11 Portugal

Co-operatives for rehabilitation of people with disabilities

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Introduction[1]

Poverty is deeply rooted in social and economic structures in Portuguese society. Recent figures still place Portugal at the top of the European Union member states in terms of the poverty rate. According to European Community Household Panel data for 1994, more than one in every four households (around 27 per cent of individuals) was living below the poverty line.

Specific groups in the population have been identified as particularly affected by (or vulnerable to) poverty and social exclusion. These are: old-age pensioners, low income farmers, low income workers, precarious workers and workers in the informal sector, ethnic minorities (not necessarily of foreign nationality), lone-parent families, homeless people, unemployed, and young people with low qualifications looking for their first job, among others.

The high incidence of poverty and social exclusion goes along with a late and slow development of the welfare state in Portugal. Full juridical and institutional acknowledgement of the Portuguese social security system came only after the Portuguese Revolution of 1974, with the enlargement of social rights and the improvement of welfare policies. The increasing social pressure in favour of the centrality of the role of the state, in terms of the provision of social protection to citizens, occurs in a broader context of national and international economic recession and of crisis in the welfare state.

The Portuguese system of social security is thus based on a pluralist model, where responsibilities are shared between the state and civil society i.e. the non-governmental and non-profit sector. The constitution recognises the right of private social solidarity institutions to develop, replacing or complementing state action for social security purposes and especially for social action activities – these being regulated, fiscally controlled and financially supported by the state, through co-operation agreements. The setting of a common strategy of co-operation between the institutions of the social sector which pursue social solidarity-oriented aims, the central administration and the local and regional administrations was designed in the 'Covenant on Co-operation for Social Solidarity' (*Pacto de Cooperação para a Solidariedade Social*), agreed and signed on 19 December 1996. In terms of a legal framework, we must also refer to the National Action Plan for

Employment, which emphasises the potential of job creation in the 'social employment market'[2] and aims, among other things, at stimulating the social economy, especially as a means of promoting participation in employment of groups who have been excluded or who are more vulnerable to poverty and social exclusion.

It may be interesting to compare the attribution of responsibilities to private social solidarity institutions at the legal level with the perception that these same institutions have about themselves and their competencies. Different studies (Baptista *et al.*, 1995; Capucha *et al.*, 1995; Pereirinha, 1999) have shown that these social solidarity organisations tend to attribute the major responsibility in the fight against poverty and social problems to the state. However, when asked about their evaluation of the performance of different organisations, it clearly appears that social solidarity institutions have a negative vision of state action, and a very positive one of their own performance. Actually, the so-called social sector is largely responsible for the supply of social protection in a number of fields, and social sector organisations have been growing and diversifying, penetrating new areas and developing new forms of response. But there are still needs – traditional needs and needs of a new kind – to be satisfied in nearly all fields and there is a clear margin for the development of supply, namely in terms of proximity services.

1 Overview of the social economy in Portugal

The Portuguese third sector covers a wide range of organisations, including: *misericórdias*, mutual benefit associations, Private Social Solidarity Institutions (*IPSS, Instituições Particulares de Solidariedade Social*), co-operatives and integration enterprises.

Misericórdias

These organisations have existed for centuries. The Portuguese *misericórdias* were created in the fifteenth century by a queen, D[a]. Leonor. Traditionally, *misericórdias* provided health assistance, but they have recently diversified their social action. They support children, elderly people, the disabled; they provide professional training; and they fight unemployment and social exclusion. These institutions, which in most cases were related to the Catholic church, used to be self-funded, mostly on the basis of large donations and legacies from individual persons. Nowadays, given their role of social services providers, *misericórdias* are mostly funded by state transfers, through co-operation agreements.[3] In 1998, there were 326 *misericórdias*, running 571 services and/or establishments of social action, with nearly 65,000 users (*RSESS*/98).

Mutual benefit associations

Mutual benefit associations in Portugal have also existed since medieval times. However, the first mutual benefit association with an economic activity dates

back to 1840, when a credit organisation – *Caixa Económica, Montepio Geral* – was created. This organisation is today among the largest banks in Portugal. The history of mutual benefit associations reveals a decrease in their number, especially after 1930, with, on the one hand, the creation of the official system of compulsory insurance and, on the other hand, the prosecution of mutual benefit associations by the fascist regime. In 1921, there were 865 mutual benefit associations; in 1930 there were 527; in 1964 there were 133; and in 1998 there were 88. There were over 818,000 associates, more than 2,454,000 indirect users, 965 full-time employees and 599 part-time employees. Mutual benefit associations are self-funded through their own associates. Among the economic activities developed by mutual benefit associations, we can identify healthcare (four medical clinics), social pharmacies (seven), credit unions (five), social support to children and elderly (twenty-four services and/or establishments, with over 1,000 users).[4]

The IPSS *sector in general*

Both the *misericórdias* and the mutual benefit associations are covered by the juridical frame of *IPSS*, which also covers social solidarity associations, volunteers associations for social action and foundations of social solidarity. The *IPSS* sector as a whole represents around 70 per cent of the social action in the country (measured in terms of total cost). *IPSS* activities are funded through co-operation agreements with the state. This generates a strong relationship between *IPSS* and the state as well as financial dependency (Hespanha 1999). However, a recent study concludes that *IPSS* tend to be more responsive to demand, or to social needs, than state organisations (Variz 1998).

In the last few years 800 new institutions were registered, although in a somewhat arbitrary and uncoordinated way (Hespanha 1999). The number of volunteers engaged in *IPSS* is around 53,000 people (32,000 of which are on management boards).[5] In 1998, there were 2,539 *IPSS* developing social action activities (not including *misericórdias*), with nearly 265,000 users (*RSESS*/98) and the sector is likely to grow. According to social security statistics for 1997, during that year alone, the management of thirty-four establishments (thirty of those in the area of children and youth) was transferred from the state to *IPSS*. This clearly illustrates the still increasing role of the third sector in the field of social action.

Co-operatives

Co-operatives have existed in Portugal since the nineteenth century, but they only experienced significant development after 1974. Also, co-operatives develop social activities, especially the Co-operatives for the Education and Rehabilitation of Disabled Children (*CERCIs*), the first of which was created in Lisbon in 1975. More recently, in 1996, the Second Co-operative Code created a new branch of co-operatives of social solidarity (mainly covering *CERCIs* but also other co-operatives). This Code establishes the existence of multi-sectoral co-operatives. In 1999, a specific programme (PRODESCOOP) introduced for the first time state funding for the co-operative movement. All this will be referred to in detail in the subsequent sections of this chapter.

Integration enterprises

When discussing the Portuguese third sector, we must also refer to integration enterprises, which were included in the 'social employment market', introduced in 1996, and in the government strategy for the eradication of poverty and social exclusion. The first integration enterprises were created in June 1998. They aimed at the social and employment reintegration of the long-term unemployed and of those at a disadvantage in the employment market. The integration enterprise status is granted by the Social Employment Market Commission upon application by the enterprise. In one and a half years, 375 integration enterprises were created, generating around 3,500 jobs. It is still too soon to assess the real impact of integration enterprises, as monitoring and assessment data are not yet available.

2 Social enterprises in Portugal: the case of *CERCIs*

The social enterprise concept is not yet stabilised in Portugal. There is an ongoing discussion about the meaning and the contents of this concept among the representative unions of the third-sector organisations. However, referring to the definition of social enterprise adopted for the purpose of the present EMES study, we can identify various types of organisations within the third sector that can be labelled as 'social enterprises'. A clear example is provided by the 'Co-operatives for the Education and Rehabilitation of Disabled Children' (*CERCIs, Cooperativas para a Educação e Reabilitação de Crianças Inadaptadas*), on which this section will focus.

The evolution of CERCIs

CERCIs were born within the scope of the social and political movements generated after the Revolution of 25 April 1974. People were then highly motivated by associative and co-operative ideals and the many needs which had been left unmet. This was so in the case of mentally disabled children, for whom there were no services either in regular schools, from which they were excluded, or in private schools, which were scarce and very expensive. A group of parents of these children, together with some professionals, then organised themselves and created the first *CERCI*, in Lisbon, in 1975. The movement spread throughout the country and, during the first year, three other *CERCIs* were created, to be followed in the second year by a further ten. Most *CERCIs* were established in the period up to the early 1980s. *FENACERCI*, the national federation of *CERCIs*, was created in 1985.

The promoters of *CERCIs* met a lot of financial difficulties and were faced with a lack of legislation within which to frame their activity. Volunteer work,

donations from various companies and organisations, together with public fund-raising played a very important role in the creation of *CERCIs*. They also had the collaboration of the Ministry of Education, which financially supported the schools and their personnel. In addition, the Ministry of Social Security created a new allowance for special education. There was also important sensitisation work done in local communities, in order to break the resistance and the prejudices against mentally disabled children.

CERCIs started as special education schools, mainly providing for children who had mild mental handicaps or learning difficulties; but these children grew up and *CERCIs*' users got older – those who remained were usually the ones with severe, profound or multiple handicaps. Moreover, older users (beyond school age) represented a significant part of the new admissions. *CERCIs* therefore faced a challenge to diversify their activities. They then started creating occupational centres for young adults and promoting professional training. This raised new needs in terms of funding, since *CERCIs* had to build new facilities. The problem was finally solved with a legal change in 1993/4, which enabled *CERCIs* to enter into agreements with the Ministry of Social Security in order to accede to specific funding (until then only available to *IPSS*). Since then, *CERCIs* have experienced a boom in the development of new activities and new facilities. They now provide services to mentally disabled people from birth to death as follows: occupational activities (forty-three *CERCIs* out of forty-seven), professional training (thirty-nine), 'early intervention'[6] (nineteen), residential units (thirteen), sheltered employment (eight), and home-care (five). On the other hand, the demand for special education may decline, due to the new orientation to inclusive education in regular schools, but forty-six *CERCIs* still run this kind of service.[7] *CERCIs* also play a growing role in the social employment market, supporting job creation for disabled people through the promotion of small enterprises. Due to their origins and evolution, many *CERCIs* have now become 'Co-operatives for the Education and Rehabilitation of Disabled Citizens' (*Cooperativas para a Educação e Reabilitação de Cidadãos Inadaptados*).

The approval of a new Co-operative Code, in 1996,[8] represented the creation of a new co-operative branch – co-operatives of social solidarity[9] – in which *CERCIs* were included. This implied an adjustment in their legal status, since they had been classified as teaching co-operatives, according to the previous Co-operative Code (Co-operative Code of 1980). Co-operatives of social solidarity include not only *CERCIs*, but also some other co-operatives providing social support to other disadvantaged groups, such as children at risk and old people, as well as co-operatives active in the field of proximity services. There are sixty co-operatives of social solidarity of which forty-seven are *CERCIs*.

CERCIs' *internal organisation*

CERCIs have experienced an increasing professionalisation of their management boards, which has accompanied their development as more social enterprises. Decision-making is formally governed by the principle of democratic management. Usually the board of directors, which is composed of professionals and some parents,[10] works closely with a consultative technical-pedagogical council and oversees the co-ordinators of different units. A recent study on *CERCIs* concluded that the leadership styles in the organisations under analysis are a symbiosis between the authoritarian and the democratic style. Leaders decide and define real objectives; they delegate technical authority to the unit's co-ordinators, although keeping to themselves decisions about the best administrative and financial criteria, even to the detriment of more convenient solutions from the technical and pedagogical point of view. However, although all global policies are defined by the leaders, the pedagogical organisation of work within the units is freely defined by consensus between the co-ordinators and the other members (Veiga 1999).

Some of the paid workers, as well as most of the parents, are members of the co-operative. Some users, but not many, are also members, and there is now a project (headed by *FENACERCI*) aiming at the promotion of self-representation of mentally disabled people within the *CERCI* movement.

The growing diversification of services and users has been paralleled by an increase in *CERCIs*' workforce. Besides paid employees, who are a significant part of those with long-term contracts, *CERCIs* also make use of special employment programmes, such as occupational programmes and subsidised jobs for disabled people. Part of the teaching staff is provided by the Ministry of Education, as part of the existing formal agreement.

CERCI s' *resources*

CERCIs sell part of their products in the market. Products of their professional training centres are sold at a low price, mostly to individuals, while products of the small enterprises for job creation for mentally disabled people are sold at a market price to other enterprises (for instance in the area of catering). *CERCIs* also have contracts with public institutions. For instance, *CERCI Lisboa*, under an agreement with the Ministry of Foreign Affairs, provided cleaning services for the official cars in the occupational centres during the Portuguese Presidency of the EU.

Among non-market public resources, *CERCIs* have formal agreements with the Ministry of Education and the Ministry of Work and Solidarity in order to access subsidies for their activities. Subsidies for professional training come through the Institute for Employment and Professional Training, a public body under the Ministry of Work and Solidarity. These state subsidies represent the major source of funding for *CERCIs*, which also receive subsidies from local authorities, mostly for occasional actions.[11] Among public resources, one should also mention the fact that, in special education schools, users aged sixteen to eighteen years are subsidised and this subsidy is paid to the *CERCIs* which run these schools. This might be considered as a form of indirect subsidies to *CERCIs*' activities.

In some cases, *CERCIs* receive private gifts and sponsorships, including resources in kind, such as computers or raw materials given by enterprises, and

donations and legacies by individuals or foundations. Every year *CERCIs* promote a large public fund-raising campaign, the so-called *Pirilampo Mágico* campaign.[12] Most *CERCIs* also run specific projects (for instance in the field of professional training) funded by national and/or European programmes, such as *Ser Criança* ('Being a Child', run by the Ministry of Work and Solidarity), *Integrar* ('Integrating', nationally run with EU co-funding) and the Employment Initiative (a European Social Fund initiative). Volunteer work is especially important at the management level. There is also some volunteer participation in occasional tasks, such as fund-raising.

Finally, *CERCIs* also benefit from two recent government initiatives specifically aimed at the promotion of co-operatives. These are: a specific fiscal status for co-operatives, more favourable to job creation, which was approved in 1998[13] and a specific programme to support co-operative creation and development, the PRODESCOOP (Programme for Co-operative Development), which came into force in January 1999.[14] This latter programme was included in the National Action Plan for Employment[15] as part of the measures aimed at job creation in the social economy, and specifically in the co-operative sector.[16] PRODESCOOP is both an instrument of employment policy and of co-operative promotion. As an instrument of employment policy, the programme includes active measure such as support for the recruitment of young people looking for their first job, long-term unemployed, guaranteed minimum income recipients, disabled people, as well as young qualified staff. It also offers an award for equal opportunities, available to co-operatives creating new jobs for both men and women (i.e. at most, people of either sex occupy 60 per cent of the jobs created). As an instrument to promote co-operation, the programme complements other systems of financial and technical assistance for the creation and consolidation of co-operatives, and especially for job creation.

The specific contribution of CERCIs *to addressing social exclusion*

CERCIs have created a significant number of jobs. For example, *CERCI Lisboa* started with ten workers; it now has 150. At the national level, around 3,000 jobs have been created and *CERCIs* have about 7,239 users, while around 1,030 additional people are on a waiting list to become users. Among the young people assisted by *CERCIs* since their creation, a significant number (about 911) are now integrated into the labour market. These co-operatives have also invested in terms of the professional training of their personnel, in order to provide better services.

These services would be out of reach for a large proportion of the users, due to their high costs, if *CERCIs* did not exist. But their existence is only made possible by the strong social commitment of all those who work in these institutions. Their specificity and comparative advantage is thus based on this social capital, used, reproduced and multiplied, especially at the local community level. Some of the users even become co-producers of the services provided by

CERCIs, due to job creation processes and recruitment policies. More generally, people's empowerment is a major purpose of co-operatives. In terms of collective externalities, *CERCIs* stimulate local partnerships, formal or informal, which contribute to community development. This is a permanent concern of these co-operatives, 'to work in the community and for the people from the community' (*CERCI Lisboa*).

CERCIs' *weaknesses*

One of the main weaknesses of *CERCIs* arises from the lack of entrepreneurial leadership. Many of those involved have not yet realised that *CERCIs* are not assistance institutions but social enterprises, demanding an entrepreneurial commitment and management.[17] The lack of adequate facilities is also a major problem for most *CERCIs*. Lack of space, difficult accesses and lack of adequate housing are some of the main deficiencies (Veiga 1999).

Financial vulnerability and sensitivity to political cycles also weaken the performance of *CERCIs*. According to a survey of *CERCIs* in March 1994 conducted by INSCOOP (Paiva 1997), the most serious problem *CERCIs* had to face was insufficient state support, followed by delays in the transfer of funds or subsidies. This pointed to a significant financial dependency on the state.[18]

Relations between CERCIs *and public authorities*

The relations between *CERCIs* and public authorities have been changing from a disposition of begging for subsidies to partnerships (for instance with regular schools) and collaboration. However, there is still a long way to go. One of the fields where interactions between *CERCIs* and public policies worked best is the social employment market, insofar as *CERCIs* were listened to on this issue and their proposals were retained and even included in the National Action Plan for Employment.

3 Future perspectives and conclusions

In the field of the mentally disabled, as well as in many other fields of social protection, there are still a large number of needs to be satisfied. Therefore, *CERCIs* still have scope to grow, to multiply and to diversify their services. However, there is currently a trend towards the increasing absorption of mildly and moderately mentally disabled children and youngsters by regular schools. Consequently, the main users of *CERCIs* in the future may be mostly either children with severe and multiple handicaps or adult disabled people.

Since most *CERCIs* are geographically concentrated in the coastal areas, and in and around large urban centres, the extension of this kind of co-operative to the inner and less developed regions of the country – thus contributing to local development and job creation – might be desirable.

In terms of the organisational model, the dominant perspective among the

most active leaders of the *CERCI* movement indicates a reconciliation between co-operative principles and the growing need for a strategic and professionalised management of resources (Veiga 1999) in a social entrepreneurship perspective. The interactions with public policies have improved in recent years and it seems that the conditions exist for *CERCIs* to progress in a positive way. Following the legal recognition of social solidarity co-operatives, recent state initiatives favouring co-operatives within a strategy of job creation mostly for disadvantaged groups are a sign of this trend. The creation of a National Council for Social Economy, at ministerial level, is now under preparation. This could lead to a better interaction between social enterprises and public policies, particularly in the area of the fight against social exclusion.

Notes

1 The author thanks Susana Nogueira for her collaboration. Given the relative lack of research and published data on these issues, the updated and full picture of the main types of social enterprises within the third sector as well as the in-depth analysis on *CERCIs* would not have been possible without the collaboration of a number of key persons and organisations. Among these we are particularly grateful to: Acácio Catarino (Observatory of Employment and Professional Training); Gertrudes Jorge and Hélia Lisboa (National Commission for the Social Employment Market); José Martins Maia (Union of *IPSS* – Private Social Solidarity Institutions); Julieta Sanches (*CERCI Lisboa* – Co-operative for the Education and Rehabilitation of Disabled Children); Maldonado Gonelha, Paula Guimarães and Odete Duarte (Union of Portuguese Mutual Benefit Associations); Manuel Canaveira de Campos (INSCOOP – António Sérgio's Institute for the Co-operative Sector); Manuel de Lemos (Union of Portuguese 'Misericórdias' – Church Welfare Organisations); Rogério Cação and Ana Rita Martins Peralta (*FENACERCI* – National Federation of *CERCIs*).

2 *Mercado social de emprego*, i.e. 'a diversified series of solutions, which aim to integrate or reintegrate the unemployed, in both social and employment terms, through activities to meet social needs that are not met by the normal operation of the market' (Instituto do Emprego e Formação Profissional, 'The Social Employment Market').

3 According to the chairman of the *Union of Portuguese Misericórdias*, Melícias, quoted by Barros and Santos (1997: 335), it would be more correct to speak about state funding of the institutions' activities, not of the institutions themselves.

4 Data for 1998 provided by the Union of Portuguese Mutual Benefit Associations.

5 According to an estimation made by the chairman of the Union of *IPSS*.

6 By 'early intervention', we refer to the action developed by *CERCIs* which is addressed to children at risk – either newborn babies who have a prenatal indication of mental handicap or children who present some development problems.

7 In the recent past, this trend generated some negative reactions from the *CERCI* movement, but it has now gained the support of *CERCIs*, which are even collaborating with some regular schools.

8 Law 51/96 (7 September 1996). This new Co-operative Code also allows the constitution of multi-sectoral co-operatives, which may be advantageous to *CERCIs*, since these may combine their traditional activities with activities classified in other branches of the co-operative sector, such as culture, handicraft, services, etc, without loosing their social solidarity co-operative status.

9 Whose juridical regime was defined through Decree-Law 7/98 (15 January 1998). The rights, duties and benefits, at the fiscal level, of *IPSS* were extended to co-operatives of social solidarity, through Law 101/97 (13 September 1997).

10 The participation and commitment of parents in the management of *CERCIs* has weakened significantly, especially parents from socially and culturally disadvantaged groups. On the one hand, it is difficult to convince them to sit on a board of directors and, on the other hand, the presence of parents is often seen by professionals as a source of conflict and internal problems (Veiga 1999).

11 It should be stressed that the relations between *CERCIs* and local authorities may vary from one municipality to another; in some cases, the local administration represents a major support to *CERCIs*' activity, in others there is a negative relationship (Veiga 1999).

12 The quotas paid by *CERCIs*' members and the users' monthly payments are another source of funding, although mainly symbolic, given their reduced weight in *CERCIs*' budget.

13 Law 85/98 (16 December 1998), changed by the Decree-Law 393/99 (1 October 1999).

14 Statutory Instrument 52-A/99 (22 January 1999).

15 Cabinet Resolution 59/98 (6 May 1998).

16 By the end of 1999, according to the Interim Report on the National Action Plan for Employment, about 178 applications from co-operatives to PRODESCOOP were under analysis.

17 According to Julieta Sanches, *CERCI Lisboa*.

18 It is estimated that, on average, state and EU subsidies cover between 75 per cent and 85 per cent of the total yearly expenses of *CERCIs* (Veiga 1999). But these average figures should not hide the great diversity that prevails in reality among *CERCIs*. For example, the financial autonomy rate of the five largest *CERCIs* varies between 12 per cent and 71 per cent (INSCOOP 1999a).

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12 Spain

Social enterprises as a response to employment policy failure

Isabel Vidal

Introduction[1]

To understand the phenomenon of social enterprises, it is necessary to look back in history since these initiatives are often the product of evolutionary development of old organisational forms. Although the scope of this chapter is confined to the more recent steps taken within civil society generally, it is noteworthy that during the twentieth century some forms of social enterprises have arisen in matters that hitherto were confined to the family. Examples include the services devoted to the handicapped or, more recently, to persons with newer social problems such as those related to drugs and AIDS. Historically, the church has been vigorously engaged in traditional activities to alleviate poverty – an international example of this being *Caritas*. More recently, lay initiatives have taken over from religious action, especially with regard to the handicapped. The parents' associations of handicapped children organised and created the first special work centres and the first residences in the 1960s and 1970s. Later, in the 1980s, with the emergence of the welfare state in Spain, these private initiatives were reinforced by public sector initiatives. But the consistent historical pattern is that in the first stage, private initiatives, both religious and lay, predominate. Then, at a later stage, public initiatives take responsibility and make the activities developed by the social private sector more professional, or start to finance them on a more regular basis.

This process is interlinked with the evolution of welfare expenditures between 1975 and 1997. In 1975, public spending in Spain represented 25 per cent of GDP, while the average across the countries of the European Union exceeded 40 per cent. This shortfall in public funds encouraged the development of social enterprises in the fields of health, social services, education, culture and leisure, often under the legal form of associations and foundations. By 1997, public spending represented 43 per cent of GDP. During the period of strong growth in public spending, the government often opted to contract out the management of the public services. This option encouraged the rapid growth of the third sector in Spain, in the form of associations and foundations, as management arms of public authorities in the provision of personal public services. In 1995, there were 226,658 associations and foundations in operation. They employed