EMES CONFERENCES

SELECTED PAPERS SERIES

3rd EMES International Research Conference on Social Enterprise
Roskilde (Denmark) - July 4-7, 2011

NEW METHODS TO MONETIZE THE IMPACT OF SOCIAL ENTERPRISES: VALO.R.IS. EMPIRIC RESULTS FROM THE FIRST APPLICATION

Elisa Chiaf
University of Brescia, Italy

ABOUT THE EMES CONFERENCES SELECTED PAPERS SERIES:
This series aims to ensure that selected papers from conferences in which EMES has been involved will be accessible to a larger community interested in the third sector and social enterprise.
EMES Conferences Selected Papers have not undergone any editing process.
All the papers of the series are available for download at www.emes.net.

ABTRACT

One of the greatest challenges of Social Enterprises is related to the possibility to evaluate their results, by defining an economic value of their actions. The VALO.R.IS. Method has been studied to fill this gap for Work Integration Social Enterprises (WISE) that grant job to disadvantaged people, normally excluded from the labour world. WISEs often carry out jobs for Public Administration that recognizes the social value of their activities. In this light, it is important to demonstrate that P.A. is not only receiving quality services, but it is saving an important quantity of money by collaborating with WISEs that hire people who – instead of working – would require assistance, social or sanitary public services.
VALO.R.IS is a business model that allows WISEs to evaluate autonomously and yearly this value.

After having presented the model and its functioning, the paper presents the result of the first VALO.R.IS. application on 6 WISEs of Brescia Province, in the north of Italy. Brescia is the most important province in terms of quantity of WISEs in Italy, and the economic value they create for Public Administration is relevant, the results of the paper will be utilized from the WISEs in managing relations with their public stakeholder.

1. FRAMEWORK AND HYPOTHESIS

The present research focuses on a specific kind of social enterprises: the work Integration Social Enterprises. The WISEs operate in several industries (agricultural, services, manufacturing, etc.), generally without any profit goal and in a social way: by employing disadvantaged people together with not-disadvantaged workers. WISEs are enterprises which mission is to give a job to people who are normally excluded from the labour market. A worker is disadvantaged as to labour market when he has some characteristic that makes him less productive of workers who haven't it. The main cause of disadvantage is obviously the physic or psychic disability, even if could be defined "disadvantaged" who can do less tasks than other people (alcohol or drugs addicts, prisoners subject to alternative measures, etc.), having a reduced employment's capability (Stern, 1996). From the labour market point of view, the activity carried out by WISEs is different from regulatory or ameliorative measures, because WISE do not try to create position for disadvantaged people in traditional enterprises, but in new firms that train and occupy them temporarily or standing. Moreover, WISEs are different from substitutive measures, thanks to their entrepreneurial nature and for the aim to lead workers to be fully productive (Borzaga, 1999).

In Europe, and specifically in Italy, WISEs are carried out with the Social Cooperatives' structure, in this light they operate by following the principles of democracy, solidarity and participation that are at the base of all the cooperative firms. In Italy WISEs are key partners for the development of an integrated and inclusive Welfare system. The State and Public Administration generally recognize the value of these companies, providing them tax benefits, government grants and the ability to perform public works without having to compete in tenders (Law 381/91). On the other hand, WISEs cannot pursue any kind of subjective profit, they must employ disadvantaged workforce at 30% of total employees and they have to follow specific programs to help disadvantaged people in the recovery path. The classes of disadvantage previewed by Italian law are five: disabled, mentally impaired, drug/alcohol addicts, prisoners and minors in working age. Only for these classes of subject WISEs can obtain some subsidies or tax exemption. WISEs operate in the private capitalistic market with specific values and principles and compete with private for-profit companies; therefore they must offer high quality services and products. By placing side-by-side disadvantaged and not-disadvantaged workers, WISEs are important integration tools in order to reduce inequality and disparity between people. By operating on the market, WISEs nourish the entrepreneurship capability of people normally excluded from the labour world and, often, from the society.

The economic crisis that has been influencing the economic system in the last years is a great damage also for WISEs. Not only for the general market situation (incomes' reduction, unemployment's growth, etc.), but also for the welfare cuts that most of the European countries is putting into practice. For a WISEs this means the reduction of an important source of revenues, often the main one, making it difficult or impossible to ensure decent jobs for disadvantaged people.

The rising question from the WISEs management is the demonstration of the value they are producing for the Public Administration. WISEs want to show to P.A. that the reduction of jobs' commission will be counterproductive. From a purely economic point of view, in the short term the reduction of jobs' commission to the WISEs can produce monetary savings for the P.A., but in the middle/long term it would mean more expenses for social/health/sanitary public budgets. Indeed the disadvantaged would need more attentions and care and, if not at work, they would spend more time in public structure, they would ask more help to public social assistants and they could not benefit from the therapeutic consequence of the job.

For this reason, the aim of the research is to present and test an evaluation tool for WISEs in order to let them demonstrate the value created and distributed to Public Administration and therefore to the whole community. The name of the model is VALO.R.IS.[1] and it is based on the following assumptions.

The savings guaranteed for the Public Administrations are mainly due to the insertion of people whom, if not employed, would be supported by public monetary interventions. The job offered by WISEs becomes a social integration tool, but also a way to get important saving for P.A. that reduces social and sanitary intervention. Starting from the literature on the matter and through the cost/benefit analysis, the research shows a management instrument, based on a brief-period analysis (the year), useful to complete the accountancy system of the WISEs. For a WISE it is important to demonstrate not only the economic result, but also the quality of its services to customers and the efficacy of the insertion process to the P.A. and the community. Moreover, WISEs need to show if it is convenient for the P.A. to grant subsidies and to furnish works to them, because WISEs' absence would mean "rising costs" for public budgets. In the creation of the model I involved a sample of 12 Italian WISEs, afterwards I tested it on 31 Italian WISEs from the Brescia province, in this paper 6 of these results are presented.

[1] VALO.R.IS. has been created and developed by Elisa Chiaf in the text "Work Integration Social Enterprises and value creation: evaluation models" *(Le imprese sociali di inserimento lavorativo e la creazione di valore: modelli di valutazione)*, Università Cattolica del Sacro Cuore, PhD Work, XXII cycle, Academic Year 2008/2009, Milan. DOCTA Archives http://tesionline.unicatt.it/handle/10280/752.

2. METHODOLOGY AND SAMPLE ANALYSED

The methodology used for defining VALO.R.IS is based on the cost-benefit analysis: rules designed to guide choices between alternatives. In this case, the considered WISEs want to assess their economic importance for the community, in terms of greater revenue and lower expenditure of the Public Administration and in terms of lower collective actions in support of the disadvantaged. The intention is to demonstrate empirically the value created for the PA.

As for the cost-benefit analysis, it compares the sum of benefits by subtracting the sum of costs due to a specific choice. In this case, the costs and benefits are related to the presence of a WISE that integrates specific subjects in the labour world.

To define the variables of costs and benefits I considered studies on the same issue (Marocchi, 1999; Maree, 2005; Jadoul, 2000), with the substantial difference that they were aimed at an external evaluation on the medium term, thus enabling it to assess the benefit created by all the WISEs for a territory, an area or a country. In this case VALO.R.IS is based on firm variables, calculated year after year and collected from internal sources. In order to identify information needs and data available in the company I involved in the process 12 social entrepreneurs. I sent to them the cost-benefit analysis' model assumptions, asking their opinion on the feasibility and data traceability. Collected the responses, I revised the model and resubmitted it to the entrepreneurs. After further minor amendments, it was made definitive. I conducted other interviews with the representatives of P.A., from the heads of Local Sanitary Firm (ASL) to that of Department on Work Integration (NIL), which performs activities related to a specific target (the psychosocial rehabilitation) compared to the overall project on the person. I presented to the P.A. Representatives the model in order to detect weaknesses or areas for improvement. The result, defined with the participation of different stakeholders, is VALO.R.IS.: a business tool that the individual firm can have, understand and easily use year after year, as a means of self-assessment and communication to external stakeholders.

2.1. The Model Variables

Starting from the literature on the issue (Chiaf et al., 2009; Marocchi, 1999; Maree, 2005; Jadoul, 2000), I found that the economic effects of WISEs on public budget are:

- Benefits for public budget:
    - Taxes on revenues, paid by disadvantaged workers;
    - VAT produced by disadvantaged workers;
    - Avoided Public expenditure due to the improvement of living conditions of the persons reintegrated: health and social services, personal minimum income, education, security etc.
- Costs for public budget:
    - Tax exemption granted to WISEs;
    - Subsidies or contributions guaranteed by Public Administration to the WISEs that reinsert people at work.
    -

In this light, I adapted the variables on the analysed context, considering which kind of tax exemption, rate tax, contributions or subsidies are granted to WISEs of Brescia Province, one of the most important Italian areas as to WISEs presence.
Moreover, through the dialogue with the WISEs' entrepreneurs and the P.A. leading personalities, I found a way to calculate the cost for the P.A. and for the society of a jobless

disadvantaged subject, based on the monthly amount of the "minimum" pension granted by the State.

The Cost-Benefit calculation I created is:

$$\underbrace{(VAT - STW - TEW)} + \underbrace{Disadvantaged^{*}\{[TPI + SAP + \overbrace{(MVI - EPW - IDP)}^{\textit{Cost of a jobless disadvantaged subject}}] - [COS + STP]\}}$$

(Cost-Benefit for the whole organization) + (Cost-Benefit for each single disadvantaged integrated at work)

VAT: VAT created by total disadvantaged employed at WISE
STW: Subsidies to WISE, granted by the Public Administration to the whole organization
TEW: Tax Exemption to WISE, granted by the Public Administration
TPI: Tax on Personal Income
SAP: Saving on Alternative Position of subject. Because of his job, the person does not use (or reduce his use) Welfare Structure: hospital, therapeutic community, mental hospital, prison, etc.
MVI: Minimum Vital Income, as to reference for the cost paid for a jobless disadvantaged subject by the P.A. and the society.
EPW: Expenses Paid by the WISE to the subject, as for example daily canteen, medicines, rent, etc.
IDP: Interruption of Disability Pension. In Italy, when the subject goes over a certain income limit, he loses the Public Disability Pension, and it means saving money for Public Administration.
COS: Contributions on Salaries. In Italy the Public Administration bears the contributions on salaries of disadvantages integrated at work. The contributions are a percentage of the monthly salary.
STP: Subsidies to People. In this case I am not referring to subsidies generally granted to the whole organization, but to subsidies granted to the WISE for a specific subject. This is common in Italy for disabled or mentally impaired.

2.2. VALO.R.IS.

VALO.R.IS. is composed by several pages, one about the value created by the general organization and one for each class of disadvantages, as shown in Figure 1. In addiction to the classes of disadvantages defined by the Italian Law, in the research I considered the "not certified disadvantaged". In this class I collect all the information about people who would be defined disadvantaged according to the European Union definition (COM 2002, 2008) but not according to Italian Law 381/91 and who often finds a job in a WISE.

Fig. 1: The pages of VALO.R.IS.

The "WISE" page requires that the Compilers fill in directly the STW (from the financial statement) and the annexes with data from financial statement that permit to calculate directly the VAT and the tax exemption. The VAT is proportional to the activity carried out by the disadvantaged. Figure 2 shows the scheme to calculate the Cost-Benefit for the whole organization.

	A	B	C
1	**BENEFIT**		
2	VAT		
3			
4			
5	**COSTS**		
6	STW	x	
7	TEW		
8			
9			
10	Result		
11			

Fig. 2: The page "WISE"

The pages on single disadvantage's classes report the variables required for the model and the way to calculate them. The pages are all the same, but I shared the single kind of disadvantage in order to do some ex-post evaluation. The number in column "A" is related to each integrated person; in order to preserve the privacy right I did not want to know name of subjects. In the column "O" VALO.R.IS. calculates the result of each page, in order to add them to the result of the WISE's page. The Figure 3 shows an example of page related to disadvantage's classes.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1				Benefit				Benefit		Benefit	Benefit	Benefit	Cost	Cost	
2		Contract Level	Income (year)	TPI (% on C)	Worked Hours (year)	Worked Day (year)	Alternative positioning of people (where the subject would be, if he/she was not working at WISE?)	SAP (Worked Day* Daily rate of Welfare Structure indicated in G)	Disability recognized by P.A.	IDP (crossing C and I)	EPW	MVI	COS (% on C)	STP	
3	1														
4	2														
5	3														
6	4														
7	5														
8															-

Fig. 3: The pages related to disadvantage's classes

The Compiler must fill in the columns underlined by the black square. These are data that WISEs have in their documents, accountancy, statements, reports, etc.

The most complex evaluation is required in the column "G", in which it is necessary to insert the alternative positioning of people who are working in WISEs. The Social Manager, who follows the recovery path of the integrated subject, must do this kind of evaluation. In the case of doubt (for example: a drug addicts if not at work could be in a community, at home with a family or homeless, etc.) we assumed the situation more favourable for the Public Administration, the less expensive for the public budgets, in the example "at home with a family". After several meetings and discussion I assumed as "Minimum Vital Income" the amount of the Minimum Pension granted by Italian Law (€ 516,46 per month), crossing it with the worked day in "F".

2.3. The Sample Analysed

The sample analysed is composed by WISEs of Brescia province. In Italy WISEs operate by the social cooperative form, so they are called Work Integration Social Co-operatives[2] and they follow the rules and the principles of Co-operatives Firms[3]. At regional level, the Lombardy has the largest number of social cooperatives: 1420 to 31.12.2007, about 16% of the national total, including 476 WISEs (called "Type B Social Cooperatives"). In the region, particular importance is the province of Brescia, which positioning is shown in Figure 1.

Fig. 4: The positioning of Brescia in Italy

Brescia counts the 21.85% of Lombard WISEs, nonetheless in Lombardy there are 11 provinces. In the province of Brescia the percentage of employed in WISEs on the provincial total employment (1.67%) is higher than the regional datum (1.32%). It is worth noting the particular composition of the employed in WISEs, highlighting the trend of entries:

- The 24.46% of people with physical, mental and sensory inability employed in the Region is employed in Brescia WISEs;
- The 26.75% of the mentally impaired employed in the Region is employed in Brescia WISEs;
- The 35.85% of the drug/alcohol addicts employed in the Region is employed in Brescia WISEs;
- The 33.33% of minors with social problems employed in the Region is employed in Brescia WISEs;
- The 22.53% of prisoners employed in the Region is employed in Brescia WISEs;

[2] Nonetheless I use in all the paper the Work Integration Social Enterprises (WISEs) acronym.

[3] A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. The seven co-operative principles, stated by International Cooperative Alliance, are guidelines by which co-operatives put their values into practice: Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Co-operation among Co-operatives; Concern for Community

In the general Lombard economic system, and specifically in the province of Brescia, WISEs are active partners of the welfare public policies and, on the other hand, the Public Administration operates directly with WISEs granting jobs and activities under specific Convention. At 31.12.2007 in Lombardy there are more than 1,500 agreements between public authorities and WISEs, in areas such as cleaning, park and green spaces maintenance, recycling, maintenance buildings, canteen services, information services, people transport, etc. Moreover, it is important to underline that the Public Administration is not the sole customer of WISEs; they often operate with agreements with profit firms or private subjects.

The WISEs I selected in the test of VALO.R.IS are 31, in the paper I present the results on the following 6 WISEs:

1. BOTTEGA INFORMATICA: IT services to Public Administration;
2. CERRO TORRE: green spaces maintenance, green energy production, renewable energy production;
3. SOL.ECO: recycling, green spaces maintenance;
4. COOPERATIVA SOCIALE PALAZZOLESE: gardening, green spaces maintenance;
5. NUVOLA LAVORO: green spaces maintenance, canteen services;
6. LA FONTANA: manufacturing and industrial assembly, recycling.

3. RESULTS

VALO.R.IS. was easily compiled by WISEs and the Tables in this paragraph reports the results on the 2010 year.

Bottega Informatica	Number of people inserted at job	Value created in favour of P.A.
WISE		-€ 9.853,94
Disabled	71	€ 245.451,31
Mentally Impaired	6	€ 64.350,91
Addicts	9	€ 20.703,00
Not certified disadvantaged	7	€ 38.846,16
	Value created for P.A. in 2010	**€ 359.497,44**
	Total number of people inserted	**93**
	Value created per person in 2010	**€ 3.865,56**

Cerro Torre	Number of people inserted at job	Value created in favour of P.A.
WISE		€ 18.289,40
Disabled	22	€ 113.031,92
Mentally Impaired	7	€ 28.632,93
Addicts	31	€ 41.836,25
Prisoners	3	€ 14.516,54
Minors	2	€ 2.068,68
Not certified disadvantaged	4	€ 13.817,87
	Value created for P.A. in 2010	**€ 232.193,59**
	Total number of people inserted	**69**
	Value created per person in 2010	**€ 3.365,12**

La Fontana	Number of people inserted at job	Value created in favour of P.A.
WISE		-€ 3.696,49
Disabled	19	€ 97.747,68
Addicts	3	€ 13.620,63
Prisoners	3	€ 57.469,21
Not certified disadvantaged	13	€ 14.344,18
	Value created for P.A. in 2010	**€ 179.485,22**
	Total number of people inserted	**38**
	Value created per person in 2010	**€ 4.723,30**

Nuvola Lavoro	Number of people inserted at job	Value created in favour of P.A.
WISE		-€ 2.606,53
Disabled	11	€ 68.314,17
Addicts	2	€ 7.412,58
	Value created for P.A. in 2010	**€ 73.120,22**
	Total number of people inserted	**13**
	Value created per person in 2010	**€ 5.624,63**

Sol.Eco	**Number of people inserted at job**	**Value created in favour of P.A.**
WISE		-€ 31.346,30
Disabled	17	€ 63.374,35
Mentally Impaired	4	€ 10.387,15
Addicts	1	€ 3.604,31
Not certified disadvantaged	2	€ 6.618,77
	Value created for P.A. in 2010	**€ 52.638,29**
	Total number of people inserted	**24**
	Value created per person in 2010	**€ 2.193,26**

Cooperativa Sociale Palazzolese	**Number of people inserted at job**	**Value created in favour of P.A.**
WISE		-€ 82.028,81
Disabled	26	€ 159.659,52
Addicts	1	€ 1.967,93
Not certified disadvantaged	4	€ 28.632,32
	Value created for P.A. in 2010	**€ 108.230,96**
	Total number of people inserted	**31**
	Value created per person in 2010	**€ 3.491,32**

The first important result is the applicability of VALO.R.IS., the model allow the WISEs to evaluate the saving they are creating for the Public Administration. The different results depend mainly on the seriousness of the considered disadvantages. That means that a disabled who requires assistances, support structures, etc. let the WISE create more value for P.A. than a disabled who have physical problems and who can try to get another job. At the same time, a prisoner who should have been in prison let the WISE create more value than a prisoner who must be at house arrest.

Furthermore, the working period of the disadvantaged influences the results: more days at work means more value created.

Finally, the result is extremely influenced by the general WISE result (that derives from difference between VAT created and subsidies/tax exemption received) that is often negative. This depends on the subsidies and on the tax exemptions the WISE receives, they can be higher than the VAT produced by disadvantaged workers.

The general result is anyway positive, the average value created per each person inserted at work in 2010 is 3.877,20 €, it is the monetization of the activity carried out by the WISE through disadvantage participation in the activity and, indirectly, in favour of the public budgets.

The result is really important for the whole WISEs of Brescia province, they have a "milestone" in order to re-negotiate the agreements with the Public Administration.
Some other evaluation is reported here following.

	Total value created	Total n. of people inserted	Average
WISE	-€ 111.242,66		
Disabled	€ 747.578,96	166	€ 4.503,49
Mentally Impaired	€ 103.370,99	17	€ 6.080,65
Addicts	€ 89.144,70	47	€ 1.896,70
Prisoners	€ 71.985,74	6	€ 11.997,62
Minors	€ 2.068,68	2	€ 1.034,34
Not certified disadvantage	€ 102.259,30	30	€ 3.408,64
Total	**€ 1.005.165,71**	**268**	

Firstly we have to consider the high number of people re-inserted at work by the activity of only 6 WISEs: 268 people who would have been excluded from labour market in the 2010 have had the possibility to carry out a job. The total amount of value created for P.A. is also interesting: more than a million of euros saved by the public budget, in a period of important cuts and reduction of public expenses. Finally, an evaluation about the classes of disadvantages: the more expensive is the one composed by prisoners because of the high daily cost of the prison. Secondly there are the mentally impaired: they generally require important degree of assistance, because they can't be fully independent and autonomous.

4. CONCLUSIONS AND FUTURE DEVELOPMENT

The paper shows two interesting results, firstly VALO.R.IS. allows the WISEs managers to evaluate and disclose the economic value they create for the Public Administration and, indirectly, for the whole community. It is a yearly model that utilizes data from general accountancy, Human Resources management, etc. The model is quite precise and not too complicated to compile. Each WISE can charge its administrative and social responsible whit the compilation of the requests. The knowledge of such results is an important tool to better manage the relations with the Stakeholder "Public Administration", one of the most important in the Italian WISEs panorama.

The paper shows VALO.R.IS. and its components, and also the results that the WISEs can obtain through his utilize. The emerging data are really important in order to demonstrate the primary role that WISEs and, in general, Social Enterprises and Social Economy play in the realization of Public Policies, not only in the terms of reinsertion of people at work and in the society, but also for the economic value they produce in favour of the public budgets.

Considering the average value created per person of 3.877,40 €, it could be interesting to evaluate which would be the saving of the Public Administration in the province of Brescia, in the Lombardia Region and in the whole Italian country:

- 4.237.779,6 € in Brescia Province (data on disadvantaged at 31.12.2007)
- 15.869.379,6 € in Lombardia Region (data on disadvantaged at 31.12.2007)
- 116.862.685 € in Italy (data on disadvantaged at 31.12.2005)

Future developments are twofold: firstly to systematize VALO.R.IS. with a software to let the WISEs fully independent in the drawing up of the evaluation, secondly to enlarge the adoption of the model outside Brescia Province and Lombardy Region, towards the other Italian Regions in which WISEs operate. The goal would be to calculate the contribution of WISEs at a national level.

REFERENCES

Borzaga C. (1999) La cooperazione sociale di inserimento lavorativo: quale ruolo e quali politiche di sostegno? In Marocchi F. (ed.), *Integrazione lavorativa, impresa sociale, sviluppo locale.* Milano: Franco Angeli.

Chiaf E., Giacomini D. (2009) *The Evaluation in Work Integration Social Enterprises: a Literature Review*, 2nd EMES Conference Selected Papers (ECSP) series. Liège: EMES European Research Network.

European Commission (2002) *Regulation (CE) n. 2204/2002.*

European Commission (2008) *Regulation (CE) n. 800/2008***.**

Jadoul B. (2000) *Le financement des services de proximité par les politiques actives d'emploi – Une évaluation du cout pour les pouvoirs publics.* Charleroi: CERISIS-UCL.

Law 8 November 1991, n. 381. *Disciplina delle cooperative sociali*. Gazzetta Ufficiale of 3 December 1991, n. 283.

Maree M. (2005) *Les effects collectifs de l'insertion***.** Liège : Centre d'Economie Sociale.

Marocchi G. (1999) *Integrazione lavorativa, impresa sociale, sviluppo locale*. Milano: Franco Angeli

Stern S. (1996) Semiparametric estimates of the supply and demand effects of disability on labor force participation. *Journal of Econometrics*, 71, pp. 49-70.