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8 Ireland

Social enterprises and local development

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Introduction

In Ireland, the terms social economy and social enterprises have become part of policy and academic discourse only since the mid 1990s. This can be attributed primarily to the attention given to these concepts in the European Union in recent years and particularly to the identification of the social economy as a potential source of employment in EU documents.¹ The social economy – and social enterprises as used in this context – is thought of as a distinct sector, neither public nor private, which is generally involved in service provision, most usually in situations of market failure. In one of the first references to the sector in Irish policy discourse, the National Economic and Social Forum (NESF)² identified the social economy as 'concerned with meeting real demands which cannot be fully met by the market alone and are not provided by the public sector. It represents a continuum of delivery possibilities between fully commercial and public provision' (NESF 1995: 19).

The social economy is considered by the NESF to have a number of distinctive characteristics including a local focus in terms of market, ownership and operation; an income focus in terms of prioritising adequate and sustainable incomes for those involved; the pursuit of quality of life goals; and different forms of economic organisation. Subsequent discourse has emphasised different aspects of the NESF continuum involving varying levels of public assistance, trading income, voluntary activity, private support and user solidarity.

Kennelly and O'Shea (1998) have characterised the social economy as bridging the gap between the social needs of people, and the public and private resources available to meet these needs. They see social enterprises as most relevant in situations of market failure where needs and demands can be met through community, voluntary or co-operative forms of organisation rather than through the public or private for-profit sector (Kennelly and O'Shea 1998: 210). In recent commentary, three sub-sectors of the social economy have been identified – community businesses; deficient demand social enterprises, and enterprises based on public sector contracts.³ The latter have not as yet developed to any significant extent.

In Ireland then, the terms social economy and social enterprises are generally understood to refer to initiatives involved in the production of goods or services but with social, rather than purely profit-making or commercial, goals. Perhaps because so many social enterprises are seen to be generally reliant on state support and not fully self-sustaining or commercial in orientation, there is a tendency to perceive social enterprises from both the supply and demand side, as primarily (but not exclusively) a response to problems of disadvantage or social exclusion. But before turning to the links between social exclusion, local development and social enterprise, it is important to set out the broad context of the social economy in Ireland. Although the concept itself is quite new, in practice social enterprises (as conceptualised for this research project) have existed in various forms in Ireland for a long time.

1 Social enterprises in Ireland – the broad context

It is not possible to construct a general typology of social enterprises mainly because information about 'third sector' or non-profit organisations is, at best, fragmented and unreliable. The classification of economic sub-sectors used in national statistics does not specifically delineate such enterprises, so the size and significance of the sector are unrecorded. The terms 'voluntary sector' or 'voluntary and community sector' are the most common concepts used to refer to non-profit organisations with social aims. One of the most recent surveys of the voluntary sector (Powell and Guerin 1997) does not refer to the concept of social economy or social enterprises at all, although it contains a detailed discussion of recent developments in civil society. Notwithstanding their lack of prominence in official statistics, institutions that generally correspond to the working definition of social enterprises adopted for the present study – that is, which incorporate entrepreneurial and social dimensions – are found under a range of classifications. Ireland has a considerable tradition of co-operative activity (dating from the late nineteenth century) and of self-help activity, particularly in the agricultural sector and in rural areas. Moreover, unlike some other northern European countries where the provision of social services is virtually a state monopoly, the non-profit sector has played a very significant part in the provision and delivery of health and personal social services.

Much of this is associated with, and has evolved from, the activities of religious organisations (particularly the Roman Catholic church) which have had a very considerable role in the establishment and operation of services in the fields of health, education and welfare. Religious orders have also been dominant or sole providers in the fields of mental and physical disability, residential childcare and care of the elderly. They have also had a very extensive involvement in education, and particularly in the provision of second level education.

This latter influence is evident in the present structure of the non-profit sector. Data from the Johns Hopkins Comparative Nonprofit Sector Project reveal that employment in non-profit schools accounts for more than half (54 per cent) of total jobs in the non-profit sector in Ireland so that the pattern of non-

profit structure which Ireland exhibits is referred to in this study as 'education dominant'. Four-fifths of all non-profit employment are in the education and health sectors combined. The extent of the non-profit sector in Ireland ranks well below the European average in virtually all other fields of activity. This is most notable in social services where employment accounted for only 4.5 per cent compared to the European average of 26.4 per cent (Salamon *et al.* 1998).

Church involvement in social service provision is also reflected in the lay religious organisation, the Society of Saint Vincent de Paul, which has more than 1,000 local branches with some 11,000 members and operates as a kind of shadow welfare state by providing income support and welfare services to those in need. However, the decline in religious vocations and growing secularisation of Irish society has brought about structural changes. The numbers of religious personnel have declined and those who remain have increasingly withdrawn from involvement in institutional provision in the fields of health, education and welfare. Instead, many religious orders have deployed their resources in the provision of community-based services where they continue to have a significant involvement. One regional study of voluntary organisations found that more than half (57 per cent) of voluntary organisations had some form of religious involvement (Faughnan and Kelleher 1993).

The term 'voluntary sector' or 'voluntary and community sector' is used to describe organisations based largely on volunteer activity. Examples range from relatively large facilities providing health services, to professional associations, advocacy organisations and self-help organisations. Recent estimates suggest that there are about 500 voluntary organisations involved in such fields as social services provision, campaigning and advocacy, support and self-help, representation and co-ordination and cultural activity. Many such organisations have undergone significant professionalisation in the past decade. Those involved in advocacy and representation, for instance, have had to respond to the rapid modernisation of Irish society and the increasingly complex and inclusive policy-making process. As yet however, the impact on employment in this sector has not been assessed and there are no statistics or data which track employment in the sector. Unlike other European states, there is no federal structure that represents voluntary organisations. More than half of the voluntary and community organisations which exist in Ireland at present have been formed since the 1970s, and just under a third of the Irish population have been involved in voluntary organisations at some time, with around 18 per cent actively involved in 1995 (Ruddle and Donoghue 1995; Powell and Guerin 1997).

However, many voluntary organisations do not function in a participatory way in terms of involving stakeholders in the running of the organisation. Faughnan and Kelleher (1993) found that less than a third (31 per cent) of the organisations they studied had formal democratic representative structures. Powell and Guerin (1997) found that less than half (41 per cent) of voluntary bodies felt that their clients/users/members had a lot of influence within the organisation. Although the concept of democratisation was important to organisations, two-thirds of those studied believed that there had been no change in the

level of democratic participation in the last twenty years, or since they were established.

2 Categories of social enterprises

Any attempt to delineate or categorise social enterprises in Ireland is, of necessity, rather arbitrary. There is no distinct legal definition of social enterprises; individual enterprises may select from a number of different options, which can provide them with a legal identity. Unlike the situation in other European states where legal regimes may actually encourage particular types of organisational forms, the legal context in Ireland generally exerts neither a facilitating nor inhibiting influence on the social economy. The emergence of social enterprises has not given rise to any specific legislative changes in recent decades.

Social enterprises may be limited companies, or industrial and provident societies, which is the legal form adopted by co-operatives. The company is the most common form of legal structure for business firms generally. Most commercial companies are limited by shares but companies may be limited by guarantee, and this is the form more commonly used by social enterprises. In order to omit the word 'limited' from its title such a company's profits or income must not be distributed among its members. Other legal forms adopted by social enterprises include co-operatives and trusts. Credit Unions have a separate legal status and are defined by statute.

In general then, we can distinguish social enterprises on the basis of their objectives, activities and operation rather than by their organisational form. According to the criteria for the definition of social enterprises adopted for the present study, five broad categories of social enterprises can be delineated. These are:

- work integration – social enterprises associated with insertion of members of excluded groups into the labour force;
- social enterprises concerned with housing provision;
- credit unions;
- social enterprises providing personal and proximity services; and
- local development organisations.

Obviously this is just one way of classifying social enterprises and the categories, particularly the latter two, are not entirely conceptually separate or mutually exclusive. Nevertheless, it is useful to delineate them because it is indicative of the way in which social enterprises have emerged and may develop in future. The first four are generally thought of as being part of the non-profit/voluntary sector and as the established or conventional social economy. Local development or community-based service organisations which provide innovative responses to the emerging needs of modern society are more typically characterised as being part of a new generation of social economy organisations. These will be examined in detail in the second part of this chapter. First, we look briefly at the enterprises in the more conventional social economy.

Work integration

Social enterprises categorised here as 'work integration' do not have a specific name or constitute a recognisable sector in Ireland, but all are concerned with providing work and labour-market integration for the socially excluded – usually for people with disabilities. The majority are run by voluntary, non-profit organisations in the disability field and provide training and employment in what are conventionally referred to as 'workshops' or 'sheltered employment'. Around twenty-six such organisations run enterprises which provide goods and services in nineteen different sectors. However, although they are commercially oriented, these enterprises rely to a very considerable extent on direct and indirect state support. Their parent organisations are financed through a combination of state subsidy, donations and commercial profit.

In 1994, the largest non-profit organisation in this area (Rehab Group) established a separate enterprise company to develop viable businesses. Building on the commercial base of some of the existing 'workshops', this has brought together seven companies from the food, textile, electronics and recycling sectors. This model has begun to be adopted in other enterprises established for on-the-job training for the long-term unemployed, in an attempt to reintegrate them into the workforce.

Housing

One of the most significant developments in the social economy in Ireland in recent years has been the increasing role of voluntary organisations in the provision of social housing. Substantial state assistance is available in the form of grants to approved voluntary or non-profit housing associations to assist in the provision of rented accommodation, particularly for those with special needs such as the elderly, people with disabilities and homeless people. More than half the social housing provision for elderly and disabled persons in the period 1988–1995 was accounted for by the non-profit sector. The main organisational forms in the non-profit housing sector are associations, trusts and co-operatives. There were 350 housing associations registered in 1996 of which 100 were affiliated to the Irish Council for Social Housing.

Credit unions

In some respects credit unions are the most easily recognisable social enterprises operating in Ireland. Credit unions are voluntary organisations whose members collectively save and lend to one another at a fair rate of interest. They are distinguished by the idea of a 'common bond', which can be either community, occupational or associational and is the basis for membership and solidarity. There were 435 credit unions registered in the Republic of Ireland in 1997 and about 90 per cent of these were community bond unions where the members live and work in the local area. Each credit union operates autonomously and profits are distributed to members in proportion to their transactions with the

credit union, or may be used to provide additional services to members. The credit union movement relies heavily on volunteer workers but has become increasingly professionalised, particularly in larger communities. Credit unions employ more than 2,000 temporary and permanent staff. They are run on a commercial basis and receive no state subsidies.

Personal and proximity services

Non-profit organisations have traditionally provided a range of services in Ireland. Surveys of such organisations have shown that more than two-thirds of them are involved in the provision of services or self-help/mutual aid (Faughnan and Kelleher 1993; Powell and Guerin 1997). The elderly, the community in general (including children) and the unemployed are the most common client groups. The majority employ professional staff but rely heavily on volunteer input, generally from a small corps of fewer than twenty volunteers. The levels of state subsidy and dependence on donations differ greatly from service to service.

The services provided by these organisations include personal services such as community care, healthcare, childcare and counselling, or services to disadvantaged groups like travellers (gypsies) or the homeless, as well as environmental services such as recycling and food co-operatives. The enterprises may be structured as co-operatives and frequently have a strong commitment to egalitarianism. Their operations may not always conform to the definition of social enterprises adopted in the present study, but they have set the context for the emergence of what we have termed above the 'new social economy'.

Local development organisations

The final category of social enterprises outlined above are those that emerge in the context of local development initiatives. While these obviously overlap with the category just described, they are distinguished separately, and are the focal point of this chapter. This is because local development and community development have provided the context in which new social economy initiatives have emerged and were promoted in the 1990s.

3 Local development and the emergence of social enterprises in Ireland

Social partnership and social enterprises

In the mid 1980s, Ireland adopted a social partnership approach to national economic and social policy. This involved agreement among all the main interest groups or 'social partners' on strategies for economic and social development and was embodied in a series of national agreements for the years 1988 to 1999.⁴ The partnership approach originated as a response to the worsening state of the economy, the public debt burden and widespread concern about unem-

ployment and emigration in the 1980s. Part of the reorientation of public policy involved acknowledging that the existing centralised system for economic development and welfare provision was evidently ineffective in tackling persistent long-term unemployment and social exclusion. A key element in the new approach, therefore, was an emphasis on local development as a solution to the problem of long-term unemployment and the associated establishment of a support system for area-based and community development. Thus, in the 1990s, the concepts of partnership and area-based development have been central to the Irish approach to tackling social exclusion.

This reorientation of policy provided the context in which social enterprises have begun to emerge in recent years. Basically, there are two strands to the process: a series of policy initiatives which have facilitated and supported the emergence of social enterprises; and the gradual inclusion of community and voluntary organisations (now known as the 'fourth pillar') in the partnership process at national level. These strands have together provided both the impetus for the establishment of new social enterprises and for discourse about the social economy to which community and voluntary organisations have been the most prominent contributors. This entire process was also stimulated by the publication of the EU documents on growth, competitiveness and employment (1993) and on local employment initiatives (1995) and the identification of the social economy as a potential source of employment in European policy discourse.

EU and state support for local development activity

Ireland has a long tradition of local development but such activity received very little state support or acknowledgement until the 1980s when, as already pointed out, community development came to be seen as a strategy for combating unemployment at a local level. The establishment of a national Community Enterprise Programme in 1983 provided funded training programmes, development grants and commercial aids to community-based groups. By 1987 there were an estimated 300 community enterprise groups in Ireland, primarily in more disadvantaged areas, and they represented a core element of community development strategies for such areas (Donnison *et al.* 1991: 48).

However, studies of community enterprises in the 1980s revealed their precarious nature and their high dependence on state subsidies (O'Connell and Keane 1987; Collins 1991). Kelleher and Whelan's (1992) research on community enterprises in four disadvantaged Dublin communities concluded that it was extremely difficult to create viable businesses in economically disadvantaged areas. They found that projects were generally small-scale and undercapitalised and tended to experience ongoing cash flow problems, and generate low returns. In this context, they argued, it is inappropriate to attach conditions of actual or potential economic viability to support for such projects. Furthermore, funding agencies should support a whole range of activities and services for direct consumption by the community. Examples of socially useful activities that they suggested included community services, environmental projects and self-help

healthcare. In the same vein, Donnison *et al.* (1991) argued that strategies for the promotion of community enterprise were much more likely to be successful if they formed part of a larger-scale effort to work in a more integrated way with all the actors and agencies in local communities. This point was strongly reiterated in a 1990 report to the government which recommended 'concerted, intensive programmes in small areas [which] can have an impact over and above the separate effects of individual programmes' (National Economic and Social Council 1990).

In 1991, the second partnership programme – PESP – took up this recommendation and included an area-based response to the problem of long-term unemployment whereby twelve partnership boards were established on a pilot basis. Each board had eighteen directors comprising six representatives respectively from the local community, the social partners and the state agencies in the area. The boards were legally constituted as limited companies. In 1992, the EU provided funding for these partnerships through a Global Grant under the Structural Funds to support local development and enterprise initiatives and to promote integrated economic, social and community development of local areas. An independent intermediary body – Area Development Management Ltd (ADM) – was established to administer the Global Grant and to provide support, technical assistance and funding.

This local partnership approach, involving a coming together of the public, private and community sectors at grassroots level, has given concrete expression to the idea of a 'bottom-up' approach to development. It has been considered a very successful way of stimulating innovative local responses to social exclusion by the OECD (Sabel 1996) and was extended in Ireland's National Development Plan 1994–99. The Operational Programme for Local Urban and Rural Development included support for area-based partnerships. This programme is supporting thirty-eight partnership companies and thirty-three Community Groups. Local development, in this context, is defined as a collective effort to improve local economic, social and environmental conditions through an integrated effort to counter disadvantage.

These partnerships are complemented by the EU LEADER programme for rural development, which also involves a partnership approach while not being specifically focused on social exclusion or collective effort. There are thirty-four LEADER Groups in the present programme. In addition, EU initiatives such as INTERREG, NOW, INTEGRA, URBAN and the Programme for Peace and Reconciliation directly and indirectly provide support for locally based development. Thus, in Ireland, the shape and direction of EU and national policy has brought about a renewed emphasis on, and support for, local development. This includes the establishment of a national Community Development Programme (CDP) to address social exclusion and poverty at the level of local communities. This support for local development has either helped to create the conditions for the emergence of new social enterprises or has afforded existing enterprises the opportunity to broaden or consolidate their activities through participation in such programmes.

The adoption of participatory strategies and their incorporation in recent national plans has also brought about significant changes in the institutional environment in which the goals and practice of local development are negotiated, and new participatory and consultative mechanisms incorporating the idea of partnership have been established. The National Economic and Social Forum, which has already been referred to, is one example, as is the addition of the 'fourth pillar' representing the community and voluntary sector in the negotiation of Partnership 2000 – the most recent national agreement between the social partners and the state (O'Donnell and Thomas 1998).

In this context, alliances between various interests with a specific focus on social exclusion have formed. These include a 'Third Strand' of NGOs representing women, unemployed, disadvantaged youth, older people, people with a disability, environmental interests and academics on the National Economic and Social Forum; the Community Platform, comprising national networks and organisations committed to combating poverty and social exclusion which formed part of the 'fourth pillar' in the Partnership 2000 negotiations; PLANET (Partnerships for Local Action), a network of area-based partnership companies; and the Community Workers Co-operative, a network of individuals and organisations engaged in community-based projects and initiatives. These coalitions of interests as well as ADM⁵ have been the primary promoters of the 'social economy' concept in the second half of the 1990s.

Social enterprises and local development

Although primarily engaged in community development in the broadest sense, partnerships and community groups have been stimulated to search for appropriate responses to social exclusion at local level through creating or supporting social enterprises which respond to unmet social needs while simultaneously creating local employment. Social enterprises in this context are typically engaged in a range of social economy activities such as the provision of resource centres and the development and co-ordination of 'proximity services' such as childcare and community care for older people or people with disabilities, or transport, social housing, training and capacity-building. They might also be involved in environmental projects or culture and heritage activities. They are distinguished by a high degree of voluntarism and, as such, are significant users and reproducers of 'social capital' (Evers and Schulze-Böing 1997).

One small-scale study commissioned by ADM in 1996 involved the compilation of a list of groups 'engaged in either trading and/or service provision whether at a local or wider level' (Mallaghan *et al.* 1996). A total of 489 'social enterprises' were identified in this way and this is acknowledged by the authors to be an underestimation, since at least one region was known to be under-represented. A sample of ninety-seven of these social enterprises participated in a telephone survey of their activities. More than half (55 per cent) of these were located in rural areas and the same proportion had been established in the previous five years. Nearly three-quarters (72 per cent) were associated with

area-based partnership companies. The company was the most common form of legal identity, accounting for just under two-thirds of the respondents. Of those who provided data on income sources, 23 per cent were totally dependent on the public sector while a further 24 per cent received more than three-quarters of their income from this source, mainly through their participation in various schemes and programmes. The remainder depended on public funding to varying degrees with only 22 per cent entirely independent of public sector support. The total annual income generated by all the groups in the sample was 20.9 million IEP (26.5 million Euro). Only a minority (22 per cent) were able to generate at least three-quarters of their income from trading activities, whereas almost two-thirds generated less than a quarter of their income from trading. Social enterprises provide opportunities for women, who accounted for almost half (48 per cent) of management employees and 85 per cent of the workers. They were effective in targeting their recruitment in that 73 per cent of workers were previously unemployed.

A further sub-group of twenty-seven were designated as 'community businesses' based on the criteria of: open membership; democratic control (one member, one vote); focus on economic welfare/development of a specified community; and profits for the benefit of the community and not individual members. These were evenly split between rural and urban, and tended to be longer established, have a lower reliance on public sector support and generate more income from trading. These 'community businesses' generated a total annual income of 4.7 million IEP (6 million Euro).

Aside from these data, there have been no other systematic attempts to catalogue the range and breadth of social economy activities being undertaken by local development organisations, although they are referred to in broader studies of locally based development in Ireland (O'Hara 1998; O'Hara and Commins 1998; Walsh *et al.* 1998). NGOs and interest groups such as ADM, PLANET and the Community Workers Co-operative have recently published documents which identify the strategies and policies to develop and support the social economy.⁶ However, these bodies give the social economy a definition of their own, associating it specifically with the regeneration of local economies and describing its distinguishing features as resourcing the local economy, promoting ownership within the local community, and developing local control of and benefit from local resources.⁷

Many social enterprises have only recently been established and are in the early or pilot stage of development. They range across a broad spectrum of responses to social exclusion and include food co-operatives, advice and information centres, community businesses, personal or proximity services such as counselling, childcare, elder care and healthcare, or specific services to disadvantaged groups such as women, lone parents, the long-term unemployed, travellers (gypsies) or the homeless. Such enterprises have a high volunteer input but also employ paid workers. The levels of state and EU subsidy and dependence on donations vary greatly and social enterprises in a local development context are often developed under the aegis of an organisation that also provides a range of

supports for private enterprise. One local area partnership has established a Social Economy Unit (which is itself a social enterprise) in order to promote social enterprises.

Two case examples are outlined below in order to provide illustrations of the kinds of social enterprises that are emerging in a local development context in Ireland. The first of these is essentially a village-based initiative in which women's domestic skills are being commoditised in order to respond to a set of local social needs. In the second, an employment creation initiative in a small town has evolved to a partnership with a national agency to create a social enterprise involving people with disabilities.

4 Case examples

Tulsk Parish Services

Tulsk is a small village in the west of Ireland made up of 570 households. Tulsk Parish Services (TPS) was established in 1994 in order to address local problems of exclusion and isolation through the development of sustainable employment and training opportunities, especially for women. The second objective was to provide services and facilities that are accessible and flexible, particularly for the elderly and for young families. Having set up a voluntary management committee, TPS received start-up funding from ADM and the regional health board and later received EU funding under a special European programme (B2-605) that supported pilot actions for the long-term unemployed. This enabled the recruitment of a co-ordinator and a group of fifteen women who would provide the service. TPS is registered as a company limited by guarantee and has charitable status.

Home care and transport were the services offered by TPS initially. The home care service provides care for the elderly living alone or whose families are absent during the day and for mothers with young children. The range of services offered includes meal provision and delivery, replacement care and night care for the ill, hairdressing, childminding, baby-sitting and home help of all kinds.

Services are provided 'on demand' and, in the first year, were provided to seventy-five local people, mainly in their own homes. The charge to the 'customer' pays for the wages of the service provider while the 'overheads' (co-ordinator, training, administration, premises etc.) are met through grants. Members of TPS have attended various training courses to enhance their skills and professionalism. These include courses in social care and community development, catering and hospitality, basic nursing care and computer skills as well as personal and community development. Following members' attendance at catering and business innovation courses, TPS has established a local catering service, which is being run on a fully commercial basis.

In 1996, TPS was awarded funding from the EU Social Fund for training for older women (aged over forty) wishing to enter/re-enter the workforce and for the establishment of a Resource Centre incorporating a kitchen, laundry,

meeting rooms, office and crèche from which an expanded social care service could be operated. A project manager was appointed and additional women were recruited and undertook a training and work experience programme.

Plans for the future envisage the provision of five services: laundry, catering, care, advisory and secretarial. The laundry and catering services are a rationalisation and expansion of the services already being provided by TPS, whereas the advisory and secretarial services are new ventures for which TPS has identified a local market. It is anticipated that the seven full-time and nine part-time jobs in the service will become ten full-time and six part-time jobs by 2000.

Both in its direct focus on social exclusion and in the nature of the services it offers, TPS is relatively unusual. Its existing services combine a sensitive and much-needed response to the needs of vulnerable sections of the local population with a strategic response to the inclusion needs of rural women through skills training, part-time employment and confidence building. The service offered is flexible and tailored to the needs of the customers. It is often very personal, being delivered in clients' homes and, in order to be effective, calls for a high degree of sensitivity, understanding, discretion and personal commitment on the part of the carer. It is, in effect, a kind of commercialisation of old networks of caring and neighbourliness which no longer operate as effectively or spontaneously as in the past.

TPS has been particularly successful in attracting funding, which has allowed it to grow relatively rapidly. The leadership, management and negotiation skills of a few key women in the core group have been critical to its success. They are highly motivated, well organised and committed to the development of the project. However, these very elements will also influence its ultimate sustainability. The project is highly dependent on the skills and commitment of voluntary time by a small group of women. Those women who become highly skilled and experienced in what is effectively a quasi-commercial service (with marginal pay rates) may move on to full professional employment. While this is not undesirable, it could present problems in staffing the service. Finally, it is not clear whether TPS could survive if operated purely on a commercial basis, particularly as the services are demand-led and this demand may be diminishing. Social enterprises of this nature may find it necessary to diversify and respond to shifts in demand and to the emergence of new service opportunities.

The Mill Social Enterprise

Mountmellick is a small town of 3,500 residents in the midlands of Ireland. The Mountmellick Development Association (MDA) purchased a disused mill in the town in order to develop an enterprise centre to create employment. In 1994, as a result of contacts between the project manager and the area manager of the National Training and Development Institute (NTDI), the NTDI agreed to lease part of the enterprise centre to establish a social employment business, on condition that MDA would refurbish the Mill. MDA got an unsecured bank loan of

142,000 IEP (180,000 Euro) and a grant of 47,000 IEP (60,000 Euro) from the County Enterprise Board to finance the refurbishment. A ten-year lease incorporating industrial space, a restaurant and offices was signed in 1995. In 1996, additional space for training rooms, consultation rooms and stores was leased for 2 years and 9 months. Through MDA, the local community has now invested about 394,000 IEP (0.5 million Euro) in the enterprise centre.

The Mill Social Enterprise was established in 1996 as a partnership between the NTDI and MDA. Around 130 people in total are employed by the enterprise. Training and support are provided to around thirty people with disabilities in order to enable them to make the transition to independent worker status. In addition, the enterprise provides employment for 100 people from the local community and is the largest single employer in the area.

There are three main businesses. The first one, 'Subcontract Services', involves assembly, packaging and labelling of products from a local factory on a sub-contract service basis, supported by management, warehousing, inventory control and transport. This enterprise operates to 'just in time' principles, an arrangement which means that labour intensive or non-core activities are offered to an industry at a rate which makes it worthwhile for them to contract them out. The second business, which is smaller, is a sports bag manufacturing enterprise. It provides a customised sports bag manufacture and a screen printing service to clients such as clubs and marketing companies. The third business is the 'Old Mill Restaurant', which provides high quality meals as well as outside catering services. The Mill Social Enterprise project is also supported by the INTEGRA strand of the EU Employment Initiative, which funds support services for people with disabilities who are employed there.

By mid 1997 there were 134 people employed in the Mill and there is potential for expansion, the main limiting factor being space at present. Both the sub-contract services and the restaurant enterprises are commercially viable.

The Mill Social Enterprise is considered to be the major achievement of MDA, which has evolved, over a period of fifteen years, into a respected development organisation. The success of the Mill Social Enterprise is related to the organisation's ability to form a strategic partnership that would realise economic and social objectives, and to its success in attracting EU and state funding to underpin its social objectives.

5 Conclusions and policy implications

The need to address social exclusion, particularly the persistence of long-term unemployment, has led Ireland to adopt a development strategy which, *inter alia*, involves strengthening local capacity by supporting development partnerships. One of the recognised values of this 'partnership' approach is its capacity to effectively address a combination of economic and social issues simultaneously (Sabel 1996). It is in this context that social enterprises are emerging, as local groups search for effective and appropriate responses to social exclusion. Since social enterprises can provide both job opportunities and services, they are seen

as a particularly effective response to social exclusion. The 'social capital' they generate includes the creation, in disadvantaged areas, of a local labour pool with good management and business skills, improving the confidence, self-esteem and knowledge of the individuals involved, and the development of local solidarity and capacity to effectively represent the local needs.

NGOs and interest groups involved in local development are promoting the social economy as an important contribution to the regeneration of local areas where social enterprises can provide services in situations of market failure. Thus, in Ireland, the impetus for development of the social economy and the promotion of social enterprises has come primarily from those involved in local and community development through their various networks and representative bodies.

The social economy concept has been incorporated into contemporary development discourse and the various NGOs and coalitions of interest are negotiating with the state for greater support for social enterprises. Indeed, most of the discussion and documentation regarding the social economy has been initiated and published by the NGOs involved in local development.⁸ Largely as a result of pressure from the Community Platform, the state established a Social Economy Working Group as part of the Partnership 2000 agreement. The Working Group comprised representatives from various government departments, employers, trade unions and other relevant interest groups. Indeed, such groups had a strong input into the Working Group, and its report – published in 1998 – draws heavily on their publications.

One of the key conclusions of the Group was that the main state support to the sector has come in the form of a labour subsidy through the various labour-market integration programmes. The second significant source of state support is through programmes to combat disadvantage and social exclusion. The Group set out a series of recommendations for developing the social economy as a means of combating disadvantage and regenerating communities. They recommended that specific financial and institutional supports should involve a reorientation of existing supports and funding, rather than the creation of new ones. The report contained neither estimates of existing employment in social economy organisations nor any assessment of its possible employment potential. Nor did it address the issue of public service contracts for social economy organisations.

While the state has created a supportive environment and responded to pressure from the 'community sector', the Report of the Working Group is relatively limited and avoids tackling some of the most fundamental issues in the sector. At the most basic level there is a need to establish the circumstances in which social enterprises are an appropriate and successful response to social exclusion. Some communities have been particularly effective in this field and the reasons for this need to be established and support mechanisms for encouraging social entrepreneurship put in place. Social enterprises face formidable barriers in attracting finance and investment capital, and state support could take the form of loans, grants, credit facilities, training and technical support.

In Ireland, labour-market programmes are a crucial way of subsidising labour to social enterprises and the key state support to the sector. Indeed expenditure on active labour-market policies in Ireland at 1.8 per cent of GDP is exceeded only by Denmark and Sweden in the OECD. This evolved in the context of high and intractable unemployment and the issue of the creation of a secondary labour market is quite obvious. Moreover, as economic growth continues and job opportunities in the Irish economy generally continue to improve, labour is diverted from the social economy to the private sector, and there is evidence of the labour pool for social enterprises becoming depleted. Already the sector relies to a considerable extent on female labour, both professional and voluntary. As women's labour-market participation patterns evolve, the pool of voluntary and part-time female labour on which many social enterprises depend is likely to decrease.

It is also necessary to address the extent to which state support is essential in order for social enterprises to maintain a social orientation and respond to particular needs. This includes establishing the appropriate mix between earned income and state support in order to ensure sustainability. As yet, social enterprises in Ireland have not become involved to any significant extent in providing services under contract to the state. If this is to be the way forward, it also involves addressing the most appropriate relationship between the state and social enterprises in order to ensure the effective delivery of services at local level.

The issue of quality is also important, i.e. whether social enterprises can deliver a 'quality' product in the area of personal services and whether this is best organised and delivered at local level. From the demand side, it is necessary to consider the most effective way of supporting low-income consumers so that they may have access to the services provided by social enterprises or participate in solidarity organisations on an equal footing.

Finally, as Ireland becomes an increasingly prosperous society, it seems likely that social enterprises may come to be seen as an effective and appropriate means of providing services to socially excluded groups. The local development experience of the 1990s may provide a model of how this can best be achieved.

Notes

- 1 Commission of the European Communities (1993, 1994, 1995).
- 2 The NESF was established in 1993 as a mechanism for achieving a wider national consensus on social and economic matters in Ireland. It is one of four social partnership institutions which negotiate economic and social policies in Ireland (see National Economic and Social Forum, 1997).
- 3 PLANET (1997); ADM (1998); Community Workers Co-operative (1998); Social Economy Working Group Report (1998).
- 4 These social partnership programmes were: Programme for National Recovery (PNR) 1988–90; Programme for Economic and Social Progress (PESP) 1991–93; Programme for Competitiveness and Work (PCW) 1994–96; and Partnership 2000 for Inclusion, Employment and Competitiveness 1997–99.
- 5 Area Development Management Ltd is an independent intermediary company, designated by the Irish Government in agreement with the European Commission to

oversee the Local Development Sub-Programme of the Operational Programme for Local Urban and Rural Development in Ireland.

- 6 See PLANET (1997); Community Platform (1997); ADM (1998); Community Workers Co-operative (1998).
- 7 PLANET (1997); Community Workers Co-operative (1998).
- 8 See ADM (1997, 1998); Planet (1997); Community Workers Co-operative (1998).

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