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The emergence of work-integration social enterprises

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Introduction

It is commonly thought that the Swedish third sector is not very developed because of the existence of an extensive welfare state, but reality differs from this widespread perception. In fact, the Swedish third sector consists of some 200,000 organisations that manage an aggregated input of nearly 400,000 man-years of paid or voluntary labour – a volume that is fully comparable with that of other Western European countries (Lundström and Wijkström 1998). However, the sector's activity profile and the associations which characterise it differ from their European counterparts. Traditionally, Swedish third-sector organisations engaged primarily in the fields of culture, leisure, adult education and interest representation. Relatively few organisations were engaged in actual production of goods or welfare services (Stryjan and Wijkström 1996). The institutional roots of this situation will be outlined in the opening sections of this chapter.

The crisis and transformation of the 'Swedish model' from the 1980s onwards prompted the emergence of new populations of organisations, and a gradual reorientation of traditional ones. Emergent third-sector organisations account for a significant part of service provision within child day-care (Pestoff 1998) and care for the seriously handicapped. This chapter will focus mainly on organisations working in the field of employability. This is the newest field of third-sector expansion, marked by the strong growth dynamic of an emerging population of social co-operatives on the one hand, and the changing attitudes and features of the public administration on the other. It is marked by a high rate of social entrepreneurship and organisational innovation, but also by a high degree of legal and conceptual ambiguity.

1 Defining the field: state, welfare and charity

The particular composition of the Swedish third sector and its societal positioning arose in an institutional development path that involved the (re)positioning of state, welfare and charity within the emerging welfare state. In pre-Reformation Sweden charity was, as in most European countries of the

period, a prime concern for the church. By coupling church and state, the Swedish Reformation indirectly introduced the idea of public administration of welfare. Poverty relief and, eventually, public health and education as well were entrusted to the parish councils (Gullstrand 1930), thus laying the conceptual and legal foundations for a future public sector.[1] An emerging urban artisan and middle class introduced mutual social insurance arrangements in the beginning of the eighteenth century. Charitable societies entered the field of poverty relief as well, from 1810 onwards. Their contribution was soon contested by other agencies, namely by the parish councils evolving into local government organs with a rudimentary welfare agenda, and by emerging social movements with a strong emphasis on mutuality and self-help. The first of these emerging social movements was the temperance movement in the early 1830s. The trend culminated, from 1870 on, in the formation of the major popular mass movements and new associations, including the free churches, the labour movement, consumer co-operatives, the sports movement, and the adult education institutes.[2] All these laid the foundations for a strong third sector. The broad array of welfare services initiated, and originally run by these organisations, played a central role in the evolution of the welfare state.

The lines of demarcation between the state, popular movements and voluntary/charitable organisations were redrawn in the twentieth century. Many social welfare activities previously carried out by philanthropic organisations declined in importance with the advent of mutual-help initiatives and the expansion of public welfare programmes. Central welfare activities were eventually taken over by the state, not infrequently on the initiative or with the approval of the organisations themselves. This was particularly the case for co-operative organisations that saw in the emerging welfare state a superior implementation of the principle of mutuality. This realignment was accomplished in a largely smooth manner.[3]

The mature Swedish societal model's best-known characteristic is that of a universal and comprehensive welfare state, with a broad array of welfare services administered and produced by the public sector (Stryjan 1994). Underlying this model is a basically corporatist division of tasks among the organised societal sectors: the state, the business community and the popular movements. In this division, the business community (*näringslivet*) stands for production and accumulation (Erixon 1996); the state administers (re)distribution (Abrahamsson and Broström 1980) and this increasingly came to encompass production of welfare; and the popular movements are expected to focus on the articulation of interests, and on central aspects of consumption. Their direct role in the provision of services was traded, as it were, for an institutionalised position of influence over the ongoing expansion of the public sector. Already identified and sanctioned needs were, in most cases, handled by the public sector. The tacit assumption was that third-sector organisations would, of their own accord, identify and mobilise to meet whatever social need had not yet been met, acting as a pathfinder and a corrective, and managing activities that, by their nature, were difficult to regulate in detail. New movements established in the post-war period, such as immigrant organisations (Bäck 1983) and organisations for medical

patients and handicapped persons (Holgersson 1992), positioned themselves within these pre-established lines.

2 Organisational and legal forms

Key terms: public benefit versus charity and non-profit

The term 'charity' does exist in Swedish, but is used solely to denote social welfare (Blennberger 1993; James 1989; Kuhnle and Selle 1992; Qvarsell 1993). The Swedish usage has clearly negative connotations (Qvarsell 1993; Stryjan 1994). This derogatory attitude, initially propagated by the labour movement, and outspokenly shared by the movement of the handicapped, has obviously been internalised by the charitable organisations themselves. A recent survey of voluntary organisations (Lundström and Wijkström 1994) shows that, though nearly 8 per cent of all respondents could have denoted themselves (by internationally accepted criteria) as charitable organisations, none chose to do so. Even internationally oriented charitable organisations eschew the charity label, and prefer to be regarded as part of a social movement. Hardly surprisingly, the category 'charitable organisations' is normally lacking in Swedish statistics (Boli 1991, 1992).

Typically, the term 'non-profit' has no direct correspondent in Swedish. In the absence of any sort of preferential tax or contracting rights, the need to define boundary specifications for non-profits never arose in Sweden. Instead, a concept of general/public benefit (*almännytta*), also applicable to semi-public undertakings (e.g. in the field of public utilities), is applied in Swedish legislation. Organisations that provide benefits to their members may, according to this rationale, be considered as providing a public benefit if they observe the rule of openness. The term 'popular movement' (*folkrörelse*), often assumed by larger third-sector organisations, implicitly connects with this perception.

Legal forms: association and foundation

Three legal incorporation forms are commonly resorted to by organisations within the Swedish third sector: (1) foundation (*stiftelse*),[4] (2) *ideell* (or non-profit) association; and (3) economic association (Stryjan and Wijkström 1996). Co-operatives do not exist as a distinct category of legal entity. Generally, co-operatives incorporate under one of the two association forms, most commonly as economic associations. It would be possible to incorporate a co-operative as a joint-stock company (Stryjan 1989) and, theoretically, even as a foundation, though these alternatives are rarely resorted to.

An association is created when a number of individuals (or legal entities), in organised forms and for a set period of time or until further notice, co-operate towards a common objective (Hemström 1992). The Swedish legal notion of an association has a stronger collectivistic emphasis than other legal traditions (Boli 1991, 1992). There is no common legal definition of an association in Swedish law (Mallmén 1989) and it is necessary to distinguish further between two categories: the economic and the *ideell* (roughly voluntary) association.

The Law on Economic Associations[5] defines an economic association as a joint endeavour of natural and/or legal persons/members with the aim of promoting the economic interest of the members through economic activity in which they participate as consumers, suppliers, providers of their own labour, service recipients, or in any other appropriate way.[6] The Rochdale principles of open membership, one-member-one-vote democracy, limited return on invested capital, and dividend by members' patronage were assimilated into the law (Rodhe 1988). Most co-operatives adopt the legal form of economic association, and the terms economic association and co-operative are used in a nearly interchangeable manner by co-operators and politicians alike.

The term *ideell förening* could roughly be translated as private non-profit association (Hemström 1972). Generally speaking, an association that does not meet the twin criteria of: (1) engaging in business activity; and (2) economically benefiting its members, is automatically regarded as an *ideell* association. The Swedish system treats both trade unions and associations of employers as *ideell* associations (Bäck 1980). This association form is not regulated in existing law. In actual legal practice, however, legislation on economic associations is applied as a default norm for all associations. Thus, for instance, the one-member-one-vote rule would be assumed to apply to an *ideell* association unless there is evidence/explicit provision to the contrary in the association's articles/charter.

The two forms of association are suitable, in principle, for co-operative organisations. However, only the economic association form provides the protection of a limited liability provision.[7] This makes it a natural choice for any co-operative with sizeable economic activity. The economic association form does not in any way enforce a non-profit constraint, nor does it impede commercial for-profit operations. In fact, it explicitly endorses it insofar as an association that fails to specify the economic interests that it is intended to promote, may even be denied registration. Some of the central features of the three forms are summarised in Table 13.1.

As the table illustrates, the legal system can be neatly divided between social and economic (risk-taking) objectives. Co-operatives are seen as fully-fledged business actors but, generally, they are not considered as serving the general interest. *Ideell* associations, on the other hand, are expected to refrain from entrepreneurial activity.

Tax exemptions, whenever awarded, are activity specific. An association may thus be entitled to tax exemptions (from corporate profit tax and property tax) on activities that are judged as salient to its core activity, and be fully taxed on activities that are judged as purely entrepreneurial. Until the last decade, these rules effectively precluded the formation of social enterprises, and channelled the resourcefulness of organisations within the sector (with the exception of the most affluent ones) into economically low-risk fields, such as political action, or the articulation of group demands and interests.

Table 13.1 Characteristics of foundations and associations

		Legal form	
Characteristics	*Foundation*	*Economic association*	*Ideell association*
Legal definition	Yes	Yes	No
Capital required	Yes	No	No
Members	None	Required	Required
Articles/charter	Yes	Yes	Yes
Democratic governance	No	Mandatory	Encouraged
Registration	Necessary	Necessary	Optional
Limited liability provision in commercial operations	No	Yes	No[a]
Profit aim	No	Yes	No
Priority/exclusivity for social/charitable aims	Yes	No	Yes

Note: [a] In practice, this means that in a case of bankruptcy due to unsuccessful business operations, the members of the board may find themselves personally liable

3 The third sector and employment

A few years ago, third-sector organisations employed about 100,000 persons – a little less than 2.3 per cent of the country's labour force.[8] Employment in the third sector is estimated at 83,000 FTE (full-time equivalents).[9] The direct contribution of most established organisations to the employment of excluded groups and to labour-market insertion is, none the less, rather low. The overwhelming majority of those employed by third-sector organisations are, on the contrary, professionally trained personnel, and less skilled tasks are often carried out by voluntary labour. Significantly, the volume of voluntary work is estimated at 300,000 FTE, i.e. over three times the volume of employed personnel (Wijkström 1994). This situation results from, and reflects, the conviction that voluntary organisations should keep their involvement in the labour market as low as possible.

The Swedish traditional division of responsibilities in the employment field acknowledged the role of two, and only two, actors: the government as a facilitator of job creation and the business community (*näringslivet*) as an actual creator of jobs (Stryjan and Wijkström 1998a). This division of labour virtually cut off voluntary organisations from job creation in the ordinary sense of the term, and from state support for such initiatives on the sector's behalf. While state interference in industrial crises – through direct support, subventions and local governments' business-friendly policies – was routinely motivated by job-creation arguments, support for third-sector organisations was largely conditional on it *not* generating any jobs. Subsidised workers were, in principle, not to be used for tasks that could have been carried out by commercial organisations. Organisations using subsidised labour, it was argued, would be distorting competition. In other words, a job within the sector could be publicly financed (wholly or partly) only if it was possible to prove that it was not really in demand. Throughout the 1970s and the 1980s, social enterprises' impact in the field of job creation was confined to marginal cases and non-market jobs, mostly under

various temporary job-placement programmes for the long-time unemployed, such as *ALU*-placements (acronym for working-life development). Küchen (1994) notes that associations resorted to such manpower programmes to a much higher degree than did other organisations. The highest rate (1.1 *ALU* placement job per one regular employee) was observed in organisations of interest groups. In other words, commercial enterprises were clearly less motivated to avail themselves of the available manpower, subsidies notwithstanding. Significantly, a government report of the period (Statskontoret 1994) considers this high rate of job placements as a token of inefficiency and of dependence on state support, rather than as an expression of a social commitment and willingness to employ the otherwise unemployable.

The fairly rigid societal division of tasks and domains described above has been somewhat eroded in the course of the last two decades. Grassroots involvement led to the appearance, in the early 1980s, of the first social enterprises in the field of local development. Towards the mid 1980s, a national network of co-operative development agencies emerged, aided by a growing involvement of the established popular movements (Stryjan and Wijkström 1998a). From the mid 1990s onwards, this infrastructure has proved instrumental in the development of initiatives aimed at new – or newly acknowledged – problem groups, namely residents of problematic suburbs, young unemployed, and immigrants (*SOU* 1996). Rather than integration or job creation in the narrow sense of the term, these initiatives are geared towards creating a blend of voluntary labour and regular jobs, often within emergent small businesses. In keeping with the Swedish organisational tradition, a strong emphasis is placed on mutuality and self-reliance. The growth pattern followed is, generally, that of proliferation rather than expansion (Stryjan 1996), i.e. it facilitates the formation of new organisations in emerging fields, rather than the expansion and diversification of established ones.

4 Social co-operatives

A new and highly interesting field for co-operative activity, which will be outlined below, is the rehabilitation and employment of those excluded from the labour market due to mental illness or other functional impairments. A closer examination of the relationship between exclusion and unemployment in the Swedish model can help to clarify some of the features of this field, and the fact that it has not previously been claimed by other organisations. Full employment was (and in many respects, still is) a central element in the normative core of the Swedish model (Stryjan and Wijkström 1998a), linking, as it were, welfare entitlements that are employment-based with a norm of general welfare. The existence of permanently unemployable groups could not be easily accommodated into the model (Stryjan and Wijkström 1996) and unemployment was programmatically seen as a frictional phenomenon or – at the individual level – as a passing affliction, to be remedied by the labour market policy organs.

The welfare state thus assumes a double role in the field of employment. Primarily, it is responsible for facilitating (re)integration in the labour market for

those (implicitly) deemed employable, a function that originally also included the creation of sheltered workplaces and wage-subsidised placements for the handicapped. An array of measures, ranging from hospitalisation to long-duration sick-leave and early retirement, for those still marginalised, inadvertently institutionalises the exclusion of those who were not deemed employable. These measures, while guaranteeing subsistence, also bar or penalise the options of creating one's own income, or of re-entering the labour market. It could thus be said that the system enshrines having a job as a keystone of individual identity while at the same time excluding some categories from ever attaining it.

The problem became increasingly visible in the mid 1980s, as the public sector embarked on an ambitious policy of mental healthcare reform including the phasing out of big mental health institutions. Emancipatory aspirations and growing militancy on the part of patient organisations correlated well with advances in the field of psycho-pharmaceutics and with growing concerns for hospitalisation costs. Laudable intentions notwithstanding, the effort and resources invested in creating alternative frameworks for the released patients were quite insufficient. At about the same time, the admission practices of *SAMHALL* (the public sheltered workplace system) became increasingly selective, further reducing the options available for patients with mental illnesses. Though ensuring physical subsistence, the authorities thus generally failed to provide an acceptable social context for the persons involved. For the first time in the Swedish model's history, a highly visible problem group was (re)created and released into society.

A first effort to address this issue by organising worker co-operatives for patients with mental illnesses was initiated in 1989 by persons involved in the field of mental health care, including care personnel, patients and ex-patients. Typically, a co-operative consisted of five to fifteen users and one to two instructors each.[10] The *Psyk-Ädel* reform of mental care, which transferred responsibility for psychiatric care from county authorities to municipalities, created a new situation. The municipalities, now in charge of psychiatric outpatient care and of ex-patients' rehabilitation, were less bound by mental healthcare traditions and by budget allocation regulations and, as a consequence, they were also more open to new solutions. At this juncture, the idea of promoting co-operative forms as a means of social reintegration and empowerment was taken over by institutional actors within the third sector. These were the co-operative development agencies – *LKUs*, organised in a national association, *FKU* (Stryjan and Wijkström, 1998a) – mental health organisations (which engaged in propagating the co-operative model among prospective users/members) and the folk high schools (*folkhögskolor*) movement. The latter started local courses in co-operation for potential participants, in partnership with *LKUs*. The social co-operative model was also advocated, with considerable success, in the organisations' contacts with municipalities and with labour-market authorities.

At the moment, there are about seventy functioning social worker co-operatives for former mental patients and the functionally handicapped throughout Sweden. The number of members is estimated at about 900.[11] The exact organisational

details and the degree of binding to the respective municipalities, as well as the financing structures, vary greatly from case to case. Some of the basic features of these organisations are discussed below.

Organisation and governance

All co-operatives in this field of activity are incorporated either as economic associations or as *ideell* associations.[12] New organisations are often established on a project basis and may lack, to start with, any incorporation whatsoever (the potential and limitations of the project format will be discussed in section 5).

Typically, a co-operative would consist of one to two tutors (*handledare*), and five to six users per tutor. Considerable deviations from this standard exist. The ratio may be as low as 1:12, and as high as 1:3, depending on the orientation and the type of activity. At least one co-operative (*Vildrosen* in Växjö), manages its activity without any tutors at all.

A considerable proportion of the members are former mental patients. However, the tendency has increasingly been towards recruitment on the basis of life-situation rather than medical diagnosis. The forms of initial recruitment vary from case to case, depending on whether the co-operative emerged spontaneously or on an external initiative. Once established, co-operatives generally take in new members by vote, usually after a trial period. In many cases, tutors are expected to apply for membership.

In accordance with Swedish legislation on associations (see above), the co-operative's finances, recruitment and internal affairs are managed by an elected board. The 'one member-one vote' rule applies. Tutors may not be elected to the board, but they are often appointed to management positions. In at least one case, a double governance structure was created, with a co-operative of users commissioning the services of a worker co-operative of tutors.

Entrepreneurial features

The co-operatives in the group produce a broad range of goods and services, including the running of a staff restaurant in a medium-sized company, renovation of windows, cleaning, and industrial assembly. Handicraft is consciously avoided by most co-operatives.[13] Work is normally organised in work groups supported by tutors. The turnover of the enterprises' commercial operations varies considerably, from about 1.26 million SEK (150,000 Euro), for the most entrepreneurially oriented, to a few thousand, for those whose chief emphasis is on providing a social context.

The definition and comparison of economic performance encounter a number of technical problems insofar as an enterprise can be seen as a nexus of contracts and transactions. Transactions that are carried out through this nexus can be said to be included in the enterprise. Those transactions that bypass the nexus (e.g. direct transfer payments to participants, rather than to the enterprise) would, obviously, not be included in the enterprise's balance

sheet. Sales revenues and material costs are two elements that are handled in a conventional business manner by all social co-operatives. Other major components that may be included in the enterprise's resource package are members' income/wages, tutors' wages, disposal of surplus, and rental of premises. They are included in some cases, and omitted in others.[14] The considerable local variation in the ways that such boundary lines are drawn foils any effort at providing aggregated or comparative economic statistics across the population of social co-operatives.

Most social co-operatives aspire to remunerate their members' work with regular wages. However, only a minority attains this goal. Existing regulations inhibit direct conversion of individual transfer payments (such as sick pay, retirement, etc.) into wage supplements payable to members via the enterprise. In most cases, members' incomes have thus to be provided for by income guarantee payments which bypass the co-operative. Existing rules preclude the payment of part-time wages as well and a member's personal income may actually decrease due to the threshold effects that the rather inflexible rules generate.[15] The economic thresholds that this rule regime establishes are insurmountable for any but the best performing enterprises.

In a large portion of the cases, tutors are municipal employees on municipal payrolls. Tutors may also be self-employed through a worker co-operative that is directly contracted to the municipality. In the cases where tutors are employed by the co-operative, the municipality reimburses between 50 per cent and 100 per cent of the expense, with the balance being covered either by the co-operative's surplus or by funding from other public bodies.

Premises are normally rent free, which is to say that rent is paid directly to the landlord by the local authority. In one of the cases studied, premises were provided by a private company.[16] In another case (*Vildrosen*, Växjö), the municipality covers only a part of the rent; the balance is covered by revenues generated by the co-operative. Other cost-sharing arrangements (both permanent and project-based) exist.

As the foregoing illustrates, both the co-operatives' economic results and the financial support they receive are largely a matter of definition. For the time being, there is no ready institutionalised model for financing the operation, or for defining its component parts. Existing co-operatives are run on an *ad hoc* basis and mobilise support in different forms and from various sources. Support for a co-operative may be explicit – as reimbursement of expenses – or implicit.

Explicit support may be granted for expenses directly borne by the co-operative. Thus, a co-operative that pays wages may be eligible for wage-supplement funds from the labour-market authorities. Similarly, co-operatives that pay rent for their premises are likely to receive reimbursement, primarily from municipal authorities, for all or part of the expense they incur. The same applies to tutors' salaries. Incoming support (or the corresponding fee for rehabilitation services) would naturally be reflected in the enterprise's turnover.

Implicit support is rendered if the expense is directly borne by another actor, wholly bypassing the co-operative (e.g placing the tutors on the municipal payroll, or providing premises free of charge). Implicit support leaves no trace in the co-operative's balance sheet and indirectly diminishes the operation's visible economic scope. A prospective donor's choice between different forms of support may be swayed by taxation considerations.[17]

Naturally, the definition of economic results is contingent on the way the co-operative's expenses and sources of income are defined. In the existing rule system, a path of lesser resistance is often chosen insofar as members receive no wages, and the surplus generated is spent either on common undertakings, on investments or (within strict limits) as an income supplement. Since the enterprises discussed here are, as a rule, labour intensive, the shadow wages received (in the form of subsistence grants directly awarded/paid by the authorities) distort information on economic performance, and make comparisons to other enterprises difficult.

Relationship to the local community

The social co-operatives' contribution to the local community and to the formation of social capital varies from case to case. Available descriptions indicate, however, that most co-operatives concentrate on services to the local population[18] or to other SMEs in the immediate surroundings. They may for example run a workplace canteen or a cafeteria in an industrial park. Relations to customers are, in this case, clearly personalised, and contribute to the creation of social links between the co-operative and its social environment.

On the whole, commercial activity is not aimed at large businesses, and hardly at all towards the public sector. Whether deliberately or by default, their strategy seems to be focused on generating a tighter social network for the co-operative and its members. *Projektet arbetskooperativ* in Norrtälje (which recently evolved into a cluster of co-operatives) provides one of the most interesting examples of such strategies.[19] One of the project's groups, *servicepoolen*, offers auxiliary services (cleaning, repairs, building maintenance, etc) to farmers, house owners and small firms in the small town and vicinity. *Servicepoolen* originally consisted of three teams, each with an (employed) team leader. The three team instructors are tradesmen and former small entrepreneurs that had to leave the labour market for health reasons.

A customer survey[20] showed that most customers learned about *servicepoolen* primarily through personal contacts. All but two (of twenty-two) respondents found the quality of services good or very good and would contact *servicepoolen* again on similar occasions. In about one third of the cases, the job in question would not have been done at all had *servicepoolen* not been available. It is difficult to determine whether this statement proves the co-operative's competitive advantage or is an illustration of community support. Keeping in mind the reserved attitude to charity in Swedish society, this ambiguity may well be intentional, and deliberately maintained by all parties in the relationship.

5 Problems and prospects

Social co-operatives are a relatively recent and not yet fully established newcomer to the expanding population of third-sector organisations that operate in the borderland of the Swedish public sector. The development paths adopted and the problems encountered by this group (the latter were touched upon in a previous section) closely resemble those met (and partly overcome) by earlier entrants into this field, such as parent co-operative kindergartens, Independent Living co-operatives etc. The trends discussed in the closing sections are, therefore, relevant to the entire population.

Prospects for future expansion

The social co-operative organisational form has now made its first steps on the path to institutionalisation, as the isolated local initiatives that gave rise to the first social co-operatives gradually link together into a network. An essentially similar strategy was pursued by other emergent groups, from the 1980s onwards. A national association, connecting the social co-operatives and providing a channel for exchange of experiences and a base for further expansion is presently being established. In parallel, a national education project, developed jointly by *FKU* (the national association of *LKUs*) and *RIFS* (a foundation established by two major mental patients' organisations)[21] started in 1998. The project is also supported by the national association of municipal governments, and has been joined by over thirty municipalities. The project contracts local branches of adult-education movements to develop and administer schooling programmes for would-be co-operative members/users on the one hand, and for municipal administrators in the fields of health and welfare on the other. The project marks an important step in the dissemination of the model among users and administrators alike, and provides an arena for discussing – and experimenting with – the reform of the existing rule systems.

Rule systems

Social co-operatives operate at the intersection of the market and the public sector and are, to a high degree, influenced by the rules that regulate transfer of resources between the two spheres. Co-operatives in the field of welfare attained the right to convert welfare entitlements (which, in the Swedish welfare system generally are disbursed in kind, as services delivered by public institutions) into monetary ones[22] that may be pooled together by the users. Social co-operatives are seldom allowed to accomplish this transformation since social security entitlements (even when monetary) are strictly individual and situation bound, rather than transferable and needs bound, and cannot be capitalised or pooled together under existing regulations. The result is somewhat anomalous to the extent that in most social co-operatives the users are the only participant category that contributes voluntary labour, while tutors receive wages, and other stakeholders relate to the co-operative through contractual/market agreements. In other words, the symbolic transformation of resources – from need to entitlement, and from entitlement to funding of a more acceptable societal status[23] – effected by the co-operatives, has been less than complete. Co-operative members did attain the right to work and to engage in entrepreneurial activity, but only a minority attained the more central right to receive wages for their labour. Welfare-service co-operatives, such as parent co-operative kindergartens and co-operatives for the seriously handicapped, did manage to overcome similar limitations in the 1980s. Whether the social co-operatives, with their limited resources, will make such an impact remains an open question. Ongoing experimentation with new ways of implementing existing regulations within municipal governments and labour-market authorities gives some room for optimism on this count.

Project organisations

Many of the social co-operatives were initially started as projects. Some of them still maintain this status. In the field of social services, the project form has traditionally been perceived as an exception to the norm, while the status of permanent organisation was seen as the objective to be eventually attained by successful projects. The *STIL* co-operative, for example, which implemented an innovative way of managing individual entitlements, initially emerged as a project but was granted permanent status after two years' operation (Stryjan 1994). The same path has recently been followed by the Norrtälje project, discussed above. The general trend is, however, towards increased prominence of the provisional status, i.e. a growth in the population of strictly time-limited projects and an increasing reliance on project tenders on the part of permanent organisations. This proliferation of temporary organisations (Lundin 1998; March 1995) is perhaps the most significant feature of the field at present. To some extent, this trend towards the project format is facilitated by the fact that temporary organisations are increasingly feasible, as information technology and the increasing institutionalisation of the organisational field both contribute to lower the transaction costs of establishing and winding down organisations (Stryjan 1996). There are also weighty institutional forces driving this development insofar as projects proliferate mainly because they are the form of organised activity that authorities are most willing to finance at present.

The project format is a convenient vehicle for transcending administrative limits, without having to formally modify them. Consequently, it is often employed as a mechanism for testing novel administrative routines. It creates something of an institutional safe haven from conventional budgetary time constraints and (in the case of social co-operatives) rigid pension and social security rules, and permits more flexible task specifications – an important advantage for innovative initiatives. Unlike conventional organisations, projects have a pre-programmed date of expiry. This localises risk and provides a degree of control over the organisational product, and no overt (and potentially politically embarrassing) action by administrators is required to terminate undesirable results. Project organisations provide a compromise between the administrative

conceptions of time (as circular and budget-ruled), entitlement (as strictly universal and rule bound) and risk and those which are socially engendered. Thus, the project format enables social initiatives to transcend some important limitations of the public financing system and opens new perspectives for the development of social co-operatives.

These advantages are, however, achieved at a price, both for the social initiatives involved, and for the system as a whole. The shift to project formats means that the recurring uncertainty inherent in periodic budget negotiation is being replaced by a relationship that is unambiguous, but strictly time limited. Uncertainty is not eliminated, but traded off for discontinuity, i.e uncertainty of a higher order, as it were. The implications of this trade-off may be far-reaching. The potential comparative advantage of social enterprises normally lies in their embededdness in the surrounding community. Embeddedness, in its turn, generates trust and presupposes continuity and credibility in the belief that rendered services could be reciprocated in the future. The provisional, discontinuous nature of project undertakings largely negates this dimension.

As the present cohort of projects and experimental organisations approaches the end of their project lives, they may be allowed to graduate into a permanent status – a solution that may involve some modification of the established administrative routines. Conversely, they may simply be phased out and give way to a new batch of projects. Depending on which of the competing scenarios are pursued, current development may give rise to a new and growing population of social co-operatives. Alternatively, they may transform the field into an emerging project (quasi) market, in which social initiatives would be stripped of their unique advantages, and reduced to a format in which public authorities and corporate actors compete for project funding. The key comparative advantages in such a market would be administrative resources and institutional connections, rather than trust and embeddedness. Such a scenario may lead to a commoditisation of the field of reinsertion and job creation, giving rise to a quasi-market for labour-market services, in which public organs and for-profit companies engage in cherry-picking and compete for lucrative projects and the most promising participants. In such a market, the core activity of future social entrepreneurs may be the spawning and administration of projects.

6 Conclusions and implications

The field of social co-operatives is evolving rapidly and the organisations now being founded exist in different institutional set-ups to their predecessors, and are substantially different from them. Projections of future trends that are based on surveys of existing organisations are not fully reliable. Case studies are an important instrument for the assessment of possible future and emerging trends.

The major forces that shape the field at present are the strong growth dynamics of an emerging population of social co-operatives on one hand, and the changing attitudes and features of public administration on the other. This highlights the importance of not only educating activists within the sector but also of educating public administrators. The introduction of the project form and of market mechanisms into the field facilitates the creation of more flexible and innovative solutions, but it also carries a risk of (re)marginalising precisely those actors whose interests this development was intended to promote. The outcome of the ongoing process will depend, to a great extent, on whether successful experiments will be allowed to crystallise into stable organisations. Those public organs that will be acting as gatekeepers in the process will require new, more comprehensible auditing and evaluating tools, criteria and practices.

Notes

1 The emergence of the parish (*socken*) as the basic unit of local government, and administration of welfare/charity (Gullstrand 1930), is highly illustrative in this respect. The reorganisation of local government in the mid-nineteenth century was initiated by the Committee on Poverty Relief (*Fattigvårdkommitéen*) of 1837. The differentiation of local self-government and parish organs was accomplished first in 1862.
2 The labour movement as well as consumer co-operatives were formed just before 1900. The Social Democratic Party was founded in 1889, and the Swedish Trade Union Confederation ten years later.
3 Stryjan and Wijkström (1996). Exceptions exist though: some services run by non-profit organisations were forced out of business (Qvarsell 1993); others remained, despite central government's aspirations (Stenius 1995).
4 See Norin and Wessman (1993). The total number of foundations in Sweden is estimated at about 50,000. They represent a considerable amount of accumulated wealth. It has been estimated that they control assets of nearly 50,000 billion SEK (about 5,950 billion Euro) (Lundström and Wijkström 1998).
5 Law on Economic Associations (Lag 1987: 667 *om ekonomiska föreningar*).
6 Economic associations active in the financial sector are governed by special legislation, and are not relevant to the concept of the non-profit sector (Hemström 1992; Mallmén 1989; Rodhe 1988).
7 *Ideell* associations are covered only conditionally. If the association engages in purely commercial operations, board members may be personally liable for the association's debts.
8 This figure does not fully discount extremely short part-time assignments, and probably overestimates the sector's labour-force share somewhat.
9 Lundström and Wijkström (1998). These figures do not include the commercial operations of consumer and farmer co-operatives.
10 At its height, the group numbered twenty-five co-operatives. Many of these were, however, therapeutic rather than enterprising, and only eight survived the *Psyk-Ädel* reform of psychiatric healthcare in the 1990s. For a brief description of the first of these co-operatives, *Samverkarna*, see Stryjan and Wijkström (1996).
11 Information from Eva Laurelii, Kooperativ Konsult, Gothenburg, February 1999.
12 Information from Eva Laurelii, Kooperativ Konsult, Gothenburg, Eva Johansson, KIC Stockholm, and Bosse Blideman, KUR.
13 Among the motives given were the fact that the added value was low and the wish to distance oneself from typical occupational therapy activities.
14 No information is available on investments in production equipment.
15 According to early-pension rules currently in operation, pensions would be reduced by 25 per cent once earnings exceed a minimum amount that lies well below 25 per cent of the pension. Reporting a small income may thus result in a direct income loss.
16 The company is *Marks Pelle Vävare* in Borås, whose canteen is run by the *Gryningen* co-operative.

17 For example, donations in kind are *de facto* tax deductible for firms, but not for individuals. Monetary donations are not tax-deductible, while sponsoring is, etc. The arithmetic becomes even more complex where VAT and payroll taxes are involved. For authorities, a budgetary allocation for wages is 33 per cent higher than for a pension of the same amount, etc.
18 For example second-hand bookstore, car washing, dog-kennel.
19 This information is based on own interviews, information from Bosse Blideman, then at KUR, and documentation (in draft) prepared by *Biometri Ek. För.*
20 By *Biometri Analys Ek. För.*, in draft.
21 *RSMH*, the National Association for Social and Mental Health, and *IFS*, *Intresseförbundet för Schizofreni.*
22 The procedure applied in the case of co-operative kindergartens was discussed in Stryjan (1994).
23 A transformation of this type, from handicapped client in need of assistance to employer was described in Stryjan (1994).

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