



SOCIAL ENTERPRISE BRIEFING NOTE

Introductory remark

Different terms are used to refer to the wider economic sector in which social enterprises operate, for instance, social economy, third system or sector and solidarity economy. These terms are used here to refer to social enterprise in general.

History of social enterprise

Contemporary social enterprise has its roots in the social philosophy concepts developed in the 19th century, which promoted a vision of social solidarity and justice and sustainable economic co-operation among individuals. While in some Member States there is no tradition of social economy as such, its constituent elements (co-operatives, mutual societies, foundations) exist throughout Europe. Defining the social economy is therefore a crucial starting point for joint working and mutual understanding in this field.

The term 'social economy' first received government recognition in France in the 1980s and it has since extended to other Member States (Belgium, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden and the UK). Over the last 10 years, the social economy has gained increasing recognition at the EU level. Six EU Member States now have a dedicated ministerial portfolio focusing on the social economy. The European Commission recognised the social economy in 1990, when it developed its definition; this year it adopted a Communication on the promotion of co-operative societies in Europe, focusing on the social economy. Since then, social enterprises have been hailed as key contributors to the achievement of Europe's economic, social and political aims, as well as a clear demonstration of the fact that the spirit of solidarity need not clash with entrepreneurial outlook. Co-operatives and the wider social economy are now part of the mainstream European Employment Strategy and, since 1998, Member States are called upon to report on developments in this field in their National Action Plans for Employment.

Concept

A social enterprise is a business with primarily social objectives and aims, as well as social responsibility. While still remaining a business, a social enterprise has the specific feature of reinvesting its surplus in the business or in the local community, thus enabling it to deliver on social objectives. Because of their rationale of using business to achieve public good, social enterprises are thought to have a big potential to help create a strong, sustainable and socially inclusive economy.

While social enterprises' success as businesses depends on their economic performance, it is by no means the sum of their overall success – as this is closely linked to the achievement of their goals of solidarity and mutualism. Social enterprises have been perceived to:

- help to drive productivity and competitiveness
- contribute to socially inclusive wealth creation
- enable individuals and communities to work together towards regenerating their local neighbourhoods
- show ways to deliver and reform public services
- help to develop an inclusive society and active citizenship.

Actors

The spectrum of social enterprises is very wide. The European Commission uses the CMAF definition (i.e. Co-operatives, Mutual Societies, Associations and Foundations) based on the registration of the business to define social economy. In general only associations with an economic nature are included.

In the UK it includes local community enterprises, social firms and mutual organisations such as co-operatives, large-scale organisations operating nationally or internationally. Many social enterprises start out as voluntary sector organisations, dependent largely on grants and volunteers and working to increase traded income (according to the DTI).

Table 1 - CMAF definitions of social enterprises

Cooperatives <ul style="list-style-type: none"> • Voluntary and open membership • Equal voting rights based on majority • Members contribute to the capital which is variable • Autonomy and independence • Main sectors of activity: agriculture, banking, manufacturing, retailing and services. 	Mutual societies <ul style="list-style-type: none"> • Voluntary and open membership • Equal voting rights based on majority • Members' fees – no capital contribution • Autonomy and independence • Main sectors of activity: medical, life and non-life insurance, guarantee schemes, home mortgages
Associations/Voluntary Organisations <ul style="list-style-type: none"> • Voluntary and open membership • Equal voting rights based on majority • Members' fees – no capital contribution • Autonomy and independence • Main sectors of activity: service providers, voluntary work, sports and advocacy/representative, health care, care for elderly and children and social services 	Foundations <ul style="list-style-type: none"> • Run by appointed trustees • Capital supplied through donations and gifts • Main sectors of activity: financing and undertaking of research, supporting international, national and local projects, providing grants to relieve the need of individuals, funding voluntary work, health and elderly care.

Ref: DG Enterprise website: *Social Economy Enterprises pages.*

Activities

While the range of social enterprises may vary, according to the DTI their nature always encompasses one or more of these social objectives:

- Provision of social or environmental goods and services (recycling and childcare for instance)
- Trading to provide or cross-subsidise social or environmental goods or services (for example the trading branch of some charities)
- Using processes or ways of working that have a significant social benefit (for instance fair trade organisations).

A common denominator amongst social enterprises is also their territorial implantation, given their local development focus (local delivery of social goods, local employment creation for instance).

Features of social enterprises

- Solidarity and social cohesion
- Social responsibility and commitment
- Independence and autonomy through trading
- Entrepreneurial, innovative and risk-taking behaviour
- Flexible and adaptable practices
- Customer and community focus
- Stakeholder engagement through voluntary and open membership
- Primacy of the individual and the social objective over capital
- Democratic and participative management
- Delivering socially and/or environmentally as well as financially
- Based on trust and confidence

Legal status in the UK

In the UK, there is no single model for social enterprises. They can be:

- companies limited by guarantee
- industrial and provident societies
- companies limited by shares
- unincorporated organisations
- registered charities

The recent Companies Bill proposed a Community Interest Company (CIC) status, designed for social enterprises who want to use their profits and assets for the public good. CICs would report to an independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities. This will enter into force from July 2005. A consultation on the Regulations relating to this status will close in February 2005.

Examples of national policies towards social enterprises

- On the supply side (i.e. relating to social enterprises as institutions):
 - Recognition of their status
 - Fiscal support measures
 - Differential financing instruments
 - Advisory and support measures
 - Awareness raising on social enterprise
- On the demand side (i.e. relating to the activity of the social enterprise organisation)
 - Public procurement – ‘positive discrimination’ towards social enterprises
 - Preference for public spending in sectors of social and general interest
- Policies relating to employment in the social enterprise sector
 - Policies aimed at employment creation for disadvantaged groups
 - Support and training for workers employed by social enterprises

Areas of potential

- An area of potential for the strengthening of the social enterprise sector is public procurement. The UK government has for instance recognised for instance, that there is a wide scope for improved public service delivery through social enterprise.
- Social enterprises are active in promoting quality employment and strengthening local social capital
- By their open and participatory nature, social enterprises have strong potential in developing and strengthening local networks and capacity building.
- In enterprise promotion terms, social enterprises are believed to provide a more secure environment than self-employment.
- Social enterprises may provide benchmarking opportunities in the field of corporate social responsibility and social auditing.

References

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