



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Key messages from the Peer Review on “Social economy and social enterprises in legislation and practice”

20-21 June 2019, Bratislava (Slovakia)



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1 Introduction

The focus of the Peer Review was on current practices and experiences in the area of social economy and social entrepreneurship. The aims of the Peer Review were to explore how the social economy and social entrepreneurship can be supported and used to tackle long-term unemployment, as well as to support other economic, social and environmental objectives; exchange on the legal and regulatory framework needed to promote social entrepreneurship, present good practices about the main types of direct and indirect support for social enterprises and social economy, and discuss the evidence of their effectiveness and their success factors.

The Peer Review was hosted by the Slovak Ministry of Labour, Social Affairs and Family. It brought together government representatives and independent experts from the host country (Slovak Republic) and nine peer countries (Austria, Bulgaria, Estonia, Finland, Hungary, Ireland, Latvia, Lithuania and the Netherlands). Representatives of the European Commission were also present.

The topic of social enterprise is particularly important for the European Commission because it is linked to several EU policy objectives, such as inclusive job creation, entrepreneurial inclusive economy, civic participation and economic and social cohesion.

1.1 Background and purpose of the Peer Review

The host country has recently adopted Act 112/2018 on Social Economy and Social Enterprises¹ that creates a new comprehensive regulation of the operation and support of social enterprises. The Act expands the concept of social entrepreneurship, which was previously perceived only as an active labour market policy instrument. It recognises the three forms of registered social enterprises: the integration enterprises that promote the employability of unemployed and disadvantaged people; the social housing enterprises, focused on the provision of beneficial renting houses; and other registered social enterprises (i.e. community-based or public-benefit based) that provide other types of socially beneficial services.

This new Slovak regulation offers direct and indirect forms of assistance to social enterprises, such as financial instruments, demand-support and compensatory forms of aid, as well income tax relief.

Several EU Member States recently adopted new legislations and specific measures in order to empower social economy. However, the Peer Review showed that there is no "one-size-fits-all" and that Member States have different legislative frameworks in place and implement different measures to support social economy and social enterprises.

1.2 The EU policy context

The topic of social enterprise is particularly important for the European Commission as it is linked to several EU policy objectives, such as inclusive job creation, entrepreneurial inclusive economy, civic participation and social cohesion. The European Commission has adopted several policy documents to support social enterprises, such as the [Social Business Initiative](#)² (2011), which aims at facilitating the access to funding for social enterprises, increasing the visibility of social entrepreneurship and making the legal environment friendlier for social enterprises,

¹ Act 112/2018 Col. on Social Economy and Social Enterprises. Accessible on: <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2018/112/>

² European Commission, The Social Business Initiative, 2011. https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

and the [Start-up and Scale-up initiative](#)³ (2016) that aims at removing barriers for start-ups to scaleup in the Single Market and creating better opportunities for partnership, commercial opportunities and skills.

The European Commission has also carried out a mapping of the state of play of social enterprises in Europe, identifying the legal situation and the support mechanisms available in the Member States. The mapping includes both individual [country reports as well as EU level synthesis report](#). The European Commission (DG Employment, Social Affairs and Inclusion) also cooperates with the OECD, which can provide tailored recommendations to national or regional administrations of the EU Member-States in the design and implementation of integrated policies and programmes for social enterprises. Moreover, the OECD and the European Commission developed jointly the "[Better entrepreneurship Policy Tool](#)", a learning online tool designed for policy-makers and other interested parties at local, regional and national level (See box 1). Finally, the European Commission and the OECD have jointly published several policy briefs and a compendium of best practices, to inspire policy making and enable mutual learning. All this EU level material is available on the [Europa web page](#).

Box 1: The Better Entrepreneurship Policy Tool

The **Better Entrepreneurship Policy Tool** is a free online tool designed for policy-makers and other interested parties at local, regional and national level wishing to explore how public policy can support the development of social enterprises and support youth, women, migrants and long-term unemployed in business creation and self-employment. The tool allows to reflect on inclusive and social entrepreneurship policies and programmes in one's city, region and country through a [self-assessment questionnaire on the ecosystem for social entrepreneurs](#), that includes elements such as the policy design, access to finance, entrepreneurship skills and the regulatory environment. Once the self-assessment is completed, the tool directs the users to relevant policy guidance notes and inspiring case studies to support better policy design, based on their results. These resources can also be accessed directly in the "[Resources' page](#)".

The tool is an initiative of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission, and the OECD Centre for Entrepreneurship, SMEs, Regions and Cities. This tool builds on the knowledge generated jointly by OECD and the European Commission on inclusive and social entrepreneurship policy. Since 2011, this collaboration has produced a series of publications, including The Missing Entrepreneurs book series, the good practice compendia on Boosting Social Enterprise Development, and Inclusive Business Creation, policy briefs and country-specific policy reviews.

Check out: <https://www.betterentrepreneurship.eu/>

³ European Commission, 2016. Communication. Europe's next leaders: the Start-up and Scale-up Initiative. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0733>

1.3 The Peer Review: headline messages and policy implications

The key learning messages from the Peer Review are summarised below:

Summary key messages

Legal and regulatory framework

- Clarity on the types and forms of social enterprises remains a challenge. Some countries have legally or formally recognised the concept of social enterprise or are considering doing it. In general, there is no "one-size-fits-all": it is important to consider the specificities of the country and to make sure that the introduction of a specific legal framework represents an added value.
- Countries that introduced recently a legal framework for social enterprises (e.g. Slovakia, Bulgaria, Lithuania, Latvia) indicate that the most important advantage is the clarification about what social economy is in general and in particular a social enterprise. Bringing a clear definition and a specific legal framework provide opportunities to adopt targeted support measures for social enterprises and raise their profile with the public. It is also important to find the right balance between providing a clear definition and allowing for flexibility. Procedures for registration/accreditation should be simple and user-friendly.
- Also other tools than legislation can enhance clarity and recognition. This includes introduction of a social enterprise label/mark or a registration-system as well as financial support that comes with certain rules and conditions.
- If specific legislation is created, it should be supported by a broad political consensus and stakeholder support. Social enterprises affect many policy areas; therefore the development of social entrepreneurship needs an integral policy approach. Personal involvement of political and business leaders, acting as 'champions' can contribute to prioritise this topic on the social and economic agenda.

The main types of direct and indirect support for social enterprises and social economy

- Countries presented a range of types of direct and indirect support for social enterprises and social economy:
 - Access to financial resources: loans, grants and subsidies, including (and significantly) EU funds (ESF, ERDF, EaSI);
 - Legal and fiscal frameworks: various forms of tax relief, preferential public procurement, systems of service vouchers, subsidies to offset costs and support employee engagement;
 - Increasing visibility of social enterprises: labels, registers and certifications, impact measurement, promoting;
 - Business support and development: training and mentoring in some cases, with a dedicated academy of social economy, networking, technical assistance.
- The provision of measures depends on the national context and they are generally implemented at different levels from national to local. It is important that the support measures are well aligned and that they contribute to establish an entire eco-system for social enterprises.

Evidence of effectiveness of the support measures

- Evidence of the effectiveness of the measures to support social enterprises is not gathered in a systematic way but is rather anecdotal and based on case studies. A more systematic approach would lead to a better evidence of what works and

why.

- There is no common systematic approach to gather data in relation to the effectiveness of social enterprises. However, few countries use satellite accounts to record relevant data (e.g. number of enterprises and number of employees).

Success factors for implementation

- A comprehensive eco-system is key for the development of social entrepreneurship, to leverage other resources and be innovative. This includes school-based programmes building an entrepreneurial mindset from an early age, supporting sustainability of business models through mentoring, training, guidance and technical assistance, as well as reaching out to motivate private sector actors to invest in social enterprises and to purchase their goods and services.
- Social labels for social enterprises are effective when they have clear benefits for the certified party. It is important to ensure that the labels are advertised and promoted, to increase their visibility and effectiveness. Promotion needs to incorporate the goods and services associated with the label. Customer confidence (in the label) is crucial.

Public procurement and social enterprises

- Access to public procurement is important for social enterprises but it needs to be underpinned by key principles, including: the application of criteria other than price alone to avoid 'race to the bottom', aligning the tender specification to the capacity of social enterprises. It should be avoided that, because of the contract award to a social enterprise, false competition occurs and working conditions are affected. Guidance and training should be provided to encourage procurers to incorporate social objectives in their specifications or using reserved contracts for work integration social enterprises.

Social enterprises and sustainable jobs for long-term unemployed

- Social enterprises can develop employability and entrepreneurship skills of long-term unemployed in order to integrate into the regular labour market, as well as bring new economic activities in economically less vibrant areas.
- Work integration social enterprises can create sustainable jobs for some types of long-term unemployed or other disadvantaged groups, who cannot find job-opportunities in the regular labour market. Financial support is needed to compensate the lesser productivity.
- Service vouchers can also stimulate job creation for long term unemployed in social enterprises. Currently few countries have experience with a service voucher system. The systems differ in organisation and scale (local vs. national). Important for market development is to be clear about the objectives of the voucher system, raise awareness about it and to ensure the services / goods are available when customers need them.

2 Host country practice: Social enterprises and social economy in Slovakia

2.1 Introduction

Discussions about social entrepreneurship date back to the end of the 1990s, when several activities aimed at supporting the entrepreneurship of NGOs appeared in Slovakia. The main objective of these initiatives was to obtain additional financial resources and to develop models of multiple-source financing. A number of these initiatives can be considered as pioneering social entrepreneurship.

The Community Initiative EQUAL, funded through the European Social Fund (ESF) and implemented from 2004, was an important incentive for promoting social entrepreneurship in Slovakia. As part of the priority "Encouraging Inclusive Entrepreneurship", several projects dealt with initiatives similar to the current work integration social enterprises. This created work opportunities for the most vulnerable groups, however many of the supported projects did not have a viable business plan and their activities became financially unsustainable after the end of the EQUAL support.

In 2008, the first legal regulation of social entrepreneurship was adopted in Slovakia under Act 5/2004 on Employment Services⁴ in order to tackle the rapidly increasing unemployment rate caused by the global economic crisis. Act 5/2004 brought the first definition of social enterprise into the Slovak legal framework and established a new contribution towards the employees' labour costs of social enterprises. According to Act 5/2004, social enterprises were a tool for the integration of people distant from the labour market. This definition significantly influenced the understanding of social entrepreneurship, limiting it to the issue of employment of long-term unemployed with an emphasis on people from Roma communities.

In May 2018, Act 112/2018 on Social Economy and Social Enterprises came into force. The new legislation brought a broader definition of social enterprise and introduced changes in the supporting ecosystem, offering a spectrum of financial as well as non-financial assistance designed exclusively for social enterprises and funded by the state.

2.2 Act 112/2018 on Social Economy and Social Enterprises

Act 112/2018 on Social Economy and Social Enterprises extended the definition of social entrepreneurship, which used to be limited to work integration social enterprises. The main reason for adopting the new law was to establish social entrepreneurship as a fully-fledged component of the social economy and of the private sector. The law also aims to set up an ecosystem that would ensure access to financial resources necessary for sustainable business and investment, support of running social enterprise, and provide information necessary to establish one and create access to the market.

The new law also aims to provide an institutional setting of state administration and self-government in the field of social entrepreneurship, demarcation between civil society sector and social entrepreneurship and clear definition of social enterprise that would allow for the quantification of the social entrepreneurship sector in Slovakia.

Under the new legislation, the social enterprise is not a specific form of legal entity, but a status that may be obtained by entities of various legal forms, as long as the following key principles are respected:

- a) The entity engages in continuous, independent economic activity, in its own name and on its own responsibility;
- b) The primary objective is the achievement of measurably positive social effects;
- c) The achievement of such positive social effects is promoted by products or services that it produces, supplies, renders or distributes, or is promoted by their method of production or provision;
- d) That, if
 - it earns profit, uses more than 50% of such profit (after tax) for achieving its primary objective according to point b);
 - it distributes some of its profit according to the Commercial Code, it

⁴ Act 5/2004 Col. on Employment Services. Accessible on: <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2004/5/20180401.html>

distributes such profit in a manner that does not impede the achievement of its primary objective according to point b);

e) That involves concerned individuals in directing its economic activities.

When the enterprise does not satisfy any of c-e conditions, it can be considered as an *enterprise with social impact*, which has access to a range of support more limited than the support for registered social enterprises.

After fulfilling all of the above conditions, social enterprise may apply for the status of *registered social enterprise*, through which it obtains access to a wide range of support offered under Act 112/2018.

From the perspective of operation and the positive social impact, Act 112/2018 recognises the following three types of *registered social enterprises*:

- **Integration social enterprises**, which provides its positive social impact through the employment of disadvantaged and/or vulnerable groups;
- **Housing social enterprise**, which provides its positive social impact through the provision management, maintenance and renovation of housing for individuals and families, whose monthly income is less than four times the subsistence minimum;
- **Other registered social enterprise**, which provides its positive social impact through socially beneficial services. Social enterprises that belong to this category are not obliged to meet all the conditions outlined by the Act and do not receive specific support.

2.2.1 Support schemes: financial and non-financial aid

The support schemes offered to social enterprises under Act 112/2018 include financial and non-financial assistance. There are several types of support to enterprises in the social economy sector (social enterprises and enterprises with a social impact):

Financial aid

- Investment aid: it is non-repayable aid, (only when at least 20% of the total budget of the investment plan is acquired through a loan), half repayable aid (conditional grant) or repayable aid (loan, trust, assets).
- Compensatory aid (i.e. wage subsidy): it is provided to social enterprises who find themselves at a disadvantage from a achieving a positive social impact (mostly WISE) when compared to enterprises who provide similar services or run similar activities for a profit. wage subsidies for disadvantaged or vulnerable employees of integration social enterprise.

Non-financial aid

- Public procurement: Act 343/2015 on Public Procurement was amended in 2018 in order to create a legal framework stimulating the market for social enterprises. It made possible to directly award an under-limit contract⁵ to any registered social enterprise. The Act sets out also the possibility to have "reserved contracts" that can be organised only in case of registered WISE or sheltered workshops. Moreover, as of 2020 a quota system⁶ will be introduced, emphasising the social dimension in public procurement.

⁵ Under limit contract is financial threshold applied in public procurement process. The threshold varies depending on the types of goods or services.

⁶ Each contracting authority, which conducts more than 10 public procurements annually, will be obliged to apply social aspect in case of min of 6% of public procurements.

- Service vouchers: bonds issued by the Ministry of Labour, Social Affairs and Family that can be used to pay for the services of a registered social enterprises.
- Tax measures, such as reduced tax rate for social enterprises or application of tax relief at reinvesting profit. Act 112/2018 provides for the possibility of reducing the value added tax rate to 10% for goods and services provided by a registered social enterprise that uses 100% of its profit after taxation to achieve its primary objective.

Measures to prevent the misuse of both financial and non-financial aid are also included in Act 112/2018. For instance, social enterprises receiving public aid cannot incorporate legal entities or persons that are not registered social enterprise and cannot withdraw or provide goods or services to entities that are not registered as social enterprises.

2.2.2 Current state of play and future challenges

At the time of the Peer Review 17 social enterprises in Slovakia were included in the register of social enterprises under Act 112/2018 and all of them are work-integration social enterprises. The social economy sector includes also 3 265 non-profit organisations providing socially beneficial services, 53 972 civic associations, 1 084 foundations and 756 non-investment funds.

The Institute of Social Economy (ISE), funded under ESF and managed by the Implementing Agency of the Ministry of Labour, Social Affairs and Family, has been established to improve the functioning of the social economy and to promote its activities and benefits. Its activities include the opening of regional social economy centres that provide information on social entrepreneurship and legal advices to potential subjects of the social economy, as well as assistance and support in establishing newly emerging social enterprises.

In Slovakia the non-profit sector includes many examples of strong entrepreneurial potential however the lack of entrepreneurial skills is an obstacle, as well as the dependency on external donations and financing. This relates also to a sustainability issue: the aid provided to social enterprises under Act 112/2018 is largely reliant on European Structural and Investment Funds. Act 112/2018 sets out an obligation for the Ministry of Labour, Social Affairs and Family to provide advice for the preparation of "projects of registered social enterprises" as well as for other areas of social entrepreneurship.

3 Key Peer Review discussion outcomes

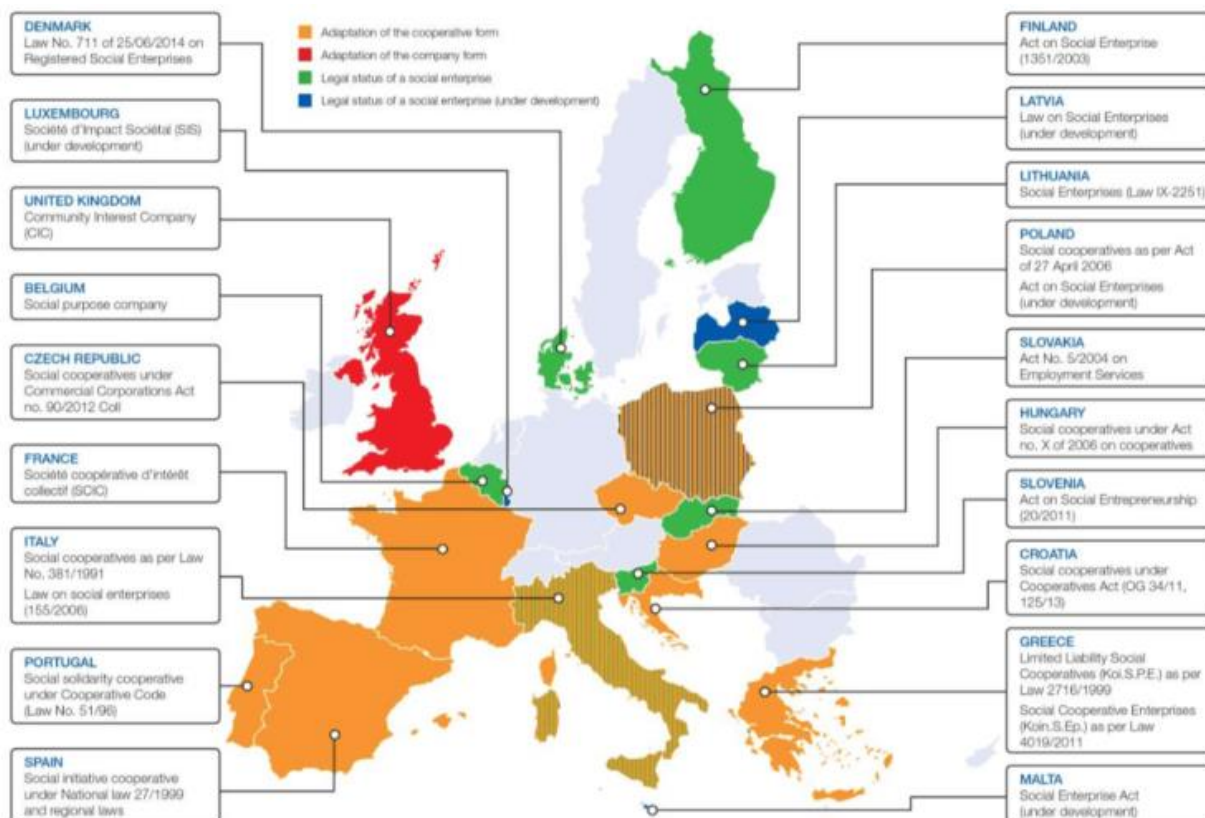
This section summaries the discussion during the Peer Review on the key issues related to the social economy and social enterprises in legislation and practice.

3.1 Legal and regulatory frameworks to promote social entrepreneurship

Visibility, clarity and recognition of social enterprises in the economic system are key prerequisites for the growth of social entrepreneurship. In 2015, 19 Member States had a specific form of legislation for social enterprises and there are eight countries with marks, labels or certification schemes for social enterprises.⁷

⁷ An up-dated overview will be soon available on the following web page:
https://ec.europa.eu/social/main.jsp?pager.offset=0&advSearchKey=socnteco19&mode=advancedSubmit&catId=22&doc_submit=&policyArea=0&policyAreaSub=0&year=0

Figure 1. European social enterprises and their eco-systems



Source: A Map of social enterprises and their eco-systems, EC, 2015

The process of legal recognition of social enterprises in Europe started in 1991 with legislation for social cooperatives in Italy. Since 2011, partly influenced by the Social Business Initiative of the EC, there was a considerable increase in legislation on social enterprises across Member States. Last year Bulgaria (Act on Enterprises of the social a solidarity economy) and Slovakia (Act on Social economy and social enterprises) adopted laws that provide a legal framework for the social economy and social enterprises. The legislation adopted in Member States use different definitions of a social enterprise or the social economy. Objectives and content of the legislation are in compliance with the country's situation. Comparisons between countries must therefore always be approached from this perspective.

Countries that have recently introduced a legal framework for social enterprises (e.g. Slovakia, Bulgaria, Lithuania, Latvia) indicate that its most important advantage is the clarification about what is social economy in general and in particular a social enterprise. Bringing a clear definition and a specific legal framework provide opportunities to adopt targeted support measures for social enterprises and raise their profile with the public. Legal frameworks are also conducive to providing for a stronger evidence base. Participants of the Peer Review reported that since the enactment of their respective laws, there has been less ambiguity and a greater emphasis on output measurement.

In the process of legislation it is important to find the right balance between providing a clear definition and allowing for flexibility. Procedures for registration/accreditation should be simple and user-friendly. These objectives can also be achieved without legislation but with other tools, such as the introduction of a social label mark (e.g. Finland) or a system of certification like in Hungary (see box 2). For this reason, in

several countries, as in the Netherlands, further research about the need for a legal framework is being carried out.

Box 2: The social enterprise certification mechanism as part of ESF funded support in Hungary

In response to the lack of an official social enterprise legal definition or law, the Hungarian government established a certification mechanism specifically aiming at creating a definition and eligibility criteria for the identifying the target group for the 2014-2020 funding programme GINOP (Operational Programme for Economic Development and Innovation), funded mostly from ESF. By now, 501 social enterprises have been certified through this mechanism and (53%) 294 social enterprises have been funded. This certification mechanism for the purpose of ESF funding created a relatively representative database of social enterprises, which potentially could be a starting point for the creation of a formal registry and that could be used for other purposes too.

Access to markets, including through public procurement, is an important element of the eco-system for social enterprises. Public procurement is a part of the legal system that can promote social entrepreneurship. Public procurements need to be underpinned by key principles, such as including the application of criteria other than price to avoid 'race to the bottom' and aligning the tender specification to the capacity of social enterprises. It should be avoided that, because of the contract award to a social enterprise, false competition occurs and working conditions are affected. Guidance and training should be provided to encourage procurees to incorporate social objectives in their specifications or using reserved contracts for social enterprises.

The discussion in the Peer Review revealed that legislation should be supported by a broad political consensus and stakeholder support. Social enterprises affect many policy areas; therefore the development of social entrepreneurship needs an integral policy approach. Personal involvement of political and business leaders, acting as 'champions' can contribute to prioritise this topic on the social and economic agenda.

In general, there is no "one-size-fits-all": it is important to consider the specificities of the country and to make sure that the introduction of a specific legal framework represents an added value. Developing legislation for social enterprises is not enough to promote social entrepreneurship, it requires an eco-system that contains more elements within a legal framework.

It was also noted, that there could be an enabling environment and supportive ecosystem without specific legislation on social enterprises. This requires active use other tools to create visibility and clarity about the concept as well as a range of support services accessible for social enterprises.

3.2 Direct and indirect support measures and success factors for their implementation

The countries present at the Peer Review presented a diverse range of types of direct and indirect support for social enterprises and social economy:

- **Legal and fiscal frameworks:** various forms of tax relief, preferential public procurement, systems of service vouchers, subsidies to offset costs and support employee engagement;
- **Access to financial resources:** loans, grants and subsidies, including EU funds (ESF, ERDF, EaSI, LEADER);
- **Increasing visibility of social enterprises:** labels, registers and certifications, impact measurement, promotion at the local level;

- **Business support and development:** training and mentoring in some cases, with a dedicated academy of social economy, networking, technical assistance, support tools developed by the governments, umbrella organisations.

The provision of measures at the different levels (i.e. national, local etc.) depends on the national context. It is important that the different support measures are well aligned between them and that they contribute to establish a **comprehensive eco-system** for social enterprises. Such an eco-system should include school-based programmes in order to build an entrepreneurial mindset from an early age; mentoring, training, guidance and technical assistance to support the sustainability of business models and measures to reach out private sector actors to invest in social enterprises and to purchase their goods and services.

Social enterprises are often part of a local eco-system. Services and products are mostly local/regional oriented. Municipalities are therefore very active in this area. In the UK there are municipalities that carry the label "Social Enterprise City". In the Netherlands, where municipalities have a broad responsibility with regard to social-economic policy, cities have an active policy to promote social entrepreneurship like The Social entrepreneurship Action Programme "Amsterdam Impact". In Ireland social entrepreneurship is linked to social inclusion and [community activation-programmes](#) which support a wide range of community-based and local development activities.

Another important element that has been highlighted by the participants is the involvement of Public Employment Services (PES). For instance, in Latvia the PES carries out activities related to subsidised jobs for persons with disabilities and in Estonia it can subsidise the salaries of most vulnerable groups. In Austria it plays an important role providing personal data about long-term unemployed to social enterprises.

As concern the use of labels to increase the visibility of social enterprises, it has been noticed that this type of measures is successful when there are clear benefits for the certified party. It is important to ensure that the labels are advertised and promoted, to increase their visibility and effectiveness. Promotion needs to incorporate the goods and services associated with the label. Customer confidence (in the label) is crucial. Finland gave good experience with their social enterprise mark (see box 3). This label is widely supported and has a thorough system of admission.

Box 3: The Finnish Social Enterprise Mark



In 2011, the High-Level Working Group of the Ministry of Employment and the Economy outlined the strategy and the policies for social enterprises. The broad-based Working Group recognised the social mission and the special characteristics of the social enterprises and proposed that a mark, representing the business model, should be adopted. The work and the definition made by the Working Group built the ground for the [Social Enterprise Mark](#)⁸ which was then launched in December 2011. The purpose of the Finnish Social Enterprise mark was to help social enterprises to distinguish themselves from other businesses and demonstrate that the enterprise

applies the Finnish Social Enterprise business model.

The Finnish Social Enterprise mark is a registered collective mark owned by the

⁸ For more information about the Finnish Social Enterprise Mark:

<https://suomalainentyo.fi/en/about-us/> and <https://www.oecd.org/cfe/leed/The-Finnish-Social-Enterprise-Finland.pdf>

Association for Finnish Work. It is an stakeholders-driven label operating without legal regulation. To be eligible for the label, the organisation should have businesses aiming to address social or ecological problems and invest the majority of their profits in promoting their social or environmental aims, proven openness and transparency of business activities. The right to use Finnish Social Enterprise mark can be awarded upon application to a member organisation of the Association for Finnish Work, provided that the organisation complies with [the requirements](#). The Finnish Social Enterprise Committee, which is nominated by the Executive Committee of the Association for Finnish Work and has the necessary expertise for the task, processes the applications for the right to use the mark, grants the right to use the mark and addresses dispute.

As concerns the assessment of the effectiveness of the measures implemented to support social enterprises, the participants pointed out that evidences are generally not gathered in a systematic way but are rather anecdotal and based on case studies. A more systematic approach would lead to a better evidence of what works and why. Although there is no common systematic approach to gather data in relation to the effectiveness of social enterprises, few countries, have or are considering introducing satellite accounts for social economy.

3.3 The role played by social enterprises in creating effective and sustainable jobs

Work integration social enterprises (WISE) can help the employability of long term unemployed and other vulnerable groups with a view of integrating in regular labour markets and create sustainable jobs in social enterprises for some types of long-term unemployed. Permanent wage subsidies are needed to compensate the lower productivity of disadvantaged people. A legal framework for work integration social enterprises can stimulate employment for long term unemployed. An important condition is that legal acts genuinely provide special support or incentives to establish WISE's. In Finland the situation of registered WISEs (Act 1351/2003) is problematic because the Act does not genuinely provide any special support or incentives to establish WISEs. Consequently, during the past few years the number of registered WISE has dropped significantly.

Another challenge relates to the regional distribution of registered social enterprises. The need for social enterprises is most pronounced in regions where unemployment is high. Local governments play a key role in facilitating social entrepreneurship. In some cases, for instance in Slovakia, the local government can establish social enterprises. This model is called "municipal social enterprises" (see Box 3).

Box 4: Municipal social enterprises

The model of the municipal social enterprise is widely spread in Slovakia. Municipal social enterprises can have various legal forms and they are founded and owned by municipalities or regional governments. Their operation is monitored by the municipal council.

The development of municipal social enterprises in Slovakia started in 2005, in the context of the EQUAL initiative that supported social entrepreneurship projects, to support job creation for those furthest away from the labour market. Nowadays the number of existing municipal social enterprises is not clear, as most of them are not registered under Act 112/2018, thus not included in the register of social enterprises established under Act 112/2018.

An example of municipal social enterprise set up under EQUAL is [Hrhovské služby](#)

s.r.o⁹. which was established by the municipality of Spišský Hrhov, a small village in Eastern Slovakia, with a population of approximately 1,500. The municipal enterprise Hrhovské služby s.r.o., employs more than 50 people and also performs activities connected to a business incubator, which is unique in the Slovak rural environment.

Social enterprises can develop employability and entrepreneurship skills of long-term unemployed in order to integrate into the regular labour market. It is important that there is a good connection between social enterprises and regular companies in order to make the move to regular companies possible. Also, social enterprises can be incubators for development new employment for long term unemployed people or disadvantaged people. Finally, social enterprises can bring new economic activities in those geographical areas, where the market forces as such fail to do so.

Service vouchers can also stimulate job creation for long-term unemployed in social enterprises, although a service voucher is not social enterprise specific tool as such.

Currently few countries in the EU have experience with service vouchers on national scale. Belgium has extensive experience in this field. The systems differ in organisation and scale (local vs. national). It is important for market development to be clear about the objectives of the voucher system, raise awareness about it and to ensure the services / goods are available when customers need them. The experience in Belgium indicates that a system of service vouchers can create employment opportunities. In the course of 2012, 151,137 people worked by the service vouchers in Belgium, 46% of employees with service vouchers were (long-term) unemployed¹⁰.

4 Lessons learned and priorities for the future

The lessons learnt and the priorities emerging from the Peer Review are as follows:

Lessons learned

- Although a legal framework for social enterprises and social economy brings clarity, visibility, recognition, and a good basis for targeted measures to stimulate social entrepreneurship, there are also other forms that can achieve similar goals, such as labels (Social Enterprise marks) and a certification systems or formally endorsed policies or strategies. For the choice of a legal or regulatory framework it is important to be well connected to the socio-economic context, to have demonstrable added value and to enjoy a broad support. So there is no 'one size fits all' solution.
- The introduction of a specific legal framework requires a thorough preparation and a broad commitment in politics and among stakeholders. It is important that political leaders and business leaders commit themselves to social entrepreneurship.
- Since social entrepreneurship cuts across several fields: economy, social system, community development, it requires a broad interdisciplinary, and hence inter-ministerial, approach.
- The development of social enterprises requires a balanced eco-system with the following components: a legal or regulatory framework, access to finance, access to markets, business-support structures and training and research-facilities.
- There is a need for good methods and instruments to measure the societal impact of social enterprises. There are methods, but these are still not sufficiently systematically deployed.

⁹ <https://www.spiskyhrhov.sk/obec-2/organizacie-v-obci/hrhovske-sluzby-sro/>

¹⁰ Source: www.werkbelgie.be

- Training of business skills and an infrastructure for advice and support with a one-stop-shop approach is important to promote the sustainability of social entrepreneurship.
- Ensure that social enterprises that focus on long-term unemployed have a good connection with regular companies. In this way, more people can be integrated into the labour market.
- The introduction of a service voucher system requires clear goals and an analysis of the market effects. In addition to social enterprises, regular companies are needed for a nationwide covering system.

Priorities for the future

- For some countries further research into the development of an appropriate regulatory framework and support measures is desirable to encourage the growth of the social enterprises' sector; Moreover, further international exchange of knowledge and experience in this field is needed, as well as networking and inter-enterprise knowledge transfers.
- Designing inter-ministerial and multidisciplinary approaches to social enterprise policies to better capture all their different dimensions.
- Developing methodologies and indicators to systematically measure the social impact of social enterprises and improving the public knowledge about this impact.
- Awareness raising on social entrepreneurship is important for further growth. For instance, branding a social label through targeted campaigns can contribute to this objective. Several countries are developing and implementing such campaigns.
- Integrating social entrepreneurship into public procurement policies, for instance through the incorporation of social objectives in the specifications, in order to improve the access to public procurements for social enterprises and to increase the market of social enterprises for reserved contracts.

