

MORE THAN A FINISHING LINE

The insertion into the labour market through the social firm

INTRODUCTION

The main objective of the thematic work group was to increase knowledge and experience of placement into employment within social cooperatives. It was generally thought that this type of employment can provide the two basic needs of “support” and “non-discrimination” in the workplace. It is often difficult to provide a working environment where both these needs are met. Within a sheltered workshop there is a protected working environment but a lack of integration, while in a more open or integrated employment setting there is often a lack of protection and support.

At the beginning of the work process, an analysis and comparison between the local and national experiences of the partners was undertaken. Within this initial research, it was necessary to include not only social cooperatives but a range of different organizations - which in the different partner countries have similar aims, objectives and working methods.

For this reason it was necessary to find a suitable definition for the kind of firms under consideration. The characteristics of the businesses we were interested in are the same as a social firm, but there were also some additional specific elements. To complicate this, in Europe there was not a common legal and conceptual definition. Other previous European projects had encountered a similar problem. The CEFEC project in particular, had devised a definition, which included the different kinds of social firms which work in the field of employment of disadvantaged people. This definition also differentiates between initiatives which offer real job opportunities and those which have a professional training, rehabilitation or charitable purpose. Consequently, the thematic work group decided to devise a new definition for initiatives working in our chosen field.

THE CHARACTERISTICS OF A SOCIAL FIRM

- A social firm is a business which employs disabled people or other people disadvantaged in the labour market
- It is a business which uses its production of goods and services to fulfill its chosen social purposes
- A significant number of people employed within the business must be disabled people or other people disadvantaged within the labour market
- The entire staff of the firm receives an ordinary salary or salary proportionate to the work undertaken, but not to productive ability
- The work opportunities within the firm should be the same for disadvantaged and non-disadvantaged staff i.e. all workers have the same rights and duties

SOCIAL FIRMS WITHIN THE LOCAL/NATIONAL CONTEXT

The analysis and comparison between national and local situations within the partner states has indicated the following general picture relating to social firms.

NATIONAL DIFFUSION

In some areas social firms occupy a traditional place within the economy and their numbers are significant in comparison to other enterprises within the general labour market. Alternatively, in other areas social firms are more 'experimental' in nature and their representation is small. These initiatives often occupy an intermediate position between sheltered workshops and more traditional firms, moving towards the more accepted

characteristics of a social firm.

Italy and Germany have the most significant social firm tradition. In Italy there are around 2,000 social cooperatives (operating as type b enterprises), which employ approximately 44,000 people (including 16,000 employees who could be considered disadvantaged within the general labour market). In Germany there are considerably fewer firms than in Italy, but their number is still significant with over 250 firms in existence. The German social firm tradition has been built up over the past 15 years. In Belgium a development process has been initiated to create a number of social firms. This process relates to existing sheltered workshops and seeks to create more open and integrated working environments. The process is also backed up by new legislation.

In Scotland, a small group of social firms now exists built on the initial success of a previous European funded initiative. A process of awareness raising and support has led to increased recognition at a social and political level, accompanied by an accepted definition of what constitutes a social firm.

In France, social firms do not exist. A significant national network of sheltered workshops provides employment for disabled and other disadvantaged people.

LEGAL STATUS

In the European Community a specific legal status relating to social firms does not exist. Therefore, the social firm is a type of company provided for by the laws of individual member sta-

tes. Generally, their legal status is similar to commercial companies, but in some cases is also similar to state owned companies e.g. in France (law 1901) where the funding is public and the 'societies' running the sheltered workshops are private.

In Italy and Belgium there is a legislation supporting companies who operate with a social purpose. In Italy however, cooperatives can be the only firms with a social purpose. In Scotland the law provides for two kind of companies, profit making and non-profit making. Generally the legal status of the social firm is the same as that of a non-profit making company. On the whole these businesses are similar to social cooperatives i.e. the mutual aid aim of cooperatives is similar to the social objectives of a social firm.

In countries where sheltered workshops are transforming into social firms, these companies are changing their legal status to that of a social cooperative. Some social firms a non-profit making purpose fixed in their articles and statutes. Others retain a profit motive, but generally these profits are retained to finance the development of the company. In Italy for example, social cooperatives can produce profits, but only a small part of these profits can be distributed to the staff. The majority of retained profits must be re-invested in the company. In addition, if the company ceases to trade, any monies invested by staff are returned to them. Any other funds realised on the closure of the company are placed in a common development fund used to support social cooperatives.

PROPERTY

Many co-operative organizations are private but include participation on the part of public institutions. The nature of a private business can at times contrast with the purpose of a social firm, yet, a private firm can also develop a policy of integration in addition to a having a charitable purpose. The staff, including people with disabilities, own or have shares in the property of the firm. In this way social firms are consistent with the objective of social integration. For instance, in Italy, all social firms are cooperatives and the vast majority of employees have shares in the property of the firm. Employee participation in the ownership of the company encourages responsibility and fuller participation in the productive and commercial activities of the firm.

FUNDING AVAILABLE TO FIRMS

Public institutions often provide financial support to social firms. They can provide financial support towards investment, management and labour costs. Public institutions are often an essential element, as social firms have great difficulty in accessing private finance. These difficulties relate in some part to the profit restrictions placed on social firms. Some specific initiatives have solved this serious funding problem. They have become specialists in gaining private and public funds, which can then be used to finance the development of social firms.

ACTIVITY FIELDS

Social firms work in many different

fields and economic sectors. There is potentially no restriction on the type of business activity a social firm can undertake. In practice, the availability of funds is the major business constraint. Consequently many firms work in activity areas where capital investment is small and labour is more important. Therefore the majority of social firms produce traditional rather than complex goods and services.

SIZE OF COMPANIES

In general social firms are small in size, creating a friendly and sociable of working environment which supports the integration of disabled and other disadvantaged workers. Sometimes firms remain small because they find it difficult to increase their productive capacity.

In Italy however, some firms have experienced significant growth. These examples show it is possible, starting from a position of stable funding and relevant experience, to build up medium size firms.

SALARY

An equal salary for all employees is a typical characteristic of a social firm. This wage equality is often quite difficult to put into practice. For example

a) when only disabled people are employed in the firm (as in the case of sheltered workshops) this type of salary restriction is often applied, but in practice separates them from other workers;

years of employment);
c) when all employees receive salaries below the accepted industry standard i.e. disabled and non disabled staff.

These distinctions and variations in salaries are generally a result of lack of funds available to the firm. In Italy social cooperatives find it difficult to guarantee a standard salary because of variations in production and irregular working. In general disabled and non disabled staff perform similar duties, but it is still unusual for disabled employees to occupy managerial or other positions of responsibility.

STAFF TYPOLOGY

The proportion of disabled people employed in social firms varies from country to country. In general the number of disabled workers varies from a minimum percentage of the workforce (where this type of directive exists) through to the entire complement of staff.

Experience has shown that a significantly high proportion of disabled employees within a workforce creates two major problems. The first one is fairly obvious in that where only disabled people are employed, social integration is not possible. The second one is that too few non-disabled employees decreases the level of additional support available to employees who have a disability. In Italy the minimum number of disabled people to be employed (in a social cooperative) is 30% of the whole workforce. Evidence shows that a good balance between the two 'categories' of workers has improved levels of productivity. Where the proportion of disabled employees is very high, there are problems with

productivity levels and the firms are strongly perceived as charitable institutions (as opposed to functioning and competitive businesses).

Social firms employ people with variety of different disabilities. Some firms work only with a particular disability (as a matter of tradition or through choice), other firms employ people with a variety of different disabilities.

In general social firms are open to any disabled person, provided their abilities are compatible with the productive activities of the firm. Some social firms build up a wider range of activities, assisting with the employment of people with different disabilities.

MAJOR PROBLEMS

The analysis undertaken by the SYNJOB thematic work group indicated a number of problems which prevent social firms from

- achieving their productive and commercial objectives, and
- the effective integration of disabled employees

The following problems and organisational needs are not common to all firms in the various partner states. Some social firms have already identified solutions to some of these problems. These solutions have been identified in the good practice section of this document.

- Lack of specific legislation relating to social firms and of national policy to supporting the development of this employment sector;
- Difficulties in obtaining finance for firms through private/public investment and banks;
- Lack of management capability and experience within firms e.g. financial

administrative, production control, marketing etc.;

- Salaries paid below the industry or market standard;
- Levels of productivity lower than industry or market standard due to the nature of the workforce employed, organizational problems and low levels of investment;
- Difficulties in developing and maintaining commercial relations with ordinary firms;
- Inconsistent support from public institutions;
- Company size and capabilities preventing an improvement in the competitiveness and quality of products services;
- The social difficulties and problems experienced by disabled employees which detract from their work performance and personal relations within the firm.

GOOD PRACTICE

The group of work about the social firm has identified the following good practice in the areas of Legislation, Financial Support & Investment, Professional Training and Advice, Cooperative Networks, Cooperation with Public Agencies, Workplace Support for Disabled Employees and Tax

EXEMPTIONS FOR SOCIAL FIRMS:

LEGISLATION:

BELGIUM

In Belgium there are approximately 75 social firms. In accordance with the Law of 13th April 1995 a social firm is a normal company which operates on a 'not for profit' basis. Social

firms to all intents and purposes are organized and managed as regular firms, developing their own investment plans, operating in high quality fields and creating employment.

The social firms are not regarded as a new kind of commercial company, as all existing companies can become social firms by changing their existing articles / constitution. In order to become a social firm, a company must include the following elements in its articles / constitution:

- that the firm is a non-profit-making organization
- that all the activities of the firm have a social purpose
- the profits made have to be divided / apportioned according to the stated aims of the firm
- when the firm obtains a direct profit for its members / partners, it must not exceed the interest rate fixed by the law (presently the rate is 6%)
- that management must produce an annual report giving information on how the firm has performed and moved towards achieving its objectives. This annual report should also include a detailed financial section relating to the main activities of the company.

Social firms can receive public financial support to assist with business development, investment, research and innovation etc.

The categories of staff employed within the social firm can be:

- a worker: who is directly subordinate to the management / board of directors
- an associate: who owns part of the capital stock
- a mandate holder: who has inde-

pendent status, is not employed by the company and can work in different firms

To create a new social firm it is necessary to incorporate the previously specified conditions in its articles / constitution, in addition to having adequate capital. Where an existing firm becomes a social firm, it is also necessary to have the unanimous approval of the associates.

In the region of Wallonia, approximately 5,300 disabled people are employed in social firms.

ITALY

In Italy, social cooperation is regulated by numerous regional Laws and by the National Law n. 381 (issued in 1991).

This legislation provides for exemption from payment of welfare contributions for disadvantaged employees, and particularly for disabled people (who have a degree of disability / impairment of at least 46%). It also provides exceptions to laws relating to the award of public contracts (within the limits fixed by the European Community).

Type B social cooperatives, which concentrate on the employment of disadvantaged people, have lower levels of economic and productive activity and organizational capability. In spite of these limitations and problems, social cooperatives represent a growing movement within the Italian economy. Their recognition within, and contribution to the economy, has been assisted by this important judicial and legislative support. There are currently about 2,000 Type B cooperatives, employing 44,000 people, of which approxima-

tely 16,000 are disabled people.

The social cooperative is a non-profit making firm, which protects work opportunities for disadvantaged people. They exhibit characteristics of self-management, employee participation and flexible working practices within the organization. They are different from sheltered workshops – not separate but part of the market, where disabled and non-disabled people work together. Founded on the notion of solidarity, the social cooperative is not charitable, but a wealth creating entity which provides its associates with decent incomes, social protection, security and confidence in the future. It also operates on the premise that a disabled associate is also an entrepreneur.

FINANCIAL SUPPORT AND INVESTMENT FOR SOCIAL FIRMS

Social firms have great difficulty in obtaining credit or loans from banks to support investment and development projects. The traditional banking system generally asks for personal guarantees from associates, prior to providing any credit or loans. In Italy, recent developments have included the creation of organisations that provide finance for (among others) socially oriented employment projects. These include the Ethical Bank and the Credit Consortium.

ETHICAL BANK

The ethical bank provides finance to non-profit making organizations. In this way it supports social and economic activity involving disadvantaged people, as well as their individual development. This type of bank can only

use its funds to support ethical activities, and informs its depositors about the utilization and distribution of funds.

CREDIT CONSORTIUMS

The credit consortiums are created by non-profit organizations in the form of member cooperatives or associations. They manage (under the guidance of specific legislation), the bank savings of their associates. The money is used to finance social and economical activities which include the development of fair trade, social cooperation, protection of the natural environment, the defense of human rights, cultural and human development, specialist studies and research, professional training about other non-profit activities. These organizations make it possible to develop a range of non-profit activities which traditional banks would not normally finance.

PROFESSIONAL TRAINING AND ADVICE FOR SOCIAL FIRMS

In the UK, the Social Firm Support Group organizes a range of seminars, conferences and training events. These activities deliver practical support and advice to organizations and individuals who operate or are planning to develop social firms.

In 1999 a residential summer school for social firm managers was organized. The subjects covered included marketing, employment issues, contracting, management skills and a range of other relevant topics. Some European based social firm manager participated in this event and a ran-

ge of specialists were engaged to lead the training. It has been the first forum aimed at bringing together social firms managers in the UK.

The Social Firm Resource Centre collects and stocks all available material on social firms. This includes publications, research papers and audio-visual materials. This material is generally available to interested parties throughout the UK. Examples materials held in the Resource Centre include

- "The Social Firm Handbook": first printed in 1997, this UK publication defines and describes social firms with chapters on philosophy and ethos, management, finance and recruitment

- "The Marienthal Network Summary Report": Marienthal is a Horizon funded network of European social firms. This report describes the national projects, products and outcomes of working groups held through 1996/97

In Germany, the F.A.F. (an association for work initiatives and company projects) combines and coordinates the different categories of social firms. It also has a training and advisory role, working with social firm managers and groups setting up new firms. F.A.F. also carries out research and analysis work on the employment of disabled people. Through 1995-98, F.A.F. coordinated 17 projects within the aforementioned Marienthal network.

In Italy, pools or associations of cooperatives deliver professional training and advice to social firm managers. In addition a number of Universities have now started to

deliver specific courses aimed at social firm managers.

COOPERATIVE NETWORKS

A good practice example is the creation of social firm pools or networks.

In Germany the previously mentioned F.A.F. coordinates different types of firms which employ disabled people. The F.A.F. was established in Berlin in 1980 by a number of associations working in the field of employment rehabilitation and labour market insertion of disabled people.

Some of these firms are self-supporting companies, integration firms, social firms, companies offering part time jobs, service firms and sheltered workshops. The most common type of firm is the self-supporting company, which have been in existence for about 20 years and are almost all non-profit making enterprises.

In the UK, the Social Firm Support Group has facilitated the creation of a series of regional social firms networks. A good example of this is Social Firm Development Network in Birmingham. A number of new networks are in the process of being launched. The most important activities of these group are: network coordination and support, training and information provision and sourcing new funds.

In Italy pools of cooperatives create synergies through collaboration between the social firms. They have created a number of 'umbrella' associations that deliver a range of services to member firms e.g. accounting and financial services, marketing, management support etc. There is a consequent reduction in costs for mem-



Gio Batta Falda particolare di incisione Ariccia

ber firms. The pools of firms are also able to contribute more strongly towards the development of new public policy and legislation concerning the social cooperative movement.

COOPERATION WITH PUBLIC AGENCIES

In France both sheltered workshops and 'temporary work firms' can come to an agreement with public agencies. The second category of organization in particular can only make 3-year agreements.

The agreement fixes:

- the general characteristics of the firm and the disadvantaged people placed with or employed by the company
- the amount of the public funding
- the type of contract
- the nature of the training and sup-

port given to the disabled person in the workplace

'Intermediary Associations' make annual agreements with public agencies to 'match' disadvantaged people (disabled people, unemployed people, etc.) with companies. The association arranges contract with companies who are looking for new staff. People can be employed with contracts lasting up to 240 hours.

As previously mentioned, in Italy the Law n. 381 (issued in 1991) allows public agencies to make agreements with social firms, within limits fixed by the European Community.

WORKPLACE SUPPORT FOR DISABLED PEOPLE

In Germany, non-disabled staff within social firms give support to fellow di-



sable employees

- by giving practical and technical work related assistance and advice;
- by giving social support and advice which assists with personal development and the acquisition of life skills;
- through the creation of a positive social environment within the firm and the prevention and solution of conflicts.

In France, in the 'Interim d'Insertion' non-disabled staff provide support to disabled employees, helping them adapt to the place of work. This support takes the form of continuous technical assistance, professional work related training, and psychological, medical and social assistance.

In addition, the Support Centers for Work offer disabled people the possibility of trial work periods.

In this period skills and abilities are identified, and the person can try a number of activities or positions in the firm before a decision is made on the right option for them.

In Italy, generally (within type B social

cooperatives) there are not specialist staff who have the task of supporting disabled employees in the workplace. This task is normally carried out by non-disabled work colleagues or volunteers. The specialist staff of social and medical services can provide support to the disabled person outside the workplace.

In the UK, disabled employees (of any company including a social firm) can take up assistance through the national Employment Service's Access to Work programme. Access to Work provides a wide range of technical, practical and personal assistance, including e.g.

- help with the costs of traveling to and from work;
- technical aids and adaptations to equipment;
- adaptations to the working environment;
- personal support in the workplace e.g. job coaching, communication assistance etc.

TAX EXEMPTIONS FOR SOCIAL FIRMS

As previously explained, in Italy, the national law n. 381 (issued in 1991) provides an exemption from payment social security related taxes for disadvantaged people, and in particular for disabled people who have been assessed with a disability / impairment of at least 46%.

CONCLUSIONS

The on-going development and promotion of the social economy must be strengthened by real political support. This has not been the experience in the majority of Europe

states. Consequently, a range of complementary laws supporting the social economy does currently exist. Despite this lack of political support and legislative regulation, experience throughout Europe indicates that social firms are effective in placing disabled people into employment, encouraging integration and direct participation in the labour market.

The SYNJOB thematic work group agrees on the uniqueness of the Italian experience. The Italian model is the most advanced and is still developing at some pace. Comparison with the Italian model also underlines the considerable efforts made by other countries to develop and strengthen social firms and the their broader social economies.

In every country there is a strong trend towards increasing the number of social firm initiatives and 'umbrella' organizations that support the creation of new firms which combat segregation and the concentration of disabled people in sheltered workshops.

The thematic working group identified some important themes and needs. Implementing the elements detailed below would assist the long-term development of new and existing firms, and help consolidate the position of the social economy within the broader economy

- there should be appropriate and supportive legislation in each country which assists the development of individual social firms and the broader social economy - current Italian and Belgian legislation are examples of how this approach can be useful;
- support should be available to help

increase the competitiveness of social firms within the broader market, though the implementation of a better managerial culture and increased managerial capacity within firms and improvements in the range and quality of products and services made by social firms;

- sufficient funds should be available to help social firms develop their markets and entrepreneurial abilities;
- there should be more precise definition of the percentage (of the total workforce) of disadvantaged people employed within a social firms - e.g. the social firm should not employ only people with mental health problems, and the employment opportunities on offer should also interest non-disabled people;
- more extensive training opportunities should be available to disadvantaged workers within the firm, encouraging greater participation and involvement in management activities;
- there should be greater wage parity between disabled and non disabled people who do the same kind of work, and the opportunity for disabled people to perform tasks in accordance with their abilities;
- there should be to stronger working relationships and agreements between firms and public agencies;
- there should be adequate support for business development and technological innovation through more flexible and innovative relationships with the banks and other funding agencies.