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Europe in Transition: The Role of Social Cooperatives and Social Enterprises*

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Abstract

The European social model has always been characterized by the active role played in the production of goods and services by a variety of organizations that differ both from private corporations and public institutions. These are private organizations that, while active on the market, typically pursue goals other than profit: their main purpose is not to generate financial gains for their owners or stakeholders but to provide goods and services either to their members or to the community at large. Traditionally, these organizations have been included in the concept of “social economy”. This paper describes the role of social enterprises and social cooperatives as a type of economic, non-profit organization that is assuming an increasingly central role in Europe (as shown for example by the Social Business Initiative, recently launched by the European Commission), by contributing to its economic and social growth. More generally, the paper intends to reflect on the economic and social impacts of social enterprises and social cooperatives in local economies, while some final remarks conclude by identifying some lessons supplied by Italian social cooperatives on a broader scale.

Keywords

Social economy, cooperatives, social enterprises, social impact, EU policies

JEL codes

L38, L26, N34, P13

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1. A new framework for new challenges

As we enter the second decade of the 21st century, the globalization of the economy, the low rates of economic growth, the complexity of society, and growing demands for new services are challenging the European model of development. Demographic and economic shifts over the past few decades have brought about significant changes in the social needs of the population: as life expectancy increased, so did the need to find new ways to care for the elderly; as more and more women entered the workforce, child care has emerged as a major new area of intervention; as Europe has attracted more and more people from other countries and other parts of the world, the economic and social integration of migrants has required attention and new policy tools; and as the economy has become more knowledge-based, the education systems have needed to diversify and improve.

Over time, the evolution of European society in the context of the global economy has led to the emergence of new and more diversified needs, which in many cases demand new types of responses. These responses have come in some cases from the public sector or from private businesses, but some of the most relevant innovations came from civil society and social economy organizations, and in some cases from entirely new organizational forms inspired by the same principles as social economy organizations, combining a social and an entrepreneurial dimension, but resorting to different institutional arrangements.

In sum, the appearance of new needs and the increasing differentiation of existing ones have made demands by citizens more wide-ranging and complex. At the same time, the difficulties generated by growing fiscal constraints, coupled with the challenge of meeting diversified needs with a set and standardized supply of services, have made it increasingly difficult for the public sector to meet this demand on its own, as it had traditionally done in a welfare model dominated by state intervention.

Some of the reforms that at the national level have been introduced in the organization of the welfare state have failed to achieve satisfactory outcomes, and in some cases—especially when the solution was identified with the privatization of the services of public interest according to a pure for profit model and consequently with their transfer to the private businesses—they have contributed to a growing imbalance between the demand and supply of services of general interest, especially in the key areas of health, social services, and education. The economic crisis that started in the second half of the last decade has made it clear that the tools that this model has relied on for decades in order to generate social cohesion started to show their limitations, as well as the presumed alternatives conceived in terms of a privatization driven by the principle of profit maximisation.

In recent years, profound changes in the socio-economic context contributed to the questioning of the conventional wisdom and values. Much wealth has been created, but at the same time social and economic inequalities have grown significantly in many countries. There is a widespread perception that social mobility has decreased, and large sectors of society have seen a deterioration in their quality of life and a loss of social cohesion. As people suffer the effects of

economic transformations that they cannot control or direct, a part of our society is feeling excluded and powerless.

People's reactions to this situation appear to be increasingly polarized and divided between further isolation and individualism on one side, and the willingness to engage and tackle social issues on the other. Increasingly, though, the attempt to organize a response to the current challenges is taking place also outside the traditional structures, exploring less hierarchical and more participatory forms. The same tendencies can be found among younger generations, which are torn between the temptation to withdraw from social participation and the desire for a more open, active and responsible society which is also less centralized and less dependent on traditional organizational forms. The cultural climate in which this part of the European society is living is calling into question the separation between individual morality and social order which has accompanied and fuelled economic growth over the past few decades. A new sensitivity and attention to social issues seems to be taking hold and increasingly characterizing people's behaviour.

There are encouraging signs that we are moving in this new direction, as we are witnessing a surge of responses by individuals and groups, organized in a substantially different way from those of both private businesses and public institutions. This trend is part of an increasing tendency, across sectors, to take into account the social consequences of economic activity. Basically this tendency is what today is fuelling in Europe the polymorphous debate on social innovation.

This tendency, born of the new challenges facing the continent, has found a fertile ground in the European tradition, as the European social model has always been characterized by the prominent role played by a variety of organizations that differ both from private corporations and from public institutions. These are private organizations that typically pursue goals other than profit: their main purpose is not to generate financial gains for their owners or stakeholders but to provide goods and services either to their members or to the community at large. These organizations, which have been active in Europe for close to two centuries, have been regulated in many countries through specific legal forms (including primarily the cooperative, the mutual, the association and the foundation), have set up their own representative organizations to interact with public authorities, and have contributed in various ways to the social and economic development of our continent.

The label that is used, in the tradition of many European countries and recently also by the European Union, to refer to these organization is the "social economy"—a term that stresses the special attention that these organizations pay to the social consequences of their activities, more than to the profit maximisation, and their participative and democratic governance structures.

Based on the available evidence, it is estimated that the social economy in Europe (measured as the aggregate of cooperatives, mutuals, associations and foundations) engages over 14.5 million paid employees, equivalent to about 6.5 per cent of the working population of the EU-27 and about 7.4 per cent in EU-15 countries. Interestingly, the social economy has increased more than proportionately between 2002-2003 and 2009-2010, increasing from 6 per cent to 6.5 per cent of total European paid employment and from 11 million to 14.5 million jobs. Incidentally, this is a

phenomenon that is not confined to Europe but is gathering strength around the world, as exemplified by the data on cooperatives published in the World Cooperative Monitor by Euricse and the International Cooperative Alliance (ICA)¹.

Beyond the numbers, history provides evidence of the great potential of the social economy in supporting economic development and improving wellbeing, as these organisations have always made an important contribution to economic dynamism and growth from different perspectives. And in recent decades, the social economy has strengthened its position as a key driver of stable and sustainable economic growth, especially as a provider of services of social interest.

All of these organizations are based on motivations, behaviours, and principles (such as solidarity, reciprocity and direct participation in management, quest for justice and equality) which appear particularly well suited to face the challenges related to the management of collective assets, where the right of ownership must be balanced with the duty of custody for the benefit of current and future generations. Moreover, these organizations are lending increasing credibility to the idea that economic development (and more broadly a solution to the new challenges facing contemporary societies) does not only stem from the intervention of the public sector or from the actions of individuals pursuing private gains. Rather, it can also come from the collective action of communities engaged in the production of public goods, as well as from innovative combinations of private investment and collective action.

2. The social economy in the European tradition

The social economy has been recognized as a distinct set of economic actors only recently. However, organizations belonging to the social economy have long been an important part of the European social, economic, and political history. The term social economy first appeared in France during the first third of the 19th century and its relevance has gone far beyond French borders throughout the centuries, finding a great resonance throughout Europe.

What social economy organizations share and what sets them apart from conventional enterprises is the overall aim of their activities, which does not emphasize the pursuit of profit and its distribution to the owners as an ultimate goal. In fact, the main goals pursued by social economy organizations include both the provision of goods and services (including employment opportunities) to their members and the pursuit of community interest goals (i.e. activities that benefit society at large like the provision of general interest services).

Another characteristic shared by most social economy organizations is their ownership structure, as ownership rights are assigned to stakeholders other than investors, and significant emphasis is placed on stakeholder involvement and participation. These stakeholders can include workers, customers, or even volunteers, as many social economy organizations are characterized by a significant participation of volunteers, who often play a key role particularly in the start-up phase of the organization.

¹ www.monitor.coop

Given these characteristics, social economy organizations tend to give precedence to people and labour over capital in the distribution of incomes. This means, for instance, that these organizations will tend to preserve employment and quality of service to their members and customers even at the cost of reducing their margin of profit. Social economy organizations are also generally characterized by democratic decision-making processes, whereby key decisions concerning the organization are voted upon by all of its members.

These shared characteristics can be found in various types of social economy organizations in the different European countries. Historically, social economy organizations have been grouped into four major categories: co-operative enterprises, mutual societies, associations and foundations (the latter being the least common of the four), whose legal form may vary considerably from one country to another. Beyond these four distinct organization types, social economy organizations often adopt a mix of organizational forms. We can have, for instance, voluntary associations that control cooperatives or foundations; foundations which control associations or other kinds of organizations; cooperatives organized in networks, utilizing legal entities different from the cooperative one or even controlling corporations. In fact, in some instances social economy organizations can even adopt enterprise forms that typically belong to the for profit sector. For instance, some agricultural cooperatives have created shareholder companies (controlled by the cooperative itself) in order to more effectively pursue the commercialization of their products.

Moreover, in addition to the four “traditional” organization types described above, in recent years new organizational forms have emerged (like “social enterprises”), relying on both traditional social economy and other models. It is on these new forms that we would like to focus our attention, as they have revitalized traditional social economy organizations and given rise to innovative organizations whose development has been particularly noteworthy. These bottom-up initiatives can be interpreted as concrete expressions of an increasing sense of responsibility on the part of citizens and as an “endogenous response” to their discontent about the failures of the market and the shortcomings of public policies.

3. The emergence of social enterprise in Europe

Social enterprises have emerged in recent years as a new and very significant phenomenon not only throughout Europe but also in other continents. Despite the lack of a universal definition of the term, in Europe the concept of social enterprise is increasingly used to identify a “different way” of doing business, which occurs when enterprises are created specifically to pursue social goals (Defourny and Nyssens, 2008). In particular, in the European tradition a social enterprise is seen as “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, involve employees, consumers and stakeholders affected by its commercial activities” (EC Communication on the Social Business Initiative, SEC(2011) 1278).

The concept of social enterprise overlaps with the traditional social economy organizations and cuts across legal forms, as an entity that operates as a social enterprise might choose to be registered as an association, cooperative, charity etc., or as one of the specific forms set up in recent years under national legislation (Galera and Borzaga, 2009).

What distinguishes social enterprises from traditional associations or charities is the fact that social enterprises earn a substantial proportion of their income through trading (both with private and public sector), rather than being dependent on grants or donations. A typical benchmark is that at least 50 per cent of turnover is earned income. And what distinguishes social enterprises from conventional enterprises is that they have a primary social purpose. An indicator of this social purpose is that the majority of any profits are reinvested or otherwise used to achieve the social mission of the enterprise (Bacchiega and Borzaga, 2001).

A social enterprise typically is created when a social entrepreneur or founding group of citizens sharing a specific and well defined social goal succeeds in translating it into a new organization displaying some key features: the activity it performs is of general interest and it is managed in an entrepreneurial way, striving to maintain a constant balance between the social and the economic dimension (Hansmann, 1980). The novelty introduced by social enterprises is their capacity to bring an entrepreneurial and commercial dimension to the provision of general interest services and to the solution of social issues. This ability enables these organizations to operate in a space that in many countries was previously thought of as solely purview of the public sector. Social enterprises have made it possible to provide social and general interest services in a way that is economically sustainable, and in many ways more effective and efficient than what could be done by the public sector alone.

When compared to traditional social economy organizations, social enterprises may be seen as more oriented to addressing not only the needs of their owners or members, but also of the entire community (including the needs of the most fragile segments of society), as they put more emphasis on the dimension of general interest rather than on purely mutualistic goals. This does not mean, however, that social enterprises only work with the poor or the most vulnerable social groups—rather, they provide a variety of services of general interest, including for instance health care, child care and educational services.

Social enterprises come in very different shades and colours depending on the development of the welfare system, civil society, and the social finance market and dedicated public policies in each country. As a result, there are significant differences across countries in terms of the social sector and business sector areas social enterprises are active in. For instance: in Romania and Hungary, there is a marked predominance of social enterprise activity in the sectors of health, social work and education, while countries such as Sweden or the UK show a more diverse picture, though with a common, significant presence of social enterprises providing community, social and related services. In other countries (such as Italy for example) the two main fields of activity are work integration and welfare service provision. While welfare service provision is largely supported by public funding, work integration often is accomplished thanks to the production of goods and services that are traded on the market.

Table 1 - Mapping the fields of activity of social enterprises in Europe²

NPO social sector classification for primary service		%
75% of sample	Social services	16.70
	Employment and Training	14.88
	Environment	14.52
	Education	14.52
	Economic, social and community development	14.34
	Culture, the arts and recreation	7.08
	Health	6.90
	Housing	2.72
	Business associations	2.00
	Law, advocacy and politics	1.63
	Other	4.72
		100

Source: SELUSI. Data including all observations across all countries (N=581)

Recent development trends show the expansion of social enterprises in new fields, based on the interests and needs of their communities and society. These new activities include, for example, the provision of innovative forms of educational, cultural, environmental, and public utility services, as well as food production, distribution and consumption. This trend is not surprising: the history of this type of enterprise both at the European and at the international level shows that social enterprises are likely to work in any field of activity that is of interest to their community as a whole. Indeed, social enterprises have proven to be extremely versatile organizations, which share the core common features described in the previous section but that over the years have been able to engage in a variety of activities and constantly innovate their products and services.

Social enterprises display a great variety also in terms of their size. While in some cases they can be small enterprises operating at the very local level, they also display a tendency to aggregate through networks or consortia in order to achieve economies of scale and have access to centralized services. Through this strategy they can reach very large dimensions, and become major actors both in the social and in the economic life of their communities.

4. The case of the Italian social cooperatives

Social enterprise initiatives were set up using legal forms made available by the different national legal systems, primarily not for profit, including for instance associations, cooperatives and foundations. In particular, social enterprises were first established as associations in those countries where the legal form of association allows for a degree of freedom in selling goods and services on the open market, such as for instance Belgium. In countries where associations were more limited in this regard, social enterprises were more often created under the legal form of the cooperative. An overview of the different countries that adopted this solution is provided in Table 2.

² The SELUSI project, funded through the 7th Framework Programme of the European Commission, studies the market behaviours and organizational design decisions of over 800 social enterprises throughout Europe.

Table 2 – Social enterprise qualification via cooperative form

Country	Legal forms used	Law/Year	Activities
Italy	Social cooperative	National law 381/1991	Social services (a-type); work integration (b-type)
Spain	Social cooperative societies Labour integration cooperative societies	National law 27/1999 and regional laws in 12 autonomous regions (1993-2003)	Assistance services in the fields of health, education, culture or any activity of a social nature; work-integration
France	General-interest cooperative societies	National law 17 July 2001	Production or provision of goods and services of collective interest
Portugal	Social Solidarity cooperatives	Co-operative code (Law 51/96 of 7 September 1996) and Legislative decree 7/98 of 15 January 1998	Work-integration of vulnerable groups
Poland	Social cooperative	National law on Social cooperatives 2006	Work integration of a wide category of disadvantaged workers
Hungary	Social cooperative	National law 2006. X.	Create work opportunities and facilitate the improvement of other social needs of its disadvantaged members
Greece	Social cooperative	National law 4019/30-9- 2011 on “Social economy and social enterprises”.	Engagement in three fields: i) work integration; ii) social care; iii) provision of services that satisfy collective needs/local development

Source: European Commission (2013).

An analysis of social cooperatives and their characteristics reveals that these organizations are indeed a new type of institution that differs from traditional private firms (including “conventional” cooperatives) and non-profit organizations. Social cooperatives not only tend to combine the social aims of traditional non-profit organizations with the entrepreneurial characteristics of corporations and cooperative firms but also have a unique ownership and membership structure. On one side, while owners in conventional firms hold the right to control the firm and to appropriate the firm’s profit, and owners in non-profits do not have rights to either element (Hansmann, 1996), in social cooperatives the owners (that is, the cooperative’s members) have full control rights over the firm but not over its profits, since when the cooperatives are allowed to distribute part of their profits, their assets are normally locked. On the other side, social cooperatives in the Italian case have often a multi-stakeholder membership, including in their governance all the different actors participating in the production process: workers, volunteers, customers, and even other private or public organizations (Thomas, 2004).

Social cooperatives can thus be seen as a type of social enterprise, and they continue to represent one of the most developed and successful models of social enterprise. Since most emerged as bottom-up organizations, they represent an interesting example both for countries with a well-developed welfare system and for countries that need to restructure their welfare system and welfare services.

One of the first countries in which social cooperatives were created (and have to this day been particularly successful) is Italy. Italian social cooperatives find their roots in the changes the Italian welfare system underwent starting in the 1970s. In the years following the economic downturn of the 1970s, public authorities were unable to cope with the increasing needs of society, and families could not be expected to pick up the slack. In addition, the existing traditional philanthropic organizations (such as the ones providing social services as early as the 19th century and were later transformed into quasi-public institutions) were not equipped to meet the needs of a post-industrial society. Consequently, new and different types of initiatives emerged.

The main innovation was the development of new volunteer non-profit organizations that progressively adopted entrepreneurial behaviors, provided new social services, and organized the work integration of disadvantaged people. However, the Italian legal system was ill equipped to accommodate these new developments, as Italian law in those years made an explicit distinction between organizations devoted only to social aims (non-profit organizations such as associations and foundations) and commercial firms. Indeed, the law did not allow associations and foundations to produce goods or services of any kind as their main activity.

Cooperatives were in some ways an exception in the Italian legal system: they were treated as fully entrepreneurial organizations but at the same time were recognized to have a social aim. Moreover, cooperatives were constrained in distributing profits and had a democratic governance structure. Thus, they were the legal enterprise form that most closely matched the needs of the emerging entrepreneurial organizations devoted to providing social services. Therefore, most of these organizations decided to adopt the cooperative form and—to distinguish themselves from traditional cooperatives (serving mainly their members)—took on the name “social solidarity cooperatives”.

Starting in the 1980s, the new social cooperatives played an increasing role in driving the growth of the entire Italian third sector: they bolstered the supply of social services by answering the needs of the youth, the elderly, the disabled, drug addicts, and the homeless. These cooperatives also started organizing activities to integrate disadvantaged workers into the labor market.

Social cooperatives—in the Italian case—gradually became economic organizations of small-to-medium size, strongly integrated into the local environment where they happen to develop. Given the need to supply crucial services, including social, educational and work integration services, social cooperatives had to interact with the local authorities and communities they serve. Over time, the activities carried out by these organizations were progressively recognized and supported by the public authorities.

This new type of cooperative was legally instituted as a “social cooperative” in 1991, with the approval of Law 381. This law did not simply recognize a new form of cooperative; rather, the law configured a new type of enterprise with a distinctive purpose. According to the law, the goal of social cooperatives is to “pursue the general interest of the community in promoting personal growth and in integrating people into society by providing social, welfare and educational services and carrying out different activities for the purposes of providing employment for disadvantaged people”.

The law recognizes two types of social cooperative, according to whether they manage social, health, or educational services (type A social cooperatives) or whether they undertake other activities (be it agricultural, manufacturing, or commercial) by integrating “vulnerable persons” into the workforce (type B social cooperatives). Although type A social cooperatives have no requirements regarding the personnel they hire, type B social cooperatives have a clear occupational focus on disadvantaged workers (identified according to a specific definition provided by the law), who must be fully remunerated and constitute at least 30 per cent of their employees.

Law 381/91 also states that volunteers may be full members of social cooperatives, and that the ownership structure of social cooperatives may simultaneously include several categories of members. In particular, a social cooperative may have worker members, including practitioners and managers who are remunerated; user members, the recipients of the services supplied by the cooperative or their family members; volunteer members, who work in the cooperative “freely, spontaneously and personally, without receiving any form of compensation” and who may not constitute more than 50 per cent of the total workforce; financing members, defined as suppliers of capital with limited rights to participate in the decision-making and governance of the organization; and legal entities, since the law provides that “eligible as members of social cooperatives are public or private legal persons whose statutes provide for the funding and development of cooperative activities”.

Data from the ISTAT (the Italian Institute of Statistics) show how the number of social cooperatives increased from slightly more than 2,000 before Law 381 was introduced in 1991 to nearly 3,900 (1996), 7,363 (2005) and 11,264 (2011). The 9th Industry and Services Census (2011) registered more than 6,500 social cooperatives providing social services and 4,500 social cooperatives for work integration, besides a small number of consortia and mixed-type social cooperatives. About 20 per cent of social cooperatives active today were created before the 1991 Law on social cooperatives, demonstrating their continuous growth (Euricse, 2013).

In 2005 almost half of the public expenditure for social services in medium and large Italian cities was managed by private non-profit organizations, and approximately 80 per cent of the contracts were awarded by local authorities to social cooperatives. Only 30 per cent of these contracts were a result of public tenders, while 70 per cent were awarded through negotiated agreements between local authorities and social cooperatives.

In terms of financial data, in 2011 Euricse (2013) registered the total value of the production generated by Italian social cooperatives at about 10.1 billion EUR, with 28.3 per cent of the social cooperatives with a value of production no higher than 50,000 EUR and only 16 per cent that could be considered large enterprises (with the value of production over 1 million EUR). Most of the revenues came from supplying services to public bodies (74 per cent in type A social cooperatives and 53 per cent in type B), but private revenues and the supply of goods and services to private firms increasingly characterize social cooperatives, and work integration social cooperatives in particular.

5. The impact in terms of innovation, satisfaction, resilience, and entrepreneurship

A first important outcome of the activities of social economy organizations—and of social enterprises and social cooperatives in particular—is their contribution to increasing and diversifying the supply of services to families and individuals. Due to their bottom-up nature, these organizations have been able to identify emerging needs and to develop appropriate responses, often without the support of the public sector. The social mission of these organizations, combined with their entrepreneurial nature, ensures that the innovations they engage in are aimed at addressing social issues. Historically, now mainstreamed welfare services are examples of initiatives that started within the realm of the social economy, and the same thing is happening with respect to new sectors of activity. One specific feature of the European social enterprise tradition is the creation, over time, of specific institutional arrangements designed to pursue a social goal in a stable and continuous way. These institutional arrangements, consistent with the strong European social economy tradition, are characterized by a strong collective and participatory dimension and close links to civil society organisations and initiatives. The ability to identify emerging needs and develop appropriate answers is due in large part to the participative and multi-stakeholder nature of these organizations, which often involve in their governance workers, clients and volunteers, ensuring that the new services that are developed and delivered are closer to the needs of local communities. The history of social enterprises, for instance, shows how they have always been very nimble and innovative organizations, ready to act on the emerging needs of their constituents. Because of their characteristics, and because they operate on the market and thus need to maintain a high level of efficiency, social economy organizations also contribute significantly to social innovation, constantly developing new products and services designed to meet social needs. A huge proportion of social enterprise work to achieve systemic change, by introducing new business models, changing value chains, activating unused talents, and exploiting unused resources.

A second important contribution of the social economy organizations consists in the diffusion of a new model of relationship between work and motivations. A recent Euricse survey carried out on a sample of more than 4,000 workers in Italian social enterprises highlights that employees are strongly attracted by altruistic motivations (social relatedness and usefulness of the job), followed by some extrinsic motivations (job stability at first) and intrinsic motivations such shared ideals and values with the enterprise and colleagues. The employees interviewed for this survey placed wages and other economic incentives only in the middle of the ranking of their motivations, and other extrinsic aspects were assigned even lower relevance. The analysis demonstrates that other-regarding or altruistic but also relational motivations appear to be the most relevant motivations in attracting people toward the social enterprise sector, since most workers agree on the importance of carrying out activities that help other people and on the necessity to work in an environment where relations are good. Also the search for variety and creativity and for shared values and objectives appear dominant. Extrinsic aspects of the job receive a high degree of attention too, but people are especially motivated by job stability and accomplishment in terms of career and self-realization (Gagné and Deci, 2005). The most important consequence of these strong intrinsic motivations is the high level of commitment on the part of the worker (see also

Leete, 2000; Preston, 1989; Valentinov, 2007). Econometric findings suggest that the higher the intrinsic motivations and the lower the extrinsic motivations of workers, the higher their job satisfaction and their loyalty to the organization.

Table 3 - Work and motivations in the social economy

	Average (1-12)	Percent of scores 10 to 12
<i>Altruistic motivations</i>		
Helping disadvantaged people	9.48	62.3
Relatedness on the job	9.50	61.3
Relatedness with people outside the job	8.73	52.0
<i>Intrinsic motivations</i>		
Autonomy, variety and creativity of the job	8.48	45.6
Job coherent with individual training	7.06	33.0
Social visibility of the job	7.20	32.5
Physical working environment	7.44	38.4
Sharing common ideals and values	8.77	52.5
<i>Extrinsic motivations</i>		
Flexibility of working hours	8.00	37.4
Wages and economic incentives	8.63	49.2
Self-realization and career prospects	8.38	44.8
Job stability	9.52	61.9

Source: Depedri et al. (2012)

A third aspect of the impact of social economy organizations has to do with their resilience.

Data on the resilience of the social economy as a whole during the current crisis is not fully available yet. However, some trend data about countries, in which the social economy is particularly relevant, can provide a useful example.

In France, for instance, the social economy (which accounts for 9.9 per cent of all salaried employment) has created 18 per cent of all new jobs between 2006 and 2008. Between 2008 and 2009, employment in the social economy has increased by 2.9 per cent with a net creation of 70,000 paid jobs, compared with a fall of 1.6 per cent in the rest of the private sector and of 4.2 per cent in the public sector (Fauer, 2012).

Focusing on cooperatives, several studies have shown that, during an economic crisis, cooperatives demonstrate a greater resilience than other forms of enterprise.

A report prepared for the ILO by Johnston Birchall and Lou Hammond-Ketilson, for example, provides ample historical evidence of the resilience of the cooperative business model in times of crisis: from the Great Depression in the United States to the Sweden price collapse of the 1930s, to the industrial restructuring in Western Europe in the 1970s and 1980s, the creation of cooperatives (be it agricultural cooperatives, worker-owned cooperatives or other forms) has always been one of the most effective ways to preserve incomes and employment and thus a natural response to economic hardship (Birchall and Hammond-Ketilson, 2009).

In addition, an European survey (Roelants et al., 2012) shows that the reaction of cooperatives is better than the reaction of other business models especially in countries with a long cooperative tradition and where these organizations are strongly rooted in the community.

The data about recent trends in the Italian cooperative sector (Euricse, 2013) shows that during the course of the crisis, especially in the first years, the growth patterns of the various cooperative forms differed greatly from that of other forms of enterprise.

According to data from Censis (2012), between 2007 and 2011 employment in cooperatives increased by 8 per cent; while it decreased in the economy as a whole by 1.2 per cent and in private enterprises by 2.3 per cent.

The data shows an increase in turnover and investments as well. Overall in the 2008-2011 period the value of production of cooperatives increased by 8.2 per cent and investments increased by 10.6 per cent. Also, a comparison of data on growth in added value between cooperatives and shareholder companies between 2006 and 2010 reveals that this indicator has grown in cooperatives four times more than in shareholder companies (+24.7 per cent vs. +6.5 per cent). Over the same time span, the income of workers in cooperatives increased by 29.5 per cent (vs. 12.7 per cent in shareholder companies).

These diverging trends are driven by a generally stable asset base and efficiency levels that are in line with those seen in other forms of enterprise and they are confirmed in all sectors with a strong cooperative presence. Breaking down the possible determinants of these growth rates (location, sector of activity, ownership structure) confirms that the differences observed are due almost completely to the difference in ownership structure and only marginally to other factors. This confirms the fact that the anti-cyclical function of cooperatives is attributable above all to their being enterprises with objectives and ownership structures geared towards meeting members' needs rather than remunerating shareholder investments.

Resilience is partially related to another specific institutional arrangement, conceived to pursue economic and social sustainability: the constraint on profit and asset distribution (established in the company's statutes or mandated by law), which characterizes social enterprises in many European countries. The "asset lock"—which take up an old tradition of the European cooperative movement—is aimed at ensuring the consolidation of assets of the organization and the continued pursuit of its general-interest goal. Indeed, in case of dissolution of the enterprise, its assets are transferred to another social enterprise, thereby guaranteeing that welfare and development goals will continue to be addressed, or to special funds aimed at supporting the development of similar organizations.

Finally, social economy organizations also effectively foster entrepreneurship and business creation, in several ways. First, they contribute to bringing economic activity in areas that are neglected due to their low profitability. Secondly they bring an entrepreneurial culture in sectors that were traditionally considered outside of the scope of entrepreneurial behaviour (Spear, 2002). This is particularly true for social enterprises and social cooperatives, which brought an entrepreneurial approach to the delivery of social, health and educational services (Pestoff, 1992; 1998). These organizations also tap into and encourage an entrepreneurial culture among those

people who are more driven by social goals than by financial return. And it is important to note that these new entrepreneurial initiatives often benefit categories that have a harder time accessing work in the rest of the economy, like women and youth.

6. Conclusions

This paper has hopefully managed to show that the experience and the values of the social economy, especially in the innovative form of social enterprises and social cooperatives, deserve an important role within a vision of development in which the economy is returned to its function as an instrument of civil growth. Because of their unique and increasingly important strengths, these entrepreneurial organizations need to be understood and accepted, and enabled to compete on equal footing with other models within the economy.

For centuries now altruistic forms of organizing economic activity, such as the ones that characterize the social economy, have been present alongside the self-interested and utility-maximizing forms that mostly characterize private business, and the freedom to adopt one or the other of these ways to organize economic activity is a value that must be preserved. The complexity of our society demands this plurality, as it does not lend itself to being reduced to unilateral schemes or principles. The diversity of organizational forms within the social economy should be seen as an advantage. Accepting a wider plurality of enterprise forms is an indispensable condition for the revitalization of the European economy.

In recent times, the benefits that social economy organizations generate for society at large have been recognized by governments at the European, national and regional levels, and in some instances have been stimulated and facilitated by setting up a variety of dedicated strategies and support schemes (see for example the Social Business Initiative and more recently the Strasbourg Declaration, summarising the outcome of the meeting organized by the European Commission on social entrepreneurship in Europe which took place on 16-17 of January 2014). Quite often, supporting the creation and development of social economy organizations has allowed public policies to meet employment and other social and economic challenges in a more efficient and effective way than relying on the public or private sectors alone, thereby maximizing the impact that can be achieved through public spending.

In particular, the social enterprise model (and the social cooperative, where this form is preferable due to the historical, political and legal context) can represent an interesting institution both for countries in which the government is the main provider of social services and for countries lacking a well-developed welfare system. In the former, where processes of contracting out and externalization to private actors have already been developed, social enterprises represent an interesting way to increase the welfare mix and to enrich the supply of social services. Indeed, the diverse welfare service provision better ensures the satisfaction of differentiated needs coming from different groups of clients, which might differ in terms of their incomes, their position in the market (as ordinary or disadvantaged groups), the quality and the quantity of services they require, the attention that they pay to the relational component, and so on. For the latter, although the supply of social services is still mainly dispensed to households, social enterprises

represent an opportunity for designing a modern and efficient welfare system, and engaging private actors in addressing social problems.

Despite the above-mentioned policy initiatives and supporting measures implemented, the potential of these organizations is far from being fully tapped, and profound disparities exist among European countries as far as the acknowledgement, financial support, business environment and regulation of the social economy are concerned. To fully exploit the potential of social enterprises, there is the need to develop measures to improve their visibility and recognition; foster the creation of a simplified regulatory and fiscal environment; improve social enterprises' access to funding; and offer business development services and support structures.

This is most likely to happen if public policies for the social economy are co-constructed by governments and the social economy itself, including in particular social enterprises and social cooperatives. The attention that is being paid to the social economy reflects the awareness that starting a new phase of development requires drawing upon new energies within society that must be identified and mobilized. The social economy is uniquely capable of leveraging a capital made up of trust and values which, as fragmented and scattered as it may be, has not disappeared from today's society.

Finally, considering the increasing popularity of the now ubiquitous concept of "social innovation", this paper has introduced some conceptual elements—to be developed with further studies—showing that social enterprises and social cooperatives are one of the most concrete and effective examples of social innovation. Indeed, we refer here to social innovation as a concept that does not only reside in the goals, motivations and targeted sectors of a new kind of activity, but also (or mainly) depend on the nature of the subjects who are producing socially innovative goods and services. From this point of view what is more relevant in the concept of social innovation—and therefore has more power as change-making factor—is not just the creation of a business delivering a positive social or environmental impact, but rather the mobilization of a new entrepreneurial capacity emerging from the society, through innovative institutional forms like social enterprises or social cooperatives.

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