



Italian social enterprises at the crossroads: their role in the evolution of the welfare state

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EFESEIIS FP7 research project

Enabling the Flourishing and Evolution of Social Entrepreneurship for Inclusive and Innovative Societies

- **To build an evolutionary theory of Social Entrepreneurship.**
 - Social Entrepreneurship has developed in different ways across Europe. This project aimed to construct a theory that explains these differences, taking into account the history and trends of Social Entrepreneurship and how social entrepreneurship and institutions co-evolved over time.
- **The identification of the features of an “Enabling Eco-System for Social Entrepreneurship”.**
 - This research identified the macro-meso and micro conditions under which Social Enterprises can thrive and contribute effectively and efficiently to build an inclusive and innovative society.

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Enabling the Flourishing and Evolution of Social Entrepreneurship for Inclusive and Innovative Societies

- **The identification of the “New Generation” of Social Entrepreneurs.**
 - The new generation of social enterprises has emerged in the last five years. The project assessed its features, needs, constraints as well as its contribution to Social Innovation.
- **Advices to stakeholders.**
 - During the entire duration of the project, data from interviews, focus groups and questionnaires was gathered with the aim of providing targeted advices to stakeholders.

Introduction

- **Social enterprises (SE)** have assumed a **prominent role as providers of public services** during the past twenty years. They have grown in number, influence, and political-economic importance (Borzaga et al, 2008a; Manetti, 2012; Defourny and Nyssens, 2012).
- Increasing attention to SE by **European Union**, new laws on SE by the **Italian Parliament** in the context of a wider reform of the third sector, new form of enterprises in the **for-profit sector** (e.g. benefit corporation)



Research gap and research aim

- The connection between these recent developments, the evolution of the Italian welfare system, and national and international policy discourses has not yet been completely tackled by scholars...
- We hope to contribute to this literature by **exploring the co-evolution of social enterprises and the welfare state in Italy and the influence of policy discourses in setting the direction of this metamorphosis in recent years.**

Interpretative framework

- We used the **EMES multidisciplinary theoretical and empirical approaches of social enterprise analysis** (Borzaga and Defourny 2001; Defourny and Nyssens, 2012) as starting points in analysing the role of social enterprises as social services providers
- We also used **Esping-Andersen's (1991) categorization of welfare regimes** and **Ferrera's (1998) examination of Mediterranean welfare systems** in order to look at the historical trends that led to the “recalibration of the (European welfare) system” and its consequences on society.

Table 1 – The EMES approach (Defourny and Nyssens, 2012)

Dimensions	Indicators and economic rationale
Economic and entrepreneurial dimensions of social enterprises	a) A continuous activity producing goods and/or selling services: The productive activity justifies the existence of SEs.
	b) A significant level of economic risk: Unlike most public institutions, the financial viability of SEs depends on the efforts of their members and workers to secure adequate resources.
	c) A minimum amount of paid work: Like most traditional non-profit organisations, SEs may also combine monetary and non-monetary resources, as well as voluntary and paid workers.
Social dimension of social enterprises	d) An explicit aim to benefit the community: One of the principal aims of SEs is to serve the community or a specific group of people in the community. Likewise, another feature of SEs is their desire to promote a sense of social responsibility at the local level.
	e) An initiative launched by a group of citizens or civil society organisations: SEs are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; however, the importance of leadership must not be neglected.
	f) A limited profit distribution The primacy of the social aim is reflected in a partial or total constraint on the distribution of profits.
Participatory governance of social enterprises	g) A high degree of autonomy SEs are created by a group of people on the basis of an autonomous project, and are governed by these people.
	h) Decision-making power is not based on capital ownership Emphasis on the "one member, one vote" principle, or at least the use of a decision-making process in which voting power is not distributed according to capital shares.
	i) A participatory nature that involves various parties affected by the activity The influence of various stakeholders on decision-making and a participative management often constitute important characteristics of SEs.

Methodology (1)

- We opted for a **qualitative methodology** based on **semi-structured interviews** and **focus groups** with experts from banks, social enterprises, social enterprise associations, public bodies, and support organisations such as chambers of commerce and consulting companies.
- Participants were selected through **purposive sampling**: goal is to sample participants in a strategic way, so that the information culled from the process is relevant to the research questions that are being posed (Bryman and Bell, 2015).

Methodology (2)

- **9 semi-structured interviews and 2 focus groups**, between April 2015 and June 2015.
- The content of our interviews and focus groups has been analysed through the use of **grounded theory**, an approach that enables researchers to code recurring concepts as a means of understanding the most relevant topics that emerge in relation to our research question (cf. Flick, 2009).

Findings

- i) *Were the social cooperatives just supporting the public sector, or did they represent an innovative mediator between the market and the state? Which are the internal and external influences that contributed to of Italian social enterprises?*

Two main dynamics have influenced the evolution of the welfare state and social enterprises in Italy during the last 40 years:

- a) Increase and evolution of social needs in a context of declining economic resources (1970s);
- b) Privatisation process with the aim of reducing inefficiencies and decreasing public spending. Decentralisation strategy based on the assumption that private, non-profit organisations were able to provide quality social services at a reduced cost for the state (1990s)

Findings

Bottom-up process:

The emergence of social cooperatives in Italy during the 1970s was the product of bottom-up forces—an answer to social problems that would eventually be recognised legally by the state.

Nevertheless, the new contribution from the social sector cannot be interpreted only as an answer to the shortage of public funding. The social enterprise outcome should be considered **as a model that differs from the State intervention**: the private sector manages differently the services provided by the public, **addressing unmet needs through personalised approaches that differed from the standardised policies implemented by public authorities.**



Findings

ii) *Is it possible to retrace the same process also in the subsequent decades?*

Legislative Decree 155/2006 “Disciplina dell’impresa sociale”: very few organisations have adopted the legal qualification of “impresa sociale”. The law has not had the same success, in terms of numbers, as the law on social cooperatives.

On 13 May 2014, the Italian Government published the “**Guidelines for the reform of the third sector**”

Legislative Decree 106/2016: the possibility for SEs to redistribute dividends at the same level as foreseen for prevalently mutual cooperatives — Cooperative a mutualità prevalente (art. 6) has been introduced. In this way, the law might make SEs more attractive to potential investors.

Findings

Top-down process:

While the first law on social cooperatives in 1991 and the law of 155/2006 emerged from the legal recognition of existing bottom-up processes, **the new law on SEs in 2016 might not have followed the same process.**

The need for reform did not come only from existing SEs or not yet legally recognised forms of SEs, but **from an ecosystem that was made up of different actors** (e.g. banks, consulting companies, and incubators, among others).

The growth of the SE sector legitimised the use of entrepreneurial forms to manage welfare services and solve society's problems. This might have also **increased the number of actors in the ecosystem that have an interest in supporting SEs that act like traditional for-profit enterprises and are able to attract and remunerate capital.**

Conclusions

The research reveals that **financial institutions, consultancies, and support organisations are pushing for a model of social enterprises that is more market-oriented and similar to traditional for-profit companies** in terms of its dependence on financial products and consultancy.

Thus, while the emergence of social enterprises in Italy during the 1970s was the product of bottom-up forces—an answer to social problems that would eventually be recognised legally by the state—**the changes that have taken place over the last 10 years might have been less bottom-up than the previous ones.**



Limits and further research

Further research, as well as data on the different organisational forms that might be adopted by future social enterprises, is needed in order to **properly address whether the current trend represents**

- i)* an actual need coming from the bottom-up (e.g. those that have an SE or want to set one up) in order to respond to new social problems;
- ii)* an attempt to gear SEs towards a more market-oriented approach that is promoted by other actors from the ecosystem in a top-down manner;
- iii)* or a mix of bottom-up and top-down drivers that make use of third sector organisations that have assumed an increasingly entrepreneurial stance.



Thank you for your attention!



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