
Background

The PLANET Third Sector Policy Group, comprised of local development professionals working in a support capacity with social enterprises, have been concerned for some time as to the health of the social economy sector in Ireland, and has prepared this document in order to outline its views as to the shape that future policy on the social economy should take. *This document focuses on the overall policy framework. A later document will focus on delivery mechanisms.*

The Social Enterprise Model

Objectives

- To promote the emergence and consolidation of the social economy sector.
- To maximise the potential of the social economy to generate employment that is sustainable and of high quality.
- To regenerate both urban and rural communities by providing urgently needed local services, employment opportunities and experience for people who have been distanced from the labour market. This model will seek to enhance social capital and contribute towards socially inclusive wealth creation.
- To create an enabling environment for social enterprises to develop market-oriented goods and services, through the provision of adequate mentoring and financial support and the encouragement of the public sector to facilitate social enterprises in the public procurement process.
- To encourage the Government to explore alternative legal frameworks which address the unique needs of Not-for-Profit social enterprises.

Defining Social Enterprise within The Third Sector

For the purpose of this model, the definition of a social enterprise is based on the realities identified in 15 countries of the European Union during the research project

carried out by the EMES European Network in 1996 – 1999 and funded by the Commission Research Directorate-General.

Consequently, the model will refer to the following nine criteria defining a social enterprise: (See Appendix A)

Economic and entrepreneurial nature of initiatives:

- I. [A continuous activity producing goods and/or offering services](#)
- II. [A high degree of autonomy](#)
- III. [A significant level of economic risk](#)
- IV. [A minimum amount of paid work](#)

The social dimensions of the initiative:

- V. [An initiative launched by a group of citizens](#)
- VI. [A decision-making power not based on capital ownership](#)
- VII. [A participatory nature, which involves the persons affected by the activity](#)
- VIII. [Limited profit distribution](#)
- IX. [An explicit aim to benefit the community](#)

Essentially, a social enterprise is a business driven by social objectives; providing high quality products and services, while also creating quality employment opportunities for the people working in them and the communities that they serve. In Ireland, they are mainly incorporated as Companies limited by guarantee, but also include Co-operatives and Credit Unions.

Policy/Context in which the model will operate:

There are a number of pre-requisites underpinning the success of this model.

Pre-requisites:

- That the Government commits itself to the development of a strong social enterprise sector over the long-term and upholds a number of important principles:
 - That the social economy is deserving of support and recognition on a par with the public and private sectors.
 - That Social Entrepreneurship is valued by the State.

- That a strong social economy can assist in the pursuit of policy objectives across a variety of areas, including:
 - The development of innovative products and services.
 - The achievement of environmental objectives.
 - The enhancement of local democracy and citizenship through the involvement of communities in social enterprises and improved delivery of services.
 - The regeneration of communities and marginalised groups in society experiencing poverty, disadvantage and social exclusion.
 - The creation of high-quality sustainable employment.
- That the prospects for success of social economy policy are improved by government engagement with support agencies and social enterprises working within the sector.
- That the Government and its agents will actively promote the value of the social economy and set itself a number of targets on this matter.
- That the responsibility to strengthen this sector lies across a range of Government departments, not just one.
- That commitment will be in the form of wider policy development, particularly in relation to the area of Social Finance, which as a policy area should be advanced in line with general social enterprise policy.
- That commitment will be in the form of financial aid, with a particular emphasis on enterprise development start-up and capital aid.
- That Volunteerism is an important feature in the development of the social economy, and should be supported in its own right.
- That the issue of public sector contracting to social enterprise companies will be dealt with at a national level.

More specifically, this model would be more effective if the following actions were implemented:

- The allocation of the social economy portfolio to a Minister of State with responsibility for Social Enterprise Development
- Ministerial position to be supported by a cross-departmental committee charged with developing policy on the development of the sector as a whole.

The departments that have a role in supporting the successful implementation of the model include: (this is not an exhaustive list)

Government Department:	Example of type of support:
Department of Enterprise, Trade & Employment	Financial aid and assistance to economic type social enterprises – CEBs Training supports – FAS ALMPs – FAS Development of links with the private sector
Department of Community, Rural & Gaeltacht Affairs	Programme support to social type enterprises, focussed on disadvantage
Partnership Companies	The Local Development Social Inclusion Programme (LDSIP) is managed by ADM on behalf of the Department of Community, Rural and Gaeltacht Affairs. It is funded by the National Development Plan 2000-2006 under the Border, Midland and Western and Southern and Eastern Regional Operational Programmes. With key priorities around Services to the Unemployed, Community Development Initiatives and Community Based Youth Initiatives, Partnerships are well placed to enable and support the development of this new model going forward.
Department of Arts, Sport & Tourism	Public sector contracting
Department of Education	Public sector contracting
Department of Environment, Heritage & Local Government.	Public sector contracting
Department of Justice, Equality & Law Reform	Primarily through the Equal Opportunities Childcare Programme – public sector contracting. Exploration of alternative legal structures.
Department of Health & Children	Public sector contracting
Department of Social & Family Affairs	Potential Programme support specific target groups – unemployed people, lone parents, people with disabilities and so on.

Department of Finance	Policy shaping Micro-finance, Community Development Investment Funds, Ethical investments and so on. Innovative measures, including tax reliefs, to encourage investment in social enterprises
Department of Transport	Public sector contracting

Table 1

Implementation:

The success of this model will be dependent upon co-operation at all levels of Local, Regional and National Government.

- Effective National and local partnership structures, comprised of all appropriate stakeholder groups (e.g., support agencies, statutory bodies, social enterprises, credit unions and other micro-finance providers, etc.) should be established.
- These structures should:
 - be based on existing countywide or regional structures.
 - be uniform in their approach, with guidelines as to how to support and progress the development of local social enterprises. The selection of social enterprises for support will be based on proposed outcomes and benefits to the community.
 - ensure that mechanisms for the effective social and economic evaluation of supported initiatives be implemented.
 - ensure that Local decision-making processes are central to their success.
- Innovative local approaches to social economy development should be strongly linked to Local/Regional/National strategies and plans, such as those published by Area Based Partnership Companies, City and County Development Boards, City and County Enterprise Boards, RAPID, CLAR, etc.
- Identification of the supports available locally/regionally to support social enterprises should be carried out through mapping exercises.
- Effective co-operation with credit unions, social finance providers¹ and other micro-finance providers is central to the success of this new model going forward.

¹ Such as Clann Credo/Western Development Commission and Triodos Bank

Appendix A

Economic and entrepreneurial nature of initiatives:

I. A continuous activity producing goods and/or offering services

Unlike some “classical” non-profit organisations, which aim to further the interests of a specific group (advocacy or lobbying groups) or to redistribute money (foundations), social enterprises pursue in a continuous way the activity of producing goods and/or services. This productive activity is one of the main reasons behind the existence of the social enterprise. [Top](#)

II. A high degree of autonomy

Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Even though social enterprises are often financed or co-financed by public authorities, they are managed and controlled by people who found them as part of a common project. They are not managed – be it directly or indirectly – by public authorities or other organisations. This autonomy also shows through their capacity to exercise “voice” (freely express their opinion) and “exit” (terminate) their activities. [Top](#)

III. A significant level of economic risk

The viability of social enterprise, unlike that of public institutions, depends on the efforts of their members and workers to ensure the efficient running and financial balance of the organisation. The founders of such an enterprise thus assume the major part of the economic risk linked to the activity. [Top](#)

IV. A minimum amount of paid work

Social enterprises can combine monetary and non-monetary resources, voluntary and paid workers. However, unlike voluntary organisations operating only with volunteers, social enterprises hire a minimum level of paid workers. [Top](#)

The social dimensions of the initiative:

V. An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people that share a certain need or aim. This collective dimension must in principle remain an essential dimension within organisations of this type. [Top](#)

VI. A decision-making power not based on capital ownership

Unlike what is the case in “classical” private enterprises, where decision-making power is linked to the invested capital, social enterprises often apply the “one member, one vote” principle within their decision-making bodies. When this principle is not strictly applied, the voting power of the members (or shareholders in the case of enterprises having share capital) is strictly limited to a defined percentage of votes. [Top](#)

VII. A participatory nature, which involves the persons affected by the activity

Social enterprises generally value the participation of users, workers and customers. More generally, they seek to involve the various stakeholders in the decision-making process and in the management of the enterprise, often with the idea of democracy at local level through economic activity in mind. [Top](#)

VIII. Limited profit distribution

Some social enterprises, such as traditional “non-profit” organisations, are characterised by a total non-distribution constraint, but others may distribute surpluses to a limited extent. In all cases, the social enterprise tends to forbid all profit-maximising behaviour. [Top](#)

IX. An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community at large (e.g. through salvaging and recycling the waste of a region) or a specific group of people within the community (e.g. through the occupational integration of people with disabilities) while promoting a sense of social responsibility at local level.

[Top](#)

Appendix B

Case Study Examples:

Partas:

Partas is a not-for-profit community based local development organisation operating primarily in Tallaght. Partas is a typical example of a Community Business. Partas is not core funded, and is largely progressing towards sustainability in its own right. It engages in Public Sector Contracting of a sort (Sub-contracted by Tallaght Partnership to deliver enterprise development and social economy supports), it engages in EU Funded programmes, most recently it secured EQUAL funding to work with Ethnic Minority Entrepreneurs. It manages four enterprise centres, jointly developed by key statutory and voluntary organisations. Its rental income from property is a key component in its future sustainability. It manages both CE and JI programmes, offering valuable administrative and maintenance experience to its participants. The services provided by CE & JI participants have, and continue to, contribute to the success of Partas as a community business. Partas also sells its services on a commercial basis, particularly in areas such as Training and Consultancy. Ultimately, Partas is driven by social objectives, but maximises its revenue generating abilities in order to achieve a social impact.

Clondalkin Home Improvement Project

Clondalkin Home Improvement Project (CHIP) was formed in 1998 for the purpose of providing training and employment opportunities in Clondalkin. At the time unemployment in the area was extremely high with a 70% unemployment rate in some particularly disadvantaged areas. At that time South Dublin Co Council were putting in place a programme to upgrade the energy conservation properties of their housing stock. It was agreed that CHIP would provide these services. Over the following years over 20 people have been employed and trained to a high standard in insulation skills. In partnership with the Council CHIP had significantly improved the heat conservation of over 6,000 local authority houses, improving dramatically the quality of life for the occupants.

In 2001 CHIP, which has charitable status, won the FÁS Community Enterprise Initiative Award. In that same year it became a FAS Social Economy project.

In addition to the Co Council CHIP provides its services to a new government initiative, Sustainable Energy Ireland which provides insulation services to low income home owners. It also provides its services to private dwellings.

At present CHIP employs 11 workers. It currently provides a wide range of services. These include Attic insulation, Cavity wall insulation, Draught proofing of doors and windows, Installation of security locks and energy saving devices. CHIP operates from Unit 1, Clondalkin Enterprise Centre, Neilstown Road, Clondalkin. Its manager, Michael Mahady, can be contacted at 467 0344, email: michaelmahady@eircom.net

Tulsk Parish Services

Tulsk Parish Services (T.P.S) was founded in 1994 to provide necessary services to the local community which were currently not being delivered - including provision of services to the elderly, i.e. homecare, meals on wheels, laundry services, and respite care. Formed by local people on a voluntary basis, T.P.S. has embodied its ideals and surpassed all expectations since its inception. The venture has been successful due to a number of various factors, and based on this, the group have further expanded their services, to include the provision of a dry cleaning service. Another indication of their success is the number of enquiries by other community groups throughout Ireland and Europe in order to discover the secret of their success.

Co-operatives:

Co-operatives across the EU are vibrant players in the Social Economy. Ireland has had its fair share of successful co-operatives over the years. The Gaeltacht Co-Ops arose out of a community development initiative in Gaeltacht areas.

In the early years of the development of Gaeltacht Co-ops Roinn na Gaeltachta and Udaras na Gaeltacha decided to offer a range of supports for these community initiatives including-

- Capital grants
- Training grants

- Advance factories and other capital projects
- Finance for feasibility studies

Nowadays Udaras supports for the Community Development Initiatives involves

- Local infrastructure
- Local training needs
- Language development
- Tourism development
- Administration grant (ie salaries for manager and staff)

Some of the larger co-ops have developed strong programmes and exist without state intervention.

This model shows how initial funding and seed capital can lead to vibrant local community enterprises.

Glossary of Terms

ADM: Area Development Management Ltd.
(LDSIP) 2000- 2006 under the remit of the Department of Community Rural and Gaeltacht Affairs.

Area Based Partnership Companies: Implement the LDSIP

CDBs: County Development Boards

CEBs: County Enterprise Boards

Clann Credo: promotes the concept of social finance and makes socially directed investments throughout Ireland.

CLAR: Ceantair Laga Ard Riachtanais. The CLÁR programme is a targeted investment programme in rural areas.

Community Business: A business owned and managed by the local community which seeks to make a profit from trading income in order to meet its social objectives

PLANET: Network organisation of the Area based Partnership Companies

RAPID: Revitalising Areas for Planning Investment and Development. RAPID is a focused Government initiative to target the 45 most disadvantaged urban areas and provincial towns in the country.

Social Finance: Is repayable finance seeking a social dividend in addition to a financial return.

Social Auditing: A tool to evaluate and measure social outcomes or dividends.

Social Capital: networks together with shared norms, values and understandings that facilitate co-operation within and among groups (OECD, 2001: 41)

Social Enterprise: An enterprise, which engages in economic activity for both social and economic objectives.

Third Sector or Social Economy Sector: That sector of the economy, which operates in its own right alongside the public and private sector and has strong social and economic objectives.

Volunteering: The commitment of time and energy, for the benefit of society, local communities and individuals outside of the immediate family, the environment and other causes and undertaken of a persons own free will, without payment.
(Government of Ireland 2000, 83)

WDC: Western Development Commission – Established as a statutory body in 1999, the Western Development Commission works in co-operation with national, regional and local bodies to secure the development of the western region. The activities of the Western Development Commission involve policy analysis and development, undertaking key regional initiatives and management of the Western Investment Fund.