

The role of the Social Economy in promoting Social Investment

In this issue

Social enterprises play an important role in tackling societal challenges. Their numbers have grown significantly over recent years, becoming a strong engine of social innovation in the EU. This trend is confirmed by results of the JRC-led IESI project, which supports the implementation of the EU Social Investment Package through the analysis of ICT-Enabled Social Innovation initiatives in Member States.

This issue of the 'JRC Insights' presents results from the study of these initiatives, assessed against the three main objectives of the Social Investment Package: implementing active inclusion strategies, investing in individuals throughout their lives and modernizing social protection systems.

Evidence gathered shows that social enterprises are crucial in realising these policy goals. Their capacity to identify emerging or unmet needs, engage stakeholders and turn their governance model into a sustainable production process makes them particularly apt to contribute to social investment approaches.

Social enterprises are the most innovative forms of social economy and their action tends to be flexible and responsive, thanks to their capacity to involve users and understand their needs. Their governance structures, their roots in local communities, and the fact that they are often multi-stakeholder partnerships contribute to greater social innovation.

Nevertheless, more comprehensive socio-economic impact evaluations are required to understand what initiatives could and should be fostered and scaled-up.

Highlights

- ICT-enabled social innovations led by social enterprises contribute to social investment policy by enhancing access to and take-up of social services, especially among marginalised groups and citizens who are not entitled to mainstream benefits.
- These social innovations, which particularly target older people, young people, and children, are able to provide social services which answer citizens' needs.
- They are also particularly effective when it comes to adjusting a service to the needs of local communities and individuals, and scaling-up these services at the same time.
- Even small-scale ICT-enabled social innovations, where social enterprises play a key role, can contribute to the modernisation of social protection systems by improving access and take-up of services, service quality, and cost-effectiveness of social service provisions.
- ICT-enabled social innovations led by social enterprises can respond flexibly to funding opportunities or challenges and adapt business models to changing circumstances.
- Their capacity to attract volunteers is another strength, which translates into both higher levels of social innovation and increased cost-effectiveness, enhancing solidarity and social capital.

1. Policy context

The Social Investment Package ([SIP](#)), launched by the European Commission in February 2013, seeks to address the huge economic and societal challenges faced by EU Member States. It particularly emphasises the importance of investing in *people* and designing social protection and welfare policies in a way that improves people's current and future skills and capabilities, and supports them throughout their lives so that they can participate fully in employment and society. At the same time, the SIP aims to guide EU countries in *modernising their social protection systems* and *improving their long-term sustainability*.

To support the implementation of the SIP, the Joint Research Centre, in partnership with the Directorate General for Employment, Social Affairs and Inclusion, engaged in a multi-year research project on "*ICT-enabled Social Innovation to support the Implementation of the Social Investment Package*" ([IESI](#)).

The *social economy* only represents a relatively small part of the EU business landscape with around 10-12% of all enterprises in the EU ([European Parliament, 2016](#)). The IESI study shows, however, that third sector organisations, and particularly *social enterprises*, constitute the most innovative form of social economy entities. It also shows that they play a crucial role in the delivery of ICT-enabled social innovation initiatives.

This issue of the 'JRC Insights' zooms in on the social economy and discusses how policy makers can boost social investment by fostering social entrepreneurship in Europe. It highlights the main implications this has for the wider social innovation agenda. It also raises a series of open questions for policy-makers and researchers, in relation to supporting ICT-enabled social innovation in collaboration with social enterprises.

"Social Policy Innovation" refers to social investment approaches that provide social and economic returns. It is linked to the process of modernising social protection systems and redesigning social service delivery through innovative systemic reforms, where Information and Communication Technologies (ICTs) generally play a key role.

2. The Social Investment perspective

Families and civil society organizations have been considered important pillars of the European welfare state ([Morel et al. 2012](#)) as they play a major role in delivering welfare services. Up until now, the Keynesian approach taken to the delivery of certain services relied on publicly-funded not-for-profit organizations, and the neo-liberal approach promoted the contracting out of services to the private sector. The social investment approach ([Esping-Andersen 2002, Krings 2014](#)), however, looks at the ecosystem of intermediary groups (including third sector organizations and private businesses) as "an organized expression of social needs and solidarity that requires public investment to build its capacity for partnerships" ([Jenson 2012](#)).

From this point of view, the potential contribution of *social enterprises*, which combine a commercial approach with a strong presence in - and deep knowledge of - the communities in which they operate, seems particularly promising.

In the absence of a commonly-agreed definition across the EU, a "*social enterprise*" can be defined for operational purposes as an undertaking: (i) which is engaged in the economic activity of production and/or exchange of goods and/or services; (ii) which pursues an explicit and primary social aim that benefits society; (iii) whose profits and/or assets' distribution is subject to limits that ensure social aims are prioritised over profit-making; (iv) which has organisational autonomy and is independent from the State and other traditional for-profit organisations; (v) whose inclusive governance is characterised by participatory and/or democratic decision-making processes ([European Commission 2014](#)).

The capacity of social enterprises to identify emerging or unmet needs (and possible ways to address them) is facilitated by their governance systems, which involve frequent interaction and continuous participation of a wide range of stakeholders, including service users. The advent of the Internet and social media has enhanced the capacity of stakeholders to engage, as evidenced by the growing number of social enterprises using ICTs. The unique potential of social enterprises, as compared with third sector organisations, resides in their capacity to turn this participative governance model into a sustainable production process.

Against this background, this issue of the 'JRC Insights' discusses in what ways ICT-enabled social innovation led by social enterprise can contribute to social investment policy.

3. Evidence for social investment policy

The evidence presented in *Figure 1* uses the European Commission's Social Investment Package (SIP) as a framework of reference. It shows the share of initiatives analysed which pursue each of the SIP's three objectives.

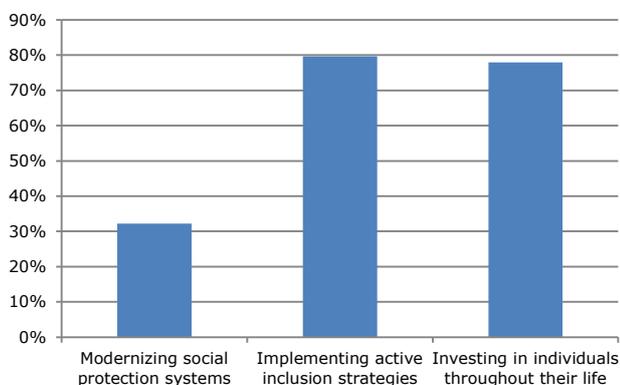


Figure 1 – IESI Social Enterprise Sample: Relevance to SIP Policy Objectives

Implementing active inclusion strategies is a top priority for most of these social enterprises

Around 80% of initiatives led by social enterprises are engaged in promoting the active inclusion of their beneficiaries. This is part of the sector's DNA, and mission statements aside, active involvement of beneficiaries and employees is a statutory requirement, or at least a well-rooted tradition for many social enterprises. Indeed increasing access and take-up of services is a priority for over 80% of the initiatives in our sample.

The contribution to social investment policy of ICT-enabled social innovations led by social enterprises is particularly effective in relation to access and take-up of social services, especially among marginalised groups and citizens who are not entitled to mainstream benefits.

It could be argued that this reflects the need to ensure a client base for the services. However, it has more to do with the fact that social enterprises often specialise in providing services to targeted groups of beneficiaries which are difficult to reach.

These beneficiaries' needs are often not addressed by mainstream public services in most Member States, or they may not be entitled to public benefits although they still need a particular service (e.g. older people living alone at home or young people and mothers entering/re-entering

Methodological Note

The IESI knowledge base 2015 comprises 210 ICT-enabled social innovation initiatives with policy outcomes; 63 of which are led by social enterprises

the labour market, immigrants and, increasingly, the in-work poor and under-employed who are not entitled to unemployment benefits).

Figure 2 shows the main social services areas that initiatives led by social enterprises are addressing.

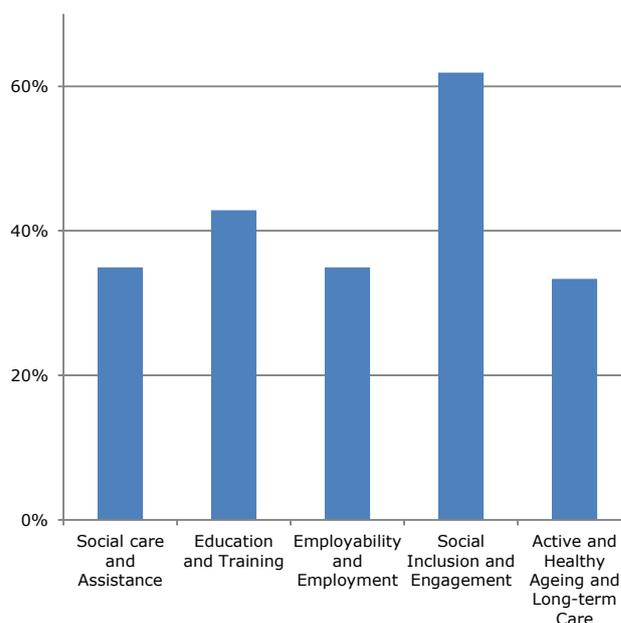


Figure 2 – IESI Social Enterprise Sample: Social Services Areas Addressed

Initiatives which promote social inclusion, social participation and civic engagement rely heavily on social networking technologies, used in over 60% of the social enterprise-led initiatives. In comparison, initiatives that are not led by social enterprises but mostly by a public sector organisation use social networking technologies to a lesser extent.

This reflects the important role played by ICTs in supporting communication, campaigning and networking, and in fostering inclusion and engagement practices, a traditional strength of the third sector.

At the same time, web-platforms and social media play an increasingly important role in empowering beneficiaries, facilitating communication between carers and beneficiaries, service personalisation and peer support.

Many social innovations led by social enterprises provide services to support individuals at critical moments in their lives

Of the ICT-enabled social innovations where social enterprises play a key role, 78% address the goal of investing in individuals (i.e. investing in people now is expected to pay off at a later stage in their lives).

Providing appropriate services throughout citizens' lives and at critical moments is a widespread policy priority among the social enterprises analysed. Many of these initiatives target older people, children (and indirectly their parents), young people, and the unemployed.

The prevalence of social enterprise initiatives which aim to provide young people with both ICTs and (social) entrepreneurial skills may reflect a perceived shortcoming in mainstream public education systems. It may also reflect the sometimes inadequate response of the welfare state in the wake of the recent economic and social crisis.

This hypothesis is supported by the interest large private companies show in sponsoring or investing in these types of initiatives, for example: [Corderojo](#), the [Digital Opportunity Trust](#), or [Vaata Maailma Foundation's Smartlabs](#).

A key characteristic of ICT-enabled social innovation initiatives led by social enterprises is the ability to combine scaling up services with local reach and personalisation of services. In our sample, most initiatives (44%) operate at national level, 32% are active at the local or regional level, and a further 24% conduct multi-country operations.

ICT-enabled social innovations where social enterprises play a key role have the capacity to provide appropriate social services to citizens throughout their lives, particularly to older people, young people, and children.

Local and regional initiatives, normally provided by third sector organisations and social enterprises, only represent a third of all the initiatives analysed. Nonetheless, they have a strong impact on the development of the *local digital social innovation ecosystem*.

In addition, most of the social enterprises examined apply the same model in different locations across a country, which means they have a much wider reach than is apparent at first sight.

For example, the Vocational Education and Training (VET) programme [AspIT](#) is used to teach pupils with autism through a cooperating network of 10 schools in Denmark. Similarly, the Italian National Cancer Association (ANT) uses its [VITAEVER](#) management system and model of care to improve home care for the terminally ill in 10 Italian regions through 20 local units. In the UK, the social enterprise [Hao2](#) has developed 3D environments for vocational training which targets young people with autism and other complex needs. This last system can be accessed from anywhere in the country, and can be personalised according to the needs of individual learners.

Importantly, the ability to scale-up services nationally and even internationally, and achieve increased sustainability as well as social impact, in most cases derives from the use of ICTs.

The contribution to social investment policy of ICT-enabled social innovations led by social enterprises is particularly effective when it comes to adjusting a service to the needs of local communities and individuals, while at the same time scaling-up these services.

Many initiatives contribute to the Social Economy by helping to modernise social protection systems, directly or indirectly

One-third of the ICT-enabled social innovations where social enterprises play a key role focus on modernising social protection systems. While most of these initiatives are too small to directly contribute to this social investment policy priority, in practice they may do so indirectly, as many of them contribute to increased service productivity (42%) and cost-effectiveness (54%).

On the other hand, if we look at the public sector-led initiatives, most of them contribute directly to modernising social protection systems, mainly by improving service access and take-up (81% of the sample) and by improving quality and cost-effectiveness of services (90% and 54% of the sample respectively).

In contrast to smaller scale initiatives, one common feature shared by many large-scale, high-impact initiatives led by social enterprises is their capacity to effectively organise large numbers of stakeholders with very different backgrounds, expertise and roles to achieve shared social outcomes.

Here ICTs play a crucial enabling and facilitating role. It is a social innovation to efficiently bring all

stakeholders to the table to identify the entrenched social issues that hamper inclusive growth in a community, agree on social outcomes and devise a systemic approach to achieve them.

ICTs are also the key to building implementable models (including at financial level), and facilitating collaboration and information sharing between the various stakeholders involved. ICTs allow these stakeholders to monitor progress towards agreed goals and, no less importantly, to spot and address promptly arising bottlenecks, unforeseen issues, and new opportunities.

For those social enterprises that offer social services and achieve economic sustainability, cost-effectiveness coupled with high-quality services is essential to winning public contracts and also to selling services, which are often more expensive than similar services offered by both the public and the private sector.

In some cases and particularly for civic engagement initiatives, economic viability is achieved by diversifying income sources. Grants (from both private and public donors in kind and also in cash) and revenues generated through other activities are often used to maintain less profitable services.

Not surprisingly, the decline in public funding in the wake of the 2008 economic crisis has forced most social enterprises to adjust their business models. In some cases, lack of public funding is the very reason why third sector organisations have become social enterprises.

ICT-enabled social innovations where social enterprises play a key role have the potential to deliver high quality and cost effective social services by flexibly responding to public/private sector funding opportunities or challenges and adapting their business models to changing circumstances.

This is the case for instance of the Portuguese “[O teu mestre](#)” initiative, which was originally a totally publicly subsidized e-learning environment for hospitalised children. This platform has now achieved economic sustainability by extending the use of the service to the wider population of students aged 5-12 who pay a fee. Thus, it was possible to maintain the service and continue to offer it free of charge for hospitalised users.

Another important issue in relation to cost-effectiveness is the capacity of many social

enterprises to attract volunteer workers. *Volunteers* play a key role in 44% of IESI social enterprise initiatives. However, this is true of only 29% of those initiatives that are not led by a social enterprise but are mostly public-sector driven. In most these cases, volunteer work is brought in through partnerships with the third sector and social enterprises. Volunteer work, and the fact that most social enterprises are economically sustainable, contributes to making them cost-effective.

4. Implications for the Social Policy Innovation agenda

As mentioned above, the social economy makes up only around 10-12% of businesses in the EU. Nevertheless, the analysis presented here shows that ICT-enabled social innovations where social enterprises play a key role can make an important contribution to social investment policies.

As mentioned above, these target mainly the implementation of active inclusion strategies and investment in individuals throughout their lives, and only to a limited extent the modernisation of social protection systems. This is a field where the social economy could play a more dynamic role.

This is particularly relevant in the context of the [European Commission's initiative to strengthen the social dimension of the Economic and Monetary Union](#), and the related efforts to develop the [European Pillar of Social Rights](#).

However, ICT-enabled social innovations which promote social investment and where social enterprises play a key role, are very *unevenly deployed* across European countries.

While we found small-scale – albeit often highly innovative and effective – ICT-enabled social innovations led by social enterprises nearly everywhere in Europe, large-scale and high-impact initiatives where ICT-enabled social innovation acts as a real ‘*game-changer*’ tend to be concentrated in Nordic and Central European countries, the UK and Ireland.

In these countries, social spending levels are higher than the EU average. In addition, ICT infrastructure and high-level ICT skills are widespread among the population and governments. There is also a long tradition of collaboration between the public sector and a vibrant and very entrepreneurial third sector.

Three main factors seem to enable or constrain ICT-enabled social innovations led by social enterprises. These therefore deserve further consideration:

1. Levels of ICT infrastructure deployment and access/use of ICT (and particularly e-services) among the public sector and the general population.
2. Presence of social enterprises and third sector organisations with a tradition of collaboration with the public sector to deliver social services.
3. Levels of public social spending and service delivery models.

The evidence which emerged from the analysis of the role the social economy could play to foster social investment, provides important insights. However, it also raises a number of questions which require further debate:

- ✓ **How can the creation and growth of the social economy be encouraged, in order to promote social investment in Europe?**
- ✓ **How can social enterprises be helped to build their capacity to deliver public social services of general interest?**
- ✓ **How can the implementation of more innovative service delivery models in a social economy perspective be fostered?**

In addition, there is a need to develop methods and indicators that better measure the social and economic impact of social enterprises, and evaluate the return on the investment of funding social innovation over time.

Socio-economic *impact evaluations* are thus required to better understand what initiatives could and should be fostered and scaled up. These evaluations would help encourage social enterprises – but also local authorities and traditional third sector organisations – to consider from the outset the kind of impact they want to achieve and how to succeed. While this approach is certainly effective for any organisation with social goals, it is of key importance when it comes to establishing complex multi-stakeholder, outcome-based partnerships and fully-fledged welfare services.

In this respect, practitioners in this field across Member States need help to build capacity. They also need user-friendly ICT-enabled tools to assess *ex-ante* and *ex-post* the social-economic impacts of their initiatives. Provision of this help and the right tools would promote a culture of service evaluation within the public sector. It would also be the most effective way of allowing integrated social services to flourish, and therefore contribute to the long-term sustainability and quality of European social protection systems.



Read more

1. European Commission, 2015. [Mapping and analysis of ICT-Enabled Social Innovation initiatives promoting social investment through integrated approaches to the provision of social services \(2015\)](#)
2. European Commission, 2016. [Mapping and Analysis of ICT-enabled Social Innovation initiatives promoting social investment in integrated approaches to the provision of social services: IESI Knowledge Map 2015.](#)
3. European Commission, 2014. [A map of social enterprises and their eco-systems in Europe.](#)
4. European Parliament, IMCO Committee, 2016. [Study on the Social Economy](#)

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