



WORK INTEGRATION SOCIAL ENTERPRISES IN ITALY

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1. The labour market situation in Italy

During the last decade the main characteristic of the Italian labour market has been the combination of two conditions: a high level of unemployment and a low rate of activity. Women and long term unemployed people are the categories of the labour force most affected by the occupational problem. Another peculiarity is the particular strength of the phenomenon in the South of the country. While in the North and in the Centre of the country unemployment is lower than the EU average, in the South of Italy rates of unemployment are not only much higher than in the North and in the Centre; they are also twice as high as the EU average.

If between 1992 and 1994 Italy lost one million and two hundred thousand of jobs, during the last few years the labour market situation in Italy has been characterised by a positive evolution. The growth of employment started in 1995 and improved strongly from the beginning of 2000 to the end of 2001. From 1995 to 2001, one and a half million new jobs were created. The growth is mostly due to the development of the service sector and to new forms of labour contracts, such as part time, temporary work, atypical contracts¹ or traineeships. The growth can be connected with fiscal incentives but also with the standard work. Other elements that can justify the positive trend of the Italian labour market are more qualitative and are related to both the increase in women employment and the growth in the South of the country.

In 2001, the number of employees was 21,080,000 with an increase of 388,000 units (+1.9%) compared with 1999 data. The increase is higher for women (+3.1% against +1,2% for men percentage). The employment rate is stable around 53.5% and the rate of unemployment has decreased to less than 10% (for the first time in the last decade). Table 1 shows the evolution of the activity rate, employment rate and unemployment rate during the last 7 years.

¹ These contracts, called "*collaborazioni coordinate e continuative*", are characterised by a non subordinate obligation of the worker. The obligation of the worker is related to a product in respect of timing and contents. These contracts have a big degree of flexibility both for the worker and for the organisation. Besides the firms have a huge save in labour costs, because for these contract the percentage of social contribution is much lower than for subordinate contracts (14.5% instead of 33%).

Table 1. Main indicators of the labour market (percentages)

Years	Activity rate		Employment rate		Unemployment rate		
	15-64 years	15-24 years	15-64 years	15-24 years	Total	15-24 years	Long term
Annual Data							
1995	57.4	37.9	50.6	25.1	11.6	33.8	6.2
1996	57.7	37.5	50.9	24.7	11.6	34.1	6.5
1997	57.9	37.4	51.0	24.7	11.7	34.0	6.7
1998	58.7	38.0	51.7	25.2	11.8	33.8	6.9
1999	59.3	37.5	52.5	25.2	11.4	32.9	6.9
2000	59.9	37.7	53.5	26.0	10.6	31.1	6.5
2001	60.4	36.0	54.6	25.9	9.5	28.2	5.9

Source: ISTAT data

Looking at the different indicators by gender, it is interesting to note the increase in the women rate of employment (see table 3), which increased from 35.4% in 1995 to 41.1% in 2001 (the variation of this rate for men is not so strong: from 65.9% to 68.1% - see table 2). The same trend was followed by the unemployment rate, but in opposite direction.

Table 2. Main indicators of the labour market by gender – Men (percentages)

Years	Activity rate		Employment rate		Unemployment rate		
	15-64 years	15-24 years	15-64 years	15-24 years	Total	15-24 years	Long term
Annual data							
1995	72.5	41.6	65.9	29.1	9.0	29.9	4.8
1996	72.5	41.2	65.9	28.9	9.0	29.8	5.0
1997	72.4	41.2	65.8	29.0	9.0	29.6	5.2
1998	72.9	42.0	66.2	29.5	9.1	29.8	5.4
1999	73.2	41.0	66.7	29.0	8.8	29.2	5.3
2000	73.6	41.0	67.5	29.6	8.1	27.6	5.0
2001	73.6	39.4	68.1	29.5	7.3	25.0	4.5

Source: ISTAT data

Table 3. Main indicators of the labour market by gender – Women (percentages)

Years	Activity rate		Employment rate		Unemployment rate		
	15-64 years	15-24 years	15-64 years	15-24 years	Total	15-24 years	Long term
ANNUAL DATA							
1995	42.3	34.1	35.4	20.9	16.2	38.7	8.7
1996	43.0	33.7	36.0	20.4	16.1	39.5	8.9
1997	43.5	33.6	36.4	20.3	16.2	39.6	9.1
1998	44.6	33.9	37.3	20.7	16.3	39.0	9.5
1999	45.5	34.0	38.3	21.3	15.7	37.4	9.4
2000	46.3	34.3	39.6	22.1	14.5	35.4	8.8
2001	47.3	32.6	41.1	22.1	13.0	32.2	8.0

Source: ISTAT data

As said above, the Italian labour market is characterised by a sharp gap between the North and the South of the country. The South is a less developed area in economic terms and the major effects fall on occupational situation. In the year 2000, when the national rate of unemployment was 10.6% (14.4% for women and 8.1% for men), in the North the rate was only of 4.7%, in the Centre it was of 8.3%, while in the South it reached 21.0%. The table 4 shows clearly the differences in rates of employment among the Italian regions.

Table 4. Employment rate by gender and by region (percentages)

	1995			1999			2000		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
15-64 years									
North-Centre	70.0	42.3	56.2	71.1	46.3	58.7	71.9	48.0	59.9
South	58.4	23.1	40.6	58.6	24.1	41.2	59.5	24.6	42.0
Italy	65.9	35.4	50.6	66.7	38.3	52.5	67.5	39.6	53.5
55-64 years									
North-Centre	42.2	13.5	27.3	38.1	15.6	26.5	37.3	15.8	26.2
South	50.1	13.6	30.9	48.3	13.7	30.3	48.8	14.2	30.8
Italy	44.7	13.5	28.5	41.2	15.0	27.6	40.9	15.3	27.7

Source: ISTAT data

1.1. Labour market policies

As regards labour policies (both in general and more especially for hard to place job-seekers), at the beginning of the 1990s, they were mostly characterised by a passive nature and a heterogeneous coverage of the problem. The policies mostly addressed employees in medium to large manufacturing firms; the impact for people working in small firms and service industries was very small.

During the 1990s labour policies were mainly oriented to:

- the control of the wages growth, through general three party agreements (the so called *concertazione*, among trade unions, associations of employees and the Government);

- the introduction of instruments aimed at making the labour market more flexible, such as part time contracts, fixed time contracts, temporary jobs (and the related Agencies). Other and new forms of contracts, characterised by rules creating a status in between employee and self employed (the so-called *collaborazioni coordinate e continuative*), also had a great diffusion;
- The reduction of passive policies and the transfer of the resources thus made available to the budget of active policies programmes. The main measures were:
 - the introduction of training contracts (fixed term of two years contracts, with a reduction of social security contribution payments);
 - the reform of employment in the public services, allowing also private enterprises to provide employment services (Labour Agencies);
 - the provision of different kinds of employment subsidies for firms hiring long term unemployed people;
 - the strengthening of vocational training.

The results of this process of change from passive to active labour policies are still not very clear. Italy is still spending the majority of the resources devoted to labour policies in a passive way. The reform of public employment services is still on the way. However, many enterprises largely used fixed term contracts, especially during the 1999-2000 employment recovery.

1.2. Labour policies for disadvantaged workers

As regards labour policies for the disadvantaged, the most important measure was the reform of the law on compulsory employment for disabled people.

This reform constitutes a profound revision of Law 482/68; it was prompted by the failure of previous regulations².

Law 482 of 1968 established a quota system that required firms and public bodies with more than 35 employees to hire a quota of disabled people equal to 15% of the overall workforce. After several unsuccessful attempts, the Parliament reformed the law in 1999 (Law 68 of 1999). The new law reduces the quota of disabled workers firms with more than 50 employees must employ from 15% to 7%; it also requires firms with 15-35 employees to employ one disadvantaged worker and firms with 35-50 employees to employ two disadvantaged workers.

The new legislation is based on truly innovative principles, the intention being to create an employment system which is shared, consensual and possibly stable. The main points of Law 68/1999 are the following:

- it introduces the principle of targeted employment (*collocamento mirato*), which means that as much effort as possible must be made to help disabled people to find suitable employment. The system also comprises a gradual benefits framework for firms, linked with the level of disability;

² Evidence of the failure is that average employment entry into companies with more than 35 employees has been lower than 3.5% in the last 3 years.

- regional autonomies (established by Legislative Decree 469) are improved, so that local offices have broad powers to find, at the local level, path and structural organisations for training and work integration. They may personalise work entry, devising individual paths of labour market entry;
- a special fund has been created; it is managed by each region, financed by the sanctions system³ and by some other contributions⁴, and will be used to implement measures which seem useful to improve the integration of disabled people into the labour market.

Some points of the legislation have not yet been satisfactorily resolved: eligibility criteria for compulsory employment are still applied erratically, and the law provided different percentages for the new workers entering the labour market. A lot of work is still required to harmonise the evaluation criteria among the different types of invalidity, not only with reference to the admittance to the labour market, but also to monetary benefits (as support).

Table 5 compares between the main points of the two laws, the old one (482) and the new law of compulsory employment (68), focusing on the differences.

The law does not recognise the right to be employed for the disadvantaged workers affected by typologies of disadvantages different from those recognised by the law. It is still impossible to assess the results of the law, because the period elapsed since its application is too short.

³ Sanctions are fixed for those firms not complying with the compulsory quota.

⁴ Firms employing disadvantaged workers according to the compulsory quota system can benefit from exemption of the contribution payment.

Table 5: Comparison between Law 482/68 and the new Law 68/99

	L. 482/68	L. 68/99
QUOTA SYSTEM ELIGIBILITY (people with rights)	<p>People registered on a "special list" who, at the time of their hiring:</p> <ul style="list-style-type: none"> - can prove a reduced work capacity amounting to at least 45%; - are less than 55 years old; - are unemployed. <p>EXCLUDED: total invalids.</p>	<p>The same list WITHOUT:</p> <ul style="list-style-type: none"> - widows and orphans. <p>Work capacity reduction must be <u>higher than 45%</u>.</p>
QUOTA	<p>Public and private enterprises with more than 35 employees.</p> <p>15% of workforce.</p>	<p>Public and private enterprises.</p> <p>The quotas are:</p> <ul style="list-style-type: none"> - 7% for firms with more than 50 employees; - 2 disabled people for firms with between 35-50 employees; - 1 disabled person for firms with between 15-35 employees, in the case of new employment.
COMPENSATORY SYSTEM	None.	<p>1. Possible <u>partial exemption</u>, previously authorised, with the contribution provided paid into the special fund.</p> <p>2. <u>Temporary exemption</u> from the obligation to employ a quota of disabled people, through conventions with B-type social co-operatives ex-Law 381/91 or with unions. Object of these conventions are job orders. Time limits are defined (max. 2 years, then firms have to employ the disabled), as well as quantitative limits, which means that the amount of the job order must ensure suitable economic treatment and cover social contribution for the worker. It may involve:</p> <ul style="list-style-type: none"> a) the only one disabled that firms with 15-35 employees have to employ; b) 1 of the two disabled that firms with 36-50 employees have to employ; c) 30% of the disabled that firms employing more than 50 persons have to employ.
FORMS OF INCENTIVE	None.	<p>1. Exemption from social security taxes, graduated according to invalidity.</p> <p>2. Contribution (in a measure of 50%) to firms, for the expenses incurred for the transforming the job place in order to make accessible for the disabled.</p>
SANCTION SYSTEM	Fines on firms that do not employ handicapped persons if they are obliged to do so.	<p>The sanctions are particularly severe:</p> <ul style="list-style-type: none"> 1. in case of omission or late declaration (over 60 days) the fine is £ 1,000,000 plus £ 50,000 for each day of delay; 2. in case of non-coverage of the quota, firms must pay £ 100,000 a day for each worker not employed.

2. The process of institutionalisation of work integration social enterprises in the context of public policies

2.1. Historical development

In Italy the 1980s saw the emergence of innovative experiences of firms aiming at the integration into work of disadvantaged people. The roots of these initiatives came from both the process of de-institutionalisation (especially for people affected by mental disorders, but also for young people with domestic problems or orphans) and the development of the demand for work integration of disabled people who, in the previous years, had followed educational and training paths. Another factor accounting for this emergence can also be found in the limits of the legislation supporting disabled people (Law 482/68). The compulsory quota fixed by this law was too high; moreover, it did not foresee alternative modality and supports for the work integration, it was based on a management system which was too bureaucratic, and it left out a large weak group of the population (such as drugs addicted and people with mental trouble), while, at the same time, allowing people who were not in need to benefit from the law.

The new experiences developed as an alternative to the traditional framework supporting the integration of disadvantaged people (experimented in some other European countries), such as protected workshops. The new forms of enterprises were created with the aim of providing the disadvantaged people with a remunerated stable job (if possible) and, as opposed to protected workshops, the percentages of disadvantaged people employed were, at the beginning, quite low. From the very beginning, most of these organisations adopted the co-operative legal form. The production activity differed according to the territorial productive context and to the sensitivity of the public administrations; sectors of activity included services (laundry, green areas maintenance, restaurants and food providing in general), manufacturing, handcraft (glass, wood working), etc.

After some years of free development, these organisations were recognised by Law n° 381/1991 (*Disciplina delle cooperative sociali*). This law distinguishes between two types of social co-operatives: those delivering social, health and educational services, called A-type social co-operatives, and those providing work integration for disadvantaged people, called B-type social co-operatives. For the latter, the law establishes precisely the typologies of disadvantaged people, who must belong to one of the following categories: people with physical or mental disabilities; drug addicts; alcoholics; minors with problem families; and prisoners on probation. A proper public authority (Municipality, Public Health Agency, Region or Labour Office) must certify the disability. The certification of disability made by the public administration indicates a period of time and is temporary, except for people with certified permanent disability. An important article of the law establishes that at least 30% of the total labour force engaged in B-type social co-operatives must be disadvantaged labour force.

The law provides for the exemption from the payment of social security contribution for all the disadvantaged workers employed, if the disability is certified by a public administration.

Another article of the law, quite important, establishes that the public administrations can assign contracts to B-type social co-operatives, even though this is normally not admitted by the contracts law⁵. Indeed, public administrations are allowed to introduce, in the rules of the contract, a so-called "social clause", according to which the contractual obligation must be fulfilled employing a certain amount of disadvantaged people. The workers employed must also enter a specific "work integration path".

The definition of the disadvantaged people given by Law 381 is wider than the one of Law 482 (it seems that the first social co-operative experiences have been taken into account) and there is just an overlapping of the two laws. In fact, the disadvantaged people not affected by physical and sensorial disability are not taken into account for the compulsory quota and this has been confirmed by the recent reform of the compulsory quota legislation, made by Law 68/1999. For all people not taken into account for the compulsory quota, social co-operatives represent the only specific help to find a proper job.

2.2. The role of social co-operatives in the context of public policies

After this brief description of the legislative excursus of social co-operatives, it is useful to identify their place among public policies supporting disadvantaged people in the process of integration, and to analyse how these policies interact with the social co-operative system.

The policies for integrating disadvantaged people into work can be divided into four kinds:

- regulation policies: the purpose is to influence the behaviour of enterprises as regards disadvantaged workers, requiring them to employ a defined number of disadvantaged workers (compulsory quota). These policies are largely ineffective because the costs of integration of disadvantaged people are hard on the firms. As a consequence, firms, when they cannot transfer these additional costs on their prices, try to escape from the compulsory employment of disadvantaged people;
- compensative policies: the purpose is to compensate for the lower productivity of disadvantaged workers, in order to induce firms to employ them spontaneously. These policies consist of training activities aiming at reducing the training shortcomings of the disadvantaged people and at finding out suitable jobs according to their physical condition. The effectiveness of these policies is limited by the fact that there is no convergence between the training applied and the requirements of the firms;
- substitutive policies: the State directly promotes work integration of disadvantaged people in the public sector, or in enterprises created *ad hoc*. The negative consequence of these policies is the segregation of the disadvantaged people employed in such "closed" productive structures;

⁵ According to European Community law (1994), Law 56/96 establishes the derogation of the existing contracts law; the derogation is applicable only for the supply of good and services which are not educational, social and health services. The supply must also be, in financial terms, lower than what is established by Community law.

- supported employment policies, services of targeted employment, individualised employment services: these policies work directly on the training and hiring costs but, because of the high costs connected with their implementation, have involved mainly public administrations and non profit institutions in most countries.

In Italy public policies for work integration of disadvantaged people were and are still heavily based on regulation policies, mainly on a quota system, according to Law 468 of 1968. The new law (Law 68 of 1999) introduces some attempts of compensative policies, providing some benefits to the firms employing disadvantaged people.

In this context work integration social enterprises (WISEs) are promoters of alternative programmes, closed to "supported employment" strategies.

Work integration social co-operatives differ from substitutive intervention by their entrepreneurial behaviour and from regulation policies by their aim to guide disadvantaged people to be fully productive. They do not employ the disadvantaged in "normal" firms but in new enterprises, with the aim to train them and to employ them in a temporary or permanent way.

In particular, the specificity of B-type social co-operatives is their innovative way to face selection and training, founded on a double advantage:

- work integration social co-operatives can select and train disadvantaged workers at lower costs than other firms. This is mostly due to the availability of free human and monetary resources and to the experiences and competencies gathered in dealing with disadvantaged workers. As opposed to traditional firms, social co-operatives can certify the real capability of the disadvantaged workers;
- work integration social co-operatives are characterised by the non distribution constraint and by a participative management. Thanks to these characteristics, they appear more credible and reliable, both for the public administration and for trade unions.

2.3. Evolution in the typologies of work integration social co-operatives

During the 1990s, social co-operatives dealing with the integration through work of disadvantaged people became increasingly specialised, especially in economic and managerial terms. As a consequence, the external visibility of the enterprises also changed, and they are increasingly considered as labour policies tools, instead of structures simply supporting social inclusion programmes.

The evolution of the work integration social co-operation from a tool of social inclusion to a labour policy tool is coherent with some trends or facts:

- according to the collective agreement, work integration social co-operatives can derogate from minimum wages, taking into account the productivity of the disadvantaged worker employed. This recognises the propensity of B-type social co-operatives to carry out on-the-job training rather than permanent work integration;
- local agreements are passed between social co-operatives and firms, according to which the former take charge of the on-the-job training of the disadvantaged

workers, while the latter undertake to guarantee job orders to social co-operatives and stable occupation for the disadvantaged workers at the end of the training programme;

- usually, B-type social co-operatives can employ, in addition to the 30% quota regulated by law (art. 4, c.2 of Law 381/91), other workers who have problems to be integrated into the open labour market, but are not defined as disadvantaged people by the same law. They can be workers employed in "socially useful jobs"⁶. In this case the social co-operatives do not have any special benefit (they also have to pay social security contributions⁷).
- the authorities governing labour market policies demonstrate an increasing interest for work integration social co-operative experiences and for the support that these enterprises give to on-the-job training activities.

Looking at the evolution of the enterprises in terms of their purposes, it can be said that at the beginning of the experiences, the goal of B-type social co-operatives was, on the one hand, the stable integration of the disadvantaged inside the organisation and, on the other hand, the use of work as a support for the social intervention of the social co-operative. More recently, social co-operatives have engaged mostly with the on-the-job training of disadvantaged workers, leading to external employment (or, in case of high disability, to a permanent job inside the social co-operative).

In conclusion, since the specific contribution of work integration social co-operatives is not recognised yet (even though public authorities are looking at these experiences with increasing interest), especially at the level of labour policies, and they do not always receive stable and fair subsidies for the on-the-job training they provide, they need to manage a distributive function. They often pay the disadvantaged workers a wage which is higher than their productivity. The loss is compensated by lower wages (compared to individual productivity) paid to non disadvantaged workers.

3. Today's different types of work integration social enterprises in Italy

The situation of work integration social enterprises in Italy is very simple to describe since B-type social co-operatives are the only type of work integration social enterprises active in Italy. In fact one could also mention the experience of organisations other than social co-operatives, whose activity also involves disadvantaged people. But, on the one hand, these organisations cannot be defined as enterprises according to the EMES criteria and, on the other hand, they do not have integration through work of disadvantaged people as their priority aim.

The historical evolution of social co-operatives shows that at the beginning the goal of their activity was the creation of job opportunities for disadvantaged people. Over time,

⁶ The "*lavori socialmente utili*" are measures of active labour market policy.

⁷ The Government, by means of the Finance Act 2001, introduced some subsidies for enterprises employing people who are not declared disadvantaged by law, but who are hardly employable (long term unemployed). In monetary terms, the subsidy is an amount of money (more or less € 400), paid to every kind of enterprise (profit or non profit, co-operative or joint stock company), for each person employed.

the purpose became the work integration, pursued also by means of on-the-job training. As a consequence, it is possible to define, within these enterprises, three types:

- social co-operatives pursuing the aim of employing and training the disadvantaged people without a clear idea about the stability of these jobs;
- social co-ops with the aim of integrating disadvantaged people mainly in the co-operative. In this case, the effectiveness is limited to some people only – i.e. people affected by specific and normally quite heavy typologies of disadvantages;
- work integration social co-operatives whose main purpose is to integrate disadvantaged people into the open labour market. This goal can be reached after a period of training, of working experience inside the co-operative, during which the social co-operative works to improve both the social and professional abilities of the disadvantaged people.

3.1. The dimensions of work integration social co-operatives

Trying to quantify the phenomenon of WISEs in Italy, it is necessary to look at the National Institute of Social Security Contribution (INPS) data⁸: In fact all work integration social enterprises, in order to benefit from the exemption from the payment of the social security contribution, have to declare to the INPS the number of disadvantaged people they employ. But these data underestimate the number of disadvantaged people involved in work integration paths because they do not take into account:

- disadvantaged people employed in WISEs by means of traineeships or work grants;
- cases of WISEs employing a number of disadvantaged people higher than 30% of the labour force (according to Law 381/91);
- disadvantaged workers whose disability has not been certified by a public administration because their disability is not defined by Law 381/91.

The first social co-operatives were created towards the end of the 1970s; they developed during the 1980s, with the main development occurring after the approval of Law 381. Looking at INPS⁹ data referring to years 1994-1998, it is easy to note the strong growth of the sector (cf. table 6).

⁸ In year 2001 the National Institute of Statistics published a census on non profit organisations (the first one in Italy). From these data, however, it is not possible to identify B-type social co-operatives and it is therefore necessary to get data from other sources, namely the Ministry of Welfare or the National Institute of Social Security Contribution (INPS).

⁹ As already mentioned, INPS is the National Institute for Social Security Contribution, to which work integration social co-operatives have to communicate the number of disadvantaged people they employ (in order to benefit from the exemption).

Table 6. Social co-operatives for work integration: 1993-1998

	1993	1994	1995	1996	1998	1999	2000
Number of co-operatives	287	518	705	754	1463	1787	1915
Annual rate of growth (%)		80.5	36.1	6.9	39.3	22.1	7.2
Total employment	4501	7115	9837	11.165	23.104	28.079	32.939
Annual rate of growth (%)		58.1	38.3	13.5	43.8	21.5	17.3
Disadvantaged workers employed	1675	3204	4686	5414	11.319	12.310	13.569
Annual rate of growth (%)		91.3	46.2	15.54	54.5	8.8	10.2
Employees by co-operatives	15.7	13.7	13.9	14.8	15.8	15.7	17.2
Disadvantaged workers by co-operatives	5.8	6.2	6.6	7.2	7.7	6.9	7.1
Disadvantaged workers in total workforce (%)	37.2	45.0	47.6	48.5	49.0	43.8	41.2

Source: National Institute of Social Security Contribution (INPS)

From 1993 up to now, there has been in Italy a substantial development of work integration social co-operatives, both in number of organisations and in number of people employed. The rate of growth of the organisations was very high at the beginning, because of the process of separation in two co-operatives (an A-type and a B-type) of several co-operatives that before the approval of Law 381 were managing both the provision of social services and work integration activities.

From these data it is interesting to notice:

- the stable and continuous rate of growth of the number of co-operatives, of the total employment and of the number of disadvantaged workers employed¹⁰;
- the stability of the average size of these co-operatives;
- the stability of the percentage of disadvantaged workers in the total workforce.

4. The specificity of work integration social enterprises with respect to the social enterprise definition criteria (EMES criteria)

In Italy there still does not exist a definition of the social enterprise, nor a specific law defining its characteristics. Indeed, this concept is normally used at both political and scientific levels to identify third sector organisations which supply in a continuous way goods and services according to a managerial attitude. These activities have the purpose both of fighting against social exclusion and of supplying services to people and the local community.

Since the beginning of the phenomenon, when informal groups of people started to organise themselves in order to compensate for the lack of public social services by supplying social services, the co-operative appeared to be the most suitable form of organisation. The evolution of the phenomenon led to the legal recognition of work

¹⁰ The main limit of INPS data is linked to the fact that they underestimate the number of disadvantaged people employed in B-type social co-operatives. This is due to the fact that the enterprise can benefit from social security exemption only for the employment of the disadvantaged defined by law. If they employ for instance long term unemployed people (who are not defined as disadvantaged by law), they are not entitled to any special fiscal benefit. In most cases what happens is that the co-operatives do not declare the new employees to the social security contribution institute (INPS).

integration social co-operatives and of social co-operatives providing health and social services. Of these two types of co-operatives, B-type social co-operatives are those which better fit the EMES criteria. These organisations have to combine a social mission with the managerial assessment which is necessary for operating in a competitive market context. This means that they pursue a continuous activity of production of goods or services, with the aim to benefit the community (through the supply of social services not provided by the public services), basing the organisation on a high degree of autonomy, a significant economic risk, a minimum amount of paid workers, a limited profit distribution. In most cases, all these conditions go well with a participatory nature, a decision making power not based on capital ownership.

5. Challenges and key questions

5.1. Challenges and key questions about objectives and benefits

Private benefits

The production of both private and collective benefits is a positive result deriving from both the existence and the activity of social enterprises, and in particular of work integration social enterprises.

As regards private benefits, integration through work can generate for disadvantaged people different benefits according to:

- the seriousness of the disadvantage: the stronger is the level of the disadvantage, the less are the chances to find a job. This is due, in particular, to the difficulties for both the person and the enterprise to find a job well-suited to the ability of the disabled person. In this case the most important benefit is to reach a stable occupation and, accordingly, the benefits are above all *social and psychological*. In such a context the employed person is able to overcome the psychological disadvantages generated by unemployment, even though being paid less than a "normal worker". On the other side, if the disadvantaged person is normally remunerated, the loss of the disability subsidy is compensated by the increased income. Consequently, the benefits turn out to be not just social, but also *monetary*;
- the level of training: the disadvantage can also be ascribed to a lack of training. In this case the occupation in social enterprises produces an individual benefit in terms of increase in *human capital* for the disadvantaged person. This is true, in particular, taking into account that for disadvantaged people, the possibility to find a good job in the open labour market depends on:
 - the will to return into the training path: however this is not only difficult, but also not really efficient under a labour market point of view; it can even produce negative effects. When people attend training activities designed for low skilled unemployed, this often results in a "stigma" or a negative signal for potential employers;
 - The on-the-job training: the problem in this case is that enterprises tend not to invest on very low skilled subjects, but only on already trained workers.

The individual benefits reached by disadvantaged people integrated in the labour market (open or not, which means inside the social co-operative or outside, in a common enterprise) can be measured referring to many aspects: first of all, as said above, they are satisfied in professional terms (and, as a consequence, their health status can also be improved), their human capital is increased and valorised by the occupied status. Also in economic terms, disadvantaged people employed can benefit from a higher level of income, compared with the subsidies (unemployment or disability subsidies) they receive when not employed, since these subsidies are amounts meant only to guarantee their subsistence.

The situation could still improve. During the last few years the work integration social co-operative movement has been recognising some limits of the model applied. In particular the guarantee of a social networking would complete the model. The idea, currently under study and construction, is to create a strong interrelation between A-type and B-type social co-operatives. The synergy between the two paths, one dealing with social and health care aspects (A-type social co-operatives), the other with professional and economic aspects (B-type social co-operatives) should allow to create a network of social protection for disadvantaged people.

Collective benefits

The collective benefits provided by B-type social co-operatives are of three kinds:

- they contribute to lower - for the time the disadvantaged workers remain employed (both inside the co-operatives and outside, in the open labour market) - the public expenditure, since otherwise these people would receive, as unemployed or socially disadvantaged, unemployment subsidies, pensions or other kinds of subsidies;
- they positively contribute to the public revenue since the disadvantaged employed pay taxes and contribute to the social security fund;
- they contribute to reduce the public expenditure for professional training (both in school and on-the-job training), since part of it is freely provided by social enterprises (using part of their revenues, that otherwise would be assigned to profit or to paying higher wages to the other employees).

These benefits can be compared with the public costs, which are:

- the amount of social security not paid during the period of employment of the disadvantaged worker inside the social co-operative, as a result of the exemption from the payment of social security contribution for the disadvantaged workers employed;
- other subsidies (work grants, supports to training activities, etc.) the social co-operatives receive, mostly from local authorities.
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A comparison between costs and benefits has been done for the Province of Trento, for the period 1993-1999, evaluating a special project financed by the Labour Agency of the Province of Trento. The aim of the project was to support the on-the-job activity of the social co-operatives, with subsidies for each disadvantaged worker employed and for the time spent in training by the tutors. The research shows that the benefits are higher than the costs, producing a net fiscal benefit; this holds true even when taking into account the subsidies that the Province pays to B-type social co-operatives in order

to compensate for the costs of the on-the-job training provided by the co-operatives to disadvantaged workers.

Work integration social co-operatives, with their democratic government and non profit distribution constraint, can, on the one hand, easily overcome the disincentive of training the disadvantaged workers, and on the other hand, they deserve the trust and therefore the facilities of both public administrations and worker unions. Enterprises trust the judgement of work integration social co-operatives about the real capability developed by the disadvantaged during the training in the co-operative. In conclusion it is possible to assume that work integration social co-operatives contribute to the improvement of the labour market.

The main challenge for B-type social co-operatives seems to be at the moment the necessity to pass from recognition as tools of social integration of disadvantaged people to tools of promotion of the access to the labour market. B-type social co-operatives are still considered to belong more to the field of social policies than to the field of labour market policies.

It is now difficult to say if B-type social co-operatives really mobilise and contribute to create social capital. Most of them are highly specialised in work integration and do not really care about keeping strong relations with the community or with social movements. These connections are mainly transferred to second level organisations (consortia or Federation of social co-operatives).

In the last few years, B-type social co-operatives have started to face the shortcomings linked to their high level of specialisation, trying to find out ways to build up a kind of "social network", working together with both local institutions, A-type social co-operatives and public services. The purpose of this new model of work integration social co-operative is to go beyond mere work integration and to try to provide the disadvantaged workers with a network of social contacts, in order to allow them to integrate themselves in the community. This process is still in an experimental phase. The main problem is to overcome the difficulties existing in establishing close relations among all the organisations and institutions involved in the process of disadvantaged people integration (into work, in the society).

5.2. Challenges and key questions about resources mix

Resources mix

B-type social co-operatives normally mix:

- paid workers with volunteers. However, generally, the number of volunteers is smaller than the number of paid workers;
- risk capital coming from worker members but also from volunteers and other private institutions (other co-operatives, co-operative banks, charitable institutions, public bodies);
- current revenues from private sales or public contracts;

- public contributions and some public subsidies. This is a resource not systematic and, if present, in small size.

According to the evolution of the social co-operative movement during the last decade, it is possible to say that:

- the percentage of volunteers on the total number of members has been declining, mainly as a consequence of the increase in paid employment rather than because of a decline in the number of volunteers;
- there has been an increase in resources coming from private source, in terms of direct sales of the co-operatives products;
- the growing specialisation of social enterprises in the work integration activity has improved the contacts with public services, with other non profit organisations and, in some cases, with for profit enterprises. As a consequence the co-operatives can count on a higher amount of market resources coming both from the public and the private sector.

5.3. Challenges and key questions about isomorphism and different paths of institutionalisation

For the moment isomorphism does not seem to be a crucial problem. The law asks B-type social co-operatives to employ a minimum number of disadvantaged people whose disability is certified by a public administration, amounting to 30% of the total labour force. The Law does not allow these social enterprises to transform themselves into traditional co-operatives. If B-type social co-operatives do not employ the percentage of disadvantaged people fixed by law, they incur the risk to be cancelled from the regional register of social co-operatives. In this case, they have to close down and can not transform themselves into an enterprise with a different aim. At the same time the limited public subsidies make B-type social co-operatives keep a clear productive behaviour (thus avoiding that they become public employment units), excluding the possibility to transform themselves into sheltered employment workshops.

It is possible for B-type social co-operatives to become A-type social co-operatives. In this case they need to modify their statutes and to ask for registration into a specific register (register of social co-operatives). In any case they remain social enterprises.

6. Comparative performance and specificity of work integration social enterprises, compared to for profit enterprises and public organisations

The purpose of B-type social co-operatives is fixed by Law 381/91. They have to employ disadvantaged people in a percentage amounting to at least 30% of their total labour force. The employment of disadvantaged people is also a normative regulation for for-profit enterprises and public administrations. Law 68/99 establishes the compulsory quota for the enterprises with a certain number of employees. However, there is a fundamental difference between social co-operatives on the one hand and companies and public administrations on the other: the former have the statutory

purpose to employ disadvantaged people, while the latter have a normative obligation to employ disadvantaged people.

During the last few years, there has been a development of the social responsibility of "normal" enterprises and public administration, referable to the fact that the new law regulating the compulsory quota provides the temporary exemption of the compulsory employment through conventions with B-type social co-operatives ex-Law 381/91 or with trade unions. Object of these conventions are orders of a determined value of products or services, regulated by contracts within the social co-operative and the enterprise. For the moment there are not examples of the application of the law in this sense, again because of the short time of application of the law and because of the "pioneering" characteristic of this legal provision.

The main difference, indeed, is related to the different approach in dealing with the disadvantaged people, especially as far as training is concerned. The specialisation of B-type social co-operatives went in the direction of definition and implementation of individual paths of training for the disadvantaged, while for profit firms do not want to invest in the specific and general training of the disadvantaged workers they employ. The specialisation of WISEs is a clear advantage for "normal" firms and for the public administration. In fact, when they have to employ disadvantaged workers (according to the compulsory law), they can benefit, on the one hand, from the information given by WISEs as regards the real capability of the disadvantaged workers and, on the other hand, from the training the workers already get during their stay inside the social co-operative. In this case it is easier for firms to find a suitable job for the disadvantaged worker and, besides, to compensate for the lower productivity that can be associated with the employment of a disadvantaged worker.

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