



## WORK INTEGRATION SOCIAL ENTERPRISES IN IRELAND

Patricia O'HARA  
Mary O'SHAUGHNESSY

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**Patricia O'HARA and Mary O'SHAUGHNESSY**

*Centre for Co-operative Studies, National University of Ireland, Cork, Ireland.*

## **1. The Labour Market Situation in Ireland**

### **1.1. Introduction**

The backdrop to any examination of the current labour market situation in Ireland is the very rapid economic growth which has taken place through the turn of the century. While the platform for this growth has been in the making for some years, prosperity has been relatively sudden and concentrated in less than a decade. During the 1990s, Ireland has gone from being one of the poorest EU member states to one of the richest. In 1993, Ireland had one of the highest levels of unemployment in the EU; within five years, this had fallen to well below the EU average and GDP per capita had converged with core European economies. Average consumption has risen very substantially over the same period, stimulated by higher disposable incomes, associated with rising employment.

As a small open economy in an era of globalisation Ireland's economic policy has been concentrated on pursuing a strategy of increasing integration into the global economy. The state has been deeply implicated in facilitating adaptation to changing global conditions, managing the process of growth and in overseeing neo-corporatist social partnership institutions that have underpinned stability and maintained social rights. The scale and speed of Ireland's transformation is captured by the fact that over the decade 1990-2000 the number of persons at work grew by 50 per cent; the numbers of cars and the volume of waste each increased by 50 per cent; and value of exports grew six-fold.

During the 1990s the term 'social economy' also came into usage in policy discourse and three types of social enterprises were identified - community businesses, deficient demand social enterprises, and enterprises based on public sector contracts. Although the term 'work integration social enterprise' is not used, the main impetus for the development of the social economy in the 1990s came from local and community development initiatives stimulated by public policy responses to high unemployment and urban and rural disadvantage. The social enterprises that emerged are, in effect, WISE as they rely hugely on labour market integration programmes developed to tackle long-term unemployment. Ireland's rapid economic growth and buoyant labour market has now created particular challenges for work integration social enterprises precisely, because of their extensive reliance on labour market integration measures and these will be discussed below. First, we turn to some recent trends in employment.

## **1.2. Employment and Unemployment Trends**

The rapid growth in the Irish economy from 1993-1999 was characterised by a rise in total employment of one-third over the period. The unemployment rate fell from 16% of the labour force in 1993 to less than 6% by 1999. These changes were characterised by a number of factors. O'Connell (2000) notes that women, and those possessing educational qualifications, were the main beneficiaries of the growth in employment. Women's participation in the Irish labour market rose from 35% in 1991 to 44% in 1999. The 'losers' included those made redundant in traditional industries, in particular older workers, and those lacking the qualifications and skills to compete for the new jobs created. The services sector including 'professional, business and personal services' recorded the highest growth in employment levels.

The fall in Irish unemployment, in recent years, was predominantly among the long-term unemployed. Over the period 1995-99, total unemployment decreased by 45%; long-term unemployment fell by 60% and short-term by 25%. By 1999, 'the number of short-term unemployed exceeded the number of long-term unemployed for the first time in over 15 years' (O'Connell, 2000). The decline in Irish unemployment, which had continued since the mid 1990s, bottomed out in 2001 at 3.6%. It averaged 4.5% in 2002 and is expected to rise to around 5% in 2003 (Sexton, 2002). The unemployment rate has continued to be considerably higher among younger workers (15-24 year olds), even in 1999, with early school leaving being cited as a persistent problem.

During the mid-1990s, the fall in long-term unemployment in Ireland was to some extent accounted for by high participation levels in national 'active labour market programmes' (ALMPs) such as Community Employment, Job Initiative and, more recently, a national Social Economy Programme, each of which are detailed below. Each of these measures provides subsidised employment to the long-term unemployed and other specific groups regarded as at risk of social exclusion to work in social enterprises that deliver community-based services. This type of support has been particularly instrumental in both creating and sustaining Work Integration Social Enterprises (WISE) operating in the local and community development sphere.

## **2. The Process of Institutionalisation of Work Integration Social Enterprises in the Context of Public Policies**

### **2.1. National Labour Market Policies**

Irish labour market policies are given effect in either active or passive measures. The former provide training and temporary employment opportunities to the unemployed, while the latter provide financial assistance. Active labour market programmes (ALMPs) were introduced in the 1970s in response to rising national unemployment levels. These included the provision of subsidies to employers and training schemes targeted at the long-term unemployed. By the 1980s, ALMPS were well established and included the provision of temporary employment schemes in line with recommendations made by the OECD and the European Commission. National expenditure on ALMPs accounted for 1.7% of GDP in the mid-1990s, ahead of the OECD average of just over 1% of GDP (O'Connell, 2002).

## **Irish Active Labour Market Programmes**

Sexton and O'Connell (1996) have divided Irish ALMPs into four main types:

*General Training* provides for a range of measures designed to deliver training at basic or foundation level aimed specifically at those with poor educational qualifications, generally young people, but also including women returning to the labour market.

*Specific Skills Training* delivers training required in local labour markets.

*Employment Subsidies* provide grants to support the recruitment or self-employment of workers in the private sector.

*Direct Employment Schemes* provide subsidised temporary employment in the voluntary and public sectors. These schemes include **Community Employment (CE)**, **Job Initiative (JI)** and a national **Social Economy Programme (SE)**.

Direct employment schemes are the main form of state support to social enterprises in Ireland. The process by which this has evolved began in the 1980s as part of a reorientation of public policy that involved recognition that the existing centralised system for economic development and welfare provision was evidently ineffective in tackling persistent long-term unemployment and social exclusion. A new approach involved an emphasis on local and community development as a solution to the problem of long term unemployment and the use of direct employment schemes to support WISEs engaged in locally-based development projects (see O'Hara, 2001). Thus, since the 1980s ALMPs have been important in providing labour subsidies to WISEs and thus underpinning the social entrepreneurship associated with them.

**Community Employment (CE)** is by far the most significant direct labour market intervention measure in terms of number of participants. CE provides training, development and work experience to the long-term unemployed (and other key groups at risk of social and economic exclusion) in community and voluntary projects and in public bodies. The measure provides work for up to one year to: unemployed persons aged over 21 years; Travellers (gypsies); lone parents; and persons with a disability. CE also offers a three-year work option to the same categories of persons over 35 years of age. Employees, termed 'participants', are obliged to provide 39 hours work over a two week period to the projects involved. In return, the sponsor must provide the participant with development and training which will improve their chances of accessing the open labour market. For projects employing more than 11 participants, the sponsor is funded to employ a supervisor and must produce a structured development and training plan for each of the individual participants. This plan must have an explicit objective of helping the participant to progress into mainstream employment.

In 1997, the number of CE participants amounted to 39,100; this involved a national expenditure of almost €370 million – 53% of the total spend on ALMPs (Deloitte & Touche, 1998). By 2001, the number of CE participants nationally had dropped to 32,191 or 38% of total ALMP participants (O'Connell, 2001). Nevertheless, it continues to be the largest direct employment measure supporting Irish WISEs.

The types of sponsors and the number of CE participants (expressed as a % of total national CE participants) between 1994 and 1997 are set out in Table 1 below.

*Table 1 - CE Project Type – Percentage of Participants (1994-1997)*

Sponsor Type %	1994	1995	1996	1997
Voluntary Community Bodies	72	77	79	81
Local Authorities	15	11	9	8
Schools	11	11	10	9
Other i.e. public bodies	2	1	2	2

Source: Deloitte & Touche, 1998.

It is evident from Table 1 that, in the mid 1990s, the great majority of CE participants were placed in community based projects – 81% of all CE participants in 1997. It is also interesting to note that some of these CE participants were engaged in services to provide information and advisory services to the long term unemployed in thirty-six ICTU<sup>1</sup> Centres for the Unemployed countrywide (Deloitte & Touche, 1998). In this case, these CE participants, for the most part drawn from the ranks of the long-term unemployed, entailed the delivery of services to other long-term unemployed.

The distribution of CE places nationally according to project type is shown in Table 2.

*Table 2 - Distribution of CE Participants by Project Type 1994-97*

Project Type	1994 %	1995 %	1996 %	1997 %
Arts/Culture	3	4	4	4
Community/Social	44	43	43	44
Education	11	14	13	14
Environment	32	24	20	18
Sports	8	9	9	8
Tourism	2	2	2	2
Social Services/Healthcare	N/A	4	4	5
Enterprise Development	N/A	N/A	1	1
Other	-	-	4	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Deloitte & Touche, 1998.

We can note that the number of participants in environmental projects fell sharply<sup>2</sup> over the period, but that those in the educational and arts/cultural fields increased. Also evident is the emergence of two new types of projects in the areas of enterprise development and social services/healthcare. The latter type constituted approximately 5% of the total number of CE participants 1997.

While the numbers of participants remained relatively stable, between 1994 and 1997, there was a notable reduction in the total number of CE projects. In 1994, there were 3,300 CE projects compared to 2,500 in 1997. Thus, projects increased in size over the period. The number of projects with ten or more participants increased from 48% in 1994 to 84% in 1997 (Deloitte & Touche, 1998).

<sup>1</sup> Irish Congress of Trade Unions.

<sup>2</sup> This is largely accounted for by a significant fall in the numbers of CE schemes associated with local authorities.

Since 1998, the total number of CE participants has reduced by almost 34%, as shown in Table 3.

*Table 3 - Number of CE Participants 1998-2003*

<b>Year</b>	<b>Total CE Participants</b>
1998	36,277
1999	34,827
2000	29,976
2001	26,778
2002	24,902
2003	23,984

Source: FAS, 2003.

Although the role of CE in creating the conditions for the emergence of social enterprises is acknowledged (O’Connell and McGinnity, 1996), its effectiveness as an ALM strategy has been questioned. The programme has been found to have weak linkages to the labour market and to be ‘less than effective’ in improving participants’ employment prospects (Denney *et al*, 2001).

**The Job Initiative Scheme (JI)** was introduced in July 1998. This is a three-year work experience scheme for persons who have been unemployed for five years or more. The main aim of the scheme is to provide full-time work opportunities for three years in ‘not for profit’ organisations at the ‘going rate for the job’. The fundamental objective of JI is to progress participants into mainstream employment. The programme specifically favours organisations with a strong record in recruiting long term unemployed persons (The Job Initiative Operational Guidelines, 1998). In 2003, there were 105 projects participating in JI, employing a total of 2,541 JI employees (FAS, 2003).

### **The National Social Economy Programme**

In the mid-1990s, the potential role of the social economy as a means of tackling long-term unemployment and rejuvenating disadvantaged communities was discussed in a number of policy and research documents in Ireland (NESF, 1995; National Anti Poverty Strategy, 1997; PLANET, 1997). In 1998, a government-established Social Economy Working Group concluded that the main state support to the social economy has come in the form of a labour subsidy through the various labour market integration programmes. The second significant source is programmes to combat disadvantage and social exclusion. This Group set out a series of recommendations for developing the social economy as a means of combating disadvantage and regenerating communities, stating that specific financial and institutional supports should involve a reorientation of existing supports and funding rather than the creation of new ones (see O’Hara, 2001).

Following from this, a national **Social Economy Programme (SE)** was launched in 1999, based in part on a reorientation of some CE funding. This programme is designed to support social enterprises that are professionally managed and ‘entrepreneurial’, i.e. functioning in the market place.

To qualify for this programme a social enterprise should be in a position to derive revenue from the market place within three years. Revenue can also come in the form of public funding from 'non programme sources'. Social enterprises must also contribute to and support the regeneration of the local community as well as maximising employment opportunities for the long term unemployed and other disadvantaged groups.<sup>3</sup>

The SE programme directly supports WISEs in two ways. Firstly, it provides for up to three years of grant support to WISEs that offer employment opportunities for the long-term unemployed over 35 years of age and their dependants<sup>4</sup>, lone parents, travellers (including those under 18)<sup>5</sup> and persons with a disability. Secondly, it provides assistance for the development of a business plan; recruitment of a minimum of three employees and one manager; overhead and set-up costs; capital needs; staff development; financial advice and support.

By June 2002, 266 WISEs had been approved for full start up grant support under this SE programme. Of the 266 WISEs which had been approved 222 had commenced operations with 1,232 supported employees. In the first year of operation, women accounted for 59% of the employees in the scheme. These WISEs generally had one manager and averaged five full time supported employees. Approximately 56% of the managers were female and around one-third of these were under 35 years of age. Almost 15% of them had spent some time on other direct employment measures such as CE and JI before taking up management positions. Nearly 50% of all grant-supported employees had spent some time on Community Employment and/or JI prior to qualifying for SE, an issue that will be considered in a later section (FAS, 2002).

By February 2003, there were 330 WISEs in the SE programme, and 2,037 supported employees (including 330 managers).

### **Restructuring of ALMPs**

The numbers participating in ALMPs rose consistently throughout the 1990s but began to decline in 2001, reflecting the growth in employment in Ireland. The greatest decline occurred in direct employment measures, which are the primary sources of labour supply to social enterprises.

The rapid economic growth of the Irish economy stimulated a rethink of direct employment measures. While the key role played by ALMPs in reducing social exclusion, enhancing the individual's skill base and organising labour supply is acknowledged, research on the effectiveness of one particular measure, CE, has suggested that the scheme 'contributes less to the employment prospects of its participants than other available programmes' (O'Connell & McGinnity, 1997; Denny, Harmon and O'Connell 2001; O'Connell, 2001). A review of CE concluded that, despite the fact that the scheme played an important role in the social and economic development of communities, most CE participants have a better chance of getting a job if they do a training course. Some workers complained that the rate of

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<sup>3</sup> Social Economy Working Group, 1998, FAS Social Economy Enterprise Guidelines, 2000.

<sup>4</sup> Subject to qualifying eligibility period.

<sup>5</sup> Travellers, under 18 years, qualify with 12 months spent in a traveller Training Centre.

pay in the projects (in line with prescribed social welfare entitlements) is related to personal family circumstances rather than to the job. (Deloitte and Touche, 1998).

The National Development Plan 2000-2006 contained a reorientation of CE in favour of education and training supports to mainstream employment. The central objective was to refocus CE and other ALMPs to ensure that the ‘emphasis is on progression to, and meeting the needs of, the open labour market’. In late 2002, the government proposed significant cuts in the CE provision. This proposal was met with significant protest and condemnation from the voluntary and community sector. By early 2003, CE had been reduced by 4%, to 918 places. In late May 2003, budgetary constraints led to a freeze in funding under the national Social Economy Programme. Financial commitments made to existing social enterprises were honoured but no new initiatives could be supported.

### **3. Different Types of Irish Work Integration Social Enterprises**

There is no available information on the total number of WISEs in Ireland at present but we can identify three main types of Irish WISEs, which share a number of common characteristics. They are not for profit in nature, have evolved to serve disadvantaged communities, and combine the efforts and expertise of voluntary and paid workers. Irish WISEs deliver a range of goods and services and, in the process, create training and employment opportunities for the long term unemployed and other marginalised groups. WISEs generate a traded income through the sale of goods and services and combine this income with significant statutory funding, and to lesser extent private and public donations, to sustain their activities.

Historically, WISEs have emerged at various stages in Irish society, under differing social and economic conditions and policy regimes. The role of volunteers, the types of goods and services produced, and the emphasis on improving the employability of the workers varies across WISEs. These and other issues will be discussed below. First, we examine the different types of WISEs.

#### **3.1. Sheltered Employment**

Sheltered employment or ‘workshops’ constitute the first type of Irish WISEs. These provide training and employment opportunities to persons with a physical disability and/or learning difficulty and are run by voluntary, non-profit organisations. These types of WISEs provide on the job training, temporary and longer term re-integration opportunities to persons with a registered disability. In 1997, there were an estimated 7,900 persons with a disability working in approximately 215 sheltered workshops (NACTE<sup>6</sup>, 1997). The Rehab group, established in the late 1940s, is one of the largest WISE in Ireland. In 1994, it established Gandon Enterprise. This employs approximately 230 persons with a disability across nine separate WISEs, ranging from electronic assembly to biscuit making. Other WISEs within this category are engaged in the production of a range of different goods such as pottery, furniture, food products, and woodcrafts.

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<sup>6</sup> National Advisory Committee on Training and Employment (NACTE)

This type of WISE has emerged as a response by the Irish community and voluntary sector to addressing the labour market integration needs of people with disabilities. The key objective is to provide training and employment to the individual within the setting of the WISE. Re-integration into the open labour market is not necessarily always the goal, although it can often be an outcome, depending on the nature of the disability and the availability of suitable job opportunities. These WISEs combine different sets of resources: from the state in the form of capital and direct employment grants, from the market place through the sale of the goods and services produced and through fund raising activities such as national lotteries.

Volunteers play a very important role in these WISEs, contributing voluntary labour and managerial skills at different levels within the WISE. More often than not, the volunteers are either parents or guardians of the trainees/employees within the WISE and are a significant resource in events such as public fundraising. This type of social capital represents a significant non-monetary resource for WISEs, often complemented by other sources derived through the development of relationships with other business and social partners. Rehab offers a glass recycling service that is purchased by the state and is available, at no direct cost, to the public. There is no formal national network of these WISEs but the disability sector itself is well represented by national umbrella organisations that provide an exchange of information and lobby on behalf of the sector as a whole.

### **3.2. Local Development WISE**

A second type of WISEs began to emerge in the mid to late 1990s. These are community and area based organisations. These emerged within a national policy framework which encouraged social partnership and an area based approach to local development and against a backdrop of high unemployment levels. Local Development WISEs evolved to tackle local problems of social exclusion and essentially incorporate two sets of goals: the provision of community based services and the creation of training and labour market re-integration opportunities for the long term unemployed and other disadvantaged groups such as lone parents, travellers and persons with a disability.

A number of different factors contributed to the growth of these WISEs around this time. Ireland's strong tradition of local community and voluntary action in the field of social service provision supplied a natural base for the development of WISEs. The state's emphasis on local development, as a means of tackling long term unemployment and social exclusion, resulted in the implementation of national measures and EU funded programmes which provided financial and advisory support to community based responses to local problems. The strategy of tackling the national problem of unemployment, in the form of ALMPs and in particular direct employment measures, encouraged and financially supported WISEs to create temporary employment opportunities for disadvantaged groups. As we have outlined above, CE is the most significant support measure.

These WISEs adopt the goal of labour market re-integration for two main reasons. The first is a commitment to tackling local unemployment, and the second relates to their need to avail of much needed statutory resources, commonly accessed in the form of direct employment measures. The delivery of a local response to a local

problem is a priority, labour market re-integration is secondary. This is evident in the fact that those ‘employed’ in WISEs under Community Employment are termed ‘participants’. They are only obliged to work 19.5 hours per week and will only have a provision for formal ‘supervisory’ guidance if there are at least eleven participants supported in the WISE<sup>7</sup>. (Although, as previously mentioned, the size of projects supported by CE increased in the late 1990s, hence it is rare to have a WISE, availing of CE, with less than eleven participants.) WISEs that avail of CE are obliged to improve the chances of the participant to ‘access the open labour market’; if they can offer sustainable employment opportunity within the WISE, then this is a bonus but not a priority. They do not receive financial support to hire a professional manager but are encouraged to appoint a supervisor from among the potential pool of participants.

The role of volunteers is crucial. WISEs originate through the efforts of concerned local voluntary people and combine voluntary effort with supported employment. This voluntarism is significant in providing the WISE with a formal voluntary management board legally constituted and accountable for the expenditure of public resources. These volunteers also contribute, in labour terms, to the direct production of various goods and services, thus reducing the actual costs of delivery. Because these types of WISEs are typically community based, they meet the needs of disadvantaged groups who would not ordinarily be able to access such services. Many community based WISEs provide child care services which are accessed by lone parents which, in turn, facilitates their return to further education and training opportunities. The strong voluntary characteristic and overtly non-profit nature of this type of WISEs contributes in a major way to their ability to raise finances through public donations. Their localised character also assists them in attracting financial donations and other types of support such as reduced cost premises, free legal and business advisory support from local professionals, and equipment (e.g. computers) from local multi-national companies. This type of social capital is instrumental in sustaining the longevity of such WISEs.

Local Development WISEs clearly emerge in response to local needs and are highly dependent on ALMPs, notably CE. Progression into the open labour market is an expected outcome for those working in the enterprise. However, although WISE may have benefited from CE, reviews of the measure have shown that in many cases the re-employment opportunities of the participants did not actually improve (Denney *et al*, 2001).

These findings, coupled with the recent rapid growth of the Irish economy, have created the conditions which have led to the emergence of a third type of work integration social enterprise.

### **3.3. Social Economy WISEs**

The third type of WISEs, which we can refer to as ‘Social Economy WISEs’, has a direct link to the national Social Economy Programme. This most recent type of WISE has similar objectives to those WISEs linked to local development but differ

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<sup>7</sup> WISEs availing of CE must have a minimum of eleven participants in order to receive support for the appointment of a supervisor. This supervisor is responsible for developing a training plan for the individual participants.

from them in that they are participants in a national programme which has particular eligibility requirements.

Social Economy WISEs must have a minimum of three employees in order to avail of assistance under the national Social Economy Programme. The measure provides grant supported wages in line with the minimum standard wage for a 39 hour week and offers a supported wage for the appointment of a manager. The availability of this management grant provides the WISE with an opportunity to procure the professional knowledge and experience often missing from other types of WISEs hindered by limited resources. The WISEs that operate through SE must reflect a greater degree of professionalism and business acumen than those that operate with the assistance of measures such as CE. They must produce a detailed business plan, illustrating overhead and set-up costs, capital needs and proposed staff development, and are subject to regular auditing and review. In addition to this, these WISEs must also demonstrate their contribution to the regeneration of the local area, the extent of the involvement of employees in the management of the enterprise and the personal and life skills benefits to the workers in the WISE.

The worker is a priority in this type of WISE. As already outlined, they receive a wage, in line with national minimum wage standards and must work a full 39 hour week. The work is temporary, ranging from one to three years. However, their commitment to the development and future growth of the work integration social enterprise could be rewarded with a sustainable full time job if this type of WISE is successful. As already mentioned, WISEs benefiting from SE are actively encouraged to include worker representatives on the voluntary management board, a relatively uncommon feature of other types of WISEs.

A tripartite voluntary management structure, already widely used in mobilising different sets of resources and meeting local needs, has been adopted by many Social Economy WISEs. Volunteers are playing a strategic management role rather than contributing to the daily delivery of goods and services. These types of WISEs are also developing more formalised business relationships with statutory health boards and local county councils. They offer services such as waste management, rural transport, elder and childcare, and the refurbishment of houses and public service contracts are forming a significant source of traded income for these WISEs. Because they are perceived as commercial organisations, they are less likely to attract private and public donations compared with the local and community development WISEs described above. Ensuring a continued traded income will be vital for the sustainability of the Social Economy WISEs.

In 2002, nearly 50% of all SE grant supported employees in Irish WISEs had already spent time on CE and/or JI while 15% of the WISEs managers had come directly from these types of direct employment measures. This raises some questions about the type of personnel entering WISEs and their capabilities to contribute to their own job creation given the dependency that some may have developed from passive participation in previous measures. The buoyant labour market situation presents another difficulty to these WISEs in that their wage grant support limits them to recruiting long term unemployed individuals over 35 years, i.e. those who have been out of the workforce for a considerable amount of time and obviously in need of specific assistance and personal development. The Social Economy WISEs will have

to provide this, in addition to developing a service, striving to become commercially sustainable and maintaining a focus on the social objectives for which it was established. In essence, these more recent types of WISEs could be described as having a multiple goal structure and their most obvious challenge will be meeting those goals. This is something we return to in a later section.

#### **4. The specificities of WISEs with respect to the EMES definition of Social Enterprises**

➤ **A continuous activity producing goods and/or selling services**

All WISEs have a traded income derived from the production and sale of goods and/or services.

➤ **A high degree of autonomy**

WISEs are characterised by having a voluntary management structure. Social Economy WISEs receive a financial incentive to appoint a full time manager. This manager is answerable to, and acts on behalf of this voluntary board. The role adopted by the board will vary according to the type of WISE. Social Economy WISEs were established at a time of extensive community participation in local and community development. This experience is reflected in the many local development structures incorporating a broad range of interests and experiences from the private, community and voluntary and statutory sectors. The more progressive and Social Economy WISEs will have similar tripartite structures of voluntary management. This assures it greater access to a range of monetary and non monetary resources. Local Development WISEs will generally have a board drawn from the voluntary and community sector. The composition and experience of this board will determine its ability to strategically influence the development and growth of the WISE.

The voluntary management boards of all WISEs are responsible for strategic planning and policy formulation. The supervisor/manager makes most of the business decisions, and most often in consultation with the board of management.

➤ **A significant level of economic risk**

WISEs often incorporate low interest revolving loans and other social financing measures to support their work. Securing an income in order to repay such loans often presents an economic risk to the organisation. WISEs depend, in varying degrees, on statutory support, either in the form of core funding, capital grants and/or labour subsidies via ALMPs. This support has to be negotiated both on an annual and three yearly basis and more often than not is contingent on the state of the national public finances. In some cases, this support is not index linked and thus not always in line with inflation. This poses an additional economic risk for the WISEs, as such resources can often fall short of actual operating costs faced by the organisation.

➤ **A minimum amount of paid work**

There is no available information on the total numbers employed across the different types of Irish WISEs. Nor do we have any data of the levels of voluntary input into these types of organisations. The workers, trainees or participants that are employed in WISEs, with the assistance of direct employment measures, do receive a monetary payment either in the form of a state means tested allowance or a wage, as is in the case of Social Economy WISEs. All WISEs are dependent on voluntary effort at a number of levels. Local Development WISEs reduce the cost of delivering community based services through the distribution of workload amongst volunteers. Social Economy WISEs are less reliant on voluntary activity to carry out their day to day activities and are more dependent on the strategic management skills of voluntary management boards.

➤ **An explicit aim to benefit the community**

There are two main objectives of any WISE. These include the creation of training/employment/re-employment opportunities for groups at risk of social and/or economic exclusion and the enhancement and/or development of community based services. WISEs can be found in both rural and urban locations, meeting the needs of local communities and specific interest groups.

➤ **An initiative launched by a group of citizens**

WISEs generally emerge as a result of sustained voluntary activity, which originated from citizens' concerns regarding a particular issue (often inadequate service provision for a particular community). The contribution of volunteers usually underpins the long term sustainability of WISEs.

➤ **A decision-making power not based on capital ownership**

WISEs are non-profit organisations; voting power is not distributed on the basis of share capital. The elected, voluntary management board has ultimate decision making rights within the WISE.

➤ **A participatory nature involving the persons affected by the activity**

WISEs exhibit different levels of user involvement. End-user participation is achieved in some Social Economy WISEs through the inclusion of service user representatives on the voluntary management board. This level of participation is increasingly favoured by the state and is identified under the current national Social Economy Programme as a desirable feature of Social Economy WISEs. The participation of users on voluntary management boards of WISEs ensures their connectedness to local and user needs. This information can be used to 'tailor' services, thus guaranteeing that they reflect a true demand, and to enhance the competitiveness of the WISE at offering a *relevant* service. WISEs exhibit varying degrees of worker participation. Generally, workers do not formally sit on the board of directors of WISEs; however, there are some instances whereby the manager holds a directorship. Some WISEs also have a provision for the attendance of a manager and/or worker representative at

board meetings. This affords an opportunity for the views of workers to be represented in the governance structures of the organisation.

➤ **A limited profit distribution**

Any surplus generated is used to pay and/or supplement wages and/or is invested in the services of the WISE.

## **5. Challenges and Key Questions**

### **5.1 Challenges and key questions about objectives and benefits**

WISEs generate a range of individual and collective benefits. The organisational structure of Irish WISEs, generally encompassing a local voluntary board with a focus on addressing local needs, decreases dependence on external service providers and increases self-sufficiency within the local community. People's needs are met as a WISE manages to bring the sites of production and consumption closer together. The incorporation of local volunteers also enhances sustainability and contributes to the building of local social capital. Irish WISEs pursue the multiple goals of community support provision and job creation; certain individual benefits accrue to those working within the organisation. Benefits include access to training, work experience, and a social setting to mix in which to interact with other individuals, which can aid personal development. WISEs offer a flexible work place which can be conducive to enhancing self confidence and improving interpersonal skills, in particular for those experiencing difficulty accessing the wider labour market due to mental and/or intellectual difficulties and/or other social problems.

A significant challenge facing WISEs in retaining their voluntary component is the increasing levels of bureaucracy they face in acquiring statutory financial support. The legal incorporation of WISEs places an additional responsibility on the volunteer who has to assume the responsibility of a company director. This can be a source of anxiety and concern for an individual who may wish to demonstrate altruism in addressing a local need, but be reluctant to take on the responsibilities of a company director.

WISEs located in peripheral rural locations deliver a range of essential community services including transport, rural house refurbishment, elder and childcare. Such services have helped sustain declining rural populations, delaying the onset of a demand for residential care of the elderly and, in the process, creating training and employment opportunities for the long-term unemployed. WISEs bring key local voluntary and statutory actors together, contributing to the creation of a critical mass to tackle local problems and devising flexible approaches to delivering training while simultaneously meeting local needs.

### **5.2. Challenges and key questions about resource mix**

As non-profit organisations, combining voluntary and paid labour, and with a stated commitment to provide community based services, local development WISEs rely heavily on state support through ALMPs. However, recent cuts in such programmes

pose a serious challenge to these organisations. A key support that ensures their very existence (i.e. subsidised labour) is being eroded. As discussed above, the Social Economy programme has emerged as an explicit support to Irish WISEs. However, the goals which WISEs must pursue under SE are quite specific. Essentially, state agrees to support the Social Economy WISEs for a three year period, after which these WISEs should seek to become financially viable. This presents an enormous challenge to those WISEs that may be serving a disadvantaged community, where the consumers of their services lack the financial means to procure these services from other vendors and where public service provision is inadequate. Depending on the internal and external resources available to them, WISEs may seek to achieve viability in two possible ways: (a) by seeking to diversify their activity base in order to attract additional revenue which would allow them to continue to serve the disadvantaged; (b) by actively pursuing ‘paying customers’ at the expense of reducing service provision to those ‘less able to pay’ for those services.

WISEs seek to create employment and/or improve the employability of the long-term unemployed and other groups at risk of disadvantage. However, they experience difficulties in recruiting staff on the open labour market in conditions of labour market buoyancy. Those initiatives dependent on availing of grant aided employment subsidies are coming under increasing pressure (a) : to become viable in a short period of time; and (b) : restricted in the type of personnel they can recruit using state subsidies (i.e. employees must be eligible for specific measures). Employees eligible and available to Social Economy WISEs in a tight labour market may be among the most disadvantaged within a community and have specific social, educational and economic needs. This places an additional pressure on the WISE to sustain a trading activity while providing the requisite support structure required by such employees.

WISEs are dependent on volunteers for a variety of functions - fundraising, strategic management and labour. In view of the changing life styles and regularly cited difficulty in ‘recruiting’ new volunteers, many WISEs will be forced to develop new and innovative ways to attract volunteers, which will be an additional drain on often scarce resources.

On the positive side, WISEs - by mobilising resources based on shared norms values and understandings - are effective creators and mobilisers of social capital. Networks and linkages between various WISEs can become repositories of knowledge and social innovation. WISEs have a significant capacity to mobilise both monetary and non-monetary resources from different sources. WISEs also rely extensively on the networks generated through their interaction with volunteers at both management and service delivery level. This ability to mobilise such resources permits WISEs, particularly Local Development and Social Economy type WISEs, to pursue social objectives through the provision of community based services which could not be provided effectively by either conventional business or the state. However, any significant changes in either volunteer levels and/or statutory funding will seriously undermine the capacity of WISE to pursue these social objectives.

In their efforts to serve the community, especially the most socially and economically disadvantaged, WISEs must provide a quality service at a nominal charge to clients. This nominal charge can only go so far in meeting the operational costs of the WISE. This has significant implications for Social Economy WISEs, which are dependent on

statutory funding to operate, and subject to the statutory requirement to strive towards financial viability in a fixed period of three years. This challenge could have a positive effect on WISEs as they are forced to adopt a more strategic approach in developing and selling their services.

WISEs could seek to generate additional income through the provision of good/services to those members of the community who are in a position to pay a commercial rate. This option is particularly relevant in the area of elder and childcare where other options are not available. This additional income could be used by WISEs to offer services at little or no cost to the more disadvantaged service user. By adopting this approach of stratifying the market, WISEs could play a greater redistributive role within society, complementary to the goals of the public sector and in contrast to 'for-profit organisations'. However, offering services to a wider market also introduces new challenges for WISEs. One such challenge is moving to direct competition with the private sector; this will have implications for WISEs, particularly in regard to quality assurance and diversity of services.

The not for profit nature of WISEs has both positive and negative aspects. On the one hand, the explicit social goals of such enterprises can build greater trust between the provider and the consumer, i.e. the consumer is less likely to fear exploitation when dealing with the not for profit sector.<sup>8</sup> On the other hand, the non-profit and voluntary dimension of WISEs, along with their objective of employing persons at risk of social and economic exclusion, can affect public perception about the quality of the services on offer.

Unlike some European countries that have both a tradition of, and legislative provision for public sector contracting, Ireland's WISEs are only beginning to develop a purchasing relationship with the state. This relationship is especially common in Social Economy WISEs offering elder and childcare, waste management and housing repair services for the elderly. The relationship could be further strengthened by the introduction of specific social clauses, as has already happened in some European states. This would give a greater competitive advantage to Irish WISEs in competing for public sector contracts against for-profit businesses.

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

The hybrid nature of WISEs stems from their ability to combine different sets of resources, from the market economy, civil society and public sector provision. However, this also makes them increasingly susceptible to a range of internal and external factors. Irish WISEs are vulnerable to the uncertainty of the market place, changes in public policies and funding mechanisms, and the availability of volunteers. There is an inherent danger that Social Economy WISEs, striving for financial viability, might adopt a strategy of targeting services at only those who can afford to pay. Thus, the WISE may drift towards institutional isomorphism by adopting the characteristics of the for-profit enterprise. The challenge of institutional isomorphism is increasingly relevant for Social Economy WISEs characterised by multiple goal

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<sup>8</sup> Hansmann (1980) suggests that non-profit organisations are less liable to exploit consumers than their for-profit counterparts; since the organisation cannot distribute profits, the owners are less likely to exploit any superior information they may have on product quality in order to maximise profit.

structures. It is important that public policies, supporting their activities, do not force them to change in such a way that may reduce the significant social and redistributive role they have played in Irish society to date.

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