2020 strategy**. The strategy set the target of 'lifting at least 20 million people out of the risk of poverty or social exclusion' by 2020. In line with this the EU designed the flagship initiative "European Platform against Poverty and Social Exclusion". It is designed to help EU countries reach the strategy target and to ensure economic, social and territorial cohesion in order to raise awareness and recognise the fundamental rights of people experiencing poverty and social exclusion, enabling them to live in dignity and take an active part in society. Within this framework the Commission organises regular EU Stakeholder Dialogue meetings with NGOs, social partners, businesses and social economy actors, academics, foundations, think tanks and international organisations to ensure that they are involved in developing and implementing policy initiatives to combat poverty and social exclusion. These stakeholders in turn reach out to national actors and regional and local authorities<sup>11</sup>.

In line with the overarching objective of social inclusion, the European Commission adopted a **Green Paper on Mental Health** in 2005 triggering the discussion on how to tackle mental ill health. In short, the Green Paper focusses on the proposal of the European Commission that an EU-strategy could focus on the following aspects:

- Promote mental health of all;
- Address mental ill health through preventive action;
- Improve the quality of life of people with mental ill health or disability through social inclusion and the protection of their rights and dignity;
- Develop a mental health information, research and knowledge system for the EU.

The Green Paper comes up with numerous specific solutions concerning the promotion of mental health in every layer of society and the social inclusion of mentally ill or people with disabilities and protecting their fundamental rights and dignity.

In 2013, this was followed by the **Joint Action (on) Mental Health and Wellbeing** which established a **European Framework for Action on Mental Health and Wellbeing** which supports EU countries to review and improve policies. Their objectives are:

- Addressing depression, suicide and e-health;
- Promoting community-based approaches;
- Mental health at workplaces;
- Mental health at schools;
- Mental health in all policies.

The WHO has also been a key player to promote mental health, and created a **European Mental Health Action Plan 2013–2020**. This Action Plan covers mental health and mental disorders across the life-course. They point out four core strategic objectives:

- Everyone has an equal opportunity for mental well-being throughout their lives and this requirement must not exclude the most vulnerable groups of people.

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<sup>11</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=751>



- People with mental health problems are full citizens whose human rights are respected and promoted.
- Mental health services are accessible and reasonably priced. In addition, their availability must be secured.
- People receive effective and respectful treatment—offered the way people want it.

These strategic objectives are supported by three cross-cutting objectives:

- Physical health and mental health depend on each other;
- Mental health care needs partnerships and accountability;
- Good and transparent knowledge and information must be available on existing measures and services for mental health and mental disorders.

## 2 Future social businesses in Cyprus

**Legislation concerning social enterprises** is to be approved in 2018 in Cyprus which aims to regulate and support the creation of social business. An action-plan for the development of a social enterprise ecosystem consists of three priority axis (see Host Country Discussion Paper for details):

- Creation of a favourable business environment for social enterprise;
- Promotion of a social enterprise culture;
- Enhancement of access to funding, including financial incentives to employers for employing people with disabilities.

Professionals of the **Vocational Rehabilitation Units** in Cyprus hope to create more possibilities for people with mental health difficulties to enter the labour market via the upcoming legislation. The Vocational Rehabilitation Units, part of the Mental Health Services of the Ministry of Health in Cyprus, work in multi-disciplinary teams to support people to enter sustainable employment in the open labour market. The professionals provide personalised support and determine, together with the person, which employment opportunity fits him or her best. The integration into the open labour market depends on the skills, motivation and supportive environment of the person and can last from one week to six months.

**Alternative Employment Programmes** help people who are not immediately ready to enter the open labour market as a first step towards employment. These three programmes, run in cooperation with local NGOs, offer a more secure work environment to test and regain skills, with immediate help from various professionals to avoid serious relapses. To gain more funding and support, the Alternative Employment Programmes could be turned into social businesses. However, according to Cypriot practitioners, the following challenges still need to be addressed:

- There is a need for **continuous support from mental health professionals in these social businesses**, as there is no provision about this in the forthcoming legislation on social enterprises;
- The **stigma** on people with mental health difficulties;
- **Communication** and collaboration between public sector departments is open to improvement.

**Targeted awareness raising campaigns**, working with employers and research on the topic would be of major help to address the stigma on people with mental health difficulties. In addition, the lack of data about people with mental health problems in employment makes it hard to determine and evaluate the possibilities for people with mental health difficulties in the open labour market.

From the experience of the mental health professionals, many **employers** do hold prejudices, as they seem to prefer people with intellectual disabilities instead of mental health difficulties. Yet there are multiple commercial enterprises where people with mental health issues work, for example in supermarkets. In the experience of mental health professionals, people with mental health problems integrate easier in family businesses, as these businesses tend to show more social responsibility.

A vital success factor in Cyprus is the support from **professionals for employers** (multi-disciplinary teams, including job coaches and occupational therapists) in case of individual placement. The professionals support and visit the work places regular, depending on the needs of the person. There is also the possibility of a work trail, where employers and jobseeker test the employment relation for a week, while the worker's salary during this week is paid by an NGO.

### **3 Main themes of the Peer Review**

#### **3.1 Social business**

To discuss how social entrepreneurship can support people with mental health problems to enter employment, participants firstly discussed how policy measures can support social enterprise in general. The discussion at the Peer Review mainly focussed on the definition and forms taken by social enterprises in participating countries, the presence of legislation and policy measures supporting social enterprises and their activities for people with mental health problems.

##### **3.1.1 Definitions and forms of social enterprises across Europe**

Social enterprises are a social economy actor, whose main objective is to achieve social, environmental or community objectives, rather than to produce a profit for the owners or shareholders.

As underlined in the Thematic Paper presented at the Peer Review, social enterprises differ from both commercial enterprises and NGOs, and operate based on **three main dimensions**: the entrepreneurial dimension, the social dimension and the governance dimension.

They differ from commercial enterprises in terms of their focus on the social dimension and socially relevant objectives, which affect their entrepreneurial and governance dimensions, e.g. the way goods and services are produced (often leading to social innovation), profits are reinvested, and the ways social enterprises are managed. The combination of both social and economic aims in the decision-making process emphasizes the importance of stakeholders' participation (including workers, consumers, and possibly the wider community) and the need to guarantee a high level of accountability and transparency. Social enterprises also differ from NGOs in terms of their entrepreneurial dimension, because economic efficiency and financial sustainability are crucial to allow social enterprises to remain on the market and increase their social impact.

It is also necessary to distinguish between **social enterprise and social entrepreneurship**. According to the EMES research network on social enterprise definition, 'social entrepreneurship' refers to an approach driving social change and social innovation, while 'social enterprise or social business' refers to organisations fulfilling the criteria mentioned above, e.g. those organizations in which social or societal objectives are the reason for commercial activity, often in the form of a high level of social innovation, where profits are mainly reinvested with a view of achieving this social objective, and where an organization or ownership system reflects their mission<sup>12</sup>.

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12 UNDP/EMES (2008) Social Enterprise: a New Model for Poverty Reduction and Employment Generation, UNDP Regional Bureau for Europe and the Commonwealth of Independent States. Bratislava.

According to the European Commission<sup>13</sup>, social enterprises operate mainly in the following four areas:

- **Work Integration (Work Integration Social Enterprises - WISEs)**, providing training and employment integration measures for people with disabilities, the unemployed and other disadvantaged groups;
- **Personal social services**, providing health, well-being and medical care, professional training, health services, childcare, services for the elderly or aid to disadvantaged persons;
- **Local development support in disadvantaged and remote regions**, supporting remote rural areas, or neighborhood development and rehabilitation schemes in urban areas, as well as development aid and development cooperation with third countries;
- **Other areas**, including environmental protection services, sport, art, culture and historical preservation, science, research and innovation, consumer protection.

Social enterprises may adopt **different legal forms**, according to the specific national legislative and institutional framework. The most common is the cooperative form of business and organization, although some social enterprises are registered as private companies limited by guarantee, some are mutual organisations, and many are non-profit-distributing organisations like provident societies, associations, voluntary organisations, charities or foundations.

Attention to the **potential role of social enterprises** for socio-economic growth and the labour market integration of vulnerable population groups has increased in the last 10 to 15 years, both in the academic and political debate. In Europe, cooperatives and social enterprises are becoming increasingly widespread and comprise different models, often developed in collaboration with government, the third sector and civil society.

The debate at the Peer Review underlined the **difficulty in clearly defining social enterprises** in the experience of participating countries, and the difficulty for social enterprises to combine their social goal with business orientation. The presence of hybrid organisations makes the distinction between governmental, non-profit and for-profit enterprises less clear. According to the discussion at the event, this difficulty is often related to the lack of a legal framework regulating social enterprises.

An example is the situation in the **Czech Republic** and in Hungary. According to the national expert, in the Czech Republic there is a tendency to recognise only some types of social enterprises, and particularly WISEs. Also in the political debate the concept is often used in an approximate way, without distinguishing between the concepts of social entrepreneurship and social enterprise, although a definition of social enterprise, accepted by a broad range of stakeholders, has been developed by the Thematic Network for Social Economy (TESSEA)<sup>14</sup>. Currently social enterprises in the Czech Republic can adopt various legal forms that are not originally meant for

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<sup>13</sup> The European Commission and social enterprises (2018), available here: [http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

<sup>14</sup> According to this definition a social enterprise should be characterised by the following principles:

- a. The workforce should be made up of at least 30% disadvantaged individuals; only written employment contracts are acceptable.
- b. Relations in a social enterprise aim at the highest possible participation of employees and members in strategic decision making and strengthening of social cohesion.
- c. Profit should be used for the development of a social enterprise or publicly beneficial aims and not distributed to shareholders and a minimum of 51% should be reinvested into the social enterprise.
- d. Social enterprise satisfies preferentially local needs and utilises preferentially local resources, takes part in local initiatives and partnerships and contributes to local development. This principle was widened and took into account environmental aspects.

them, namely Associations, Public Benefit Companies, Limited Liability Companies, and Cooperatives. Limited Liability Company (LLC) are the most common form of the social enterprise in the Czech Republic, as the credit sector is more likely to grant a loan to a commercial company. However, establishing a LCC is very costly and LLCs' activities are not subject to tax benefits applicable in the non-profit sector. Associations can also work commercially, and profits earned are used to help achieve the association's goals. Public Benefit Companies (now called Institutes) provide affordable publicly beneficial services under specific conditions and must reinvest their profits into service provision. They can accept funding from the state and private sources. Finally, social co-operatives are the only dedicated legal form for social enterprises since 2014, although they are still little developed because they are negatively perceived as a legacy of the communist regime. They have to specify their social mission and rules of profit-distribution in their mission statement. In addition, there are two types of social enterprises, one originated from civil society organisations working in cooperation with the Ministry of Labour and Social Affairs (MoLSA), and another with a commercial origin. This second component accounts today for approximately half of the existing social enterprises.

Also in **Hungary**, there is no clear definition of social businesses, and public policies recognise different entities as social businesses, including for-profit and non-profit companies, cooperatives and NGOs.

Another debated issue at the Peer Review was the **relation between social enterprises and the public sector** and the dependence of social enterprise on the public sector. The increasing role of social enterprise in the provision of services such as health, education or social services, leads to a rethinking about the role of the state as the main provider for welfare. If social enterprises are becoming more important in the provision of previously public services, often to vulnerable groups, an investment into an ecosystem for social enterprise is necessary. This should be based on a clear legal framework, a facilitated access to mixed funding to become financially sustainable, and support to managerial capacity and networking.

### **3.1.2 Legislative frameworks of social businesses**

The Peer Review discussion underlined the importance of having a clear **comprehensive legal framework** on social enterprises to create an environment in which social enterprise can develop. This framework needs to consider a variety of organisational forms of social enterprise.

As underlined by the Thematic Expert, currently a specific legislation on social enterprises is present in 18 of the 28 EU countries<sup>15</sup>. In other countries, social enterprises are usually regulated (directly or indirectly) through several acts, depending on the legal forms under which they operate.

Among the participating countries the situation is very diversified: only Latvia recently (April 2018) enacted a specific legislation on social enterprises, while in Cyprus, the Czech Republic and Bulgaria a legislative proposal is under discussion or is in the parliamentary vote (CY). Hungary and Croatia do not have a specific legislation on social enterprise, while Finland is going to repeal its 2003 legislation for WISEs (see below).

**Latvia** adopted in October 2017 a Social Entrepreneurship Law<sup>16</sup>. This is the first specific legal framework for social enterprises in Latvia, setting out the criteria social enterprises need to meet. It also opens the opportunity for such enterprises to ask for state aid and tax relief in developing their activity.

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15 Thematic paper - Peer Review Social business for people with mental health difficulties, Cyprus 19-20 June in Nicosia.

16 <http://www.saeima.lv/en/news/saeima-news/25449-saeima-conceptually-supports-law-on-social-entrepreneurship-in-latvia>

A draft legislation in **Cyprus** defines two social enterprise typologies: a) Social enterprises of general purpose to promote positive social or environmental actions by services or goods based on an enterprise model (without necessarily employing vulnerable groups). A minimum of 70% of the company profits have to be invested in the social mission; b) Work integration/inclusion social enterprises (WISE), hiring at least 40% of their staff from vulnerable groups. The legislative proposal is completed by an Action Plan to support the development of social enterprises. For the implementation of the Action Plan a strong collaboration is envisaged between the public sector, municipalities, the academic community and the private sector. This legislative proposal was positively considered by the peer countries, for its comprehensiveness, attention to the development of a favourable ecosystem via the Action Plan and the involvement of all the relevant stakeholders.

In a similar way, in the **Czech Republic**, the Ministry of Labour and Social Affairs (MoLSA) and the Ministry of Investment and Trade (MIT) are working on a draft law on Social Entrepreneurship that is expected to come into force this year, depending on the approval of the new government. The law is meant to define the criteria to be fulfilled in order to be registered as a social enterprise and the accepted forms of social enterprises. The draft law is in line with the EU Social Business Initiative<sup>17</sup> and, as in Cyprus, recognises two main types of social enterprises: general social enterprises, and WISEs. As in Cyprus, the proposed legislation adopts a comprehensive approach to support the development of social enterprises in a wide spectrum of fields. Although the law does not directly enforce any legal claims on benefits or preferential treatment for social enterprise, it will allow the provision of public support to social enterprises in different policy sectors and will enable other legislation to incorporate specific advantages: they may access preferential public procurement treatment, public financial support and fiscal advantages, besides information, training, and consultancy services. Regional authorities are entitled to plan, finance and implement policies to support social entrepreneurship in their region. MoLSA will have a coordination role, defining a strategy for the development of social enterprise and submitting an annual report on the development of social entrepreneurship and its effectiveness.

The **Finnish** case shows instead a completely different approach, both compared to other countries and also compared to past Finnish approaches, adopted by the new government. The 2003 Act regulating WISE is going to be repealed in the framework of a structural public governance reform, which is creating a new governance entity, the counties, to govern health, social, and employment services. While currently a large share of social and employment services are provided by NGOs and social enterprises, in the future the increasing use of outsourcing, especially in health services, is expected to increase the role of (multinational) private companies as service providers, with the risk of social enterprise and NGOs being pushed out of the market. As underlined by the Finnish expert, the future of WISE lies within the Arvoliiitto network, a national coalition of social enterprises founded in 2013 which has higher chances to compete with private providers. In general, social enterprises are not legally regulated in Finland, but have to comply with certain criteria in order to be able to use the Finnish Social Enterprise Mark, administered by the Association for Finnish Work. The criteria relate to the enterprise's social objective, to the use of profits for social objectives in accordance with its business idea, and to be committed to openness and transparency of business activities.

### **3.1.3 Funding and financial sustainability**

Funding and **financial sustainability** are other crucial issues for social enterprises. Often social enterprises combine different forms of funding, a mixture of private

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<sup>17</sup> [http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

(SROI<sup>18</sup>, Social Impact Bonds, loans) and public (grants to set up the enterprise, ESF funding).

However, given their specific characteristics (social aim, hybrid business models, specific governance), social enterprise face difficulties in accessing mainstream private funding. Imperfections of the financial and credit markets and the perception of social business as a high-risk investment for private investors limit private funding, and social enterprise funds are usually limited to revenues from selling their products and services on the market, donations, crowdfunding and public funding. The extent of these difficulties depends on the level of development of a social enterprise culture and of a supportive framework in the national context.

The Peer Review discussion underlined that social enterprises are often dependent on public funding, which may take different forms: besides direct public grants (also with EU funds), social enterprise may be supported indirectly by tax incentives, wage subsidies, and preferential treatment in public procurement. However, access to public funding is often difficult for social enterprises due to the rigidities and bureaucratic complexity of tendering and public procurement procedures, the fragmentation of funding opportunities under different policy departments, and the increased competition of private companies. The latter is the case in Finland where many health and social services will be outsourced by the counties and smaller NGOs or social businesses face difficulties to compete with private providers in public procurement. In addition, sometimes social enterprises are even excluded from access to mainstream public support schemes aimed at SMEs and enterprises in general.

For these reasons, the discussion focused on the key role governments could play to support access to funding. Governments may design **dedicated financial instruments** for social enterprises and support the use of public grants, especially in the start-up phases, while at the same time developing dedicated instruments and tools for supporting social enterprises in securing risk-taking capital, in order to avoid their excessive dependence on public funds. These financial tools may include repayable financial instruments (loans and guarantees), as well as more sophisticated ones (revolving funds, equity and quasi-equity support etc.). Tax incentives and an increased use of environmental and social clauses of the EU Public Procurement Directive may also be a way to support social enterprises.

For example, in the **Czech Republic**, there is no preferential treatment (fiscal or tax) for social enterprises, and they are usually dependant on a mix of revenues from private sources (e.g. sales of goods and services, membership fees, sponsorship and donations) and public sources (e.g. public contracting, grants and subsidies). However, social enterprise in the Czech Republic face a social investment market not yet well developed compared to Western Europe. The Czech experience also underlines the risk that public support leads to an excessive dependence on public funding, a low capacity of social enterprises in accessing private finance, and a low interest from financial institutions in developing tailor-made products. A new regulation is expected to support the implementation of financial instruments by a publicly-owned bank or a financial institution.

**Wage subsidies** are widely used in WISEs employing vulnerable groups. For example, in **Finland**, typically wage subsidies cover 50% of wage costs and are granted for a period up to 12 months. Initially, there were favourable terms available for social enterprises employing people with disabilities, but this advantage disappeared due to legislative changes aimed at strongly harmonising the benefit levels of social enterprises and other for profit companies, and to the prioritisation of certain long-term unemployed groups and regular companies with the allocation of wage subsidies.

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<sup>18</sup> Social Return On impact

**EU funds** are largely used by social enterprise in the participating countries. Overall, the combination of ESF and ERDF is considered positive for social enterprises in the early stage of development and in those countries with an underdeveloped social economy sector, although the administrative complexity and the fragmentation of rules makes access difficult. For example, EU-funds have been successfully used in **Hungary** to support social enterprises in recent years, including providing loans for investment into developing sustainable business models. Since 2016, there have been three main calls for grants published by the Managing Authority in the framework of a broader strategy supporting social enterprises to enter the market with their products and services or to remain in the market. An additional grant targeted to new enterprises, small and medium enterprises and businesses with a claimed social impact, including social enterprises, also provides financial support in the form of loans for businesses. Other private or cross-sectoral initiatives support social enterprises in Hungary. Although the impact of these initiatives may be limited, according to the country expert, their presence in the country's social business sector represents a level of diversity and increased opportunities for both new and existing social enterprises.

Another important source of funding for social enterprises is provided by **international non-profit organisations** supporting social businesses. For example, in **Hungary**, NESsT, an NGO operating in 10 Central and Eastern European countries, has supported many social enterprises since the early 2000 and invested nearly 4,000,000 USD in Hungary, Czech Republic and Slovakia. Their programmes mostly focus on supporting already existing social enterprises in Hungary.

#### **3.1.4 Supporting the ecosystem of social businesses**

According to the participants, **a policy framework supporting the ecosystem** of social enterprise is necessary for their development and effective contribution to the labour market integration of vulnerable groups, including people with mental health problems.

Besides developing a comprehensive legislative framework and supporting access to public and private funding, policy support should focus on creating a favourable ecosystem, with **capacity building measures**, measures supporting the social enterprise **visibility and awareness raising** about social enterprises and their potential contribution to socio-economic growth, as well as **coordination and integration measures across policy sectors and institutional levels**.

At the EU level, the EU **Social Business Initiative** (SBI) launched in 2011 is considered an important political recognition of social enterprises for socio-economic development. SBI is also considered a first step towards implementing measures to create social business growth.

At the national level, only few EU countries have implemented policy measures directly supporting social business (e.g. Bulgaria, France, Italy, Slovenia and the UK). As underlined by the Thematic Expert, it is however difficult to assess the national political framework for social enterprises, as social business policies are often part of a wider policy framework targeting the social economy, civil society and the non-profit sector, as well as social inclusion and employment growth.

Indeed, all the participating countries have introduced in recent years measures that directly or indirectly support social enterprises, to create a favourable financial, administrative and legal environment for these enterprises to enable them to operate on an equal footing with other types of enterprises. As underlined in the discussion, there is however still little awareness of social entrepreneurship and support to social business innovators and managerial capacity in social enterprises is insufficient, and there is a **need for specific business counselling and training**. The lack of a

legislative framework in some countries represents a further constraint to the development of specific support policies.

The Peer Review debate underlined that a **national label, such as in Finland**, identifying social enterprises as such, could help to raise consumer awareness, and attract social investments and social entrepreneurship. A **governmental incubator for social enterprise** could also help to share knowledge, including business and entrepreneurship advice, especially with regards to financial and business sustainability, and in the case of WISEs helping and involving people with mental health problems.

The **Cyprus** proposal for a comprehensive Action Plan, was considered by the participating Peer Countries as a good example of how a supportive policy framework should be. It addresses all the main factors ensuring the development of successful and innovative social enterprises and earmarks dedicated financial resources for the following:

- Creation of a favourable business environment, including a legislative recognition, the creation of a dedicated Unit for Social Enterprises under the Ministry for Development and Competitiveness, and of a Commission for Social Enterprises with representatives from the public service, municipalities, enterprises and universities, measures facilitating access to public contracts, tax rebates and other incentives and the creation of an Incubator.
- Promotion of a social enterprise culture and visibility, with the creation of a dedicated internet portal providing information to all stakeholders, the creation of a social enterprise label, the provision of training and guidance services supporting innovation, creativity and social entrepreneurship, the launch of information campaigns and the creation of Social Entrepreneur Ambassadors.
- Facilitate access to funding with dedicated sponsorships /incentive schemes, information on available financial programmes/tools, exploitation of alternative financial tools (i.e. equity funding, Social Impact Bonds etc).

Participants at the event underlined that the creation of a dedicated support unit and of a commission, as well as the creation of an incubator will be interesting to follow.

Another example presented at the Peer Review was the Strategy for Social Entrepreneurship Development<sup>19</sup> adopted in **Croatia** in April 2015. The Strategy introduced for the first time in Croatia an official definition of social enterprises, which is largely consistent with the definition proposed by the European Commission in the Social Business Initiative, and facilitated the creation of a more supportive institutional and financial framework for registered social enterprises<sup>20</sup>.

In **Finland** the measures for the promotion of a social entrepreneurship culture in WISEs were either based on single projects or NGOs with a strong dependence on governmental or municipal funding.

The need for dedicated technical assistance and capacity building, besides funding, especially in those contexts where a social enterprises culture is not yet well established, is underlined by the experience of the **Czech Republic**. In 2009 the Government activated global grants to specifically support the social economy through the combination of ESF and ERDF funds. These were the only calls for proposals in the country targeted exclusively to social enterprises and represented a major boost for social entrepreneurship in the Czech Republic. These calls supported the establishment of the sector, ensured a learning process for all stakeholders, raised the public

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19 D. Vidović and D. Baturina (2016) Social Enterprise in Croatia: Charting New Territories, ICSEM Working Papers, No. 32  
[https://www.iap-socent.be/sites/default/files/Croatia%20-%20Vidovic%20%26%20Baturina\\_0.pdf](https://www.iap-socent.be/sites/default/files/Croatia%20-%20Vidovic%20%26%20Baturina_0.pdf)

20 Ibid.



awareness on social entrepreneurship and created new partnerships between stakeholders

However, the implementation of the joint grant schemes did not work well due to differences in administrative rules for the two funds and lack of technical assistance to help applicants in the uptake of grants. In the current programming period support is now provided by several calls for proposals and a **support structure** is available from the beginning. The support structure helps the development of social entrepreneurship by establishing a network of local consultants and experts or coaches. Besides consultations, the structure also offers study visits to social enterprises and a piloting of two sets of indicators, one for general social enterprises, and the other for WISEs. However, the original idea of a flexible coordination between the ERDF and ESF schemes faded and no further calls to support the social economy are planned.

### 3.2 Support for people with mental health problems

Mental health problems are very likely to impact on someone's capacity to work and to be an active part of society. Moreover, the longer the mental condition lasts, the greater the impact is on individuals who might have to leave work and in some cases receive invalidity benefits<sup>21</sup>. This may also lead to a deterioration of soft and vocational skills and decreasing social contact and networks.

As mentioned above, there is a significant stigma associated with mental illness, which has an adverse effect on the ability of these individuals to secure work and intensifies the problems and barriers people with mental health problems face. **Stigma needs to be tackled** not only to facilitate employment opportunities, but generally to reduce discrimination and thus improve the quality of life of people with mental health problems. **Targeted communication**, for example at mental health professionals, young people or employers, can help to raise knowledge about mental disorders (and also to encourage people to raise their mental health problems more openly).

#### 3.2.1 Community based services

As a pre-condition, employment of people with mental health problems requires **community-based care and services**. The provision of health and social services and other support services at home, rather than in an institution, should enable its users to exercise control over all aspects of their life. These services therefore support and enable the access to employment, but also to other activities promoting social inclusion: education, leisure or other activities in the community. Especially community mental health services play a vital role to address various needs and to support job integration.

The transition from large residential institutions to community or family settings (**deinstitutionalisation**) remains a challenge in much of Europe, to varying degrees depending on the sector and the country. For example, in **Hungary**, support for people with mental health problems is only available in hospitals, hence many people with mental illness stay in hospital wards or care homes. However, there are recent attempts to deinstitutionalise, in particular with ESF funding. In **Croatia**, the deinstitutionalisation strategy led to supported housing. This service consists of community-based housing units, that provide support in or outside of the apartments. This thus allows the inhabitants to participate in employment opportunities and wider social activities, which in turn impacted positively on their quality of life<sup>22</sup>.

In **Cyprus**, community-based services are widely available, as mental health services were decentralised in the 1990s, with a stronger shift towards prevention. This has

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21 OECD (2012), Sick on the Job: Myths and Realities About Mental Health and Work, OECD Publishing, Paris.

22 European Social Network, Rolling out deinstitutionalisation thanks to supported housing in Croatia, available here: <http://www.esn-eu.org/raw.php?page=files&id=2404>

decreased institutionalisation, resulting in less use of hospital beds<sup>23</sup>. Mental health services are present in all regions and Community Mental Health Nurses support people in the community via home visits.

### 3.2.2 Collaboration and a personalised approach

People with mental health problems have various needs that require often the involvement of different actors from various sectors in community-based care, such as health, social care, housing, education, employment, transport, leisure, criminal justice and social security. However, participants of the Peer Review highlighted **several challenges** to cooperate across sectors: the responsibility of different ministries at national level and hence different budgets and procedures, as well as communication and work cultures between different sectors. The Cypriot approach of having **multi-disciplinary teams** in the Vocational Rehabilitation Units comprising of occupational therapists, clinical psychologists (part-time), mental health nurses and work coaches are a good way to provide individual and effective support.

In particular the role and **cooperation with NGOs** was emphasised, as they often provide local supported employment opportunities, based on various needs and advocate for the rights and responsibilities of people with mental health problems. Good examples of cooperation are the three Alternative Employment Programmes run by the Vocational Rehabilitation Units and NGOs in Cyprus. This 'on the job' opportunity includes support from mental health nurses, work coaches, occupational therapists and a clinical psychologist (when needed). It also includes support groups for individuals in the workforce. The **Cypriot** experience shows that the close collaboration between NGOs and mental health staff helped to avoid serious relapses and hospitalisation. In the further development of social enterprises that provide a more secure work environment for people with mental health problems, the collaboration with mental health services needs to be further considered. A country where this approach has been further developed is **Greece**, where social cooperatives receive subsidies to employ mental health professionals<sup>24</sup>.

Another example of community-based cooperation from the **Czech Republic** is the social enterprise Fair & Bio Cooperative Coffee Roastery which employs people with mental health problems. The social enterprise works with a former mental health institution which integrated their clients into a community-based form of housing. Fair & Bio employees with mental health problems, given the work place and atmosphere is adequately adjusted, are able to broaden their skills to become loyal, long-term workers.

When trying to find job opportunities for people with mental health problems, it is important to adopt a **personalised approach** that addresses personal needs, but also user choice and participation. The personalised approach focuses on peoples' ability (rather than on disability) and their interests. Choice is important so that a person is able to organise the support he or she might need based on preferences, thus also resulting in empowerment and skills' strengthening. By doing so, there is a higher chance on finding the right job on the labour market. The involvement of people who face mental health problems, so 'expert by experience' or 'peer support groups' are ways to ensure a personalised approach. In that way, support services and social enterprises can ensure that needs and interests are taken into account. For example, the **Bulgarian** NGO "Global Initiative on Psychiatry" works with mental health professionals and peer supporters, people who have personally experienced mental

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23 Martínez-Leal, R.1; Salvador-Carulla, L.1; Romero, A.1; Avraam, M., Deinstitutionalisation and community living – outcomes and costs: report of a European Study. Country Report Cyprus, available here:

[https://www.kent.ac.uk/tizard/research/DECL\\_network/documents/DECLOCCountryreportCyprus.pdf](https://www.kent.ac.uk/tizard/research/DECL_network/documents/DECLOCCountryreportCyprus.pdf)

24 European Commission (2015), A map of social enterprises and their eco-systems in Europe, available here:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2149>

health problems and support, to plan and implement services and service users are actively involved in their own care plans.

A very holistic example of a personalised approach are the international **Clubhouse standards** according to which 23 Clubhouses are running in **Finland**. People with mental health problems can join Clubhouses as members and can voluntarily access a range of work-related and social activities. The focus lies on the community and individual abilities, rather than on illness. In general, employment rates are twice as high as in the normal mental health system and the approach has proven to be cost-effective and led to fewer hospitalisations<sup>25</sup>. Clubhouses in Finland maintain transitional work programs, where members get work experience from entry level jobs, supported by job coaching. The WISE "ESKOT Oy" is planned to provide long-term, part-time, supported and flexible jobs for members whose motivation and abilities are sufficient. A business plan has been made and alternatives for financing of the start-up phase are being evaluated (crowdfunding has been tested, social impact bonds (SIB) and municipal financial support are being considered).

### 3.2.3 Social entrepreneurship to support people with mental health problems

Employment has not only economic incentives, but also gives people with mental health problems the **chance to participate in society**, by improving their status, social contacts, and giving a sense of personal achievement. Several barriers exist however for people with mental illness to enter employment, such as stigmatisation, a lack of support services, insufficient work-life balance or an exclusive workplace culture. In order to overcome these barriers, social enterprises with their inclusive, participatory and flexible working culture are well placed to support this approach.

In terms of labour market integration, a differentiation can be made between 'train then place' models and train 'on-the job'. Traditional vocational schemes ('train then place' models), such as sheltered workshops, aim at strengthening relevant competences, before entering competitive employment and social enterprises. While those schemes have been largely unsuccessful<sup>26</sup>, 'place then train' models, such as "individual Placement and Support" (IPS) place someone in employment and **train 'on-the job'**. The IPS model aims for competitive sustainable employment, based on training and counselling and personalised support, and encourages choice based on interest and ability. Outcomes of the IPS show that participants have good chances to enter and remain in a sustainable employment relation<sup>27</sup>.

Social enterprises have the potential to provide more **flexible, innovative and supportive ways to help people with mental health problems**. The combination of their entrepreneurial approach with a social mission and a participatory approach enables a more secure work environment which is often very similar to the open labour market.

The **stepping stone approach** proves to be a promising form of guiding people with disabilities/mental health issues into the open labour market. This has been tried in **Cyprus** with work trails and Alternative Employment Programmes, and in **Finland** local NGOs or social enterprise offer a more secure work environment, but with the same tasks and work conditions as on the open labour market. For example, in a trail of job banks between 2009 and 2016, a WISE working with mental health NGO's has been successful to bring hundreds of people into employment. This trial aimed to support vulnerable groups to enter the open job market, combined with intensive coaching and training programs and business development and financial support. WISEs working with people with mental health problems experienced that the staff needs relevant competences and skills, as well as need to cooperate with mental

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25 <http://clubhouse-intl.org/what-we-do/what-clubhouses-do/>

26 Boardman J. (2003) Work, employment and psychiatric disability, *Advances in Psychiatric Treatment* 9, 327-334.

27 Thematic paper - Peer Review Social business for people with mental health difficulties, Cyprus 19-20 June in Nicosia.

health services. Another example is Sotek, a foundation with the "Finnish Social Enterprise Mark" that provides training, subsidised work, coaching and support for people with mental disabilities. Overall it helps roughly 800 people a year to find work in one of their ten locations in jobs that include sorting second-hand clothes, delivery services, cleaning and handicraft work. Established in 2004, Sotek has about 60 employees and a turnover of 4.7 million Euro.

In order to support people to enter the open labour market, **personal contact** with employers is needed to address stigma, but also to support people once in employment; to promote an inclusive workplace culture suitable for people with mental health problems, and to detect future mental health problems early enough. This support of people at the work place is foreseen in many countries by job or work coaches. Here the focus lies on abilities, interest and encouragement, but possible problems can be quickly addressed via multi-disciplinary cooperation, such as in Cyprus with the teams consisting of various professionals who make work place visits. In Hungary, labour market provisions aiming at the employment of people with reduced working abilities (including people with mental illness) mostly focus on supporting employers through various financial schemes.

Participants also stressed the usefulness of exchange and **sharing experiences and challenges** to identify lessons learnt and necessary competences to start and maintain a social enterprise and appropriate support for people with mental health difficulties. In **Croatia**, the ACT Group is a consortium of 10 social enterprises and a social enterprise incubator, providing support to its members and other social enterprises in the Croatia and Western Balkan region. Around 40% of the 45 employees are from various disadvantaged groups. ACT group has received the European Enterprise Promotion Award in 2014 for the category "Accountable and sustainable entrepreneurship" as well as the "Award for creativity and innovation in the business and social environment" 2014.

## 4 Conclusion

Amongst the seven countries participating in the Peer Review there are different stages of development of social enterprises, with many countries now trying to enhance the development of social entrepreneurship by introducing new legislation, such as in the host country. In all countries, an investment into an ecosystem to support social enterprise is needed, in particular to guarantee financial sustainability of newly established approaches. This is crucial when social enterprises work with vulnerable groups, such as people with mental health problems.

The event provided timely information, based on good practices and lessons learnt from the participating countries, for the implementation of the upcoming legislation in Cyprus. Participants therefore expressed interest to follow-up the set-up of social enterprises in Cyprus, to further learn how legislation, policy and practice can be improved. The event moreover provided valuable hands-on insight from the Cypriot mental health professionals which in turn can influence policy making.

Social enterprises provide a good surrounding for people with mental health problems to enter employment because of their inclusive and participatory approach. As the experience from Cyprus showed, many people are not ready to enter immediately the open labour market or labour market opportunities are not available, which might also be often based on stigmatisation. In order to address the overarching problem of stigmatisation, communication activities to raise knowledge about mental disorders (also to encourage people to raise their mental health problems more openly) across sectors, but in particular in health, education and employment, are important.

Social businesses offer the opportunity to demonstrate, practice and regain skills, as well as to gain contact with employers in order to demonstrate abilities and skills. Community-based support, cooperation across sectors as well as on the job support

are pre-conditions to enable people with mental health problems to regain and remain in employment and thus to fully participate in society.

