

Social Entrepreneurship in the EU: Lessons for Bosnia and Herzegovina

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Introduction

The concept of social entrepreneurship

Social entrepreneurship in the EU

Some examples

Conclusions

Concept of social entrepreneurship

- Social entrepreneurship challenges the traditional idea of doing business just for the sake of profit
- Social enterprises offer a new way of providing social services, and integrating vulnerable groups and the wider community
- Social enterprises have three key dimensions
 - Entrepreneurial dimension (earn income through sale of goods and services)
 - Social dimension (pursue a social aim)
 - Governance dimension (participation, transparency, accountability)

Entrepreneurial dimension

- Sale of goods and services on the market
- An **asset lock** prevents assets, such as land or buildings, from being distributed to owners, thus safeguarding the public benefit pursued by the social enterprise in case of its dissolution.
- A **constraint on profit distribution** restricts the share of profit that can be distributed to investors, employees or members, ensuring reinvestment in the enterprise to expand its social impact
- Social enterprises that are organised as limited liability companies tend to emphasise the entrepreneurial dimension rather than the participatory governance dimension (in contrast to cooperatives)

Social dimension

- Social enterprises pursue explicit **social aims** with a view to benefitting society at large or specific groups of fragile stakeholders
- Social enterprises are important in the fight against social exclusion by:
 - Providing goods and services to (and by) socially excluded groups
 - Meeting the **social needs of vulnerable groups and the wider community** that government agencies often fail to meet
- They can contribute to the employment of disadvantaged people
 - For example, in **work-integration social enterprises (WISEs)**
 - WISEs keep people at risk of social exclusion attached to the labour market through training and work integration activities

Governance dimension

- Social enterprises have an **inclusive governance dimension**, which implies the engagement of concerned stakeholders through different means, as either (or both) members or beneficiaries.
- Participatory governance implies that their governing boards are often elected by their employees or members, in whole or in part. This applies especially in the case of social cooperatives.
- Social cooperatives tend to emphasise this dimension of participatory governance by employees and members than other types of social enterprises.

What do social enterprises do?

- **Personal social services** - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people or disadvantaged/vulnerable people
- **Work integration** – training and employing people with disabilities or long-term unemployed people
- **Local development of disadvantaged areas** – in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas
- **Other** – recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports, community services

Prevalence rates of social entrepreneurship, 2009, 2015 (GEM reports)

Figure 1: Social entrepreneurship prevalence rate as a percentage of the working age population by enterprise maturity in selected countries in 2009

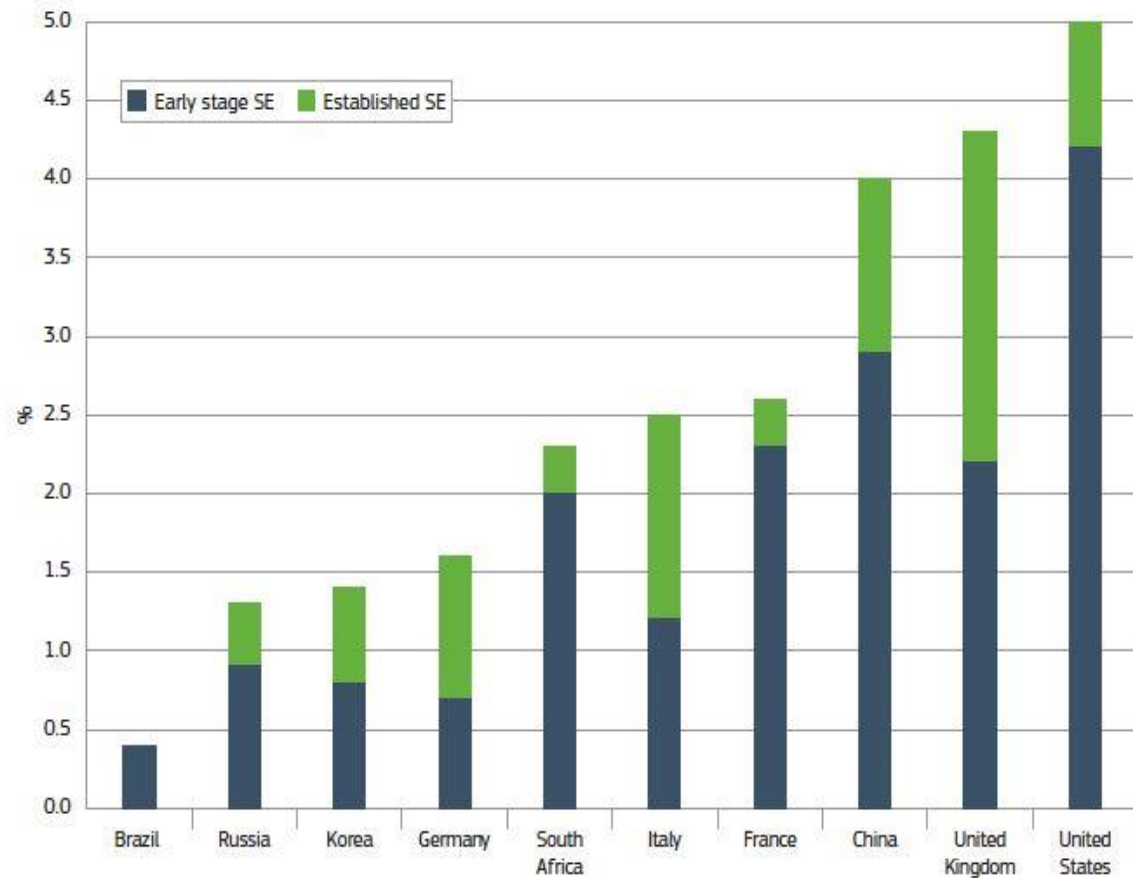
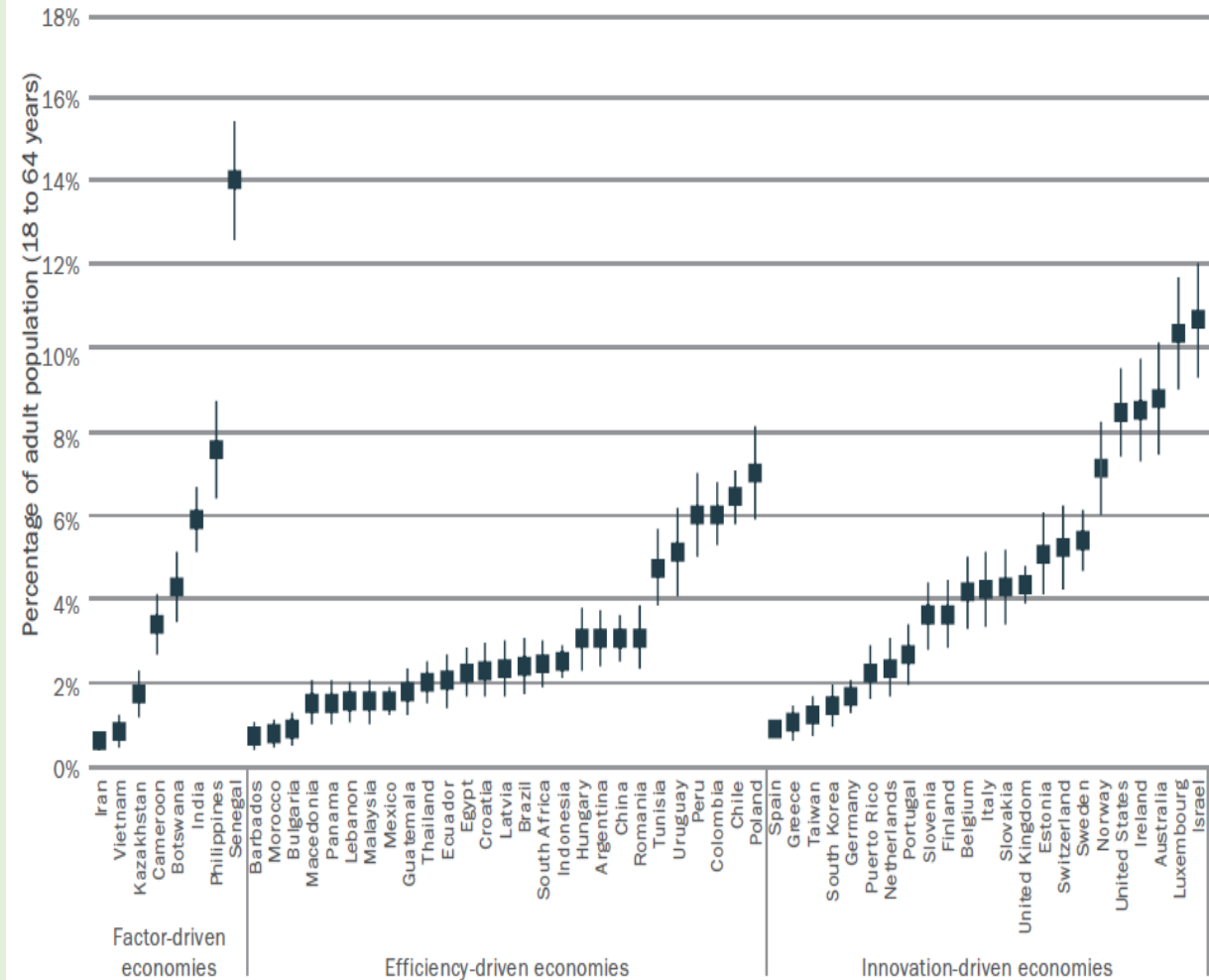
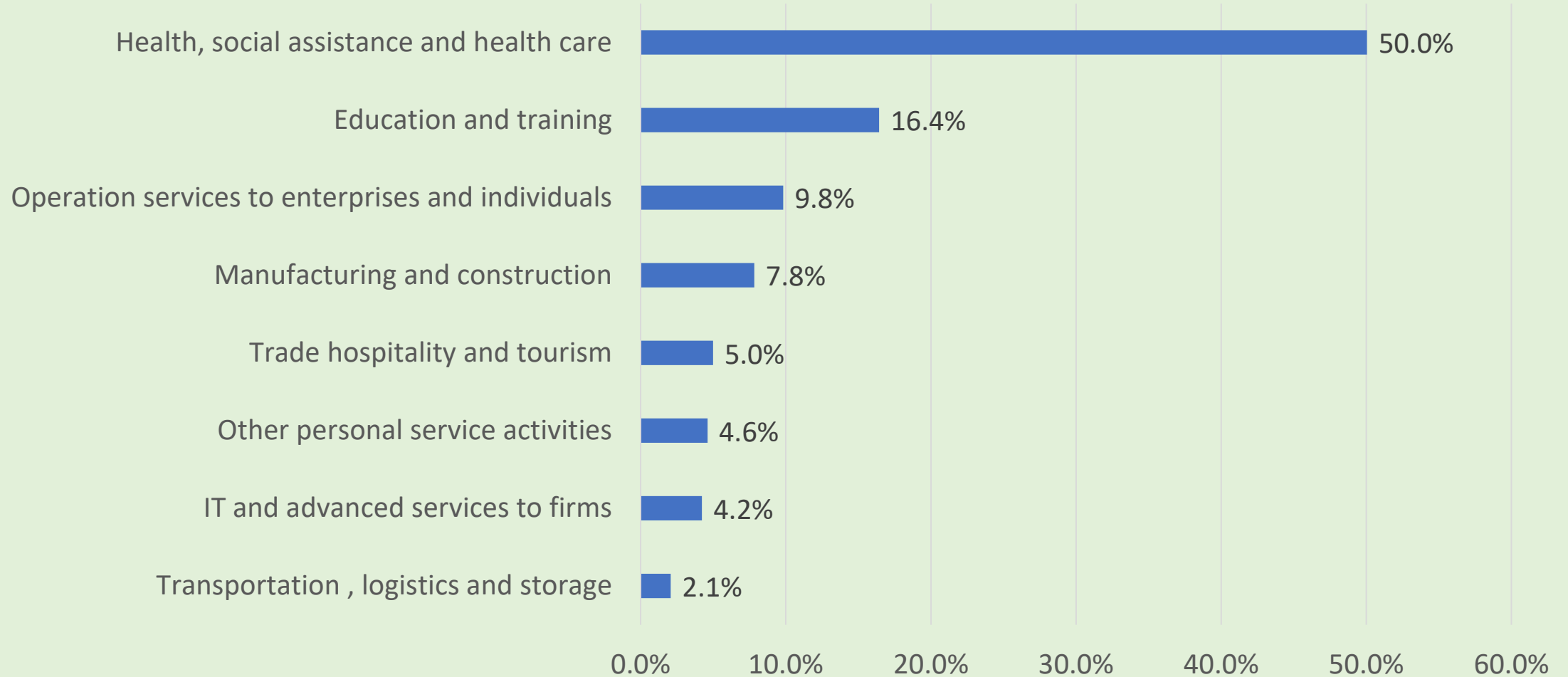


Figure 2: Prevalence of Individuals in operational post-start-up social entrepreneurial activity (SEA-OP-BRD), by economy



Sectors of activity of social enterprises in Italy



Social entrepreneurship in the EU

EU definition of a social enterprise:

“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders.

It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives.

It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”

Size of the social economy in the EU

- The social economy in the EU consists of
 - 2.8 million entities and enterprises
 - Over 13.6 million paid jobs, or 6.3% of the working population.
 - Plus 5.5 million volunteers.
- Several countries have more than 1,000 social enterprises per million inhabitants
 - Belgium (1,530), France (1,414), Hungary (1,621), Italy (1,694), Lithuania (1,237)

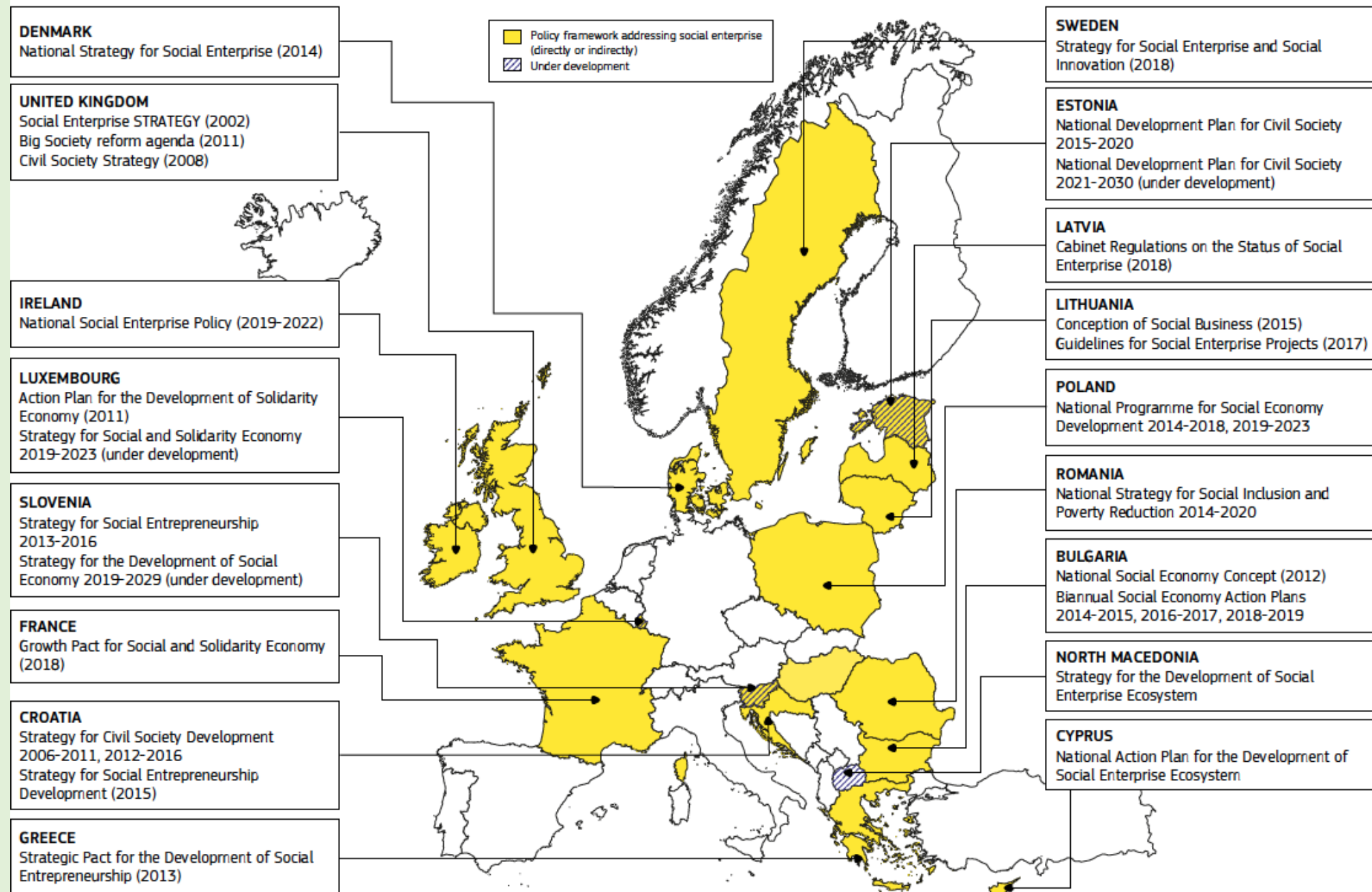
EU Social Business initiative, 2011

- Provide easier access to finance for social enterprises
 - Loans from the Employment and Social Innovation Programme (2014-2020)
 - EU Structural Funds support to social enterprises
 - European Social Entrepreneurship Funds (Regulation 346/2014)
- Increase visibility to social enterprises
 - Create a public database of labels and certifications applicable to social enterprises
 - Map and register the social enterprises in Europe
- Improve the regulatory and institutional environment
 - European Cooperative Society Regulation
 - Widen EU procurement rules to include social impact element

Contexts for social enterprise start-ups

- Countries with extensive public social services covering most needs
 - Public support for work-integration and creation of social enterprises to address new needs (Austria, Belgium, France, Germany, Netherlands)
- Countries with extensive public social services undergoing reforms
 - Contracting out services to social enterprise providers (Denmark, Finland, Sweden, UK)
- Countries with a poor supply of welfare services and gaps in welfare delivery
 - Bottom-up experimentation by groups of citizens (Greece, Ireland, Italy, Portugal Spain)
- Countries with welfare services in transition
 - Public policies supporting work integration, and donor support for social enterprises (Central and South European transition economies)

Figure 3. Countries with policy frameworks targeting social enterprise



EU Start-up and Scale-up Initiative (2016)

- Scale-up refers to expanding the social impact (rather than profit or sales) to:
 - Reach a more users, beneficiaries or members
 - Widen the scope of activities to address a social need
 - Replicate a social enterprise unit in different locations
 - Develop collaborative relationships and networks with different stakeholders
- Scaling methods
 - Organic growth
 - Merger and acquisition
 - Social franchising
 - Strategic partnerships (with local authorities, public social services, other social enterprises, private sector)

European Action Plan for Social Economy, 2021

- European Action Plan for the Social Economy is planned to be published by the end of 2021
- It defines the social economy business model as one in which social enterprises reinvest profits in the organisation, pursue a social objective and use a participatory form of governance
- The main aims are the same as with the Social Enterprise Initiative 2011, supplemented by support for:
 - Scaling-up social enterprises
 - Local authorities to develop social enterprise ecosystem
 - Social enterprise development in enlargement countries

EU finance for social enterprises

- Social enterprises face difficulties in accessing small investments.
 - The funding gap for loans is almost EUR 1 billion per year across Europe.
 - Banks do not understand or value the social impact
 - Investors are looking for a monetary return not a social return
- The EU's *Employment and Social Innovation (EaSI)* programme provides finance for banks that lend to social enterprises
 - Grants to banks to provide business development services to SE
 - Free of charge guarantees that cover banks' loans to social enterprises
 - Equity investments to build banks' capacity in the area of social enterprise finance
 - Technical assistance to banks to provide training, study visits and social enterprise finance workshops
- For 2021-2027 the EaSI programme will become a *strand* under the European Social Fund +, with a budget of € 762 million.

Other financial resources

- Revenue earnings from income-generating market activities
- Procurement grants from public authorities and EU funds
 - Direct grants, contracts to supply services, vouchers for use by users
- Donations
- Membership fees
- Tax breaks (in 17 EU countries)
 - e.g., for employment of persons with disabilities (minimum 30% employees)
- Failure to arrange a stable flow of resources may jeopardise development opportunities for social enterprises

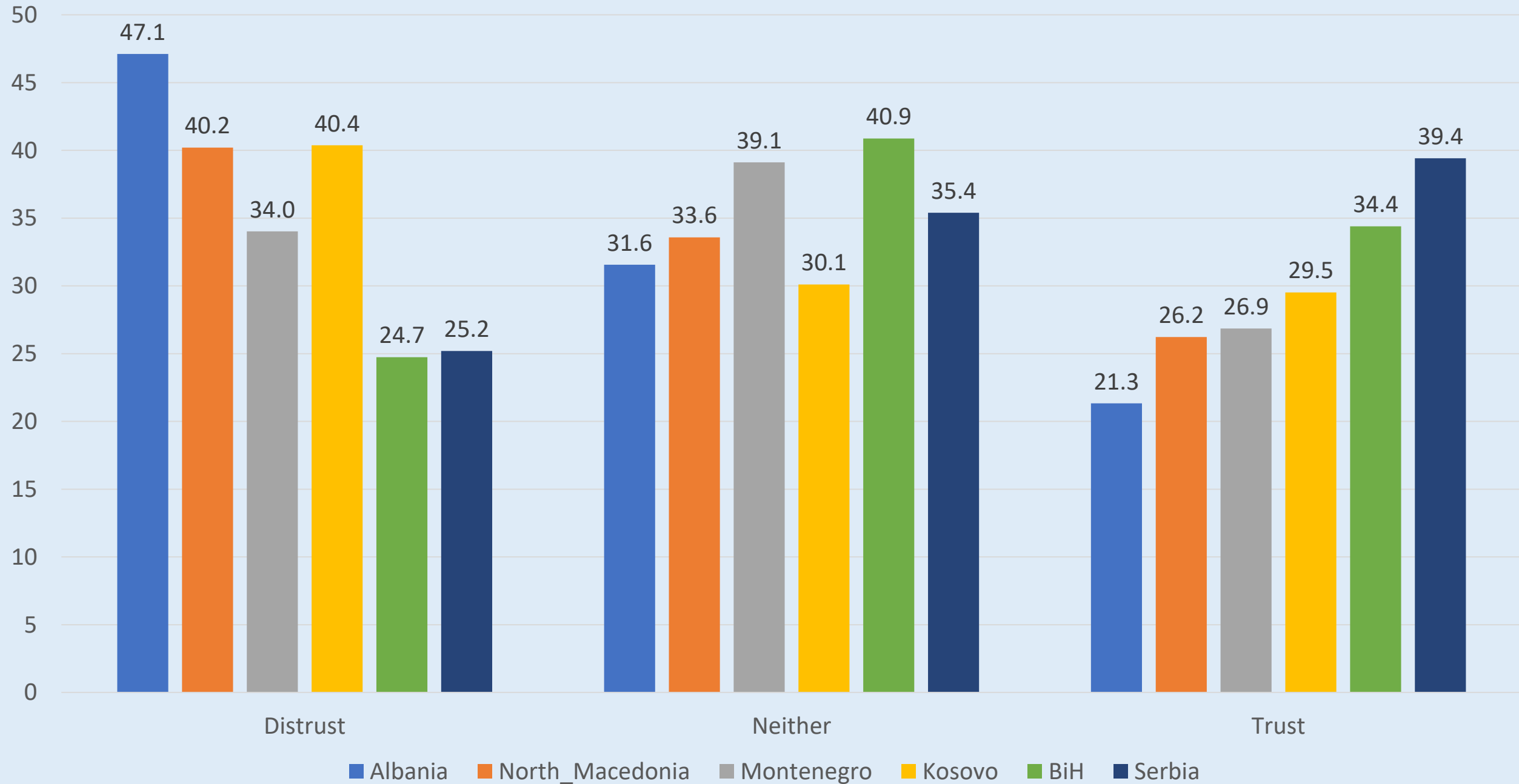
Table 13. Main fiscal benefits granted to social enterprises

Type of fiscal benefits	Yes, without limitations	Yes, with limitations	Not available
Corporate tax exemption on retained profits	AT, DE, EL, FR, HU, IE, IT, LU, LV, MT, PL	BE, BG, CZ, ES, HR, LT, NL, PL, RO, SE, SI, SK, UK	CY, DK, EE, FI
VAT exemption or reduced rate	AT, BE, DE, FR, HU, IT, PL, PT	LU, SK	BG, CY, CZ, DK, EE, EL, ES, FI, HR, IE, LT, LV, MT, NL, RO, SE, SI, UK
Social insurance costs reduced or covered by subsidies	AT, BE, HR, SE	BG, EL, ES, FI, FR, IE, IT, LV, PL, PT, SI, SK	CY, CZ, DE, DK, EE, HU, LT, LU, MT, NL, RO, UK
Tax reductions granted to private and/or institutional donors	–	AT, BE, BG, CZ, DE, EE, ES, FR, HR, HU, IE, IT, LT, LU, LV, NL, PL, PT, SI, UK	CY, DK, EL, FI, MT, RO, SE, SK

Other resources for social enterprises

- Social enterprises may make extensive use of voluntary labour ('sweat equity')
 - This is only likely to be available in countries with high level of social cohesion and interpersonal trust
- Bertelsmann Foundation study identified three patterns:
 - Nordic countries: high level of social cohesion
 - English-speaking countries: medium level of social cohesion
 - Central Eastern and Southeastern countries: low level of social cohesion
- EBRD Life in Transition Survey 2016 found a relatively high degree of interpersonal trust in Bosnia & Herzegovina and Serbia in comparison with other Western Balkan countries

EBRD Life in Transition survey, 2016: Whether people can be trusted



Public procurement and social enterprises

- Most EU Member States have moved away from non-competitive grants and contracts to:
 - Reduce the costs of services
 - Align with the EU's public procurement rules.
 - Enable more transparent and competitive public procurement procedures
- EU public procurement rules (2014/24/EU) establish the criterion of “economically most advantageous offer” for contracting practices
 - This allows public authorities to assign more importance to the social value of output from the service provider than to the price offered

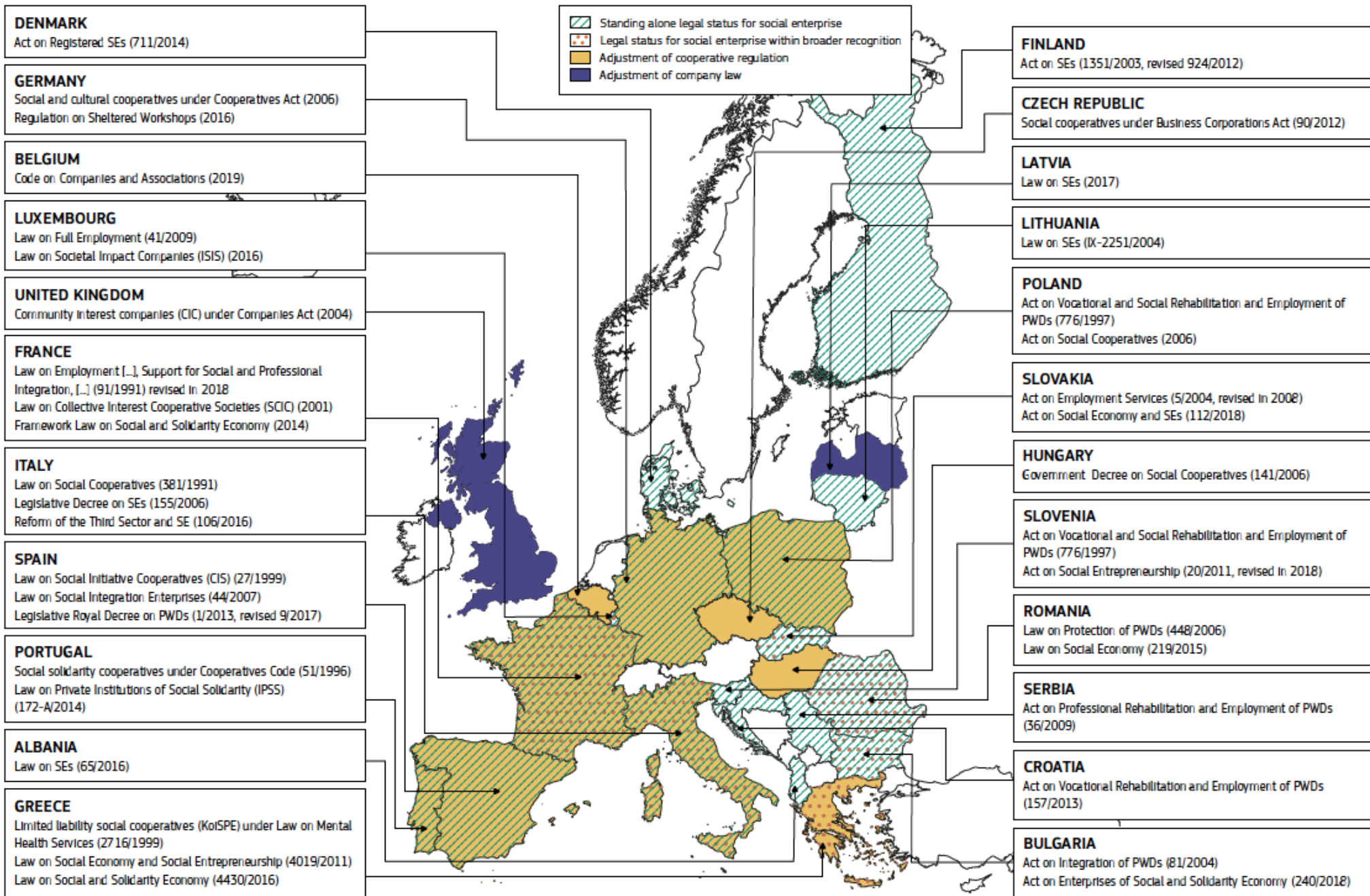
Business support and development services

- Private and public support for social enterprise incubators and business innovation centres
- The ESF and to a smaller extent the European Fund for Regional Development have been game changers for the development of social enterprises
 - Especially in CEE/SEE where public measures addressing social enterprises are limited.
- Local public authorities are often crucial for the development and implementation of support initiatives for innovative social enterprises.
 - This is notably the case in Belgium, France, Italy, Poland and Spain

Legal frameworks

- Most countries have introduced specific legislation to regulate social enterprises
- Adjustment of existing laws on cooperatives have enabled social cooperatives to operate as social enterprises
 - France, Germany, Greece, Italy, Poland, Portugal, Spain, Hungary
- Introduction of new legal status/accreditation of social enterprise that can be adopted by a wide variety of existing company formats
 - On condition that the fulfil specified criteria (e.g., social purpose, asset lock, reinvestment of profits)
 - Italy, Denmark, Latvia, Slovenia, UK

Figure 4. Countries with laws on specific legal forms or statuses for social enterprises



Any questions?

Example 1: Progetto Quid (production company)

- Progetto Quid is a fashion company established in 2013 as a social enterprise in Verona, Italy, that employs vulnerable individuals who face significant employment barriers.
 - It employs 138 people from marginalised groups, 80% of whom are women.
- The social enterprise collaborates with other social service projects to support its beneficiaries in a range of areas.
 - Employees can access services such as psychological assistance and support from a psychologist and a welfare officer at the Progetto Quid premises once or twice a week.
 - The holistic support means that employees are provided with a safe environment, a sense of belonging to a community rather than being isolated and marginalised and can take control over their own lives.
- The skills learnt – digital and fashion skills – are in high demand, increasing their employability
- The social enterprise combines its social impact focus with a successful market strategy
 - Its entrepreneurial focus has enabled it to satisfy consumers and stakeholders with high-quality, stylish products and in this way it has become financially sustainable

Example 2: The WASCO Cooperative (a WISE in Slovakia)

- The WASCO Cooperative deals with the challenge of Roma long-term unemployment. It was set up in 2015 in Horehronie in Slovakia to support Roma integration. It employs 24 people and has 150 clients.
- The social cooperative provides beneficiaries with work in laundry and ironing services and operates in a refurbished old factory. It targets Roma people in Horehronie although other groups in vulnerable situations, such as single-mothers, people with health and disability issues and the elderly, are also supported.
- The employment is accompanied by training to help the beneficiaries develop their skills and experience.
 - The cooperative also helps participants to move on to employment elsewhere by providing tailored guidance on searching for and securing a job.
- To increase its impact, it cooperates with local and national institutions, including the Slovakian Ministry of Labour, Social Affairs and the Family.

Example 3: Caremate (social services in Estonia)

- CareMate is an innovative social enterprise that connects and matches supply and demand for care, with a local focus, allowing it to support both people in need of care and local municipalities in need of service providers.
- This initiative is a peer-to-peer online platform established in 2018 that is structured as a social enterprise, connecting care workers with people in need of homecare services.
- Users select the type and the length of service they need, and an available carer who lives nearby.
 - Various care services such as washing and ironing, personal care or assistance with medical visits are available.
 - People in need receive the fastest possible response at a relatively low fee per service.
- Over the last year, there have been 500 sign-ups for care, with 200 actual clients who paid and received services. At the same time, 200 people underwent CareMate's training and were hired as caregivers.

Example 4: Greenwich Leisure Limited (public services in UK)

- GLL is the largest social enterprise delivering leisure, health and community services in the UK.
- In 1993, following a proposed cut of 30% in funding, and a similar loss in the number of staff by Greenwich Council (in London, UK), the remaining council-run leisure centres were transformed into a social enterprise, owned and run by staff and users. Most of the Company Board are elected by the workforce.
- Under the consumer-facing brand Better, it now operates 258 public Sports and Leisure facilities, 88 libraries, 10 children's centres and 5 adventure playgrounds in partnership with 50 local councils, public agencies and sporting organisations. Better leisure facilities enjoy 46 million visitors a year and have more than 650,000 members. (<https://www.better.org.uk/who-we-are/our-story>).
- GLL exists to make community services and spaces better for everyone. In practice, that means investing all surpluses back into providing quality leisure, health and library facilities for the good of the communities where it operates.
- GLL's £274m turnover is part of the UK's £23bn social economy. It is challenging private sector providers in the leisure market – showing that a social enterprise can compete successfully at scale.

Conclusions

- Social enterprises are becoming more and more accepted as important organisations that can improve social welfare of vulnerable groups and the wider community
- Publicly provided social services often fail to meet the real needs of the most marginalised individuals
- Social enterprises, especially at the local level, can often better meet the needs of vulnerable groups, due to their local knowledge and close contact with beneficiaries, who are often members
- With the EU moving in the direction of supporting social enterprises as a major force in the provision of social welfare, BiH could learn much from EU experience in this field