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## 2 Belgium

### Social enterprises in community services

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#### Introduction

From the beginning of the 1990s, the social economy began to be gradually recognised as a third sector, made up of co-operatives, mutuals and associations. In fact, however, its roots lie far back in the workers' and peasants' associations of the last century, and they have been growing throughout the twentieth century. The co-operative movement has long been present in the agricultural sector, in credit and insurance and in pharmaceutical distribution. Since the end of the Second World War, mutual societies have been heavily involved in the organisation of the national health insurance scheme and the provision of a variety of associated services. But it is the associations that have formed far the largest part of the Belgian social economy. Fairly recent statistical studies show that they account for around 305,000 paid jobs<sup>1</sup> and that the volunteer work which they mobilise represents more than 100,000 full-time job equivalents. Belgium, along with Ireland and the Netherlands, is one of the countries in which the non-profit sector carries the most weight (Salamon, Anheier and Associates 1998).

Though an increasingly broad consensus exists about the concept of the social economy,<sup>2</sup> the idea of the social enterprise is more recent and less well defined. The term is nevertheless more and more frequently used, with a dual meaning.

On the one hand, it tends to be used to stress the entrepreneurial approach taken by an increasing number of organisations in the social economy, particularly by the many associations that are developing commercial activities. This trend is reflected, *inter alia*, in the introduction of a new legal framework. In 1995, the Belgian Parliament approved a law allowing the creation of 'companies with a social purpose'. This law concerns all kinds of commercial companies (including co-operative societies and private limited company). Since July 1996, any commercial company may be called 'company with a social purpose' (*SFS, Société à finalité sociale*) if it is 'not dedicated to the enrichment of its members' and if its articles of association respect a series of conditions.<sup>3</sup> So far, however, this legal status has met with only limited success since it brings with it a considerable number of requirements in addition to those associated with the traditional company.<sup>4</sup> This legal framework will only become attractive for players in the social economy if future measures yield financial and other

advantages for *SFS* insofar as they provide services to the community and/or compensate for the specific costs which handicap them.

On the other hand, the term 'social enterprise' is also used to designate all or some of the initiatives promoted by co-operatives or associations aimed at the occupational integration of people excluded from the labour market.<sup>5</sup> During the last two decades there have been many innovative experiments in this field, which have gradually been recognised and are increasingly supported by the public authorities. These different kinds of organisations have already been the subject of several studies,<sup>6</sup> which is why they will simply be briefly listed here before moving on to examine another large area of activities, viz. that of community services, where social enterprises are emerging in ever greater numbers and showing significant potential for growth.

## 1 Social enterprises and work integration

The initiatives we find in the field of work integration fall into two major categories, according to whether they offer their target public training through fixed term work or more stable jobs.

### *Work-based training*

During the 1980s, a series of small enterprises was set up, with the legal form of non-profit association, to offer people who had broken with the traditional education system an opportunity to work whilst receiving training through supervision by specialised monitors. These enterprises developed on the fringes of the law. It was not until 1987 that 'enterprises for occupational training' (*EAP*, *Entreprises d'Apprentissage Professionnel*) were recognised. In April 1995 the public authorities of the Walloon Region<sup>7</sup> adopted a new decree broadening the conditions of access for trainees and renaming the former *EAPs* and some other associations working in the field 'enterprises for training through work' (*EFT*, *Entreprises de Formation par le Travail*). In 1999, there were around sixty *EFTs* in French-speaking Belgium. These structures offered in total around 1,000 training places, and about 2,000 trainees passed through the system each year.

In Flanders, rather similar formulas exist under various names, e.g. 'on-the-job training enterprises' (*Leerwerkbedrijven* or *leerwerkplaatsen*) or 'work-experience projects' (*Werkervaringsprojecten*). The main distinguishing features of work-based training in Flanders are certainly the absence of strict criteria for entry, and the type of status offered to people receiving training, which is close to a work contract.

### *Job-creation initiatives*

#### *Sheltered workshops*

Initiatives for helping the least qualified to find a lasting job were at first aimed at people with a physical or mental disability. In Belgium, in 1999, there were more

than 170 sheltered workshops or 'adapted work enterprises' (*Entreprises de Travail Adapté*); they offered stable paid work to around 20,000 disabled people. Employees take part in the production of goods and services sold on the market, which ensures a relatively high degree of self-financing (on average 60 per cent) for these private enterprises. They take the legal form of non-profit association and receive public subsidies under strict rules. These subsidies are meant to enable them to finance the supervision of disabled people and to compensate for their lower productivity.

#### *Social workshops (Sociale werkplaatsen)*

In Flanders, the idea of sheltered jobs, which had hitherto been reserved for people with physical and mental disabilities, found broader application in the last two decades. Since the beginning of the 1980s, particularly disadvantaged people with serious 'socio-occupational disabilities' (i.e. people who are poorly qualified, illiterate, have a criminal record or a difficult family background etc.) have been employed in 'social workshops'. These organisations are developing some commercial activities but need a high degree of subsidy. In 1994, the Flemish Region government allowed them an experimental legal and financial framework which was stabilised in 1998. In the long term, regulations covering all sheltered employment (both sheltered workshops and social workshops) are expected.

In 1999, there were a little over eighty social workshops. These provided work for almost 900 people who had great difficulty in integration, and also provided about 150 supervisory posts.

#### *Integration enterprises*

Since the mid 1990s, a new stage has been reached with the appearance of enterprises with the same social purpose but which have a full market orientation. Though these enterprises need some public subsidies, particularly during the first years, their objective is to operate in the traditional markets and to get most of their resources there.

In Flanders, around twenty-five integration enterprises (*Invoegbedrijven*) have appeared during the course of the last few years. They aim at creating lasting jobs for long-term unemployed people with poor levels of qualification. These enterprises are founded with commercial company status. During the first three or four years, they receive significant public support to cover a decreasing proportion of the salaries of people undergoing integration.

In French-speaking Belgium, the King Baudouin Foundation has played a crucial role in supporting seven pilot projects in Wallonia and five in the Brussels Region. In 1998, these two Regions set out conditions for authorisation and subsidisation of integration enterprises. *Inter alia*, the latter must adopt *SFS* status and they receive, during the first years, a subsidy for covering the wages of the managing founder and of workers recruited from the target public. In 1999,

more than thirty such integration enterprises were being supported through these measures.

In 1995, the Walloon Region also set up a public fund for the market-oriented social economy, the *SOWECSOM* (*Société Wallonne d'Économie Sociale Marchande*), to encourage enterprises of this type and indeed the whole of the social economy functioning commercially. The *SOWECSOM* is a public holding company with significant resources (around 12 million Euro), the purpose of which is to provide credit, guarantee other loans and make capital investments in enterprises.

## 2 Social enterprises and community services: the historical background

Though insertion through work has attracted a great deal of attention during this period of persistent high unemployment, we have chosen here to focus our analysis on another prime area for the development of social enterprises – what is more and more often referred to as ‘proximity services’ (*services de proximité*).

Community or proximity services are regularly evoked both as new sources of jobs to be explored urgently, and as a response to new needs which can be met neither by market forces nor by the intervention of the public authorities alone. The idea of community or proximity services is itself a rather broad one, but it has been gradually refined both as a concept and in practical terms.<sup>8</sup> We have therefore chosen to examine the particular role of social enterprises in such services with special reference to three specific areas which have been the subject of recent investigations, viz. social housing and the regeneration of deprived areas, home help and childcare (Gilain *et al.* 1998).

As we will see through an historical overview, each of these fields coincides, and in some cases has long coincided, with important initiatives designed to help groups on the margins of society. The similar or divergent development of these initiatives should throw light on the nature of social enterprises and the particular contribution they can make to the fight against social exclusion.

### Social housing

#### *The first initiatives*

It is usual to claim that the great waves of development of the social economy correspond to the major changes in our economic systems, and a comparison is often made between the rapid industrialisation of the nineteenth century and the last twenty-five years, which have been marked by the recession which followed the oil crisis, the information technology revolution and the globalisation of the economy. Today's problems, such as deprived inner-city areas and suburbs and homelessness, can be seen in a new light if we examine the emergence of working-class housing, and then social housing, during the course of the nineteenth century.

Throughout the last century, Belgium, and especially Wallonia, which underwent industrialisation immediately after the industrial revolution in England,

experienced great migrations of population within the country. At the time, no preparations were made to receive them and they were frequently housed in sub-human conditions. But to attract and keep the labour force as close as possible to enterprises which were sometimes located out of town, industrialists were also forced to take matters into their own hands. And so the first mining villages and workers' towns were built, from 1810–1820 onwards.

The first workers' dwellings thus originated in private business initiatives. Fears for the social order were also involved, as it was considered that through improved housing it might be possible to ‘civilise’ these poor, savage, starving and drunken labourers who were yet so necessary. However, in this climate, charitable movements and political and social utopias also flourished, such as the ‘*familistères*’ founded by Godin at Guise (near Lille) and also in Brussels and Liège.<sup>9</sup>

This mixture of social and economic motives, altruism and self-interest, can certainly be found nowadays in many initiatives for the regeneration of certain neighbourhoods and for the social reintegration of the homeless, beggars or other ‘embarrassing’ victims of social breakdown.<sup>10</sup>

#### *The public authorities take up the challenge*

The start of a genuine public policy for social housing only dates back to 1919 when the government set up a national housing fund to provide affordable housing.<sup>11</sup> With the creation of this fund, responsibility for building social housing was transferred from private to public initiative. However, instead of adopting a centralised approach, the public fund registered local societies throughout the country which were most often set up by local authorities.<sup>12</sup> During the 1950s, these societies built more than 7,000 dwellings a year, and this rate was more than doubled in the late 1970s in an attempt to stimulate the economy through major public works. So it may be said that social housing policy, which began as a measure to maintain order, was used as an instrument for smoothing the negative side-effects of the economic growth during the 1950s and 1960s and finally played a part in the fight against unemployment in the 1970s.

In the last decades, social housing has been in a very precarious situation. Firstly, many of the registered societies have experienced severe financial problems, in part because rents have been hit by the falling incomes of many tenants. This led the public authorities to introduce the idea of profitability in social housing, obliging societies to attempt to balance their books and leading to a preference for tenants on average incomes. An important report on poverty published in 1994 indicates that of the 410,000 families who were then living below the poverty threshold, only 27 per cent received help from housing societies. The remaining 300,000 families were forced to rent from the private sector, though at the same time the housing societies were letting 140,000 dwellings to families from outside their target group.<sup>13</sup> Moreover, over the years social housing has become a rich ground for vote-catching manoeuvres, and this

evolution clearly shows in the many ways devised to by-pass the rules for allocation and priority.<sup>14</sup>

#### *New initiatives*

During the last decade, the impoverishment of many urban areas and the housing problems experienced by increasingly marginalised groups have led to the emergence of various innovative initiatives from the association sector. Sometimes these have developed quite independently, but most often they have come about in partnership with local or regional public authorities, because of the extent of financial resources generally required in the property sector.

Broadly speaking, we can identify several types of initiatives. A first category of organisations acts as an interface between, on the one hand, public and private landlords, and, on the other hand, tenants who, without this mediation and firm support, would be unable to gain the confidence of the landlords. The first initiative of this kind dates back to 1989 and involved a partnership among around a dozen associations.<sup>15</sup> The scheme was then taken up by the Walloon Region government and is now available in every local authority area with more than 50,000 inhabitants. These Social Estate Agencies (*AIS, Agences Immobilières Sociales*) are now in essence quasi-local authority bodies, but depending on local circumstances they may call more or less regularly on associations, *inter alia* to provide social mentoring for their beneficiaries. Furthermore, as there is a real risk that Social Estate Agencies will take on a managerial role which does not encourage tenants to assume direct contractual responsibility *vis-à-vis* the owners,<sup>16</sup> some associations have introduced a 'sliding lease' which empowers tenants and leads them gradually towards a normal contractual relationship.

Other associations are investing in the renovation of unoccupied dwellings and they generally depend upon public finance made available for this purpose. Sometimes they involve the future tenants from the start through a 'self-renovation contract'.

Associations have also been involved in setting up a number of campsites which provide more or less long-term accommodation for people without resources. Through organising collectively, these people try to have their rights recognised in these somewhat unusual circumstances. Similar movements uniting the homeless can also emerge following the occupation of abandoned buildings ('squatting').

The range of initiatives is, in fact, very wide (Prick 1994). Some associations provide emergency accommodation for a few days, others provide short-term accommodation, and some offer the possibility of renting a house on a long-term basis, with perhaps even the chance to buy it.

The last few years have also seen the emergence of a growing number of neighbourhood management schemes. Thirty or so are linked to social housing companies and aim to provide training and rehabilitation for young people in social estates through various kinds of work (minor repairs, maintenance of public open space, etc.). A dozen more focus on urban regeneration, mobilising

local people to renovate depressed areas. However, although in principle these schemes are based on the French model of the *régies de quartier*, the Walloon versions tend to be the result of public authority or social housing company initiatives, which often limit their margin for manoeuvre and their entrepreneurial scope (Defourmy 1998).

### **Childcare**

#### *The first initiatives*

In a different field, but in the same socio-economic context, 1845 saw the appearance of the first crèches in Belgium. They too were private. Their origins were philanthropic or charitable, and they were organised by charitable societies and financed by individual subscriptions, by the church, by local and provincial authorities and by contributions from families towards child-minding costs. The purpose of these initiatives was to provide the children of mothers working in factories with day-care of a higher standard than that available in sordid and often clandestine nurseries (Dubois *et al.* 1994).

#### *The public authorities take up the challenge*

Although there are clear differences between this field and that of social housing, the development of childcare shows the same increase in public authority intervention and, even more markedly, a parallel growth in the number of beneficiaries. Until the Second World War, crèches were among the measures set up to protect deprived children. However, during the 1960s, the attitude towards crèches gradually altered, and the laws of 1970 and 1971 profoundly changed their image, imposing standards of training and introducing a system of subsidy which no longer depended on the attendance of children from low-income families. Today, the social aspect of these services still shows in the fact that the financial contribution made by parents depends on their incomes. However, it is quite clear that this is an essential service for a large part of the population, irrespective of social class.<sup>17</sup> The services themselves are very varied and private bodies still represent a large proportion – sometimes even a majority – of the options available alongside public provision.<sup>18</sup>

#### *New initiatives*

The 1990s have seen the appearance of a large number of initiatives in this area to meet new needs thrown up by socio-economic changes. These include care for sick children, emergency childcare to enable unemployed people to attend vocational training courses or look for work, after-school schemes or 'flexible childcare' outside the normal opening hours of institutions. These initiatives originate in various ways, with the public bodies for vocational training, schools, local authorities, associations etc. The history of these schemes is often closely

associated with 'social entrepreneurs' who have sought to find answers to newly emerging needs. Many initiatives began in small associations working in deprived neighbourhoods or districts to meet the needs of families in difficulty, particularly from a socio-professional point of view.

The sector has held a long and lively debate on the question of competent authorities for the regulation and financing of these initiatives. Should childcare be regarded as an aspect of family policy, and thus a regional and community responsibility in Belgium, or of social security, in view of its direct link with providing parents with access to work? Today the various competent authorities have reached an agreement on sharing this authority.<sup>19</sup>

### **Home help**

#### *The first initiatives*

In the field of home-help activities, the first initiatives arose during another very difficult period. The Second World War and the years that followed brought severe hardship to many families. Voluntary initiatives sprang up to help families with needs which were not met by mutual help within the family. These initiatives were rapidly integrated into a broader movement, run mostly by women, which hoped to mark a move away from simple financial assistance (e.g. families would pay a modest sum for the services they received) and the paternalism often prevalent in social assistance (the first family assistants would receive training and a modest salary).

#### *The public authorities take up the challenge*

Home help for families too has undergone increasing public regulation, and the range of both services and beneficiaries has broadened. The first legal framework for family assistance was established in 1949. During the 1960s the target widened to include the disabled and elderly alongside the mothers of families in difficulty. Gradually the profession developed into an important link in the chain of social services. It is regulated today by the Regions and organised by voluntary associations and local authorities.

#### *New initiatives*

Given the rapid ageing of the population, changes in life-styles and family structures and the socio-economic crisis, the field of services in the home is now faced with changing and more complex demands, including long-term care for elderly people, and various needs connected with family breakdown. To respond to these needs at a time of great change, new initiatives have emerged.

Innovative forms of co-ordination among all those involved first developed informally, at the initiative of doctors, nurses, associations or public bodies. Since 1989 a decree has recognised and promoted the co-ordination of the different

kinds of care and services delivered in the home to improve the overall quality of care for dependent persons. However, within the associative sector, this decree has revealed tensions between the structures close to mutual organisations – which are responsible in Belgium for the interface between the general public and the national health insurance system – and the more independent associations. These two groups take markedly different approaches to co-ordination, the first group focusing on medical needs, and the second on trying to enhance the central role of aid to families as part of the overall support of users.

Other initiatives, mostly in the association sector, have also appeared, sometimes depending on volunteers and sometimes on paid workers. The associations calling mainly on the help of volunteers are often involved in tasks in which relationships form an essential element, or offer services for which no public subsidy can be expected, including help with mobility, shopping and minor repairs. The associations which draw principally on paid employees generally seek to provide services to people on modest incomes, but given the fact that the demand for these services is not matched by the ability to pay for them, such organisations are dependent on public employment programmes for a significant proportion of their staff.<sup>20</sup>

### **3 Associations and social entrepreneurship**

In the wide-ranging initiatives which we have just reviewed, is it possible to discern a real social enterprise dynamic, as defined in this work? We shall consider both the social and the economic criteria defined by the EMES Network, comparing them with the results of a survey of around a hundred initiatives in the community services sector.<sup>21</sup> In fact, not all the experiments observed in this survey are part of the social economy; some come from the public sector, and others are even private for-profit enterprises. We shall try to determine whether some, at least, of the associations are animated by this dual impulse, at once social and entrepreneurial.

#### *The entrepreneurial dimension*

In the Belgian debate on the social economy, only one segment of the latter, i.e. the 'market-oriented social economy', is generally recognised as having an entrepreneurial basis. The crucial distinction, in this case, is based on the importance of market income in financing the enterprise (generally, a social economy organisation is considered as market-oriented if over 50 per cent of its income derives from the market). But this is a very narrow conception of the enterprise. Economic theory, and in particular the theory of organisations, defines the enterprise as 'an independent entity capable of making contracts (in the broad sense of the term) and of taking risks' (Milgrom and Roberts 1992: 289). To some extent, the special feature of an enterprise is thus that it 'takes economic risks'. Because the organisation enters into contracts with a wide variety of players (suppliers, customers, workers etc.), the possibility of

reforming the organisation by amending these contracts, as well as the independence of management in its relations with third parties, are both indicators of an entrepreneurial dimension which should also be taken into account.

If we examine the situation on the ground, the survey reveals that associations active in the provision of community services develop numerous *de facto* contractual links with their users, their paid employees, or their funders. It also shows that on average 57 per cent of an association's budget is derived from non-commercial sources, though this average hides a variety of scenarios. Though this proportion of public finance is markedly lower than in initiatives run directly by the public authorities (where it stands at 90 per cent on average),<sup>22</sup> does this not mean that they have lost control of their own management? In other words, who holds the ultimate power of decision in these associations? Who takes the economic risks?

In practice, responsibility in associations devolves upon the management board. It is therefore helpful to consider its composition. The survey shows that public authority representatives sit on a little over a quarter of management boards in the associations under consideration. However, there are widely differing levels of public representation within this subgroup – ranging from 7 to 65 per cent. It should also be noted that the proportion of non-commercial resources is very high in those associations where public authorities have majority representation. To this extent it would perhaps be better to consider such associations as 'para-public organisations' or as 'secondary public organisations'.

But this is only the case for a minority of associations. Though the proportion of non-commercial resources in the budget of associations in general is relatively high, which implies a certain dependence on public authorities, the make-up of most decision-making bodies indicates that for most associations, management independence remains a reality.

These data confirm our feeling that it is too restrictive to regard the market-oriented social economy as the only segment with a truly entrepreneurial dimension. This is, firstly, because associations working in the field of community services combine commercial and non-commercial sources of finance in almost equal proportions, which brings into question any distinction between the commercial and non-commercial social economy. And, secondly, because even though the payment of public subsidies has a significant impact on the structure of associations, it remains true that in most cases the economic risk remains their ultimate responsibility.

### ***The social dimension***

The social dimension of social enterprise resides mainly in the fact that they result from the initiative of a group of citizens and depend on a participatory approach, expressed in various ways, such as the implication of users in the organisation's operation, the mobilisation of volunteers and donations, or the

development of local partnerships. The involvement of actors in the social enterprise comes close to the notion of 'social capital', as has been stressed elsewhere.<sup>23</sup>

The survey confirms the existence of two special features. Firstly, the involvement of many different partners is greater in the associative sector than in either the public sector or the private for-profit sector. This involvement is expressed in a variety of practical ways. For example, users sit on the management board, or contribute to the planning or production of a service; workers participate in management; and volunteers – absent from the public sector or private for-profit concerns – bring their own contribution. Secondly, most associations state that they would like to develop local partnerships.

In principle, the social dimension also comes from the fact that the main aim of social enterprises is not to reward capital nor the people who control the organisation, but to provide some form of service to the community.

In Belgium as in many other countries, the legal form under which associations operate forbids them to distribute profits. In the same way, since there is no provision for capital ownership by members, voting power is linked to persons and not to shareholding. What is then, in practice, the purpose of associations working in the field of community services?

Firstly, there are services which aim to fight social exclusion or, in other words, to integrate or reintegrate users into society. The associations surveyed mainly worked with people on low incomes and those on benefit, that is to say, with disadvantaged groups, particularly in services linked to neighbourhood development, whereas the public services address a wider public. Users of the private for-profit sector belong to average or higher income groups. This observation suggests that the associations are mainly seeking to respond to unsatisfied demand from a socially vulnerable public. Segmenting the public in this way induces a risk of dual provision in community services and the stigmatisation of disadvantaged users.

Associations are also engaged in the socio-professional integration of their employees through the jobs and traineeships they generate. Although 80 per cent of associations do not take the re-employment of unemployed people as their main aim, they use active employment policies for the reduction of unemployment as a source of finance for 40 per cent of all jobs. Around 20 per cent of associations in the sample do take socio-professional insertion of their workers as an explicit aim (such as enterprises for training through work, integration enterprises, neighbourhood management schemes). However, this raises the tricky question of the relationship between the objectives of public policies for the integration of low-qualified workers on the one hand, and the priorities of associations whose main purpose is to offer a high quality service to their users, on the other hand.

The provision of a service also involves the creation of collective externalities, i.e. indirect effects of the activity which benefit the whole community.<sup>24</sup> Community services strengthen social cohesion, through reducing the isolation of elderly people, socialising children, providing help to families etc. Their role in preventing failure at school, delinquency and social exclusion and in creating

links between people who live in the same neighbourhood, contributes to the well-being not only of the people helped directly but of society as a whole. The existence of community services can also generate local externalities, i.e. benefits attached to a particular geographical area, improving the quality of life and encouraging local development. Activities which help improve the conditions of life also encourage people to remain in the neighbourhood, and attract other economic activities. Finally, in the current context of structural unemployment, the development of these services can generate externalities in the form of job creation and a reduction in unemployment.

What is striking in these associations, as the survey confirms, is that these collective benefits are not mere secondary effects caused by a main activity but an essential dimension, wholly or partly designed as an integral part of the project by its promoters. In this sense it could be said that building on these collective externalities is a major motivation for the commitment of people working to develop community services within associations.

#### **4 The place and role of social enterprises: challenges ahead**

The initiatives that are emerging in the field of community services certainly seem to represent a flourishing social economy dynamic. What place can these organisations really assume? What questions and problems are raised by their development? What is their relationship with the public authorities, which have undeniable responsibility in these sectors of activity? What special contribution can they make to public measures? We shall try to sketch some answers to these questions in the light of the historical developments discussed above.

##### ***A pioneering role taken up by public intervention***

We have seen, both in the beginning and in later initiatives, that private – often voluntary – measures generally precede state intervention in responding to the needs of people in difficulty. Associations have taken a pioneering role in clearing the way for meeting emerging, but non-remunerative social demands. At a later stage the public authorities arrive to regulate their activities, *inter alia* providing financial support. The need for such public intervention is underlined by various writers who demonstrate the limits of the private non-profit sector. These limits include ‘philanthropic insufficiency’, i.e. the difficulty of mobilising enough voluntary resources, and ‘philanthropic idiosyncrasy’, i.e. the risk that some groups would be favoured to the detriment of others.<sup>25</sup> The involvement of the public authorities also reflects the desire to serve the general interest in these quasi-collective services. Most of the services offered are not uniquely a source of private benefit but benefit the community as a whole, which justifies public finance.

##### ***A lasting place in the provision of services***

Beyond the phase of social innovation, associations still retain a role in the provision of services. Firstly, this is because the state finds it difficult to respond to differentiated, heterogeneous demands since its management approach is centralised and bureaucratic. Secondly, because in certain contexts associations have a very specific place.<sup>26</sup> In Belgium, the joint presence of public and voluntary dimensions in certain major sectors (education, health etc.) reflects a historical compromise between different philosophical ‘pillars’ (Roman Catholic and secular) which is deeply embedded in the structure of Belgian society. Finally, it should be stressed that the ability of associations to mobilise voluntary resources enables them to develop complementary services responding to more specific demands which are not met by the public authorities.<sup>27</sup>

##### ***A sometimes difficult relationship with public authorities***

Whatever the context, the question of the partnership between the associative sector and the public authorities is often posed in an acute form (Gilain and Nyssens 1999). For example, Belgium has inherited from the French Revolution a sort of permanent tension between two perspectives. On the one hand, there are the defenders of a view of the public interest embodied almost exclusively by the state, with a minimum of interference between state and citizen. On the other hand, there are those who believe that the development of ‘intermediate bodies’ of the association type are essential to protect the citizen from domination by a centralising state or an exaggerated individualism. Today, as many initiatives to combat social exclusion are being taken, or taken over, at local authority level, it is precisely on this local level, depending on the majorities in place, that relations between public authorities and associations can be most difficult.

##### ***Objectives in partial conflict***

It should also be noted that community services experience a growing tension between differing objectives. Given the crisis in the labour market and increasing budgetary constraints, public authorities favour the integration of poorly qualified workers within these services through active labour-market policies. However, the organisations which provide the services stress above all the benefits of these services for users, including social insertion for dependent people through services in the home and for the homeless, and socio-professional insertion for the users of childcare facilities. Nevertheless, these same organisations make use of employment policies, insofar as they become a source of finance enabling them to develop their services, despite the obvious limitations of this strategy. Apart from the insecure status and high turnover of staff, linked to the fact that state support is time-limited, these projects are also affected by the difficulty of finding people who at the same time meet the profiles demanded by employment policies and the profiles required by the nature of the activities.

### Challenging institutionalisation

In the areas that have been examined, two major factors emerge from historical developments. There is a growing institutionalisation of services being provided for growing numbers of clients, while more rigorous management is required under the strains of increasing budgetary constraints.

Despite these trends, new initiatives have emerged outside these well-established organisations, in the same or closely related fields, to address new problems or problems which had not yet been tackled. Expressed otherwise, there is perhaps a sort of life-cycle for many initiatives, from the most informal to the most institutionalised, with areas constantly coming to light which call for new formulas and new combinations of players and resources to rise to the challenges of the times.

## 5 Conclusions and future prospects

The results of our analysis in the field of community or proximity services suggests that social enterprises do present quite specific features. Furthermore, like similar initiatives which emerged in the past century, they have an original contribution to bring, and they can play a part in shaping the contemporary socio-economic landscape. However, the importance of their future development is largely conditioned by the opportunities which will be open to them for maintaining and cultivating their own identity. The very nature of the social enterprise is such that it presupposes a certain balance between its two major elements, the economic and the associative. This balance can be encouraged or rendered almost impossible by various external factors.

Although it is not the only issue, the future financing of social enterprises is at the heart of discussions about their future. These are crucial matters for social enterprises which are heavily dependent on public finance. Everywhere, there is a trend towards the development of contractual relations between public authorities and associations for the provision of well-defined services. This contractual relationship may mean that the spending of public money is being better controlled, and that associations have increased responsibility for the services they provide, but it may also shackle their autonomy and innovative capacity. This can also happen where support for social enterprises is systematically linked to programmes for getting the unemployed back into work. In this case, there is a risk that social enterprises may simply be used by the public authorities, which could lead to their more or less deliberate stifling.

No less threatening is the prospect of regulation by market forces alone. If social enterprises are confined to providing services for which their clients can afford to pay, they will risk entering into competition with traditional commercial companies and ultimately will have to adjust their behaviour accordingly. Paradoxically, such a scenario could receive some support from public policies to promote the third sector if, as happens in Belgium, they tend to give preference to the market-oriented social economy.

Clearly the prospects for the development of social enterprises would be quite

different if the synergies between the state and the market, dating back to the post-war boom years, were to be gradually replaced by a more pluralistic view of our economies. This pluralism should be particularly reflected in the recognition of a broad array of socio-economic players (partnerships among them), different kinds of entrepreneurial approaches, and combinations of market, non-market and even non-monetary resources. Belgium is not the worst country in its efforts to support social enterprises and the full recognition of the third sector, but much remains to be done to contain the pressures of public or commercial isomorphism.

At the very least, whatever the future changes in the socio-economic environment, history seems to show that there will always be new areas where the creativity of the community and the entrepreneurial abilities of citizens can come together to find new solutions.

### Notes

- 1 Defourny, Dubois and Perrone (1997). When schools of the so-called 'free' (catholic) network are included, we arrive at a total of 470,000 jobs (Mertens *et al.*, 1999). However, these schools are usually regarded as being half-way between the social economy and the public sector.
- 2 The Report of the *Conseil Wallon de l'Économie Sociale* (1990) has played a crucial role in this respect, by proposing a definition which remains the standard.
- 3 The *SFS* articles must state that 'the members are only seeking a limited profit or no profit', that they 'do not seek as the main aim of the company to procure members any indirect profit' (where the company provides members with a direct limited profit, it may not exceed a rate of return currently set at 6 per cent). The constitution must also set out 'a policy for distribution of profits appropriate to the internal and external purposes of the company'. In case of liquidation, 'after all the liabilities have been met and the members have been repaid their capital, any surplus should be allocated to purposes as close as possible to the social purpose of the company'. The *SFS* also introduces a certain degree of democracy into the enterprise: the constitution must set out 'practical procedures whereby each member of staff may acquire membership status, one year after joining the company at the latest'. It may also be stated that 'no-one taking part in a vote at the general assembly may exercise a number of votes exceeding one tenth of the votes deriving from the shares represented; this percentage is one twentieth where one or more members are staff members engaged by the company'.
- 4 Most of the initiatives which are included under the heading 'social enterprises' adopt the legal form of *ASBL* (*association sans but lucratif* - non-profit association). This is a very flexible form, and less demanding than that of the commercial company. It is also often necessary in order to qualify for public subsidies for activities with a strong social dimension. Last, but by no means least, the *ASBL* can carry out an industrial or commercial activity provided that this activity is of secondary importance and subordinate to the main purpose of the association, which must be of a non-profit nature.
- 5 See, *inter alia*, a book published by the King Baudouin Foundation (Defourny 1994). A 'Network of Social Enterprises' has also been set up in the French-speaking part of the country.
- 6 Among the most recent works, see for example Lauwereys, Matheus and Nicaise (2000).
- 7 Belgium is divided into three regions: the Flemish Region, the Walloon Region and the Brussels Region.



- 8 See for instance Laville and Nyssens (2000).
- 9 These settlements were a highly 'developed' version of workers' housing, offering unheard of comfort for the time (apartments along passage-ways overlooking a courtyard). But the private lives, as well as the working activities, of the labourers came under the highly paternalist control of employers.
- 10 A significant difference, however, is made by the vastly more important role played today by the public authorities.
- 11 In 1956 this became the National Housing Society (Société Nationale de Logement) which was subsequently reorganised on a regional basis.
- 12 Many of these companies were established as tenants' co-operatives and opted for a 'garden city' type of development, characterised by a very rich social and cultural life. The few remaining tenants' co-operatives have now passed into public control (Horman 1985). The decentralised approach taken in Belgium avoided huge public housing developments of the kind seen in France and Italy.
- 13 *Rapport Général sur la Pauvreté* (1994).
- 14 In the early 1960s, Detrez and Klein (1962) noted that 'it is not uncommon for party membership to be an essential condition for obtaining a social housing tenancy'. In 1994 the *Rapport général sur la pauvreté* disclosed that only 37 per cent of Flemish social housing societies clearly followed the regulations and allocation procedures for housing.
- 15 Known as *Gestion Logement Namur*.
- 16 Since an AIS is financed in relation to the number of dwellings it manages, there is a strong temptation for them to aim above all at increasing this number and thus to leave the tenants in a permanent state of dependency – which also suits the landlords, since they prefer to deal with more stable parties.
- 17 In Belgium, almost 20 per cent of the children aged three years and under of working mothers have access to some kind of registered or subsidised childcare.
- 18 Having originally opposed, and subsequently supervised, private child-minders (who look after an average of three children in their own homes), the public authorities incorporated them into the system of subsidised childcare in 1975. This formula costs the authorities much less, and has shown the strongest growth over the past two decades, to the great disappointment of those who had hoped to raise the professionalism of the sector and provide a more formal status for those working in it.
- 19 In 1997, the federal authorities financed almost 480 new projects for childcare in Belgium. Today the Regions and the Communities finance traditional crèches and projects for childcare after school hours. In 1998, the federal authorities financed 188 projects for the care of sick children, and 522 out-of-school and flexible projects.
- 20 The market is very segmented according to the income of the users. For some services, where the relational aspect is less important (shopping, meals delivered to the home, minor repairs etc.), better-off users turn either to private, profit-making companies or the black economy, whilst the associations take care of the demand from those unable to pay.
- 21 This survey, carried out by Gilain, Jadoul, Nyssens and Petrella (1998) aimed to study the methods of organisation used in community services across a whole range of public, private and associative initiatives over a restricted geographical area – Charleroi – in four areas of activity: home help for families and the elderly, childcare (up to six years), neighbourhood development (neighbourhood management schemes and community centres), and assistance in obtaining housing. The database which was built up covers ninety-two organisations with 1,500 employees. It should be noted that the study was limited to initiatives which were to some extent 'institutionalised', in the sense that it did not attempt to investigate the informal sector (services provided by family and friends and the black economy), because of the difficulties of collecting information in these areas.

- 22 In the kind of activities covered here, the traditional private sector has no access to public subsidy.
- 23 See the chapters by Evers and by Laville and Nyssens in the present work.
- 24 More exactly, externalities appear when the actions of an agent have positive or negative effects (not regulated by the price system) on the well-being of other agents. See also the contribution by Laville and Nyssens in this book.
- 25 See among others Salamon (1987).
- 26 Why does the state delegate part of its production to the associative sector and not to the private, for-profit sector? The answer may lie in theories of trust (Hansmann 1987). We are in a situation where the public authorities finance services but do not produce them. They can only control the behaviour of the providers, and thus the use of public subsidy, with difficulty. In this case, the status of the association, with its constraints on redistributing profits and its social purpose (providing a service to users), may inspire trust.
- 27 See Weisbrod's theory of excess demand (Weisbrod 1977). The state's manner of functioning, characterised by a political decision-making process based on the preferences of the median voter, leaves an important, heterogeneous part of demand unmet.

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### 3 Denmark

#### Co-operative activity and community development

*Steen Bengtsson and Lars Hulgård*

#### Introduction

In spite of the tradition of co-operative enterprises and of citizens' engagement in fields other than the social, the concept of 'social enterprise' has not been used so far in Denmark. However, there is a huge number of projects and initiatives, which have developed during recent decades, which could be taken into consideration when talking about social enterprises. They are often financially supported by experimental pilot and action programmes. Such programmes have had a considerable influence on social work practice and probably also on the modernisation of the welfare state. After presenting the main features of Danish social policy as a background for understanding the conditions for social enterprises today, we shall give a short outline of the two forms of co-operative enterprises.

#### 1 The Danish system of social protection

The Danish welfare system is characterised by a sizeable public service sector in the social, health and educational fields. Danish welfare is primarily financed by income taxation and VAT. Social assistance and a great deal of social insurance benefits are financed by general taxation. Employers and insured people contribute only modestly to the overall social budget. Apart from this, Denmark has primarily a system of universal coverage, in which application of social rights is related to inhabitancy rather than citizenship. The only exceptions are unemployment and pre-pension insurance which are occupational<sup>1</sup> but heavily state supported.

The main characteristics of the Danish welfare system are thus universal coverage and public involvement in financing as well as in producing the services. Since the 1960s, social welfare in Denmark has been dominated by public authorities – primarily municipalities – which are also the main producers of social services. The basic structures of the local welfare system were defined in a comprehensive set of reforms starting at the end of the 1960s. The reforms started with amalgamations that reduced the number of municipalities dramatically to make them big enough to handle new social tasks (Villadsen 1996). In the so-called 'second decentralisation', which took place from the 1980s, the