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Improving Social Inclusion  
at the Local Level Through  
the Social Economy: Report  
for Slovenia

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## IMPROVING SOCIAL INCLUSION AT THE LOCAL LEVEL THROUGH THE SOCIAL ECONOMY

### REPORT FOR SLOVENIA

This report has been prepared as part of the *Improving Social Inclusion at the Local Level through the Social Economy* (CFE/LEED (2008) 9/REV1) project in the framework of the Forum on Social Innovations. A team comprising members of the OECD LEED Secretariat and external experts visited Slovenia in January 2010 and in April 2010 for two study visits, to examine the role, both real and potential, of the social economy, and the support which could be given to the social economy to allow it to fulfill that potential. This report is based significantly on the available statistics and on material gathered from the study visit, as well as research conducted both prior to, and after, the study visit.

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## INTRODUCTION

This report provides an outline of the social economy in Slovenia, before going on to make broad and specific proposals to improve policy effectiveness for Slovenian social economy organisations and social enterprises. While not wishing to impose any models, the authors of this study also draw on considerable and diverse international experience, in order to critically assess the current policy framework, and indicate a way forward for the diverse stakeholders concerned with the future of the social economy and issues of social exclusion in Slovenia. A comprehensive analysis of the social economy appears all the more important in light of the significant challenges for Slovenian government policy posed by the rapid transition to a market economy and the recent economic crisis. International experiences are provided to highlight, in particular, the competitive advantage of social economy organisations in areas where traditional “investor-driven” enterprise structures may not always be viable and public agencies are unable to operate effectively and efficiently (for example, provision of general interest services and work integration of disadvantaged workers).

The report relies on the background report provided to the OECD team prior to their two different study visits to Slovenia (in January and April 2010); meetings with relevant public representatives, and interviews with local stakeholders, which were all organised by the Ministry of Labour, Family and Social Affairs. The report is also based on a review of the current state of the social economy, and an analysis of the current policy framework adopted in Slovenia to address poverty, unemployment and the wider contextual factors which give rise to social exclusion.

The OECD team are fully responsible for any errors of fact in this document. The views expressed herein and the recommendations provided at the end of this report are based solely on the opinion of the OECD team. They do not necessarily reflect all of the documents provided in preparation for neither the study visits, nor all of the subsequent information provided, nor all the views of colleagues who the OECD team met in Slovenia.

In its political and economic transition from a one-party state and planned economy to parliamentary democracy and the market economy, Slovenia has followed a very country-specific transition path, which is the result of contextual factors and political choices. Against this background, membership of the European Union (EU) played a significant role in the reform process (Kovač and Francelj, 2008). The particular transition path adopted by Slovenian is also reflected in the specific characteristics of its social economy. In Slovenia, the state continues to hold a dominant role in the provision of public goods and services and the economy has one of highest levels of state control in the EU; the structure of the social protection system and the public service system from the socialist period were indeed not significantly reformed (Črnak-Meglič and Rakar, 2009). This results in an underestimation of the potential of the social economy and a consequent marginalisation of the role performed by social enterprises. The social protection system relies strongly on welfare subsidies, which have contributed to lowering general social differentiation. Nevertheless, the high level of social and employment security achieved has resulted in the dependency of a substantial population on the welfare system. This has had a role in generating social exclusion and segregation and created a clear-cut division between privileged and non-privileged categories in the labour market, such as disabled, young, elderly, and low-qualified workers (Kovač and Kluzer, 2010; Rebernik, 2004). More specifically, as far as the labour market is concerned, institutional

and structural changes aimed at promoting “flexicurity” have not been fully implemented; leading to an increase in the number of the economically inactive population.

Against a background of rising unemployment amongst certain groups (especially people between 40 and 60 years old and people with low skills), gaps in the provision of goods and services of general interest, and growing social exclusion, social enterprises can be regarded as a unique way whereby innovative solutions can be found at the local level in strong co-operation with public agencies. The experience accumulated by social enterprises in other European countries, which is strongly grounded in the tradition of the social economy, corroborates the view that effective responses to economic and social problems can be found through the self-organisation and the self-reliance of the citizens concerned.<sup>1</sup> As locally embedded institutions, social enterprises can adapt to the evolution of the local context and they can be regarded as problem solving mechanisms that can tackle problems that public and for-profit organisations fail to deal with (Borzaga and Tortia, 2005). Interestingly, social enterprise initiatives can also be found in Slovenia, but they are still relatively rare and are significantly overlooked by public agencies. However, there is growing evidence of a political will to support social enterprises. A bill on social entrepreneurship would pave the way for the full recognition of social enterprises as organisations that can have a role in supporting local economic development in Slovenia through the supply of a broad range of general interest services and the creation of employment opportunities, both as a result of the new activities carried out, and a specific goal of social enterprises aimed precisely at integrating disadvantaged people into work. All these issues appear to be especially important for Slovenia, all the more so in the light of the recent economic and financial crisis.

The report consists of five main sections. In the introduction section, following a brief commentary on the many patterns of international usage to conceptualise organisations that are not investor owned or public, the report attends to the issue of defining the social economy and social enterprise. Next, the historical background of the social economy in Slovenia, which is characterised by a long-lasting history of private organisations relying on self-help and solidarity, is analysed. In spite of their well-rooted tradition, the post-transition phase turns out to be not particularly supportive of the development of social economy organisations, with civil society organisations being mainly perceived of as agents filling the gaps of public service provision. The analysis of the various organisational forms that comprise the social economy in Slovenia corroborates the view that the potential of both organisations inherited from the previous regime (traditional co-operatives and companies for the disabled), as well as recently established organisations (*zavods* – public or private institutes); associations and societies; and, foundations is far from being fully exploited in Slovenia. The next section analyses the policy environment, focusing especially on labour market, welfare service and social inclusion policies at various levels (that is, governmental, regional and municipal levels). This is followed by a section on the main areas where the social economy and social enterprise in Slovenia currently address social exclusion and those where it could, potentially, play a much bigger role are described. This includes an overview of structures and institutions supporting the social economy. This is followed by a section on the policy needs of the social economy. Finally, the OECD team presents broad and specific recommendations to enhance the current policies for social inclusion, and the role of the social economy and social enterprise in addressing these in the Slovenian context. Special attention is paid to the various organisations that compose the social economy: co-operatives, not-for-profit organisations, and social enterprises. The OECD team learned through its visits, meetings and readings that in fact processes of co-governance and co-construction in developing policy frameworks seem to exist at the national level, but not at the regional or municipal levels. Similarly, inter-ministerial co-ordination appears to be rather weak. But the prospects for a dynamic social economy in Slovenia, if supported by the right policies, are substantial.

## **Landscape of the social economy**

Slovenia has one of the most advanced economies of all the new EU member states, registering strong growth rates in the pre-crisis years. It is a very small country covering 20 256 square kilometres and accounting for a population of two million people. It is characterised by a large number of small settlements and many areas with scattered settlement patterns, with almost half of the population living in urban areas. The competencies of local governments are based on two levels: municipalities (primary) and regions (secondary, but legislation not fully implemented). A crucial role in supporting the development of the regions is played by regional development agencies. Slovenia is divided into 210 municipalities, out of which a very few are fairly large ones and have greater competencies relating to secondary schools, construction and traffic. However, although there are no areas, excepting defence, in which municipalities do not have competencies, 80% of competencies are legally defined tasks. Given the weak capacities of most municipalities, inter-municipal co-operation is obligatory in some areas and strongly encouraged in others; overall 50% of municipalities work in joint units. The introduction of a second level of local self-government (regions, provinces and counties) has been debated for almost 15 years. The decision to establish 12 regions was, although unimplemented, agreed in order to fill the gaping abyss between a very powerful state and weak municipalities that often lack capacities. Accompanying this, is also the goal of achieving the highest possible level of decentralisation and ensuring the application of the subsidiarity principle according to EU requests (Kovač and Francelj, 2008), with legislation currently being prepared. The current 12 regions are therefore not administrative regions but statistical ones. Slovenia has the highest per capita GDP in central Europe and it is endowed with a well-educated workforce. Throughout the transition process, Slovenia managed to retain a relatively high level of social security (Kovač and Kluzer, 2010). In the group of transitional countries of central and eastern Europe, Slovenia ranks amongst those with a less intense social differentiation. Inequality increased considerably in the first years of transition, but decreased after 1993 as a result of much higher social transfers, including unemployment subsidies, social grants and pensions (Rebernik, 2004).

The Slovenian economy and, consequently, the sustainability and effectiveness of the Slovenian welfare system were hit hard by the recent financial and economic crisis. Following positive and stable economic growth which lasted for more than ten years, the 2008 global crisis caused a deterioration in economic conditions; the manufacturing and construction sectors were severely affected. Despite anti-crisis measures amounting to EUR 75 million in 2009 and EUR 140 million in 2010, employment declined substantially owing to workers with fixed-term contracts being laid off, redundancy and firm bankruptcies, alongside a general contraction in economic activity which also affected wages, and growth in gross wages started to slow significantly (Kovač and Kluzer, 2010). This explains the increasing political interest in the social economy, and social enterprises in particular, as vehicles whereby crucial economic and social concerns could be successfully tackled. When compared to other EU countries, the social economy in Slovenia is significantly lagging behind in terms of employment share, contribution to GDP, and capacity to enhance social cohesion; hence the need for a better understanding of its historical background, role, and, as yet, unexploited potential that is of crucial interest to the entire community.

### **The social economy perspective**

The set of organisations that are not public, nor investor-owned, has been defined in various ways in different national and cultural contexts. Over the last decades, we have witnessed a multiplication of the concepts used at a scientific level and in the European political discourse; hence the need to focus briefly on the main patterns of international usage in order to justify the choice in favour of the terms employed in this report: *social economy* and *social enterprise*.

The “non-profit sector approach”<sup>2</sup> has been in evidence since the second part of the 1970s and is especially consistent with the context of the United States (US), but is widely used in Europe as well.<sup>3</sup> The



definition was developed to refer to non-profit organisations fulfilling a broad spectrum of societal, economic, and political tasks, including lobbying and interest representation, redistribution, and also service provision. This definition excludes co-operatives and mutual aid societies on the grounds that in the US they can distribute their profits to members, thus rendering this definition somewhat inadequate for the European context, including Slovenia, where co-operatives show a development potential.

The term “voluntary sector”<sup>4</sup> is mainly used in the United Kingdom. It emphasises that organisations are created voluntarily without bringing any advantage to the founders, that is, associations or non-profit organisations. This term refers to those organisations that are located in a societal space between the state and the market (Zimmer and Priller, 2004).

The term “third sector” has been used both to refer to the non-profit sector, but also to the sector between the market and the state, that is the vast array of organisations that pursue social goals, including co-operative enterprises. In this respect, the British Government defines the third sector as the ensemble of: “non-governmental organisations which are value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, co-operatives and mutuals” (Cabinet Office/HM Treasury, 2006).

This report will rely on the “social economy” approach, given its inclusive and European background. Over the decades, this concept, which was French in origin, has managed to go far beyond the French borders; indeed, the main components of the social economy – co-operatives and associations (non-profit organisations) – are to be found almost everywhere, including Slovenia. The social economy definition stresses the specificity of the mission of these organisations, namely their aim to benefit either their members or a larger community, rather than to generate profits for investors. This approach thus comprehends a wide set of organisation typologies, displaying a variety of functions, including advocacy activities; re-distribution of resources; and, supply of general interest services. Both the non-profit and the co-operative organisational forms are included in the social economy; this definition highlights the democratic character of the decision-making process within such organisations and the prevalence of people and labour over capital in the distribution of incomes, while also addressing special attention to the productive role displayed by these entities. The social economy approach has found a great resonance in Europe and it has also been taken up by European Union institutions (Defourny, 2004; <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy>).

The concept of the social economy is not widely accepted in Slovenia; the ambiguity of the suffix “social” deriving from the past socialist system adds to the confusion. The terminological confusion prevailing in people’s mindset leads to an inadequate understanding by policy makers about the added value of the social economy, which in turn results in a lack of enabling policies for exploiting the competitive advantage of the social economy in specific economic sectors vis-à-vis the public and for-profit sectors (Kovač and Kluzer, 2010). Against this backdrop, the potential of the social economy is far from being fully exploited and there emerges the need to clarify the use of this concept in Slovenia, as well as raising the awareness of policy makers and the general public of the important socio-economic role played by the social economy, both in times of crisis and economic stability (Kovač and Kluzer, 2010).

Drawing on a European approach, in Slovenia the social economy definition includes both organisations that have been inherited from the previous regime (traditional co-operatives and companies for the disabled), which provide the most significant contribution to GDP and employment creation in Slovenia, and recently established organisations (*zavods*; associations and societies; foundations). The newly established organisations appear to be more innovative in terms of types of services provided and target groups addressed; they deal also with new typologies of disadvantage, previously disregarded, and seem to rely considerably on voluntary work, which plays a role in strengthening social cohesion and enhancing local embeddedness.

## The social enterprise perspective

Unlike the term social economy, which refers to organisations playing different roles, the social enterprise concept sheds light on entrepreneurial dynamics focused on social aims. It includes organisations that are part of the social economy, but are refreshed by a new trend. The use of social entrepreneurship and social enterprise as rigorously defined and recognised concepts is a recent development in the international literature. Social entrepreneurship and social enterprises increasingly appear as appealing approaches for facing new and old social problems and challenges, given the ultimate goal of creating healthy and sustainable communities. These initiatives are mainly described as innovative ways to address issues in a number of domains, including health, social services, education, environment, fair trade, and more generally services for local communities. Against this background, their contribution appears all the more relevant as new needs grow and become more diversified, the welfare system finds itself increasingly under pressure, and consequently the two-pole paradigm centred around public agencies (the state) and for-profit enterprises (the market) has been shown to be unsustainable (Galera and Borzaga, 2009).

The notion of social enterprise was used for the first time in Italy in the early 1990s to name a new journal, edited by a consortium of social co-operatives (Consortio Gino Mattarelli) with the aim of representing and analysing the new entrepreneurial initiatives that had been developing over the previous decade to supply social services and facilitate the work integration of disadvantaged people. These new entrepreneurial forms arose primarily in response to social needs that had been inadequately met, or not met at all, by public services, and strongly relied on volunteers; they were innovative in the supply of social services by creating new types of services targeting mainly young people with social problems, the elderly, the disabled, drug addicts and the homeless.

The notion of social enterprise was further consolidated and clarified by the introduction of specific laws, including the law on social co-operatives in Italy in 1991 and the introduction of the Belgian law in 1995 on the “social purpose company” (in French *société à finalité sociale*), which provided for a procedure that can be introduced in any commercial enterprise. Next, the research project “The Emergence of Social Enterprise”, co-ordinated by the European Research Network EMES (1996-1999), contributed by analysing the concept in-depth as it identified both economic and social criteria for social enterprises. Drawing on a shared working definition<sup>5</sup>, the EMES group provided a picture of social enterprise in the EU-15 with special regard to three fields of activity: training and re-integration through work; personal services; and, more generally speaking, local development. According to this approach, social enterprises are conceived of as private, autonomous, and long-standing economic entities providing goods and services with a public or merit nature that succeed in combining both a social and an economic dimension, explicitly aimed at pursuing social goals through the management of resources in an entrepreneurial way.

The OECD defines social enterprises as “any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has a capacity for bringing innovative solutions to the problems of social exclusion and unemployment” (OECD, 1999).

One characteristic that marks the development of social enterprises in a considerable number of European countries is their strong connection with public policies, be it in the fight against unemployment, the development of personal services or other fields deemed important by governments. The lack of clear connections with public policies still prevails in new member countries, including Slovenia, where the social economy, and more precisely social enterprises, is not involved in the policy process. The distance between social economy organisations and public bodies is confirmed by the circumstance that the social economy is not represented as a specific sector of the economy, neither within the Chamber of Commerce and Industry of Slovenia nor the Chamber of Agriculture and Forestry.

When compared to traditional associations and operating foundations, social enterprises place a higher value on economic risk-taking related to an ongoing productive activity, that is to say the production of goods and services for sale. Whilst in contrast to many traditional co-operatives, social enterprises may be seen as more oriented to the whole community and as putting more emphasis on the general interest dimension. As a consequence, social enterprises can combine different types of stakeholders in their membership, whereas traditional co-operatives, as well as associations, have generally been set up as single-stakeholder organisations. These contrasting elements, however, should not be overestimated: while social enterprises are in some cases new organisations, in other cases, they result from evolutionary processes at work in established organisations within the social economy (Borzaga, Galera and Nogales, 2008). This seems to be case of Slovenia, where traditional social economy organisations, for example, companies for the disabled, which have been inherited from the past, could be considered as social enterprises, given their primary goal of facilitating work integration of disadvantaged workers, who are severely penalised in the open labour market. Indeed, some successful instances of companies for the disabled can be reported and they certainly represent a basis for the further development of such organisational forms towards a social enterprise model (Kovač and Klužer, 2010). This report will use the term social enterprise to refer to those organisations that are characterised by a “different way” of doing business when compared to conventional enterprises and also of providing social services when compared to public agencies. In Slovenia, this notion mainly encompasses the more entrepreneurial component of the social economy sector: *zavods*; associations and societies; foundations; and, companies for the disabled and it could, in principle, include also the most innovative component of the co-operative movement. Nevertheless, so far co-operatives appear to be strongly member-oriented and only one example of a co-operative that could be defined as a social enterprise has been identified, namely a co-operative operating in the field of traditional crafts’ innovation, providing jobs or self-employment opportunities to around 60 women (Kovač and Klužer, 2010). To sum up, the social enterprise notion refers to social economy organisations that have undergone a specific regenerating dynamic (Borzaga and Defourny, 2001), in terms of entrepreneurialisation or innovation.

Despite the wide range of services supplied by social enterprises in Slovenia, social enterprises are still rather fragmented, lack visibility, and are not adequately recognised. The public sector, as well as part of the social economy community, fails to understand the rationale, role, and potential of social enterprises and ignores the recent history of such organisations in the EU-15 (Kovač and Klužer, 2010). Nevertheless, the interest of EU institutions towards non-investor owned enterprises, which has been revitalised as a result of the recent economic and financial crises, stimulates national governments to develop an enabling environment that can support the emergence of such organisations (Kovač and Klužer, 2010). The main EU funding scheme which contributed to fostering field-level achievements in the social economy was the EQUAL Programme, which ended in 2007. Within the framework of this programme, the social economy was regarded as an important vehicle for promoting social cohesion and democracy. In Slovenia, 20 Equal projects led to the enhancement of social inclusion and employment over the years 2004-2007. Besides structural funds, a new approach by the Commission towards non-investor owned enterprises was launched in 2009<sup>6</sup> with the publication of two important documents: the working document of the European and Economic Social Committee on *The Diverse Forms of Enterprise* and the Report on *Social Economy* by the Committee on Employment and Social Affairs of the European Parliament. Recent figures indicate that approximately nine million people are at present employed in the social economy in the EU. When compared with Europe, the size and contribution of the Slovenian social economy to GDP and employment creation lags significantly behind; the contribution of the social economy to GDP is estimated to be around four times less when compared to the EU average. The contribution to employment creation is estimated to be even less significant (Kovač and Klužer, 2010; Stavrevic, 2008).

Looking at individual countries, considerable differences can be noticed across Europe as far as the development trends of the social economy and more precisely social enterprises are concerned. Both concepts have not gained the same recognition in all European countries and they continue to be poorly

understood in several of them. In some countries, these concepts are not even part of the political agenda nor of the academic discourse outside a very small circle of experts; this is particularly the case in Germany and Austria (Defourny and Nyssens, 2008). Similarly, significant differences are to be noticed among countries and localities with regard to the diffusion of social enterprises as compared to alternative institutional settings, that is, public and for-profit arrangements.

Specific legal frameworks and support policies have been adopted in several EU countries, with the goal of supporting the development of social enterprises. In Italy, Belgium, UK and Finland, for example, social enterprises can be regarded as a “label” (or brand) which can be adopted by any kind of enterprise, provided that certain conditions are met. A similar approach seems to have inspired the draft legislation prepared in Slovenia which is currently under discussion. Against this background, a new law on social enterprise should be regarded as extremely important to clarify the concept of social enterprise in Slovenia.

At the same time, statistical data on the social economy and social enterprises are not available. Accordingly, new research is needed in order to show the size of social enterprises, assess their impact on socio-economic development and social capital enhancement, and demonstrate their economic efficiency in the supply of general interest services and work integration. Besides research focused on Slovenia, international comparative analyses could play an important role in identifying the most effective supporting policies that can contribute to supporting the development of social enterprises.

## CONTEXT AND DEVELOPMENT OF THE SOCIAL ECONOMY IN SLOVENIA

### Historical perspective

Slovenia is characterised by a rich tradition of civil society organisations going back to the pre-socialist time; this impressive history certainly represented a positive socio-cultural stimulus contributing to the renaissance of the social economy during the second half of the 1970s and after the change of regime. A brief look at the history of interest associations and self-organisation of people corroborates the important role historically played by civil society organisations, as well as the present potential and difficulties faced by the social economy. Slovenia currently ranges among the countries with the highest share of civil society organisations: 1.02 civil society organisations per 1 000 inhabitants. Overall, it accounts for about 22 000 civil society organisations, including: associations – which form the vast majority; foundations; private institutes; religious organisations; and, co-operatives (Črnak-Meglič and Rakar, 2009). Nevertheless, data on the range and financial resources of the social economy in Slovenia are very incomplete; hence the difficulty of assessing the strength of this sector and its beneficial impact on socio-economic development at local and national level.

Slovenian social economy organisations have a long history; they emerged in the medieval towns in the 13<sup>th</sup> and 14<sup>th</sup> centuries. In that period, numerous organisations were set up, including craft-guilds, religious charity organisations and funds. Over the next centuries, the Catholic Church played an important role in the development of charity and social activities. The most important turning point is the bourgeois revolution in 1848, which brought freedom of association as a classical constitutional right and legal norms which regulated the foundation of associations and other forms of association of people on the basis of common interests (Borzaga, Galera and Nogales, 2008). Similarly to other European countries, in Slovenia the co-operative movement succeeded in combining the principles of economic security, social freedom, and political participation. The organisation of co-operatives in Slovenia has more than 135 years of history with the first law on co-operatives being introduced in 1873. At the end of the 19<sup>th</sup> century, the system of co-operative societies developed into a mass social movement and represented the defence mechanism of farmers, workers and craftsmen against the growth of capitalism. In the period leading to the World War One, the social economy encompassed an extensive network of associations, co-operatives, charity organisations, trade unions and professional organisations and unions.

It is noteworthy that the values which form the basis of the work of organised self-support and solidarity are still very vivid in the minds of people and this is an important source for future development of the social economy in Slovenia.

The end of the Second World War, and the arrival of the socialist social system, broke with the tradition of a strong and developed social economy. To a great extent, its functions were taken over by the public sector. In the 50 year period of communist socialism, the well-rooted experience of mutuality and solidarity was broken; the socialist welfare system ended the drive for collective initiatives, social responsibility and need for self-organisation. Most activities were transferred to the so called “social-and-political organisations”, most associations were included into the public sector, and funds were mainly nationalised or ceased to exist.

Differently from other transition countries where civil society organisations registered a dramatic development following the collapse of the previous regime (Zimmer and Priller, 2004), in Slovenia the

development of civil society organisations started to be promoted again in 1974. Interestingly, the rise in number of social economy organisations (for example, associations) was the most intense in the period between 1975 and 1985, rather than in the 1990s, the period after the change of the political system (Borzaga, Galera and Nogales, 2008).

However, the discontinuity in the evolution of the social economy during socialist time continues to be a hindering factor, which jeopardises the current development of the social economy in Slovenia.

### **Post-transition developments**

After 1991, when Slovenia became independent and a multi-party democratic state emerged, a new social programme was adopted that aimed to re-structure the welfare state into a corporatist style. This programme was implemented gradually; the state neither reduced the cost of social services nor the number of people employed in public services.

Thus, unlike other transition countries, Slovenia did not experience a “welfare gap” (Črnak-Meglič and Rakar, 2009), which had stimulated the significant development of civil society organisations in many other central European countries, active not simply on the input side of the polity (through their lobbying activity) but also on the output side (Zimmer and Priller, 2004). In Slovenia, the social protection system remained strongly focused on passive monetary transfers with little emphasis on active social integration measures. Thus, a continuation of the pattern of relationships from the socialist period prevailed with one important difference: a considerable reduction of state control over the activity of civil society organisations (Črnak-Meglič, 2006). As a result, the role of civil society has been limited only to filling the gaps of public service provision. Generally speaking, social economy organisations have been marginalised in service delivery, except those areas where new unmet needs have been detected. In all such cases, the incapacity of public agencies of responding effectively to the increasing needs arising at local level calls for alternative solutions. Against the background of local communities’ demands for innovative types of activities such as recycling, home help, etc. social enterprises appear as a challenging opportunity. However, a number of hampering factors, inherited to a great extent from the past history, jeopardise the development of social enterprises.

Negative legacies that can be identified include both country-specific characteristics, as well as problems that are shared also by other transition countries, including:

- conceptual confusion;
- stigmatisation of entrepreneurship and a lack of positive vision of entrepreneurs and entrepreneurship;
- the lack of entrepreneurial capabilities of social economy organisations;
- no clear role for the social economy in the Slovenian social system;
- strong stigmatisation of certain target groups;
- the distance between the social economy and the state and their low level of communication. The state does not consider social economy organisations as serious partners in meeting the needs of people or does not consider important their contribution to general social welfare; and,

- incomplete decentralisation – a lack of intermediary public bodies between municipalities and the state. The current crisis has highlighted regional diversity; hence the importance of driving forward the agenda for the regions.

## Co-operatives

Co-operatives in Slovenia are apparently not modernising and their potential appears to be overlooked by both the general public and by the state authorities. Since 1990 the co-operative form can be used in any economic sector. However, in Slovenia co-operatives are still perceived as a type of organisation only relevant in the sector of agriculture and forestry (Co-operative Union of Slovenia, 2010). The co-operative form is by far the most prevalent structure in this sector and the majority of co-operative members are farmers. The activity of agricultural co-operative enterprises usually extends to food processing and the sale of food products, which often includes wholesale and retail trade of such products through their own shops. The Ministry of Agriculture, Forestry and Food is responsible for the legislation on co-operatives, rather than the Ministry of Economy, which is responsible for corporate law in general. This leads to many practical obstacles for co-operatives active in sectors other than agriculture and forestry, as it prevents access to support services or subsidies from other ministries. General regulation of co-operative societies in the Slovenian legal system are contained in the Act on Co-operatives of 1992, recently amended in 2009 in accordance with the introduction of the European Co-operative Society into Slovenian legislation. The Act on Commercial Companies contains several provisions, which apply also to co-operatives.

The Act on Co-operatives defines a co-operative as “an organisation associating an initially undetermined number of members with the purpose of enhancing the economic interests of its members and based on voluntary entry, free withdrawal and the equal rights of members to participate in the operation and management of the co-operative” (Art. 1). A co-operative carries out its business by entering into contracts mainly with its members (Art. 2). The definition was amended in 2009, and now also allows co-operatives to develop the economic or social activities of its members, similarly to Regulation 1435/2003/EC, the Statute of the European Co-operative Society (Co-operative Union of Slovenia, 2010). A co-operative may be established by at least three founders who are natural persons or legal entities (Art. 3). According to the Statute of the European Co-operative Society (SCE) 1435/2003, a SCE may be established *ex novo* by at least two founders. A co-operative may be formed by at least seven legally capable natural persons, similar to the Regulation on the Statute of the European Co-operative Society 1435/2003 (Co-operative Union of Slovenia, 2010).

The current state of the Slovenian co-operative sector can be illustrated by the statistical data about the number of registered co-operatives and their activities.

**Table 1. Registered co-operatives in Slovenia by the standard classification of activities (as of December 31st, 2008)**

Activity	Number	Percent
Agriculture, hunting, forestry and Fishing	117	26.77%
Mining	1	0.23%
Manufacturing	36	8.24%
Electricity, gas and water supply	9	2.06%
Construction	31	7.09%
Wholesale, retail, services and repairs	89	20.37%
Hotels and restaurants	3	0.69%
Transport, storage and communications	11	2.52%
Financial and insurance intermediation	1	0.23%
Information and communication	3	0.69%

Real estate	92	21.05%
Professional, scientific and technical	25	5.72%
Other multiple activities	6	1.37%
Public administration, defence and social security	3	0.69%
Health and social	4	0.92%
Arts, entertainment and recreation	1	0.23%
Other	5	1.14%
<b>Total</b>	<b>437</b>	<b>100%</b>

Source: Agency of the Republic of Slovenia for Public Legal Records and Related Services, 2008.

According to recent available data from the business register, there were 437 registered co-operatives in Slovenia at the end of the year 2008 (31 December 2008). The largest number (117) was those co-operatives active in agriculture and fishing, providing various marketing services to their farmer members. Second place was occupied by housing or real estate co-operatives (92 or 21%). Following housing co-operatives, there are co-operatives dealing with wholesale and retail activities, which are also, according to other data, mainly organised for farmers as supply co-operatives (89 co-operatives). In other activities, the number of co-operatives was considerably lower (manufacturing – 36 or 8.2%; construction – 31 or 7% and transport – 11 or 2.5%), while in some activities co-operatives have not yet been organised.

Nearly all active agricultural and forestry co-operatives are voluntary members of the Co-operative Union of Slovenia, a representative association that also provides consulting services for the member co-operatives. Housing co-operatives are also voluntarily affiliated to an association, and artisan co-operatives, which are active mostly in trade, construction and transport, are affiliated to the Chamber of Craft of Slovenia.

In Slovenia, the economic and social impact of the different types of co-operatives is difficult to assess. The statistical base only provides data on the number of registered co-operatives; it does not show the contribution of co-operatives to economic growth separately from non-co-operative organisations and it does not include some specific data about co-operatives, for instance, the number of members.

However, it is noteworthy that the development of co-operatives in Slovenia has not been adequately supported so far. Against this background, co-operatives that work in fields other than forestry and agriculture feel that they do not operate on equal footing with private limited liability companies. Nevertheless, some pioneering experiences in Slovenia show that co-operatives, given their strong social connotations, could successfully operate as social enterprises in new fields of interest to the community. Moreover, according to the Statute of the European Co-operative Society 1435/2003, the purpose of co-operatives may, in future, also include the development of “economic and social activities” of its members. On this basis, co-operatives can also provide economic benefits in meeting social, cultural, educational, and other needs of its members. In this regard, the Slovenian legislation could allow in principle the development of domestic co-operatives as social enterprises.

Throughout history, the co-operative form has proved to be a flexible business model that has adapted to a myriad of economic, cultural, and social contexts, and developed in multiple productive and service sectors. Across Europe, over the last three decades, new co-operative forms have emerged in new areas of activity, demonstrating their capacity to adjust to the evolution of needs arising in society.

The European experience shows that in a number of countries social enterprises have developed using the legal form of the co-operative (for example, in Italy through social co-operatives, in Spain through social co-operative societies supplying social services and Labour integration co-operative societies; in France through the *sociétés co-operatives d'intérêt générale*; and, in Poland through social co-operatives integrating disadvantaged workers) or using general legal frameworks for social enterprises, both with



respect to the activities run and legal forms admitted (for example, Belgium, UK, and, more recently, Italy), which include the co-operative form. Based on other countries' experience, a law on social entrepreneurship could represent a unique opportunity to rehabilitate co-operatives and fully exploit their potential as community enterprises.

### **Non-profit organisations: *Zavods* (institutes), associations, foundations, church organisations and non-governmental organisations**

Slovenia accounts for over 22 000 civil society organisations, including: societies and associations; foundations; private institutes; and, religious organisations. Associations are the most numerous organisations, representing 94% of all civil society organisations and accounting for about one million members (Kovac and Kluzer, 2010; Črnak-Meglič and Rakar, 2009).

The law on institutes provides for the possibility that economic activities are run with the aim of fulfilling the needs of local communities. The law on societies describes societies as primarily voluntary based non-profit organisations pursuing explicit social aims. The process of obtaining the status of public interest is specified, but no clear definition is provided. According to the law on foundations, foundations are non-profit organisations serving social goals (Kovač and Klužer, 2010).

Interviews carried out during the study visit confirmed that the sector is not adequately regulated; hence the role of non-profit organisations is far from being clear and its potential far from being fully exploited. Indeed, the characteristics of the former socialist type of welfare state still seem to prevail today (Črnak-Meglič and Rakar, 2009). Non-profit organisations carry out different types of activities (including culture and arts; sports and recreation; conservation; professional business associations; and, fire brigades) with the majority of organisations engaged in sport and culture. Unlike other central-eastern European countries, civil society organisations in Slovenia are predominantly voluntary organisations and their engagement in the supply of social services is marginal, being mainly supported through municipal funds, specific state and international programmes, and donations. Despite a substantial growth in the number of organisations (over the period 1996-2004), data on the structure of revenues and employment shows that no substantial changes have occurred in the revenue structure and level of employment, which confirms the low level of professionalisation of the sector.<sup>7</sup>

Private institutes have the largest number of employees among all types of civil society organisations. Nevertheless, their unfavourable treatment compared to the public institutes seems to stimulate the transformation of many private not-for-profit institutes into public institutes in order to achieve sustainability. Comments by several organisations interviewed during the study visit, noted that public tenders have the same terms for public and private organisations, but that public institutes are always given priority. The state or municipalities support the work of not-for-profit institutes primarily by annual subventions or financing of individual projects; support is very rarely based on long-term financial arrangements, such as concessionary contracts. The majority of private institutes carry out commercial activities on the market, thus confirming the strong entrepreneurialism of this non-profit organisational form in Slovenia.

One crucial obstacle, which so far seems to have hampered the development of the sector as a whole is the lack of supporting networks (Branco and Zdenka, 2005). Overall, the sector does not appear to be very co-operative. Experiences from other countries show the crucial role played by intermediary organisations in both lobbying for the recognition of social enterprises and supporting the development of such organisations (for example, in Italy co-operative federations function at both national and local level).

Finally, the state-dominant form of the Slovenian welfare state and the lack of clear partnership policies between public agencies and social economy organisations seem to have so far hampered the development of social economy organisations in the supply of general interest services.

### **Companies for the disabled**

The recognition of equal opportunities and adequate support to disabled people is enshrined in the Constitution of Slovenia. Overall, the disabled protection system appears very strong when compared to public measures addressed to other marginalised groups. Nevertheless, despite the positive policies, disabled people are still confronted by strong stigmatisation within society.

Slovenia has a long history of disabled employment and support. Compared to EU averages, Slovenia appears to do well on disabled employment.<sup>8</sup> Similarly to other central-eastern and south-eastern European countries, in Slovenia the first companies for the disabled were set up in the 1960s with the main goal of integrating physically disabled people into work. Throughout the years they have managed to broaden the scope of their intervention and they now include people with mental disabilities amongst their beneficiaries. The types of activities carried out by the companies for the disabled have changed over the years with an increasing emphasis currently on disadvantages associated with intellectual capabilities.

Companies for the disabled can be established according to the Vocational Rehabilitation and Employment of Disabled Persons Act. Public schemes aimed at supporting companies for the disabled are the most developed in Slovenia when compared to other social economy entities. Companies for the disabled are eligible for permanent incentives from the government and, more recently, from the Fund of the Republic of Slovenia for the Promotion of Employment of Persons with Disabilities. Companies for the disabled operate on the market and are not-for-profit, given their primary goal of integrating disabled people to work. In Slovenia, these kinds of enterprises can, in principle, be conceived of as mechanisms of supported employment that facilitate the full integration of their recipients. They operate in contexts specialising in the integration of disabled workers and they meet an appropriate threshold for the percentage of disabled workers to be integrated, which, in the opinion of the representative of the Directorate for Disabled, contributes to their successful social integration. Experience from other countries (such as Poland) shows that too high a percentage of disabled workers within the organisation do not facilitate their full integration. The prescribed share amounts to 40% of disabled workers, who have to be hired along with professional staff (at least one expert worker employed for working with disabled persons). According to the current law, companies for the disabled are obliged to re-invest 60% of the profits gained back into the enterprise. According to the Vocational Rehabilitation and Employment of Disabled Persons Act, companies for the disabled are exempt from paying employer social contributions for all employed persons in the company (not only for the disabled). Additionally the company receives a subvention of salaries for disabled employees (ranging from 5% to 30% of the minimum wage for each disabled employee, depending on the level of disability). The status of companies for the disabled is approved by the minister responsible for disability protection.

In 2008 there were 168 companies for the disabled – these were mainly small companies, together with about five large companies. The activities carried out by these companies in 2008 were mainly in the manufacturing sector, followed by administrative and support service activities, and wholesale and retail trade, repair of motor vehicles and motorcycles (Statistical Office of the Republic of Slovenia, 2010). In 2008, 13 704 persons were employed in companies for the disabled and the average monthly gross earnings was EUR 1 016.31, which is 36.9% lower than the average monthly gross earnings in Slovenia (Statistical Office of the Republic of Slovenia, 2010).

## **Emerging contribution of social enterprise and the competitive advantage of social enterprises**

Social enterprises in general can be regarded as important sources of entrepreneurship and jobs in areas where traditional “investor-driven” enterprise structures may not always be viable and public agencies are unable to operate effectively and efficiently. Traditionally, in Europe, the two main fields of activity of social enterprises are work integration and service provision, particularly in welfare services. Recent development trends at EU level indicate that social enterprises have expanded into new fields of interest for the community, such as educational, cultural and environmental fields, as well as public utility services. Furthermore, the development of a social enterprise concept has broadened to include a wider range of activities that can be considered socially entrepreneurial.

Generally speaking, social enterprises are likely to work in any field of activity that is of interest to the community as a whole or for specific vulnerable segments of the population. As confirmed by the experience of other EU countries, social enterprises are engaged in very different activities related to various market and state failures, including labour market failures, which can lead to severe social exclusion and high unemployment for certain segments of society, in a context of limitations on the capabilities of national and local governments to deal with certain welfare issues and economic challenges that have been induced by global and regional economic trends.

### ***Social enterprises providing social services***

Social enterprises providing social services can be found in almost all European countries. A significant number of social enterprises have been established to provide new services, or to respond to groups of people with needs that are not recognised by public authorities or who are excluded from public benefits. Many of these activities were independently started by groups of citizens, with little or no public support. Since the services provided were acknowledged to be of public interest, after several years the state or the local authorities decided, in a number of cases, to finance totally, or in part, the activity of social enterprises. Nevertheless, the resulting dependence on public funds does not seem to have eliminated their autonomy. Indeed, there are many social enterprises funded both by public authorities and by fees paid directly by the users, or which combine public funds with resources coming from donations and volunteers. Moreover, a growing number of services provided by social enterprises secure the necessary public resources by participating in open calls for tenders, competing with other social enterprises, social economy organisations as well as for-profit organisations.

When compared to public agencies, the ability of social enterprises to effectively address crucial social problems results from the strong links they have with the local community and the groups that have either created them or are their direct beneficiaries. Moreover, this is supported by the fiduciary relationships that social enterprises establish with local stakeholders, given their explicit orientation towards the promotion of the interests of the community. The adoption of both participatory governance models that enhance the involvement of a plurality of stakeholders and participative management systems strengthen the development of this intrinsic capability. Furthermore, due to the participatory approach adopted and fiduciary relationships established with the stakeholder groups, social enterprises succeed in overcoming the problems of information asymmetry of both users and producers, leading to stronger trust relations.

When reviewing the evolutionary trends of social enterprises in Europe, a progressive enlargement of the activities carried out has taken place, with an increasing supply of welfare services that are not strictly social can be noted. Services supplied by social enterprises now include community and general interest services, such as transportation, micro-credit schemes, water supply, production of renewable energy cultural development, recreation, urban regeneration, fair trade, management of protected sites, social

housing, and social farming. These latter fields, which are more generally speaking related to local development, also appear to be attractive sectors as far as future developments in Slovenia are concerned.<sup>9</sup>

Regarding the recognition of social enterprises in Slovenia, it is suggested that legislation on social entrepreneurship should have a wide focus with respect to the activities included. This inclusive approach appears to have greater potential as it expands the range of activities that can be carried out by social enterprises, which are increasingly committed to supply general interest services other than those focused on welfare. A different approach has been adopted by other new EU member and associated countries, which has tended to underestimate the capacity of social enterprises to provide general interest services to the whole community. Instead, it places a more restrictive emphasis on their capacity to facilitate the work and social integration of the most disadvantaged groups (for example in Poland and Serbia).

### **Work integration**

Work integration constitutes a major sphere of social enterprise activity in Europe. The objective of “work integration social enterprises” is to support disadvantaged, unemployed people, who run the risk of being permanently excluded from the labour market (Nyssens, 2006). For this purpose, work integration social enterprises integrate disadvantaged people into work and society through productive activity, thus favouring a more effective allocation of society’s human resources (Borzaga, Gui and Povinelli, 2001).

Against the background of a persistence of structural unemployment amongst certain groups in society and the difficulties faced in integrating them by traditional active labour market policies, work integration social enterprises can play a crucial role in both fighting unemployment and in fostering employment growth, especially for those groups characterised by low rates of employment (Nyssens, 2006). Disadvantaged workers are considered less productive than non-disadvantaged workers, owing to a number of characteristics, which can be either a physical or mental disability, as well as a lack of skills or low educational attainment. Hence, these workers face significant obstacles to entering the labour market. Social enterprises represent an innovative and alternative instrument of active labour market programmes (ALMPs) for workers experiencing serious disadvantage or who are at risk of labour market exclusion. Its innovative character clearly resides in the empowerment and integration of excluded workers. They differ from earlier experiences of sheltered employment workshops for two main reasons: firstly, they pay attention to market dynamics; and, secondly, they pursue the objective of ensuring that employed disadvantaged people earn income comparable with that of other workers (Nyssens, 2006). By contrast, sheltered workshops are simply aimed at preliminary work training, without receiving a market salary, and creating protected markets. In social enterprises, the integration of disadvantaged workers is achieved through productive activity and tailored follow-up or through on-the-job-training.<sup>10</sup>

In Slovenia, companies for the disabled can be regarded as active labour market measures, which succeed in integrating people with specific disadvantages into work. Nevertheless, their focus is exclusively on disabled workers. All other vulnerable groups lack adequate support.

#### **Box 1. The Italian Law 381 on social co-operatives from 1991**

The 1991 Italian Law 381 on Social Co-operatives does not merely recognise a new form of co-operative; rather it acknowledges a new form of enterprise that is specifically designed to “pursue the interest of the community in the human promotion and social integration of citizens”. More specifically, the law recognised not just one, but two different types of social co-operatives, depending on whether they provide general social welfare and educational services (known as type-A social service co-operatives) or undertake other agricultural, manufacturing or commercial activities, with the goal of promoting the work integration of disadvantaged workers (known as type-B social co-operatives).

Both types of social co-operatives have a clear entrepreneurial nature, although the former can only provide social services, while the latter must focus on the occupational integration of disadvantaged workers, who must constitute at least 30% of their employees. The main characteristics demonstrated by Italian social co-operatives are their explicit commitment to the community, the involvement of various types of stakeholders, including volunteers, and the legal requirement to use a social audit for type-B social co-operatives. Since 1991 they have spread rapidly, with an annual increase of between 10 and 20%.

## **The emergence of social enterprises in Italy and the UK**

Over the last two decades, following the difficulties faced by traditional welfare models, all European countries have started to explore alternative methods of welfare delivery, which has included the decentralisation of state services and the development of quasi-markets. Issues, such as how to render the provision of social services more effective and efficient and bring more democracy to the area of social services, have come to the fore. A profound restructuring of the different types of welfare systems has taken place, including in the corporatist and more universalistic systems, as well as in the systems with a traditionally underdeveloped state involvement. During this period Italy and the United Kingdom have represented distinctive paths of development of social enterprises, which have turned into important welfare providers.

In the 1990s, Italy registered considerable growth in the social economy as a whole (ISTAT, 2001)<sup>11</sup>, which was particularly marked in those Italian regions where the phenomenon was less developed (that is, the central and southern regions, which account respectively for 21.2% and 27.7% of Italian social economy organisations) (ISTAT, 2001). This quantitative evolution has been accompanied by an increasing trend, among public administrations, to contract out the supply of social services. The development and increase in the number of social economy organisations has been strongly related to the production of traditional welfare services, but it can also be ascribed to the increase of services in fields other than welfare, including culture and art, education and environment.

This extraordinary growth of the social economy is mainly due to the bottom-up development of completely new organisations, which has facilitated the direct participation of stakeholders in highly democratic forms of management. One specific characteristic of the Italian development of social enterprises has been the widespread use of the co-operative form in activities which are, generally, managed by associations and foundations in other countries.

In the 1980s, the “new co-operatives” played a decisive role in driving the growth of the social economy. They altered the supply of social services by delivering new services mainly addressed to young people with social problems, the elderly, the disabled, drug addicts and the homeless. Many of these services were initially promoted by associations run by volunteers, but the use of the co-operative form rapidly became widespread, especially for the management of activities aimed at integrating disadvantaged workers into the labour market. After a number of years of unregulated development, in 1991 (with Law N°381/1991) this new type of co-operative was recognised and given the name of “social co-operative”.

To understand the development dynamics of social co-operatives in Italy, attention has to be paid to the Italian welfare model, whose shortcomings started to become increasingly evident in the 1970s. The slowdown of economic growth pushed up unemployment levels and fuelled demand for income support. At the same time, the elderly population grew, new needs arose, and the role of the family in providing social support declined as a result of greater female participation in the labour market. All this could hardly be tackled by means of traditional policies. Against the background of an increase for both traditional and new social services, the public sector proved to be incapable of adapting to the new demand.

It was in this context that a number of groups, heavily reliant on volunteers, attempted to bridge the gap between the demand for and the supply of social services by devising new services and new organisational forms. Interestingly, Law No. 381/1991 does not simply recognise a new form of co-operative: it acknowledges a new form of enterprise that is specifically designed to “pursue the general interest of the community in the human promotion and social integration of citizens”.

Social co-operatives have so far represented the main type of social enterprise in Italy. However, the impressive development of social co-operatives has not prevented other types of organisations from developing into social enterprises. The law on social enterprise (Law No. 118/2005) introduced the principle of pluralism of organisational forms and a variety of organisational structures are eligible to become social enterprises. As of 2009, 500 organisations have officially registered as social enterprises. According to a recent study conducted by an Italian research centre, 15 000 social enterprises were operative in Italy in 2009, employing 350 000 workers and addressing five million users, with a total turnover of about EUR 10 million annually (Borzaga and Zandonai, 2009).

The United Kingdom offers a distinctive example of the use of quasi-markets as an alternative institutional arrangement stimulated by top-down policy initiatives. Whereas the “old left” in the post-war decades regarded the voluntary sector as less desirable than state provision, the “new right” of the 1980s preferred the market to other solutions, like the state or non-profit organisations (Giddens, 1998). Since the 1980s the UK has provided a distinctive model of public service reform, launched by the Conservative governments of Margaret Thatcher and John Major.

According to this model, a managed (quasi-) market system was to be created by the purchasers of services, and the bureaucratic systems of service delivery were to be replaced with competitive ones (Le Grand, 1991). The aim was to overcome the main defects of public delivery, especially in three areas: efficiency, choice in welfare, and responsiveness. A great emphasis was placed on choice as a key issue that was supposed to govern social care services. In an attempt to render conformance of public services with the market model, the consumer was placed at the centre of the reform, since he/she embodied the effects of major social changes, to which the old model was ill-adapted (Clarke, 2006). Thus, compulsory competitive tendering and the contracting out of services to a plurality of providers became prominent features of the UK welfare system (Johnson, 1995).

Several authors have criticised the attempt to create a market of social services, given its intrinsically imperfect conditions. The inadequacy of market solutions in the domain of care is also confirmed by the increase in public expenditure, low quality of services, and the worsening of working conditions that have followed the top-down introduction of quasi-markets in the United Kingdom. This was in addition to the emergence of considerable pockets of poverty and homelessness (Tiberi, 1996). As Taylor (2004) underlines, by 1997, the British public was becoming as disillusioned with the excesses of the market as it had been with the state in 1979; hence, the search for a “third way” between market and state by the new Labour Government that was elected in 1997.

A sudden acceleration of the debate around social enterprise took place in 2002 as a response to the deficiencies shown by the quasi-market reform noted above. Against this background, the Blair government helped launch the “Social Enterprise Coalition” and created a “Social Enterprise Unit” aimed at promoting social enterprises throughout the country. The new government, unlike the previous administration that regarded the market and the third sector as alternatives to the state, considered partnership and the development of social enterprises (Taylor, 2004) as fundamental tools for the development of social services, which might be unattractive or inappropriate for the private sector, or which could not be delivered effectively by the public sector (HM Treasury 1999). According to a poll carried out in the UK in 2007, nearly two-thirds of the British public would prefer that their local services are delivered by social enterprises (Jump, 2007).<sup>12</sup> The new Conservative/Liberal Democrat coalition

government in the UK is currently supporting a “Big Society” agenda, which seems to rest on a desire to develop civil society and its capacity to deal with its own problems thanks to the self-organisation and self-reliance of the citizens concerned. Whilst this is possibly influenced by the need for huge budget cuts, and cuts to government funding to the sector itself is an area of concern, there nonetheless may be lessons emerging from this experience relevant to the development of the social economy – particularly when many European countries are facing severe budgetary constraints, if not cuts.

## POLICY ENVIRONMENT

International experience confirms that when addressing such a complex and knotty issue like social exclusion, it is important that policy is coherent and integrated at local, regional, and national levels, and that it is well-designed and appropriate for a plurality of different actors in the field. The social economy has a good reputation for combating social exclusion by providing services to the disadvantaged and promoting social integration through employment and training. This is more likely to happen if the policy design process is collaborative and inclusive of key stakeholders (including social economy players); rather than being a top-down government strategy developed (with stakeholders) but without co-governance and a sense of co-ownership by key stakeholders at regional and local levels. Only then can the social economy play a full and effective role. Government will get a good social and economic return from investment in such a strategy. Based on international best practices, it is clear that this takes place most effectively when policy is decentralised, but co-ordinated, and multi-stakeholder intermediaries are allowed new institutional spaces to create innovative and socially inclusive strategies, in order to bridge the silo mentalities and structures of bureaucratic public services, and co-ordinate state and civil society actors in an ongoing process of policy-making, implementation, monitoring, learning and adaptation. While international experience can be inspiring and energising, path dependency indicates that there are no magic solutions, only jointly formulated designs embedded in community contexts.

Since gaining full sovereignty in 1991, Slovenia has made a successful transition to a market economy, with 4.5% growth since 1996, until the recent world economic crisis. It is the richest transition economy, with a relatively high proportion of its workforce in agriculture (10%), where family farming seems to act as a reserve for unpaid labour that might be employed elsewhere, and industry (29%) where there has been a gradual shift to higher technology products, but it remains at a relatively low level. It has an export oriented economy, and thus the economic health of its major trading partners, such as Germany, is particularly important. Furthermore, it has a relatively underdeveloped service sector (around 55%).

Slovenia has a good (average) level of social spending and a high level of social cohesion with very low inequality, and an average poverty rate (in line with the OECD average) which is substantially due to its redistributive tax and benefit system. Social cohesion may also be supported through a consensus based tripartite system of national policy making. Trade union membership is relatively high at 50%.

However, its rapid transition to a market economy and the recent economic crisis have posed some sharp challenges for government policy in a number of areas and Slovenia is currently undergoing a process of significant large-scale reform in a wide range of areas. These include: issues of improving the functioning of the labour market within a context where it is seeking a move towards a flexicurity system; the need to reform the welfare system to support labour market changes; and the need to review the effectiveness of social insurance financing and resource allocation systems (unemployment benefits, family/child benefit allowances, etc.), and the system for addressing social inclusion; as well as the pension system, which, in the context of an ageing population is also likely to see pressure put on health and social care services (as well as the tax system). There is also a pressing need to upgrade obsolete skills, while the education system leaves room for improvement (OECD, 2009).

There is an agenda of decentralisation in Slovenia, which is a highly centralised country with little independent competency at the municipal level in the area of social affairs (including social inclusion activities). The decentralisation process is still under discussion. However, even if decentralisation were to



be achieved, there may be capacity issues at the local level to meet the multiple challenges which would emerge.

It seems clear that a number of policies combine to give advantages to certain categories of workers, whilst disadvantaging others; and the welfare safety net reinforces such tendencies – leading to a degree of social disadvantage and social exclusion. Thus there are good arguments to reconfigure such policies to be more effective, both from a social justice and social efficiency perspective.

There are distinct socio-economic challenges faced by Slovenia, where the social economy, both as currently configured, and in prospect, could play an important role as an agent of social inclusion and socio-economic efficiency, supported by a reconfigured policy framework.

### **Labour market policy**

As indicated above, the context for the functioning of an effective labour market is fairly favourable, with a high growth level, and, until recently, a 68.6% employment rate (2008). Although since the economic crisis unemployment has increased to 7.1% (2<sup>nd</sup> Quarter 2010) from 5.6% (2009). However, this masks some important differences within segments of the population, particularly regarding unemployment for younger workers, and for older workers, who also face the prospect of long-term unemployment since re-employment prospects are poor due to obsolete skills (and skills linked to certain sectors restructuring, such as textiles), and poor links to re-training possibilities (this is a particularly problematic structural issue given the ageing population). Thus, there are growing concerns about the levels of economically inactive people.

Youth unemployment (38% versus 43% OECD average) may find redress in education, but this seems to lead to an over-lengthy and inefficient phase of post-15 education (one of the highest in the OECD). However, there are also very low levels of employment whilst in education (OECD, 2009) – leading to lower employability of young people coming out of the education system (despite a favourable tax regime for students *whilst in education*, and well adapted recruitment procedures via student service agencies). This system also exacerbates employment prospects for graduates (average one year unemployment), since employers prefer lower cost students.

There are high employment rates for women and single parents, and there is a low gender gap in relative pay, though this may partially be accounted for by the low levels of part-time work amongst female workers. In fact, part-time working is generally rather low, except for young workers who have doubled the numbers of part-time workers in the last 10 years (to 2007).

There are low levels of self-employment, which is promoted as an employment option by the Ministry of Labour, Family and Social Affairs. Entrepreneurship generally has a poor image, with significant public antipathy towards it. This is partly because it became associated with unbridled opportunism and corruption in the immediate post-socialist phase; but the informal economy has been in decline since the legislative framework became more adapted to small firms, although in the last few years there has been a substantial increase of migrant workers particularly into construction, from ex-Yugoslavia countries like Bosnia and Herzegovina, Macedonia, Serbia, and Montenegro. Although the business registration process has been simplified, one barrier to entrepreneurship appears to be the rules and regulations associated with *doing business*.

Slovenia has been moving towards a system of flexicurity. Currently there is a relatively rigid form of employment protection legislation and there has been a liberalisation of fixed term contracts to facilitate temporary working. These two may combine to produce a segmented labour market.

There has been a growing emphasis on active labour market programmes, partly driven by EU funding which co-finances such programmes; ALMPs have generally been low cost, delivering more counselling, training and short-term work experience, and thus seem more oriented towards the mainstream unemployed rather than the more excluded and difficult to employ, such as the older worker and long-term unemployed. But there are other ALMP provisions which are more intensive or have been in place since 1991. “Public Works” is quite extensive and designed to promote the re-integration of the long-term unemployed into the labour market through activities in a wide-range of areas (environment, education, etc.). Individuals receive a maximum of 12 months temporary employment with the potential for this to be increased for women over 53 years of age and the disabled. This is a special type of temporary employment contract (within the Employment Relations Act, so with full rights), where PES gives subvention to the employer to cover the transport costs, meals and a percentage of a salary, as well as appropriate training of the person who participates in the programme, etc.

It is currently aimed at the long-term unemployed, older workers and Roma people, who may receive 100% funding). In 2010 the budget is EUR 35 million, with an expectation that 7 000 people will be included in the project. The target groups for 2010 are Roma, disabled, ex-prisoners, benefits’ recipients, single parents and the long-term unemployed.

The programme is administered through a public tender scheme, but the tender guidelines are broadly drawn to ensure all types of organisations can apply. Local partnerships, with a mix of social economy organisations, municipalities, social work centres, etc., are not uncommon, and 42% of projects in 2008 were implemented by social economy organisations. Successful bids usually receive 80% funding and need to have 20% co-financing either in-kind or in cash.

The programme is regarded as quite successful, and probably works best for the less disadvantaged. However it does not appear to be well linked to measures that move people back into employment after they end. Thus, it could be potentially linked to the development of social enterprise.

There is a relatively high minimum wage in Slovenia which increased significantly in 2010 (see Table 2), with no exceptions for young people (contrasting with many OECD countries). There is a system of tax allowances for students in special jobs (of short duration), but no additional support for other categories of young people.

**Table 2. Minimum wage in Slovenia in 2010**

<b>2010</b>	<b>Minimum Wage (EUR)</b>
January	597.43
February	597.43
March	734.15
April	734.15
May	734.15
June	734.15
July	734.15
August	734.15
September	734.15
October	734.15

Source: Information supplied by Slovenian Ministry of Labour and Social Affairs

The public body essentially concerned with employment services is the Employment Service of Slovenia (ESS), which has local and regional offices. This provides a range of services to employers and job seekers, some delivered electronically, for counselling, job brokering, training and support. However until recently the extant picture on active and passive labour market policies was relatively low, although this increased substantially in 2009 (1.5% of GDP in 2007, compared to an EU average of 1.9%). And there appears to be a high level of bureaucratic administration relative to front-line support staff. Nonetheless until the recent economic crisis the ESS has proved effective in reducing unemployment figures, although the long-term unemployed older worker will still represent a substantial challenge. In addition to the ESS service, there are the organisations that play a role in employment services, including employers, schools and social economy organisations. Furthermore, about 50 organisations can place students in short-term jobs, and over 100 co-operate as temporary work agencies, although this is a very small part of overall provision. However, some regard student work (through specialised temporary work agencies for students, or companies that employ students through such agencies) as potentially in competition with social entrepreneurial activities for other disadvantaged groups, which do not generally share the same economic advantages as the student work enterprises.

The social protection benefit system seems rather partial; it excludes some, whilst strongly favouring older workers with long work service. Unemployment insurance benefits (which are fairly generous) increase gradually from three months benefits for one to five years past employment to 12 months benefits for more than 25 years employment – but that latter category is strongly age differentiated with 18 months for workers aged 50 to 54 and 24 months or workers aged 55 or more. Thus, a large proportion of welfare beneficiaries are elderly workers and workers with long work experience. (This system may well contribute to difficulties re-employing and the training unemployed older workers; although obsolete work skills in a rapid economic restructuring may also play a role). There is a strict contribution requirement that individuals should have worked 12 out of the last 18 months.<sup>13</sup> Furthermore, temporary jobs (for student work and work under civil contracts) do not count as work service in this system. However, some workers (such as workers in precarious employment and student workers who have only had temporary jobs) are excluded from this system – and in fact only one in four registered unemployed actually receive unemployment benefits (OECD 2009). Although 38% (2007) received social assistance benefit, and many receive no benefit at all. And an unintended consequence of the benefit system may be that some unemployed do not register with ESS so are effectively excluded from support. There appears to be an “unemployment trap” for single people and lone parents moving into low-wage jobs, in other words the income they receive after-tax is not much more than the benefits they receive as unemployed, so not creating sufficient financial incentives.

One way of reintegrating young workers back into the labour market is through the education system, and for ten years there has been a “second chance education program” to help such people improve their skills and education.

The system for the support of disabled people and their integration into employment is far more developed than that for non-disabled disadvantaged people, albeit for a much smaller number of people (9%-10% of the population is regarded as disabled). According to the Vocational Rehabilitation and Employment of Disabled Persons Act, private companies employing at least 20 employees are obliged to employ disabled people under a certain percentage of the total number of employees. The quota is decided by Government regulation, following a proposal of social partners. The quota may vary according to the different sectors of activity; it should be between two and six percent of the total number of employees.

Employers who decide to evade this obligation are required to contribute to the fund for the employment of disabled people. This fund can be used to support a subsector of organisations (companies for the disabled, employment centres for disabled, and sheltered workshops) which employ people with

disabilities. In 2008, the sub-sector comprised 168 companies employing 6 400 people with disabilities; 34 000 people with disabilities were employed in the open labour market.

The more recently established (2006) Employment Centres are a form of sheltered workshops; they are non-profit organisations for the disabled and are for those disabled people with less capabilities (30% to 70% productivity); while day centres cover the most disabled (less than 30% productivity). There may be some rigidity in this system and some room for improvement in the legislative framework for disabled people which includes four pieces of legislation that are not well co-ordinated.

Responsibility for ALMPs lies with the ESS, and there are some issues of institutional co-ordination between Social Work Centres (SWCs) and the ESS, to more effectively activate the disadvantaged who are difficult to employ. However, there have been some attempts to improve the links between the two organisations for work and social integration services, although the effectiveness of these measures has yet to be evaluated. And there are further plans to rationalise the system and establish one-stop-shops run by SWCs. SWCs act as co-ordinators for providers of social assistance, and so could play an important role in the development of social enterprise in addressing social inclusion. However, it is important to be clear about priorities and the feasibility of creating permanent jobs as opposed to a system of transitional employment and training, with a system of placements for transferring trained individuals to the mainstream labour market (OECD, 2009).

### **Welfare service policies**

Slovenia has a well-developed welfare system, and spends about 25% of GDP on social welfare services (around OECD average). However there remain a number of challenges, including the effectiveness of welfare benefits (in combination with unemployment insurance), a low fertility rate and, linked to that, the issue of pension reform for an ageing population, where men and women can retire on full pension aged 58 provided they have worked for the qualifying period.

Welfare benefits are administered by local Social Work Centres. To be eligible for financial social assistance the claimants (if in the working age and capable of work) should be registered as unemployed, and the regime is becoming tougher, with sanctions for those not actively seeking work.

Child and family benefits are generally well designed. Support for childcare is similar to OECD averages with three quarters of children aged three to five years attending kindergarten. This generally favourable policy is well implemented. However, childcare services have as yet not been capable of adapting to the new needs that have arisen at the local level. These needs include: new residential areas where no childcare facilities exist; the increase in number of children between one and three years old enrolled in kindergartens, given the possibility since 2007 of free enrolment for the second child; and, the increase in the fertility rate<sup>14</sup> in Slovenia over the last few years. This has resulted in a fairly balanced supply of childcare services in rural areas, but a significant shortage of kindergartens in the capital and surrounding towns, especially in newly built residential areas.

A good example of the innovative contribution of the social economy to childcare is provided by the *Centre de la petite enfance* in Quebec.

### Box 2. Childcare in Quebec (Canada)

The concept of *Centres de la petite enfance* (early childhood centres) was proposed by the *Chantier de l'économie sociale*, the network of networks that represents the social economy in Quebec, based on an innovative proposal by an existing network of parent-controlled daycare centres. An initial budget of CAD 230 million annually allowed parents to have quality educational daycare at CAD 5 per day, offered by parent controlled non-profit daycare. This policy has evolved and despite the introduction of support for private for-profit daycare by the newly elected Liberal government in 2004, the vast majority of childcare services (200 000 places in 1 000 non-profit early childhood centres) continues to be offered but at CAD 7 per day to parents across Quebec through the social economy. These centres employ 40 000 people, making this network the third largest employer in Quebec. Over 7 000 parents participate on a volunteer basis on the Boards of Directors of these centres. The Quebec government invests over CAD 1.7 million annually in these early childhood centres.

Source: Downing and Neamtan, 2005; Mendell and Neamtan, 2009

State provision of welfare, due to historic reasons, continues to play a major role in society; thereby limiting the role for the social economy. However, there is some interest in, and a clear potential for, enhancing the role of the social economy since state provision is seen as increasingly expensive. But up until now there has only been a limited development of a mixed economy of service provision; although there has been some discussion in relation to the new public procurement act, and other factors aside from price should be considered, to give recognition to the added value of social economy organisations. Public services are usually delivered by public institutes, *zavods*, and public companies. There could be opportunities either for conversion of these forms to social enterprise or opening provision to social enterprise.

There is currently a programme (EUR 8.4 million in 2010) for home care and personal services targeting elderly and disabled people. The unemployed are eligible to work on this. Also there are plans (a draft law on Long-Term Care and Insurance for Long-term Care is in the process of being prepared) to create a new system for providing long-term care based on a new compulsory social insurance as well as an additional voluntary contribution. This may create a new market accessible to third sector/social economy organisations. There is considerable interest in developing the voucher systems in social care, for example, for home care, and there has been a pilot project in this area, which is seen as suitable social enterprise development

### Social inclusion policies

The poverty rate in Slovenia is below the EU average, as are rates of inequality. Categories of people with the highest poverty rates include: single households; tenants; households without a member employed; and, older women. The specific target groups linked to policy objectives for those disadvantaged in labour market include: Roma; disabled people; ex-prisoners; single parents; youth; the long-term unemployed; and people with low skills.

The key actor supporting social inclusion policies is the Ministry of Labour, Family and Social Affairs; more specifically, the Directorate of Social Affairs, the Directorate for Labour Market and Employment and the Disabled Directorate, while the Government Office for Development and European Affairs also plays a key role in development policies (and clearly links with the important EU role). The Ministry of Economy regards social entrepreneurship as similar to SME entrepreneurship, and does not make special services available to social entrepreneurs. The Directorate for Social Affairs is responsible for the drafting of the National Action Plan for social protection and social inclusion, as well as reports in co-operation with other directorates (Directorate for the Disabled; Directorate for Labour Market and Employment) and Ministries.

The Ministry of Labour, Family and Social Affairs co-finances social protection programmes carried out by social economy organisations for different vulnerable groups/areas, such as programmes for: people with mental health problems (including housing units, day centres and programmes of advice and advocacy); the social rehabilitation of people with different abuse problems (drugs, alcohol, food); to support independent living by disabled people; the social integration of elderly people, children and adolescents; homeless people (including shelters); the social integration of the Roma population; victims of domestic violence and similar. The programmes are co-financed through tenders, either for one year or for three years, the majority being co-financed for three years (70% of programmes). The highest level of co-financing to social economy organisations is 80% of the total cost of the programme. From 2001 the extent of funds granted to social economy organisations for carrying out social programmes increased from EUR 3 million to EUR 9.7 million in 2010.

Social inclusion policy-making traverses different ministerial responsibilities, and so clearly reveals a need for horizontal, co-ordinated action to link with relevant ministries and public bodies, including the Ministry for Public Affairs which is responsible for the social economy sector. Unfortunately there is evidence that the recently formed Inter-Ministerial group could be more effective in playing that co-ordinating role. In addition there is a need for horizontal co-ordination across regional centres and regional development bodies, municipalities, and the Disabled Directorate. At the same time, it is necessary to build consensus at the local level and the regional level around social enterprises if they are to work. This presents a challenge not only to the formulation of policy but also for its implementation, and there is a need for coherence and consistency in both these areas.

**Social dialogue in the policy process:** The general principle of social dialogue is reasonably well established for government, trade unions and businesses operating as tri-partite stakeholders in the Economic and Social Council. However, it seems that the social economy has a lower status, (and there is some indication that social economy organisations are absent from involvement in the development of public policy). Thus, the role of the social economy in developing effective social inclusion policies may be more difficult to establish, particularly as civil servants are rather powerful in the policy formulation process. Nonetheless, there are well-developed processes of consultation at various government levels. However, certain models from other countries and regions, like the UK and Quebec offer some more effective examples of how co-governance can strengthen policy.

### Box 3. Quebec: policy development

The co-construction of public policy demonstrates positive outcomes in contrast to the limitations of a top-down programme approach. Policy development and innovation has to take place on at least three levels:

1. the creation of *new horizontal spaces within* government;
2. the development of *multi-sectoral intermediaries* in the social economy; and
3. *vertical integration* of local, regional and national policy to develop a *coherent policy framework* with appropriate division of responsibility for each level of government.

Effectively, this calls for a dynamic and more circular approach to *governance* engaging all stakeholders in an on-going dialogue to assure *policy effectiveness*.

It also combines the processes described above into an *integrated system of social innovation*.

#### Box 4. Cabinet office co-ordination role in third sector (U.K.)

Originally the Social Enterprise Unit was located within the Department of Trade and Industry. However, partly in recognition of the diverse roles of social enterprise across different ministerial areas, it became part of the Office of the Third Sector (OTS) when it was established in 2006. Since the new Coalition Government was elected in May 2010, this has become the Office for Civil Society, and the co-ordinating role remains. This function is placed within the Cabinet Office, an inter-ministerial body, responsible for improving government, particularly co-ordinating policy across ministries. The first Government strategy for social enterprise was launched in 2002, and independently reviewed in 2006. This led to a Social Enterprise Action Plan with commitments from 12 government departments and bodies – including the Department for Business, Enterprise and Regulatory Reform, the Department of Health, the Department for Children, Schools and Families, as well as the Office of the Third Sector (since May 2010 Office for Civil Society) – to promote and support social enterprise. Many of the commitments made still guide government's work on social enterprise today. This Plan applies at a national level, and has the following themes:

- Fostering a culture of social enterprise – by supporting research and developing the evidence base, raising awareness through a variety of measures such as social enterprise ambassadors, education at all levels, and building links with the private sector.
- Ensuring that the right information and advice are available to those running social enterprises by providing specialist and general support for both business and social development at a range of different governmental levels, and by increasing capacity within the sector.
- Enabling social enterprises to access appropriate finance – through both specialist funds and improving access to mainstream sources, financial training, and fiscal measures.
- Enabling social enterprises to work with government – by improving collaboration and partnership at all levels and in a wide variety of ministerial areas; by overcoming barriers to contracting for public service delivery; and, by supporting national level social enterprise representative bodies.
- Ensuring delivery – by developing success indicators and continually monitoring performance against this Action Plan.

If the added value of the social economy is to be made clear it helps if there is an evidence-base for policy. Thus, systems of monitoring and evaluation are clearly important, and an area for further development in Slovenia. Social technologies for monitoring and evaluation are becoming much better developed, and there is now good international practice on social audit and social return on investment (see for example the following downloadable guide developed by the UK Cabinet Office: [www.neweconomics.org/sites/neweconomics.org/files/A\\_guide\\_to\\_Social\\_Return\\_on\\_Investment\\_1.pdf](http://www.neweconomics.org/sites/neweconomics.org/files/A_guide_to_Social_Return_on_Investment_1.pdf)). However, it is also important in the early stages of establishing the social economy that evaluation approaches should not be narrow and results based, but should be developmental and broad enough to provide the basis for learning and improving the policy context, the social enterprise and the sector. In addition, it is important in any evaluation to reflect on the extent to which the social economy's impact on social inclusion is restricted to labour market work integration, or can be considered more broadly in terms of social integration and developing social capital.

**Other policy areas:** International experience shows that social enterprises can play an important role in healthcare provision. Indeed, in the UK social enterprises are increasingly contributing to the provision of public health care services, as the example below highlights.

### **Box 5. Central Surrey Health (UK)**

Central Surrey Health (CSH) is the first of a new kind of not-for-profit organisation that provides community nursing and therapy services to the people of central Surrey.

Initially operating from within the East Elmbridge and Mid Surrey Primary Care Trust, the organisation is now a separate body which exists to serve the local community.

CSH is co-owned and run by the nursing and therapy teams it employs. They combine the values and principles of the NHS with the “can-do” culture of a successfully run business.

The people who are most in touch with patients’ needs are now in charge of providing services. As a result the community in central Surrey can expect some real improvement in the quality of patient care.

Source: [www.centralsurreyhealth.nhs.uk/](http://www.centralsurreyhealth.nhs.uk/)

With regard to rural development, there are measures to encourage. These include: the employment of disabled people on farms; the development of a broadband access programme; interest in social care on farms (including care for the elderly); and, “agro-tourism”. Clearly social enterprises could play a role in many of these areas. Furthermore, the work of the Biotechnical University is interesting; it aims to rebuild knowledge and understanding of regional and traditional foods, and develop catering and food production. Thus, university partnerships clearly have an important role to play in contributing to rural development and complementing the work of other local actors. At the same time, as the knowledge economy develops, it is likely that universities will play increasingly important roles in supporting innovation, developing expert knowledge, and in the area of training, across all sectors of the economy, including the social economy.



## CONTRIBUTION OF THE SOCIAL ECONOMY AND SOCIAL ENTERPRISE TO THE FIELD OF SOCIAL INCLUSION IN SLOVENIA

This section critically assesses the main areas where *currently* the social economy in Slovenia addresses social exclusion. In the process it briefly indicates where it could *potentially* play a much bigger role.

The current contribution of the Slovenian social economy to the field of social inclusion is rather mixed in its composition and impact. The social economy typically plays its role both through the provision of services, and advocacy, as well as through self-help groups. The main areas of social exclusion being addressed by the social economy are:

- Assisting the disabled through a well developed, but relatively closed system of work integration.
- Assisting the disadvantaged in work integration through regular funding streams – typically by linking with ESS/SWCs via *ad hoc* local arrangements; and via tendering in public works programmes.
- Assisting the disadvantaged through partial and temporary funding streams including via work integration (through the tender system, and EU programmes – both of which provide temporary funds for projects that only support part of the population of disadvantaged).
- Assisting the socially excluded through service provision.
- Regenerating disadvantaged urban and rural communities, including assisting economic restructuring after the financial collapse of local firms.
- Activities for social integration and developing social capital: including sports and cultural activities.
- Advocacy to improve the condition of socially excluded people.

The OECD team visited several initiatives in this area:

- Mozaik – an organisation for the social inclusion of disabled and disadvantaged people through training and employment using traditional agricultural techniques; it is encouraging that this initiative now gets 20 to 30% of its income from the market (sales).
- ŠENT (Slovenia Association for Mental Health): a very impressive multi-organisational social economy organisation which carries out work integration for people with mental illness or mental disability.

### **Box 6. ŠENT – Slovenian Association for Mental Health**

This non-profit association was founded in 1993 with the aim of assisting the social inclusion of people with mental health problems. It has a wide range of activities to assist the rehabilitation of those suffering from mental health problems, and facilitate their social inclusion in the labour market. Thus, its programmes of activities include: health and social care, education, consultancy, public relations about mental health, and work integration.

The ŠENT Association is a multi-organisational structure employing around 80 people with about 80 volunteers, and covering an impressive range of activities with a commitment to strong values: mutual support, social solidarity, inclusiveness and non-discrimination, improvement of care, and respect for mental distress and the rights of the individual.

It comprises a network of seven regional community mental health centres with residential groups, conducting programmes all over Slovenia. It has 12 Day Centres (counselling, workshop, and social networking activities), and a unit to support the housing needs of its target group, as well as a unit for educational programmes for the public and for families/relatives (providing support, advocacy against prejudice, and the promotion of human rights of the mentally ill). There is also a work integration programme that operates through four Employment Centres including Estate Razori, a social enterprise: Dobrovita Plus, and a specialist institute Sentprima for advising, training and rehabilitation of people with disabilities. And it collaborates extensively with a wide range of partners nationally and internationally.

Dobrovita Plus operates as social enterprise and was founded in 1994. It is run as wholly owned subsidiary: providing work integration through work maintaining green spaces in Ljubljana. Estate Razori, one of its four employment centres, is situated in the countryside outside Ljubljana and has been restored and now carries out eco-farming, psycho-social rehabilitation, and work integration by providing care services for the elderly.

The ŠENT Association receives funding from a variety of sources including ministries, The Foundation for the Financing of Disabled and Humanitarian Organisations (FIHO), the Employment Service of Slovenia, as well as sponsors and donors, including EU funds.

Source: OECD study visit in January 2010.

### **Social economy's role in disabled provision**

The social economy plays a major role in the system for assisting the disabled which is well developed and well funded through a secure funding stream. However, the system appears relatively closed, and does not appear to move people out of this secondary labour market to the mainstream labour market through placements, and post-placement support. In some ways there are inherent disincentives to such a dynamic, since it would tend to reduce the source of funding if more employers employed people with disabilities. However if the quota system expanded to include disadvantaged workers, and new quota levels set for the combined target groups, there would be possibilities either for expanding the scope of the companies for the disabled, or developing a new permanent stream of income for new social enterprises.

### **Social economy's role assisting the disadvantaged through regular labour market measures**

Here the social economy plays a minor role through NGOs developing provider relationships with SWCs, and via tenders in the public works programme. They may also play some roles in relation to the student employment system. However, there appears to be no coherent strategy for effectively utilising the social economy, or even determining a specific role for it in these areas. Without a coherent and consistent policy framework for the social economy it appears to be relegated to the sidelines in this policy area.

### **Social economy's role assisting the disadvantaged through partial and temporary funding streams**

The tender system operates to address non-standard and crisis areas of need, providing partial and temporary funding for applicants including social economy organisations (including *zavods*). Similarly EU

programmes offer funding for different themes relating to assisting disadvantaged people, but such funding streams are also partial and temporary.

The OECD team visited a project funded by a Ministry of Culture program: a gingerbread museum and workshop where a number of individuals with significant mental disabilities spent a few hours, two days a week producing gingerbread souvenirs (baking and decorating in the traditional manner). This initiative was driven by small business entrepreneur who owned a hotel and restaurant; and it shows that corporate social responsibility can be in evidence demonstrated by small businesses embedded in their local community; the social entrepreneurial input was from the small business owner, and the temporary financial support from the state. These supported workers in the museum came from a social inclusion day centre (a *zavod*) highlighting good levels of collaboration.

It seems that a major entry point for social entrepreneurship in the social economy is through this system of tenders for various social programmes (given that social economy organisations now have good access to this tender system). For example, in the last two years there has been a tender to promote the employment of 500 long-term unemployed a year, through training and work (partly ESF funded); also there was a recent tender for social enterprise to integrate disadvantaged people back into the workforce through training and work. The target groups were older workers, younger workers with no or low education, Roma people, migrants, refugees ex drug addicts, ex-prisoners, etc. The applicants were required to be non-profit (public or private) and there were requirements regarding number and percentage of disadvantaged to be trained, of whom 25% had to be in employment for at least one year. Through this tender 124 people were trained, of whom 43 were employed for a year. These new experiences of social entrepreneurship may be seen as future models for addressing social exclusion – however a proper evaluation of the effectiveness needs to be framed within a learning or developmental perspective, and which reflects on required changes to the policy framework.

However, there can be financing (cash flow) issues for social economy organisations, since they may not have the financial capacity to wait for the completion of the tender contract before receiving payment, and interim payments have only been made infrequently. Furthermore, with short-term funding there remain issues for all public tenders regarding continuity of support, or placements of its trained workers into the mainstream labour market, or sustainability of new social enterprise activity.

However in certain cases some social enterprise may be able to use these forms of funding to establish more sustainable activities, or may have built up the expertise to move from one short-term funding stream to another. Papilot operates multiple activities, and some of its activities appear sustainable.

#### **Box 7. Papilot**

Papilot is a private institute, which was established in 1995 as an answer to the dramatic increase in unemployment in Slovenia. It is a small company which is organised into local units working in a number of different fields. They provide education services, training and support to unemployed people and vulnerable groups, including disabled people; first job seekers; long-term unemployed; drug abusers. The basic activities run include: occupational rehabilitation; social inclusion programmes; active employment policy programmes; help centre for the victims of criminal deeds; daycare centres for elderly people with dementia; and, childcare service.

The aims of Papilot programmes are to strengthen the self-confidence and self respect of their beneficiaries. Papilot helps its beneficiaries in finding a job and creating a new social network, and works to sensitise the local community about the importance of integrating socially excluded people. The methodology adopted relies, on the one hand, on supporting the individual and their family and, on the other hand, on a cognitive approach in small groups, where self-confidence, higher sociability and personal growth are encouraged.

The social rehabilitation services offered include: the estimation of the abilities to work; a pre-employment training; an active search for a job; the realisation of individual plans; and, the following up of the beneficiaries during their work and/or educational experience. The occupational rehabilitation is carried out by a multidisciplinary team through the active participation and empowerment of the beneficiaries.

Disabled people are offered different types of work integration opportunities according to their work efficiency, including: supported employment; companies for employment of disabled persons; and, sheltered employment centres, which contribute efficiently to the integration or re-integration of people with disabilities in the labour market. Among the activities run there is factory for home appliances employing 17 disabled people;

Key partners of Papilot are the Ministry of Labour, Family and Social Affairs; the Employment Service of Slovenia; the Institute of Pension and Disability Insurance of Slovenia, and national and international organisations.

Source: OECD study visit in January 2010

The European Union community initiative programme EQUAL was a source of temporary funds and learning about social economy initiatives to address social exclusion (during its life-span 2002-2007), although there were a relatively few social enterprises developed in Slovenia under this program. In the EU programmes PROGRESS, HROP, ERDF programmes, and LEADER, social enterprise and social entrepreneurship are not priority areas in the Slovenian interpretation of these programmes, thus there is considerable potential for using such programmes more effectively.

#### **Box 8. RESTORE, Province of Trentino (Italy)**

The RESTORE-EQUAL project was implemented in the Trentino Province in the north of Italy. It was developed to provide innovative answers to welfare needs arising at local level. RESTORE is the acronym of "Strengthening the Social Economy in Trentino through the organisation of Networks (*Rafforzare l'Economia Sociale in Trentino Organizzando Reti*). To this end the project promoted new models of social enterprise that were strongly rooted at the local level through the direct participation of beneficiaries. Particular attention was paid to creating stable connections among public and private actors (both non- and for-profit).

Eleven pilot projects of community social enterprises were set up with the goal of favouring networks relations and offering new employment opportunities, especially to women with children interested in working in the social care sector. A participatory governance structure – involving the main representative body of co-operatives, *Federazione Trentina della Cooperative*, the consortium of municipalities, and two research centres – was implemented and actively engaged in all project phases.

In many countries in Europe there are a range of partial and temporary funding streams used by the social economy; in most cases the temporary nature of these funding streams creates considerable difficulties when funding ends. The challenge (both for social enterprise and for the state) is to find ways of moving to more sustainable provision, and to find ways of building on the social innovations that have been developed.

#### **Social economy's role in assisting the socially excluded through service provision**

In many parts of Europe the social economy plays a substantial role in providing services for disadvantaged and socially excluded people, such as residential elderly care, home care for the elderly and the disabled, and childcare. In Slovenia, the state remains a major provider, with relatively few elements of a mixed economy of service provision; although there are signs that this could be interesting, and there is evidence of a lack of capacity, for example in childcare outside the capital. It is important to note that childcare is considered a key element in combating the social exclusion of women, particularly poor

women, from the labour market.) There is also interest in a voucher system which would open up the market to other players, including the social economy. Thus, whilst there are social economy initiatives that function in a rather small scale and peripheral way, there is no coherent and consistent strategy for developing that provision, which could provide a major area of activity for social enterprises.

The OECD team heard about the Vir Institute (a *zavod*): this private institute has been working for eight years in the area of drug and social rehabilitation (a highly challenging, albeit highly specialised area of social service provision). In 2009, it secured a large project in the area of drug addiction and it has co-ordinated work with social economy organisations providing a strong emphasis on social enterprises.

### **Social economy's role in regeneration (regional/local/community)**

Slovenia has 12 regional development councils and associated regional development agencies and there is considerable potential for developing strategies for the social economy at this level. Indeed, the OECD team visited Gorenjska, where an impressive strategy for the development of the social economy was revealed. However, it became clear that since the legislation in 1991 for regionalisation, it has never been fully implemented, and finance was often not available for such well developed strategies to be implemented. It seems that municipalities have more established streams of revenue, however resources may be similarly restricted, and promoting a social economy strategy amongst a highly diverse set of municipalities is not straightforward (more than 100 municipalities have less than 5 000 inhabitants – and inter-municipal co-operation is obligatory in some areas).

Nonetheless, there are some relatively low-cost strategies and considerable social economy experience in development and regeneration at the local and regional level. The social economy has a good record of addressing disadvantages at the local or regional level with useful models of how local economic strategies can be developed

#### **Box 9. Local social economy partnerships (Scotland)**

Futurebuilders Scotland – is a GBP 18 million programme for investing in the social economy of Scotland. The aim is to develop the social and economic well-being of Scotland, through developing the social economy. It functions by developing thirty local partnerships between the social economy and local authority municipalities. The core partners include: Communities Scotland, Scottish Enterprise or Highlands and Islands Enterprise, the local authority and the local Council for Voluntary Services (CVS). Through such partnerships the growth of the social economy can be supported through a range of local support mechanisms, and local networking facilitated. This can improve its capacity to assist excluded and disadvantaged people, and tackle poverty and deprivation – whilst developing its entrepreneurial capabilities and unlocking market opportunities for social enterprise.

Source: [www.communitiesscotland.gov.uk](http://www.communitiesscotland.gov.uk)

There is also considerable experience of reconstructing failed capitalist business, by saving many jobs, and shifting the reconstructed social enterprise towards more profitable markets, (this can be particularly important in communities dominated by one or two employers). For example in Italy, the Marcora Law provides legislation which allows workers pre-emption rights when their employer goes into liquidation, and also converts their unemployment benefit into an equity stake in a new co-operative, which is created from the ashes of the failed business.

In addition, there are many examples where the social economy can help regenerate communities that have been devastated by the failure of large employers. The OECD team visited the Pomurje region where the large textile company Mura had failed, and saw evidence of a new strategy for future development including a business incubator, later transformed into a technology park; there were also some services

involving the social economy, such as the Work Fund (a NGO), and an employment and resource centre (a *zavod*).

A key element of regeneration is environmental improvement; and there are some Slovenian initiatives which address this, for example, the indirect impact of Mozaik has positive environmental outcomes.

#### **Box 10. Association Mozaik**

This social economy organisation was established in 2003. Its main aims are addressing social inclusion for the most disadvantaged, and improving the quality of life of the local community. It does this by linking local cultural traditions in the deprived region of Pomurje, to productive activities (traditional building, eco-agriculture and food production, and environmental services), and to employment and training activities. In addition, it aims to develop a distinctive mentoring expertise for assisting disadvantaged people, and it emphasises marketing including promoting its own brand.

Its training and work integration programmes emphasise practical work, and it draws in outside experts to assist with training – so far more than 200 disadvantaged people have been assisted.

They are also concerned to develop permanent employment through activities such as: ecological agriculture and food processing, traditional building using natural materials (straw, wood, clay, flax and linen, straw and birch), environmental services in regional parks (maintenance of cycling paths, hiking paths, waterways), and agricultural land management. One of the key strategies for achieving this is through eco-social farms – providing permanent employment opportunities for disadvantaged groups. So far, they have established one eco-social farm in Šalovci (Goričko area) in 2008. Initially they renovated the farm to maintain its traditional characteristics and then they established an Employment Centre (sheltered workshop) providing regular employment for 11 disabled people, as well as training facilities for many others. They aim to extend this work through a network of eco-farms.

Their mentoring and psycho-social support activities draw on outside experts who are directly involved in the social inclusion programmes, as well as developing the internal capacity of Mozaik by developing such skills in their staff.

Their approach to marketing involves developing their own brand, and opening a variety of marketing channels for: direct sales, on farm sales, the tourist market, and for public procurement (such as for schools and public bodies).

Financially it has been successful in gaining EU programme finance, as well as grants from various Slovenian Ministries, and so far it has around 20% of its income from the market (including sales of its own produce).

Source: OECD study visit in January 2010

International experience indicates a range of measures, such as the Arts Factory in Wales and the Social Economy Partnership for Sustainable Community Development in Montreal that can facilitate regeneration including community ownership of workshops for the development of new enterprise; and community development agencies to support economic and social regeneration.

#### **Box 11. Arts Factory (Wales, UK)**

Arts Factory is an independent development trust based in the Rhondda Valleys in South Wales, an area of severe deprivation. It is committed to building a strong, inclusive community. The Arts Factory has been operating since 1990, it comprises a range of activities and social enterprise including: graphic design, recycling/reselling books, recycling waste vegetable oil, various art products, construction and refurbishment, IT support services, and managed workspaces. It has been widely recognised as a model of good practice, and has a strong track record of delivering innovative projects on the ground and of including the most marginalised people in an already disadvantaged community in its work. Arts Factory recognises that the challenges its community faces are long term, and that there are no quick fix easy solutions – it will take many years of ongoing work to fully address them. They are aiming to move away from a position of grant dependency through the development of a portfolio of social enterprises that will provide a more sustainable basis for funding their work in the future.

Source: [www.artsfactory.co.uk/](http://www.artsfactory.co.uk/)

### **Box 12. The City of Montreal: A social economy partnership for sustainable community development**

The City of Montreal recently signed a new partnership agreement with social economy actors that include sectoral organisations, community economic development corporations, municipal government representatives and academic researchers (City of Montreal, 2008). It has also created a special division within the department of economic development designated for the social economy. This partnership recognises the social and economic capacity of the social economy. The following quotation from this new partnership agreement demonstrates the city's acknowledgement of the role of the social economy in wealth creation, service provision and social inclusion.

Collective enterprises with co-operative, mutualist or non-profit status have contributed to the city's development by meeting residents' needs in a variety of ways. These organisations contribute to wealth creation and create job opportunities among educated workers as well as among those excluded from the labour market. They also help to improve Montreal's quality of life by providing accessible local-level services in areas such as recreation, culture, childcare, seniors' assistance, healthcare, social services, waste management and food/culinary services. Community organisations have made significant contributions to the revitalisation of troubled neighbourhoods from a sustainable development perspective. They have also provided thousands of Montrealers with access to affordable housing through the creation of co-operatives and non-profit housing associations.

### **Social economy role in rural regeneration**

In Slovenia where there is still a large proportion of people working on the land, and some indication of underemployment within such families, there is clearly scope for social and economic regeneration amongst rural communities (such as Mozaik, visited by the OECD team). There are wide range of experiences within the social economy to draw on to develop such strategies: including agro-tourism; farmers markets; the development of ecological/organic products; and, other forms of food processing which may be owned by social enterprises.

### **Social economy role in social integration and developing social capital: sport and cultural initiatives**

The Slovenian municipal youth culture and sports centres are a quasi-form of the social economy. There is a significant amount of evidence in Europe of sport and leisure being used effectively as a tool to address social exclusion, with a growing presence of social economy organisations, including social enterprises, delivering a range of services.

### **Box 13. Sporta (UK)**

Sporta is the major organisation representing social enterprises within the cultural and leisure market in the United Kingdom. Membership is open to non-profit distributing organisations that manage cultural and leisure facilities on behalf of local authorities which are open to the general public.

Sporta, founded in 1997, has a membership of over 100 leisure trusts and social enterprises, ranging from small trusts representing single leisure centres to larger organisations managing more than 65 sites. Together the members have a combined annual turnover in excess of GBP 790 million, have more than 175 million customers visiting their facilities each year and employ the equivalent of 21 400 full time employees. Collectively they operate more than 910 individual sites.

Source: [www.sporta.co.uk](http://www.sporta.co.uk)

### **Social economy's role in advocacy to improve the conditions of socially excluded people**

This is a classic area for the social economy, where it plays a key role in articulating the public interest in negotiating policy with government. While there are Slovenian social economy organisations

engaged in advocacy, and there are various government requirements for consultation about policy, nonetheless the status of NGOs often appears secondary and more marginal compared to other actors.

This section has not commented on areas of labour market policy and benefits policy which could be improved for high priority groups such as older workers (long-term unemployed), and for students and young people. However, international experience indicates that the social economy could play an important role with those priority groups if policies are adjusted; and they could also play an important role with the newer priority groups, such as the homeless and Roma.

### **Support strategies for social economy organisations**

This section provides an overview of structures and institutions supporting the social economy; it also reviews policy instruments specific to the sector such as financial subsidies and tax breaks.

#### ***Umbrella bodies***

Slovenian umbrella bodies are not so well developed or recognised. Representation for the social economy sector is through a number of already established channels, such as the Chamber of Commerce and Industry, Chamber of Crafts, Chamber of Agriculture and Forestry, but, as already noted, they do not enjoy separate representation. There are a number of active associations: such as the Alliance of Companies Employing Disabled People of Slovenia and the Co-operative Union, however despite Slovenia having a relatively high number of civil society organisations, representation for social economy organisations is particularly weak – although some bodies do exist, including at the rural level. Trade unions (which can be closely allied with social economy organisations), on the other hand, are relatively strong and well represented in policy-making structures.

Having well-developed federal bodies, not only at national level but also at regional and local levels, is absolutely essential for developing a strong and vibrant sector. There is considerable international experience of the roles played by such umbrella bodies, in improving economy and civil society. The Council for the Disabled acts as a consultative body, with multi-stakeholder membership; it has proved useful in the disabled field, and could be a model for a similar organisation to be set up to support the disadvantaged. There has been some financial support for the development of networks for social economy organisations via EU finance – these include sectoral and horizontal networks, although there is significant disagreement about the extent and recognition of these networks.

Québec (Canada), with its strong social economy, provides two relevant examples of good practice.

#### **Box 14. The *Chantier de l'économie sociale* (Québec, Canada)**

In March 1996, a working group on the social economy was created in the context of a Summit on the Economy and Employment, convened by the Government of Québec. This group had six months to evaluate the potential of the social economy to contribute to sustainable employment and economic revitalisation. The innovative and dynamic capacity of the social economy identified by this working group led to the creation of the *Chantier*, with a two year mandate to develop a strategic plan for the social economy, identifying those sectors that could contribute to job creation, economic growth and social well-being. In 1999, the *Chantier* became a non-profit organisation to pursue its development of the social economy independently.

The *Chantier de l'économie sociale* is a network of networks of collective enterprises (co-operative and non-profit), local and regional development institutions/agencies and social movements. It is an example of distributed governance and social innovation. As an intermediary that negotiates with government on behalf of numerous organisations in a diversity of sectors of activity, the *Chantier* participates in the co-construction of public policy with government to enable the development of the social economy in Quebec.



### **Box 15. Québec government action plan for collective entrepreneurship**

In 2008, the Ministry of Municipal and Regional Affairs and Territory (MAMROT) launched an action plan to develop the social economy across the province. This five year plan will provide actors in the social and solidarity economy concrete and adapted measures to respond to the needs of communities in a sustainable manner. The following are among the actions proposed by government:

- Annual support of CAD (Canadian Dollars) 650 000 for the *Chantier de l'économie sociale*, representing an increase of approximately 45% in the support given to this network.
- Creation of a fund to promote initiatives in the social economy by committing CAD 100 000 for knowledge mobilisation on the social economy.
- A fund of CAD 850 000 to support innovative projects in the social economy on the Island of Montreal (urban).
- Modification of the law on associations and non-profit organisations.
- Measures to facilitate the inclusion of youth, aboriginal communities and new immigrants into the social economy.
- Support for social and solidarity economy enterprises in the cultural and community media sectors.

To assure the implementation and follow-up of these measures, the Ministry emphasises its commitment to horizontal collaboration and “concertation” between government representatives at all levels and regional and local actors. To achieve this, the government has created an inter-ministerial committee and a technical support group that brings together those engaged in the social economy.

Source: [www.mamrot.gouv.qc.ca/regions/regi\\_econ\\_plan\\_acti.asp](http://www.mamrot.gouv.qc.ca/regions/regi_econ_plan_acti.asp)

### ***Access to business support***

It is important to note that in Slovenia the business environment is more oriented to medium and large enterprises rather than small business – thus, an important source of employment generation seems not to be supported by policy. SME policy measures are established (incubators, etc.) and in principle social economy organisations have access to these. However, international experience indicates that social enterprise need specialist advice covering all aspects of their performance.

For example there is a Slovenian entrepreneurship fund for conventional entrepreneurship; as well as capacity building and training for business and technological development for SMEs. The JAPTI agency acts as a one-stop shop to promote entrepreneurship across Slovenia (guidance, counselling, etc.), with young people and students being a particularly strong focus (although there was some evidence that business support is limited by the supply of vouchers, which tend to run out).

### ***Legislative frameworks***

Drawing out some of the key points from earlier sections, it seems that there are not major issues with legal structures for the main actors in the Slovenia social economy (co-operatives, associations, institutes, foundations, and NGOs, etc.). There may however be issues about the regulatory system for some of the structures, where there have been “bad apples”. And it appears that the different organisational forms operate under different fiscal regimes, with the companies for the disabled the most favoured. At the same time, there do appear to be some advantages for public institutes rather than private institutes. There is the potential for legislation on social enterprises to provide a more entrepreneurial structure for the non-profit part of the social economy, and to help create an institutional form which is regarded with more public trust (unlike the companies for the disabled which, to a certain extent, suffer from a negative image).

**Fiscal and financial support measures** exist both for companies for the disabled and employment centres for disabled (as well as grants for training). Companies for the disabled may make a profit, but 60% has to be reinvested; they are also not required to pay tax on salaries. Funding for disabled organisations also comes from the foundation for the disabled which receives money from firms that do not meet the disability quota. There are also funds that arise from the national lottery system.

In many other European countries non-profit organisations, which typically perform services in the public interest, enjoy significant tax advantages, but in Slovenia the regime is not so sympathetic – such organisations pay tax on profits, and VAT (although there are some exceptions stemming from the 2004 law). But there are some signs of change – there is a new system of gift aid in place which enjoys tax relief (0.5%) for such contributions and there is a well-established system of fundraising in Slovenia, although a few well established foundations tend to dominate the field. However, in general, this strict fiscal arrangement appears to limit the scale and scope of philanthropic trusts.

Community development finance initiatives, and specialist funds for the social economy, are very underdeveloped; micro-finance for social enterprise development has been discussed but not yet implemented (due to some difficulties) and yet can play an important role (as Box 16 indicates). Previous systems of social finance services, such as savings banks, no longer exist. However, there is evidence that social investment bodies are emerging; and there appeared to be some initiatives to bring in philanthropic finance through a “family of donors”.

#### **Box 16. Microfinance in China**

Microfinance in China is growing as the government, non-governmental organisations and commercial banks are exploring how they may provide the poor with greater access to credit.

Over the last decade the government of China has promoted the concept of micro finance. Recent policy changes have enabled the emergence and growth of microfinance in China. At the end of 2007, the China Banking Regulatory Commission (CBRC) lowered the threshold for financial institutions to do business in rural areas, permitting investments in village and town level banks, loan institutions, and village co-operatives. These new regulatory measures have resulted in the establishment of 500 micro-finance institutions (MFIs) last year with the expectation of an additional 500 MFIs to emerge in the coming year.

According to a February 2008 Xinhua report, Chinese banks have lent over USD 131 billion in microloans to more than 77 million households, nearly 25% of all rural households.

It is now easier for social enterprises or social organisations to access credit for the first time. This also confirms the recognition by the Chinese government of the potential role played by such organisations/enterprises in providing social services.

Source: 6SIX TelePresence Series (2009)/ *US-China Today* (June, 2009)

#### ***Other measures***

**Volunteering** is not so well developed in Slovenia except in a few areas like fire brigades; although volunteers play a role in organisations benefiting from the public tender system where about 7 000 volunteers are involved each year. A law has been prepared but not yet approved. This is a particularly important area to develop in the social economy, since volunteering can both strengthen the fabric of society and be a very important way of socially integrating people. There may need to be support for various forms of volunteering, including for working within public service contracts, and to provide some kind of compensation. Slovene Philanthropy, a humanitarian organisation established in 1992, works with disadvantaged people, using substantial numbers of volunteers, and amongst many activities, is exploring business development ideas.

**Capacity building:** there is currently a EUR 2 million project over three years to support social economy organisations operating in the market to carry out work integration activities. Capacity building appears to be a major issue for the Slovenian social economy sector, and there is a large amount of international experience in this area and on establishing stronger relationships with government, through for example formal *compacts* or agreements between the sector and government. Other forms of capacity building which could be explored include asset transfer, such as where a building is transferred to a community ownership structure which then manages it for social and economic purposes.

**Box 17. The compact on relations between government and the voluntary and community sector (England)**

It is worth noting the importance of the Compact in developing good relations between the state and third sector (social economy) in the England. The Compact specified the broad outline of an agreement to develop good relations with the third sector; it led to a range of policies aimed at increasing the capacity of the third sector, without losing its distinctive civil society values and practices. The Compact was first introduced in 1998. It provides the framework agreement on how the government and the sector should work together, in order to improve their relationship for mutual advantage and community gain. It is underpinned by codes of good practice on:

- funding and procurement
- consultation and policy appraisal
- ethnic minority voluntary and community organisations
- volunteering
- community groups

The Compact and codes establish a shared vision and principles, together with undertakings for both sides of the relationship. It applies at a range of government levels, and to a range of organisations in the voluntary and community sector. Thus local compacts, informed by the Compact and Codes, are local level agreements for partnership working between voluntary and community sector organisations and public sector bodies at the local level. All local authority areas in England have, or are developing, a Local Compact.

Progress of the Compact is regularly reviewed, and since 2007, an independent Commission for the Compact has been responsible for overseeing its operation.

Similar documents have also been developed in Wales, Scotland and Northern Ireland.

Source: [www.thecomcompact.org.uk/](http://www.thecomcompact.org.uk/)

## POLICY NEEDS OF THE SOCIAL ECONOMY: EFFECTIVENESS AND GAPS

The social economy is an essential part of a plural economy and a healthy civil society. In post-transition societies, as we move away from the world of contested “-isms”, there is increasing recognition of the huge diversity of public, social, and economic organisations. There is a growing understanding not only that this diversity creates a more resilient society, much like an ecology; but it is becoming clear that different organisations have different strengths and weaknesses, and while there is healthy competition, there are also healthy complementarities between diverse organisations. The distinctive features of the social economy that are highly valued are:

- a richer, more networked civil society, and the key component of social capital which is now regarded as one of the most important factors in successful economies, and in more caring and responsible societies;
- a more engaged and active citizenship – for those who create self-help groups and join the associative democracies of social economy organisations; at the local level this means more mutually supportive communities where social economy organisations are locally owned and controlled, and embedded with close user relationships, producer/worker relationships, and multi-stakeholder relationships;
- greater consumer choice, particularly for those who value greater user involvement, and who value dealing with organisations with a strong commitment to ethical values for a better society; and,
- more resilient organisations surviving crises and actively responding to them; whilst socially innovating through their networked and embedded structures.

In relation to other actors in a plural economy, the social economy as a sector can, firstly, often play a *moderating* role on opportunistic behaviour by other actors, by demonstrating a more ethical stance in the market, such as by adopting a more inclusive approach to its users rather than cherry picking and creaming.

Secondly, the social economy can play a *regulatory* role, by creating standards in the marketplace; thus certification schemes have become an established form of non-statutory regulation regarding farming, environmental and labour standards and trading practices. Social economy organisations have played leading roles both in creating such schemes and monitoring conformity to the regulations.

Thirdly, social economy organisations are often *socially innovative* – they have effectively invented new technologies and business models – which have sometimes been subsequently taken up in adapted forms by private or public sectors; such as microfinance and the Grameen Bank model; this derives from their networked and embedded characteristics and their user-related structures. Social innovation also arises from ethical values fundamental to a healthy civil society; as for example drug development for low populations of sufferers by the Institute for One World Health, which has had a powerful impact globally. This non-profit pharmaceutical company was founded by Dr Victoria Hale in 1998, and receives backing from the Gates Foundation; through partnerships with universities, hospitals and NGOs, it aims for a low cost open source type model of drug development; such models are typical of the social economy’s

capacity to reconfigure civil society resources through volunteers, and the gift economy, and thereby develop important innovations.

Fourthly, the social economy plays a role in the *alleviation* of social problems and social exclusion; they can also mitigate some form of economic and financial exclusion, such as in the UK through credit unions. But it is important to see their role in society much more broadly than this, and not just see them purely as a social problem alleviation subsector or ghetto.

Finally, social economy organisations may become *incorporated* – where they are too closely allied to the interests of other actors – typically the state, for example in eastern Europe in earlier times, but also in other countries where, for example, welfare service delivery by non-profit organisations operates more or less as an arm of the state. Thus, incorporation is to be avoided; social economy organisations need independence if they are to play the other roles within the economy and society (Paton and Spear, 2009).

Thus, it is in the interests of many actors that there is a strong social economy. The new interest in social entrepreneurship and social enterprise offers a prospect of giving a new direction and reinvigoration to the currently rather fragmented Slovenian social economy. And social enterprise is being given increasing priority in many European, Asian, and American countries. However, for social entrepreneurship and social enterprises to fulfil their promise they need to be developed and embedded within a broad perspective of the social economy. This requires reform, development, and co-ordination of existing structures, as well as capacity building and leadership for social entrepreneurship.

The foundations for establishing a strong and dynamic social economy and social enterprise sector are based on the following:

- There needs to be a level playing field for the social economy to fulfil its potential alongside the state and business sectors (for example, legislation, access to advice and support similar to that of business, etc.). Thus, the institutional context should be well designed to ensure that social enterprises have access to the same (financial, products and services) markets as SMEs, and in particular to public procurement. This also requires measures that could help it improve its capacity.
- The legal framework should facilitate independent social entrepreneurial activity, that is, it should not be over-restrictive or over-regulated compared to that for business organisations, and it should be designed and optimised to support the positive externalities of social enterprise. Due to their participative structures involving internal and external stakeholders, and their non-profit character, social enterprises can generate social capital, enhance social cohesion and strengthen trust relations among the agents involved, thereby contributing to enhance community and territorial cohesion among the inhabitants of a given locality (Evers and Laville, 2004).
- The social or public benefit dimension of the activities carried out by social enterprises should be properly supported through subsidies and contracts and, where appropriate, fiscal measures – to support the positive externalities of social enterprise, and for public benefit activities, since they are non-profit or profit limited; this might take the form of lower levels of taxes, tax subsidies for donations, etc. Note that there are many such measures in Europe which do not meet the challenges of unfair competition. In a comparative European perspective it appears that Slovenia has a relatively tough regime for non-profit organisations, such as foundations (for example, by limiting their risk management capacities by not allowing them to own companies, and by having relatively low tax breaks for individual and corporate donations) ([www.efc.be/Legal/Documents/FoundationLawsEU.pdf](http://www.efc.be/Legal/Documents/FoundationLawsEU.pdf)).

- The institutional structures for social enterprise should be well supported so that self-regulatory federal bodies can represent the interests of the sector, and financial and business support bodies can be developed to increase the capacity and effectiveness of social enterprise. Such self-regulating federal structures might also take on the task of taking measures to reduce corruption and corrupt exploitation of foreign donors. They are best placed to promote the image of the sector, ensure high standards, for example of governance, develop good practices for management and membership, and develop public trust. Thus, for example, in the UK the co-operatives' federation (Co-operatives UK) and the non-profit federation (National Council of Voluntary Organisations – NCVO) both have codes of good practice for governance, the NCVO also has a Quality Standards Task Group for promoting quality of services in the sector. Federal bodies have the advantage of good knowledge of the sector, good linkages, and thus are in a key position to influence good practices. But they play such a role in a pluralistic regulatory framework where independent auditing bodies (professional accountancy firms) audit annual accounts, which are then submitted to government regulatory bodies.

### **Barriers and drivers for social economy development**

In Slovenia there is a general lack of understanding about the importance of the social economy and the role that social entrepreneurship can play in addressing issues of competitiveness and social cohesion, even amongst government policy makers. Indeed, there are also negative connotations that arise from the socialist history of Slovenia, leading to antipathy and confusion about the terminology of social economy and social enterprise and social entrepreneurship – terms which are so well recognised and highly valued in other parts of Europe. Thus, there is a major challenge to update understandings about these terms, and raise general awareness of the distinctive contribution that the social economy can play in modern European Society.

A related issue is that trust in social economy organisations, whether philanthropic or self-help, has been undermined by abuses of such legal forms, and the lack of ethical values with which the sector is conventionally associated. Thus, there may be transparency and regulatory issues that need to be addressed to establish the sector on firm foundations.

Passing a new law on social entrepreneurship, and any associated development strategy for social enterprise together with links to structural funds, would provide an important plank on which to re-launch the social economy sector.

While the drivers for social entrepreneurship appear to be not very well focused, there is interest in work integration and regeneration activities. But it is not clear that a resourced policy framework will actually be implemented, thus, there may be substantial elements of cost-saving driving this initiative.

Nonetheless, there were good examples in Slovenia which give reason for optimism about future developments across the sector.

### ***Co-operatives***

Co-operatives currently have a quite negative image in Slovenia and their potential is far from being fully realised. The potential of co-operatives as vehicles of development at the local level has been highlighted by the recent economic and financial crisis. Co-operatives have been able to multiply and grow their business despite an economic crisis that forced many private for-profit firms to scale down their business.

If they are to re-establish trust from the public, they need to find their roots and develop new membership bases and good governance system. Similarly, training programmes for co-operative managers ought to be promoted in order to support an improvement of their managerial skills and re-launch co-operatives as enterprises that can successfully combine economic and social dimensions.

The discussion on legislation for social entrepreneurship could represent a good opportunity to re-launch the role and potential of co-operatives in Slovenia as local enterprises that can engage in:

- traditional sectors (from agriculture to housing), especially in rural areas; and,
- new innovative sectors (provision of general interest services and work integration) in both rural and urban areas;

However, there appear to be some restrictions on co-operatives engaging in a number of new markets and public tenders, although this is not entirely clear. This could also be the opportunity to reconsider support policies for co-operatives. Access by co-operatives to support structures and tenders should not be more restricted than for conventional enterprises.

The qualification of co-operatives as social enterprises presupposes the law regulating co-operatives being amended. Indeed, the currently valid Co-operatives Act does not enable the inclusion of co-operatives in social enterprise.

### *Not-for-profit organisations*

There is a need to improve (current) capacity building measures (such as done in the UK through the Futurebuilders programme) and raise the status of the sector. This could be done, for example, through a sustained attempt to strengthen the sector and develop its role, such as outlined in the Box on the Compact on Relations between Government and the Voluntary and Community Sector (England).

NGOs are numerous in Slovenia but quite weak generally. There could be a role for new social enterprises where are NGOs transformed into social enterprises, then are strengthened through capacity building. This would contribute to the creation of trust in, and improve the reputation of, the social economy.

Philanthropy and associated foundations seem not to be well developed. There may be scope for US-type tax breaks to support their development, as well as business partnerships, and the development of greater corporate social responsibility possibilities.

Volunteers appear not be widely prevalent, but are strong in certain sectors. Strategies for strengthening volunteer involvement could be envisaged.

There seems to be a general need to open procurement markets for public services to the social economy generally (including social enterprises). Based on European experience (such as in UK and Belgium) capacity building needs to take place for not-for-profit organisations to fully function in this type of market and also for social enterprises operating in a voucher system of service provision.

In Slovenia there is a lack in diversity of financing measures for social enterprises. In some EU countries there are examples of public measures accessible to social economy organisations with the goal of strengthening their capacity to provide general interest services (see the following boxes) – some have been specifically designed for specific typologies of social enterprises, others for all types of non-profit organisations (such as Futurebuilders in the UK); or for all types of SMEs; finally, an example of public measures specifically aimed at supporting the demand for care services (in Belgium) is outlined.

### **Box 18. Building social economy capacity: United Kingdom**

Specific public measures are available in the UK for non-profit organisations interested in committing themselves to the delivery of public services contracted out by public bodies.

#### **Futurebuilders**

Futurebuilders provide loans, grants and professional support to social economy organisations in England that need investment to help them bid for, win and deliver public service contracts. Supporting and facilitating public sector outsourcing to the social economy. Delivered by The Social Investment Business with funds from central government 370 organisations benefited between 2004 and 2010. It is currently closed to new borrowers pending repayment of existing loans.

#### **Social Enterprise Innovation Fund (DH)**

Investment is provided both to help new social enterprises start-up and to existing social enterprises to help them to grow and improve their services. It is specifically focused on supporting social enterprises working the area of delivering innovative health and social care services.

Managed on behalf of the Department for Health by The Social Investment Business and working in partnership with Partnerships UK, 150 organisations have benefited since 2007, with GBP 20 million invested. Support has been given for a range of health related initiatives, including groups of health professionals taking over management of their services.

Sources: [www.futurebuilders-england.org.uk/](http://www.futurebuilders-england.org.uk/) and [www.thesocialinvestmentbusiness.org/](http://www.thesocialinvestmentbusiness.org/)

### **Box 19. Building social economy capacity: Belgium**

#### **Titre-service**

The care sector is characterised by a strong engagement of irregular workers. The Titre-Service is a public support measure aimed at: fighting irregular work; integrating unemployed people and workers with low qualifications into the labour market; and, supporting the creation of work integration social enterprises. This public policy measure increases the demand for care services (and so the demand for social economy providers) with the goal of supporting their accessibility to a greater number of users. More specifically, the Titre-Service is a voucher system applied to domiciliary care. Under this measure, the user can buy the vouchers and give them to the chosen provider, which can be a public, private for-profit or non-profit organisation. Providers benefit from EUR 14.30 subsidy per hour to pay the workers. This system was introduced at the federal level in 2004. The voucher system stimulates the development of new enterprises (especially social enterprises), generates new employment, contributes to fighting irregular work, and allows the personal and family needs of a higher number of users to be met.

Source: [www.onem.be/D\\_Opdracht\\_cheque/Regl/Werkgevers/InfoFR.pdf](http://www.onem.be/D_Opdracht_cheque/Regl/Werkgevers/InfoFR.pdf)

### ***Business partnerships and corporate social responsibility***

This seems a relatively under-explored part of the potential framework for developing social enterprises, but there appears to be potential to do so. An SME example highlighted earlier in Slovenia was the Gingerbread Museum; but large corporations and rich entrepreneurs can also play a role, as they do in other countries, such as the One Foundation in Ireland.



### **Box 20. One Foundation (Ireland)**

Founded in 2004, the One Foundation is a major innovation in Irish grant-making. Its co-founders, Declan Ryan and Deidre Mortell, bring experience from the private and charity sectors, respectively. Business entrepreneur and philanthropist, Declan Ryan, runs Irelandia Investments, which is a private company responsible for the Ryan family's enterprises, interests ranging from Irish biotechnology, horse breeding in Kentucky to a vineyard in France. Declan's father, Tony Ryan, founded the low-cost airline Ryanair, in which the family still has a large stake. Declan is chair of Barnardo's Ireland and no stranger to the Irish charity world. Ryan shows a very high level of philanthropic motivation, has a clear commitment to spend his wealth responsibly and wishes to engage in the charity sector in a way which levers in his entrepreneurial skills. Co-founder Mortell is an experienced charity fundraiser, having previously worked for Oxfam and Barnardo's, and runs the foundation's day to day affairs.

The foundation is expected to spend down its initial endowment over ten years, primarily funding social entrepreneurs and charities that support young people in Ireland. Irish Foundation disclosure laws do not make it easy to determine the size of its endowment or annual spend, but the One Foundation is likely to be worth in excess of EUR 100 million. On a somewhat different tack, it also has an interest in development work in Vietnam. Its approach to funding charities is termed "active philanthropy" – a venture philanthropy approach which adds skills, expertise and networks to grants used for capacity building.

Significantly, the One Foundation has developed a strategic partnership with New Profit Inc, a major venture philanthropy fund based in Boston, USA. New Profit's is a classic high engagement approach – a small portfolio of charities going through major organisational expansion, offering long term, performance based grant funding coupled to strategy advice and joint problem solving. New Profit Inc has built up considerable operational experience and clearly can offer the One Foundation assistance in building its own philanthropic model. One Foundation is also teaming up with Ashoka for its work with Irish social entrepreneurs. One Foundation is a member of EVPA (the European Venture Philanthropy Association).

Source: John (2006); [www.onefoundation.ie](http://www.onefoundation.ie)

### ***Other players***

There are indications that trade unions could be progressive and supportive of some areas of the social economy, particularly around employment issues. There is a clear need to develop processes and ideas to build on this.

### **Box 21. Wales Co-operative Centre**

The Wales Co-operative Centre is a national agency supporting community regeneration, economic development and social justice through co-operative solutions.

The Centre was set up in 1982 by the Wales TUC to help redundant workers from heavy industry. It has evolved into an organisation helping businesses and local communities across Wales.

The Centre aims to influence, inform and respond to Welsh public policy. It is publicly supported and funded and is a leading support and training organisation for co-operatives and social enterprises in Wales.

Source: [www.walescoop.com/](http://www.walescoop.com/)

### **Policy process**

Processes of co-governance and co-construction in developing policy frameworks appear to exist at the national level, but not at regional or municipal levels. Also, there seems a need to improve inter-ministerial co-ordination (beyond the inter-ministerial group). It is important to consider such questions as: is there representation on boards, and do they include stakeholders in the policy design? Can the national

system be improved? There is relevant international experience, such as from Quebec, but other relatively less developed examples, such as UK social enterprise policy, could also be relevant.

There is a need to develop a social economy strategy that overcomes contextual problems such as, promoting awareness about the role of the social economy in society/economy and understanding the importance of developing an appropriate context. There is also a significant need to ensure policy making links consistently with budget allocations and policy implementation – so that budgets are available for social economy development to fully implement the approved policies. Thus, there is a challenge about how best to address this. Finally, there is a need to co-ordinate (or at least overcoming the defects in) national, regional and municipal levels of support. This would involve developing a strategy for the role of the social economy in public sector procurement contracts and similar opportunities (such as links to public works), then resourcing and communicating such a strategy at all levels.

### **Social enterprise legislation – European trends**

Two trends can be identified in Europe as far as the recognition of social enterprise is concerned:

**Adaptation of the co-operative form:** This refers to the recognition of social enterprises through an adaptation of the co-operative form. This trend started formally in Italy in 1991 with Law No. 381 on social co-operatives which provided the legislative framework for a phenomenon that had developed spontaneously over the previous twenty years (Borzaga and Ianes, 2006). A similar legal development followed in Portugal, Spain, France, and more recently in Poland. In Italy the law on social co-operatives clearly separates social services from work integration. In the other countries activities that can be carried out by social enterprises (recognised via the co-operative form) vary, ranging from general activities (for example, in Portugal and France where social services and work integration can be provided through the same enterprise) up to specific ones, mainly limited to work integration (such as in Poland).

**Adoption of a social enterprise qualification:** A second trend is that of introducing more general legal frameworks for social enterprises, both with respect to the activities run and the legal forms admitted. In this case a social enterprise qualification can be obtained by various types (or all forms) of enterprises, provided that they comply with a number of criteria. This trend first appeared in Belgium where the “social purpose company” was introduced in 1995. This law can be used by any commercial company, including co-operatives societies and private limited companies (Defourny, 2001). This trend has been followed by the UK, Italy and Finland.

The emerging policy framework linked to such legislation could include a range of measures, such as: support counselling; tendering support; seed capital; fiscal benefits (lower levels of VAT); tax relief on profits for social enterprises (plus need for reinvestment); and, subsidies for disadvantaged/disabled workers.

There is substantial international evidence of social enterprises developing but they require a coherent policy framework to foster their development, including capacity building and support for social entrepreneurship so that such social enterprise can become sustainable. At the same time, there is a need to enable social enterprise to enter into the field of public service provision through normal contract procedures.

## RECOMMENDATIONS

This report provides broad and specific proposals to improve policy effectiveness in the Slovenian social economy and social enterprise. These proposals are based on a fact-finding mission involving two separate visits. It is also based on a review of the current state of the social economy, and an analysis of the current policy framework adopted in Slovenia to address poverty, unemployment and the wider contextual factors which give rise to social exclusion. While not wishing to impose any models, the authors of this study were able to draw on considerable and diverse international experience, in order to critically assess the current policy framework, and indicate a way forward for the diverse stakeholders concerned with the future of the social economy and issues of social exclusion in Slovenia. The OECD team presents broad and specific recommendations to enhance the current policies for social inclusion, and the role of the social economy and social enterprise in addressing these in the Slovenian context.

### **Broad recommendations:**

There are a number of crucial issues that can contribute to supporting the development of the social economy, and thereby enhancing its capacity to address social exclusion:

- The legal and fiscal framework for the social economy and social enterprise should not be over-regulated or burdensome nor should it create barriers to social entrepreneurship.
- The diverse policy frameworks in which social enterprise operate, should fully recognise both the costs of the social and economic activities carried out by social enterprises, and the positive externalities that they generate.
- The institutional framework of social enterprise should provide similar levels of access to markets, particularly public procurement markets, and voucher systems, as other competing forms of organisations, such as SMEs.
- Specific and clear legislation should be drafted which addresses the goals of, and constraints imposed upon, social enterprises.
- A set of entrepreneurial policies should be implemented which are consistent with the distinctive features of social enterprises, including the non-taxability of profits that are moved to the indivisible reserves (“asset locked”).
- The distinctive specificities of social enterprises should be recognised and supported in a similar way to the business support enjoyed by the SME sector, including support for start-ups through seed funding, consulting services and other such mechanisms.
- A strategy should be developed and resourced for improving the social and economic performance, and building the capacity, of established members of the social economy whilst nurturing the development of new organisational forms, such as social enterprise.

- For an initial period, the social economy should be supported in developing its own self-regulated representative structures, and these should be fully recognised with equal status in the various governmental policy-making arenas. A system of co-governance can benefit both the design of policy and the functioning of the actors delivering that policy, thereby overcoming the view that the state does not consider social economy organisations as serious partners in meeting the needs of disadvantaged people.
- Establish clear and effective partnership policies between public agencies and social enterprises (including non-profit organisations) – possibly in the form of a compact or formal agreement (such as in the United Kingdom examples outlined previously), so that they can play a larger role in tenders and public works, and public service delivery. This could be extended to the whole social economy sector. This would operate at all levels of government (national, regional and municipal) depending on the level of implementation of decentralisation.
- Consideration could also be given to a quota, as a temporary measure and linked to capacity building support, for social economy organisations in the tender systems (public works and other).
- Community development and rural regeneration strategies for disadvantaged communities should be formulated through a process of co-governance with municipal and regional bodies together with social economy organisations.

A number of changes to labour market policies have been suggested earlier in this report. These would change the current privileged system for certain groups (older workers, those with long employment records and students), and allow a more equitable arrangement between different categories of disadvantaged people.

### **Co-operatives**

Traditional co-operatives can contribute to alleviating social exclusion, especially in rural areas. Modernisation measures could be put in place to build their capabilities as democratic and community oriented structures, assist their independence, and reform membership and management structures, thereby increasing the public trust in the co-operative sector. Another way of addressing the negative image of co-operatives would be to engage them in new initiatives for social entrepreneurship.

A programme could be developed to promote new co-operatives in the areas of work integration and user-based welfare services. These could take the form of worker co-operatives, multi-stakeholder co-operatives and user-based co-operatives. A dynamic new co-operative sector could help regenerate the traditional co-operative sector.

Co-operatives do not have, or are misinformed about, access to tenders and support structures, particularly when compared to the access available for conventional enterprises. This is a significant issue which should be addressed appropriately. It will also be important to examine why Slovenian co-operatives appear to have limited fields of activity (agriculture and forestry) and consider whether co-operatives operating in other areas are treated equally.

Legislation and policy to support worker buyouts of failed businesses, such as the arrangements embodied in the Italian Marcora law, should be considered.

## **Not-for-profit organisations**

Address lack of seed capital and cash flow support (in tenders), as well as weak financial support and subsidies from the state.

Improve (current) capacity building measures and encourage mergers between NGOs and other non-profit organisations.

Develop a programme to support NGOs that want to become social enterprises, through which they could be strengthened by capacity building activities, thereby creating new trust and reputation for the social economy.

Similarly for those NPOs engaged in advocacy, support their role in co-governance policy systems, and build their capacity, including through mergers and the development of federal structures at national and regional levels. In a similar way, the development of networks for NGOs, which appear weak and not always fully recognised could be strengthened.

Consider the development of an asset transfer system, where public assets are transferred to NPOs to build the capacity of community owned structures (for example, long leases could be transferred instead of freehold).

Support the development of philanthropic foundations, such as with US-type tax breaks, etc., with an appropriate regulatory system;

Develop programmes for strengthening volunteer involvement, and facilitate this as a transitional arrangement for work integration, ensuring that such activities are compatible with the benefits system.

Equalise the status of public and private institutes (*zavods*) in procurement systems such as tenders.

## **Social enterprises**

Improve the sustainability of social enterprises within the tender regime. Currently this seems to be based on limited period subsidies of between one and three years; this is a short-term and less effective form of support; it seems to be primarily for creation of project jobs, no thinking through of sustainable organisations; and no thinking through of reconfiguring welfare priorities to permanently address emerging and changing social needs. Consider strategies both on mainstreaming successful tenders, and moving social enterprise to sustainability post-tenders.

The sustainability of social enterprises, and the subsidy regime, needs to be linked to the social cost of performing in the market with disadvantaged people. Thus, properly costed systems need to be developed. These could be based on an initial assessment of need, and the period of retraining required to achieve labour market levels of productivity (possibly using an initial classification system, similar to that for disabled people).

Use EU funding programmes to put in place a development strategy for social enterprise, thereby building and strengthening the sector. Whilst in Slovenia the EQUAL Programme was not used to develop social enterprises – new EU programmes, like PROGRESS, could be more effectively utilised to support the development of the sector.

When developing a social enterprise/economy strategy, make full use of the institutional space of EU programmes to innovate, build capacity and build on previous experience.

Linked to the idea of building the capacity of social enterprises is the need to develop the wider support environment. This could be done by strengthening links with Social Work Centres and Employment Agencies, expanding the function of JAPTI to support social enterprises, or developing a parallel structure. Social enterprises could be supported during the start-up phase through seed money, incubators, etc. At the same time, space for teaching about social entrepreneurship in the education system could also be considered. A strategy should be developed to promote the conversion of public companies, institutes (*zavods*), etc. to social enterprise. An independently run loan fund for social enterprise could be set up to enable them to engage in tenders (in order to manage cash flow). Networking and learning amongst social enterprises could also be supported.

Develop a new WISE strategy (as an important part of public works) which includes the role of WISEs as a transitional employment model, rather than for permanent jobs (the transitional employment model is dominant in Europe). Linked to this transitional employment model could be a system whereby money goes with a disadvantaged individual which the training organisation (WISE) can take on at any time. With the individuals approved for subsidy, there is then a market for training them and it is a more stable policy framework for WISE to compete in. Improvements to the WISE strategy could include developing a strategy for social enterprise in the work integration of young people and students.

Improve the system for integrating disabled people into the labour market by developing the transitional work integration capacity of companies for the disabled thereby increasing the numbers of disabled transferring to the mainstream labour market. These companies could also be allowed to extend their operation to the disadvantaged.

Linking the strategy for the disadvantaged to the reform of the current system for the disabled could be done by examining the reform of the quota system so that it is expanded to include disadvantaged workers, and the new quota levels set for the combined target groups. This would give possibilities either for expanding the scope of the companies for the disabled, or developing a new permanent stream of income for new social enterprise.

Develop a strategy for social enterprise in service provision as a complement or alternative to public provision – especially social services, including day care for the elderly and childcare in residential areas, where there appear to be public capacity constraints. Include a social enterprise strategy with current and future plans for voucher systems. This could also include the sports and cultural field where the capacity of existing social economy organisations could be enhanced for them to provide additional income generating activities.

Ensure that regulatory and self-regulatory regimes for social enterprises avoid the “bad apples”. Models of good practice are needed, including, codes of good governance and good practice training, with an emphasis on ethical management.

Develop a promotional strategy for building trust in the sector, for example, annual prizes for top social enterprises, ambassadors for the sector, models of good practice, etc.

Ensure that any proposed law on social enterprise is well communicated to intermediary bodies, professional groups, and the public. The rationale for such a law, and its goals, could be promoted vigorously and linked to positive experiences internationally.

Any legislation on social enterprises should be integrated into all areas and policies developed by a wide range of ministries and departments including for: work, employment, social welfare, agriculture, public administration, education, schools, health, etc.

Promote the development and adoption of measurement systems to show the added value of social enterprises (such as “Social Return on Investment” – or simpler tools so as to minimise transaction costs – carrying out such evaluations is very costly in terms of time and resources). Also explore how such measures can become part of the procurement system.

Social entrepreneurship generally has a firm value base and commitment to more trustworthy relationship with its stakeholders; in the context of a poor climate of opinion about conventional entrepreneurship, it could be used to change attitudes to entrepreneurship; and create a benchmark for more ethical performance in the SME sector, as well as help reform some more traditional players in current social economy.

Develop a strategy to promote social entrepreneurship linked to a wider strategy for encouraging self-help and (conventional) entrepreneurship.

### **Business partnerships and corporate social responsibility**

Corporate social responsibility strategies could be developed to promote the potential for collaboration, with tax breaks for SMEs and large corporations, as well as rich philanthropists. Within Europe (and compared to other countries like USA), Slovenia does not generally provide incentives for philanthropy, which in other countries makes a considerable contribution both to resourcing the social economy and to the fabric of civil society. Exploiting the potential for philanthropy to access finance from capitalism seems like a missed opportunity, despite some reservations about its bias ([www.opendemocracy.net/article/globalisation/visions\\_reflections/philanthrocapitalism\\_after\\_the\\_goldrush](http://www.opendemocracy.net/article/globalisation/visions_reflections/philanthrocapitalism_after_the_goldrush)).

### **Other players**

Develop the strategy for trade unions in this field, and support the role of trade unions in social enterprise – particularly for worker buyouts of failed business, and transfers of services out of the public sector as well as for business development with redundant workers.

### **Policy process**

It is important to ensure that processes of co-governance and co-construction in developing policy frameworks which exist at the national level fully involve key stakeholders, and are effectively developed at the regional and municipal levels. There is a need to improve inter-ministerial co-ordination (beyond the inter-ministerial group). This commitment to processes of co-construction of policy also involves accepting the need to develop a coherent social economy and social enterprise strategy at different governmental levels, which is appropriately resourced.

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## GLOSSARY

**Charity:** An organisation, trust or foundation established to pursue philanthropic objectives and providing some kind of public benefit. Charities are not owned by anyone, and are governed by trustees who are required to pursue the purposes for which the charity was established. In many countries, charities have certain tax privileges.

**Civic Movement Organisation:** Refers to organisations engaged in collective action. In English-speaking countries, there has been an increasing call for civic engagement or civic renewal, for citizen-based or grassroots action in the public interest. In the United States, the Obama administration has adopted President Clinton's call for increased citizen/civic engagement. Civic organisations work to deepen democracy by mobilising citizens to build civic capacity. The field of civic action is complex and is associated with civil society, citizen engagement, and so on. What is common to all of these is the mobilisation of citizens towards common goals.

**Civil society:** Civil society may be defined as a space or arena between households and the state, which affords possibilities of concerted action and social organisation. Thus, it encompasses all voluntary associations of citizens, whether politically motivated or active or not (although the term carries an implication of political consciousness and activity): business, labour, non-governmental organisations, churches, special interest or purpose groups. These elements are the constituents of civil society, but none can individually be representative of it. Business is often excluded, although the OECD does include it, given that channels of communication between traditional organised business and labour and government are generally well established. Most frequently the term is used interchangeably with "NGOs" where the term "NGO" refers specifically to activist groups, although these are simply one category of civil society as a whole.

**Collective enterprise:** A short-hand term for collectively owned enterprises: co-operatives, mutuals, non-profit organisations and foundations.

**Company for the disabled:** Companies for the disabled are trading companies, which operate as a capital company in accordance with the law on business entities. Companies for the disabled represent a specific form of enterprise established according to the Law on Rehabilitation and Employment of the Disabled Persons. A company for the disabled can be established by a legal or physical person. They can be set up as a for-profit or not-for-profit company with limited liabilities. A business company can be registered as a limited liability company or Joint Stock Company; and it can act as a company for the disabled if it employs and trains disabled people and they form at least 40% of all workers employed. The company must also have at least one expert worker employed. The status of company for the disabled is issued by the Minister competent for disability protection, with the previous agreement of the Slovenian Government. Companies for the disabled employ people with a capacity of between 70% and 95% work efficiency. According to the current law, the companies for the disabled are obliged to re-invest 60% of the profits gained into the enterprise.

**Co-operative:** A co-operative is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Examples of co-operatives in Europe can be traced back to the 19th century. The International Labour Organisation has suggested that co-operatives should be based on the values of self-help, self-

responsibility, democracy, equality, equity, and solidarity and share the principles of: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and, concern for the community, which were identified by the International Co-operative Alliance in 1995. A co-operative includes one or more kinds of users or stakeholders: 1) consumers who use the enterprise to acquire products or services (such as a retail co-operative, housing, healthcare or day-care co-operatives); 2) producers (such as independent entrepreneurs, artisans, or farmers) who use the enterprise to process and market the goods or services they produce, or to buy products or services necessary to their professional activities; and, 3) workers who use the enterprise to secure their employment and control their working conditions. Co-operatives operate democratically (one person, one vote) through two bodies (general meeting of the members or delegates, and a board of directors, which is composed of members elected at a general meeting). The delegate structure may be required to reflect the size of the organisation or the distance covered by the co-operative. The co-operative's start-up capital usually comes from co-operative shares purchased by members. Since 1980, special co-operatives, known as social co-operatives, have become more widespread in OECD member countries.

***Employment centres for disabled:*** Employment centres for disabled are established under the Rehabilitation and Employment of Disabled Persons Act. They provide sheltered employment to workers with an ability to work within 30% and 70% of work efficiency, owing to a combination of physical and mental disabilities (people with a work efficiency level lower than 30% can join social inclusion programmes). Significant funding for Employment Centres is ensured through permanent public support schemes.

***Foundation(s):*** Foundations are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds, the earnings of which are used for the long-term benefit of a defined geographical community or non-profit sector activity. Foundations operate as grant-making institutions, and also as providers of social, health and cultural services. They thus provide a significant link between the private and non-profit sectors, acting as a recipient of private capital and a funder of non-profit organisations. Foundations are tax-exempt; incorporated; not-for-profit; organisationally autonomous; and, cannot be controlled directly or indirectly by government at any level, corporations, associations and their members, or individuals. They occupy a unique and central place in the non-profit sector and therefore the development of foundations will strongly affect the future of the sector as a whole.

***Mutual organisations/societies:*** A mutual organisation is an organisation owned and managed by its members and that serves the interests of its members. Mutual organisations can take the form of self-help groups, friendly societies and co-operatives. Mutual organisations exclude shareholding as they bring together members who seek to provide a shared service from which they all benefit. They are widely represented in the insurance sector.

***Non-governmental Organisation (NGO):*** An NGO is a legally constituted organisation with no direct representation or participation by government. Even if many NGOs receive funding from government, they retain their "non-government" identity because of their autonomy. Today, there are numerous national and international NGOs with an increased role in poverty reduction, social inclusion, environmental protection, social justice, to name a few. Many NGOs rely also on private contributions in the form of donations. NGOs include many civil society organisations directly and/or indirectly. The work of NGOs has increased substantially in the last two decades as has their fragility given their reliance on public funding in most cases. Most NGOs are organisationally and legally equivalent to non-profit organisations (NPOs), although a small minority may have not-just-for-profit corporate structures.

***Non-profit sector:*** The best known definition, while not commonly shared, particularly in European countries, is undoubtedly that supplied by the Johns Hopkins University ([www.jhu.edu/~cnp/](http://www.jhu.edu/~cnp/)). According

to this definition, the sector includes organisations which are voluntary, formal, private, self-governing and which do not distribute profits, such as hospitals, universities, social clubs, professional organisations, day-care centres, environmental groups, family counselling agencies, sports clubs, job training centres, human rights organisations, and others. In fact, entities belonging to the non-profit sector can vary from country to country according to national history and tradition. The term non-profit, emanating from the USA, refers mainly to the absence of profit distribution. This is substantially different to the European approach of “social economy”, which includes co-operatives. However, this difference is less significant when investigated through empirical research. Borzaga and Defourny (*The Emergence of Social Enterprise*, 2001, Routledge, London) argue that the distribution of profits is, in any case, limited by internal and external regulations in co-operatives and mutual organisations in European countries.

**Social economy:** The term “social economy” first appeared at the beginning of the 19<sup>th</sup> century in France. It was, nevertheless, only at the beginning of the 20<sup>th</sup> century that it began to be used to indicate various entities aimed at improving collective working conditions and individual lives. This concept is now also used by Anglo-Saxon countries to refer to the production of goods and services provided not solely by the non-profit sector, but also, in some cases, by private enterprises with shareholder agreements that force the majority of shareholders to agree to social objectives undertaken by the firm. Among the organisations belonging to the social economy, one can find associations, co-operatives, mutual organisations and foundations. This type of economy is essentially regulated by the stakeholder principle, which stands in stark contrast to the notion of shareholder capitalism. The “social economy” is a broader concept than the non-profit sector, as it is less strictly bound to the non-distributional constraint, according to which organisations cannot legally redistribute their surplus to their owners (see also “third sector”).

**Social enterprise:** Social enterprise refers to an organisation form which has flourished in recent years and for which various definitions exist. Alongside academic definitions, and those elaborated by international organisations, which are built around general criteria, there are definitions used within countries that are specific to the national understanding of the phenomenon of social enterprise. Increasingly countries are developing formal legal definitions of social enterprise. Generally, this concept refers to any private activity conducted in the public interest, organised with an entrepreneurial strategy and whose main purpose is not the maximisation of profit, but the attainment of certain economic and social goals, and which, through the production of goods and services, brings innovative solutions to problems such as social exclusion and unemployment (see *Social Enterprises*, OECD, 1999). In this way, social enterprises combine the entrepreneurial skills of the private sector with a strong social mission that is characteristic of the social economy as a whole. Social enterprises are part of the thriving and growing collection of organisations that exist between the private and public sectors. They come in a variety of forms including employee owned businesses, credit unions, co-operatives, social co-operatives, development trusts, social firms, intermediate labour market organisations, community businesses, or charities’ trading arms. They mainly operate in two fields of activity: the training and integration into employment of persons excluded from the labour market, and the delivery of personal and welfare services.

**Solidarity economy:** The idea of the solidarity economy is mainly used in France and Canada (Quebec), and is also widespread in Latin America. It has different meanings according to the geographical context in which it is used: in the South American context, it mainly refers to fair trade and the popular economy, in Quebec it is linked to co-operatives and non-profit enterprises as well as to community economic development (*mouvement économique communautaire*); and, in Europe, to solidarity initiatives, mainly, but not exclusively, in the proximity services. Sometimes the term is used in association with the term social economy (as in Quebec) and sometimes in opposition to it, notably where the social economy is seen as composed of established organisations, while the solidarity economy mainly refers to non-established citizens’ initiatives aimed at experimenting with new paths of economic development. In the

European context, examples such as the fair trade movement are developing inside the sector, together with innovative forms of financial/non monetary-exchanges based on reciprocity.

**Third sector:** The concept of “third sector” is often used as a synonym to the non-profit sector and, more recently, also to “social economy”, notably in the British literature. The term was chosen to reflect the idea that the sector assembles these otherwise disjointed entities, and that it sits between the public and private sectors and follows unique social goals and internal organisational rules. Its mode of financing is mixed, as it can seek both private and public funding. The idea of establishing a distinct “third sector” has given rise to many hefty debates, which have centred upon the danger of using the third sector as a residual sphere or “dumping ground” for those individuals excluded from the private and public sectors. To avoid the danger of social polarisation, the third sector should not merely be seen as an alternative route or juxtaposition to the public and private sectors, but as an interactive and reflexive component of economy and society. Others have argued that the boundaries of the third sector cannot be established with certainty, and for this controversial reason the European Commission preferred the use of the term “Third System”.

**Zavods: Institute (Public or Private Not-for-Profit):** Institutes are non-membership organisations that can conduct activities in the areas of education, science, culture, sports, health, social welfare, children’s care, care of the disabled, social security, or other not-for-profit activities. Institutes fall into two categories: private institutes and public institutes. Private institutes may be established by domestic or foreign legal entities. They may engage in economic activities intended to further their objectives. Public institutes are required to engage in “public services,” that is to say, services available to the general public. Public institutes must be established by a public entity, such as a local municipality; other legal or natural persons may serve as co-founders. Private not-for-profit institutes can be established by a physical or legal person. Their most important source of income is represented by commercial activity on the market.

## ENDNOTES

<sup>1</sup> The history of co-operative movements around the world corroborates the idea that co-operatives have often been an adequate method to overcome economic and social difficulties.

<sup>2</sup> A non-profit conceptual framework has been provided by the John Hopkins University (USA) since 1990. According to this conceptual framework, non-profit entities share some common features. They are: *organisations* (they have an institutional presence and structure); *private* (they are institutionally separated from the state); *not-profit distributing* (they do not return profits to their managers or to a set of “owners”); *self-governing* (they are fundamentally in control of their own affairs); *voluntary* (they attract some level of voluntary contribution of time or money) (Salamon and Anheier and Associates, 1999).

<sup>3</sup> A decisive step in defining the theoretical basis of non-profit organisations and the non-profit sector was marked by the work of the Filer Commission and in 1976 the Yale University *Program on Non-Profit Organisations*, involving 150 researchers (Borzaga and Defourny, 2001).

<sup>4</sup> Other definitions used are: independent sector and NGO. The term NGO is normally used to define non-profit organisations that perform their activities in the developing world. Nevertheless, the term tends to be used to refer also to organisations engaged in the promotion of economic and social development at a grass-root level. An alternative definition, French in origin, is *économie solidaire* (Laville, 1994).

<sup>5</sup> The EMES (a European research network focusing on the third sector) definition of social enterprise, which has been influential within Europe and beyond, comprises a criteria for the economic and social dimensions of enterprises. Four factors have been applied to define the economic and entrepreneurial nature of the initiatives: a continuous activity producing goods and/or selling services; a high degree of autonomy (versus dependency); a significant level of economic risk; and, a minimum amount of paid work. Five factors have been selected for the social dimensions of the initiatives: an initiative launched by a group of citizens; a decision-making power not based on capital ownership; a participatory nature, which involves the persons affected by the activity; a limited profit distribution; and, an explicit aim to benefit the community (see: [www.emes.net](http://www.emes.net)).

<sup>6</sup> From 2004, until recently, little attention was paid to social enterprises. Overall, European policies, including fiscal policies and the promotion of the International Accounting Standards, have actually hindered the development of social enterprises by trying to impose norms that disregard the diversity of the various forms of enterprise, thereby impairing the variety of responses to the problems and challenges Europe faces (Borzaga and Galera, 2010).

<sup>7</sup> The highest number of people employed in the social economy work in the area of sport and in the fire brigades.

<sup>8</sup> According to current laws, people who are not considered legally competent and show a productivity level of below 30% cannot move beyond the day care centre, which is a specific social inclusion type of programme. Disadvantaged people who show a productivity level of between 30% and 70% can be integrated into employment centres, which are a form of sheltered employment. People with a productivity level of between 70% and 95% can be hired by the companies for the disabled.

<sup>9</sup> Social enterprise initiatives in new fields are developing, for instance, in the United Kingdom, where CICs can actually engage in any lawful trade activity or enterprise, provided that profits and assets are used for



the public good. In Ireland, local development enterprises with various legal statuses provide a variety of services: transport, social housing, capacity building, environmental projects, culture and heritage activities, by relying on a high degree of voluntarism (O'Hara, 2001; Galera, 2009).

<sup>10</sup> Examples are provided, for instance, by Italian work-integration social co-operatives. Italian work integration social co-operatives started to develop during the 1980s following the closure of institutions for people affected by mental disorders, and the increased demand for work integration for a number of disadvantaged groups, including the disabled, young people with domestic problems and orphans (Borzaga and Loss, 2006).

<sup>11</sup> According to the first census on non-profit institutions and enterprises, which was conducted in 1999, 55.2% of the existing organisations were founded in the 1990s (ISTAT, 2001).

<sup>12</sup> Out of the representative sample of 2 287 adults, 64% said they would choose a: “business that reinvests its profits for the benefit of the community to run their local healthcare, rubbish, and transport services as efficiently as possible, assuming the cost would remain unchanged” (Jump, 2007).

<sup>13</sup> Following the introduction of a new law, in effect from 1st January 2011, the requirement will be nine months in the previous 24 months.

<sup>14</sup> However this recent development should be seen in the context of a historically low fertility rate (which was in decline from 1980 to 2003), apparently linked to the difficulties young people confronted in finding good employment. Housing was expensive and difficult to find, consequently young people frequently continued to stay in the parental home. The recent rise seems to be consistent with the difficulties noted above, since the fertility rate of older women has increased; but Slovenia still has one of the lowest fertility rates in Europe – see: [http://findarticles.com/p/articles/mi\\_qa5458/is\\_200712/ai\\_n21302199/](http://findarticles.com/p/articles/mi_qa5458/is_200712/ai_n21302199/)