



**RIGHTS TO GROW**  
information consultation  
participation rights  
help social enterprises grow

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# **PARTICIPATION IS THE KEY: MAPPING THE GOVERNANCE OF SOCIAL ENTERPRISES ACROSS EUROPE – MODELS AND GOOD PRACTICES**

*Conclusions and recommendations*



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# SUMMARY OF RECOMMENDATIONS

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- *Social enterprises should recognise the role trade unions can play in ensuring their employees' individual and collective rights.*
  - *Trade unions should support the democratic practices typical of social enterprises, which act as role models for deeper and more inclusive social dialogue. The recognition of social enterprises in the Social Dialogue, already a reality in many Member States, should be given further value.*
  - *Social enterprises should consider establishing umbrella and consortium structures to enable growth to be combined with democratic governance.*
  - *Social enterprises should consider various ways to better involve users in their governance.*
  - *Government, finance, culture, business, trade unions and civil society must come together to create a support ecosystem for social enterprises that is linked through structures such as federations and consortia, which build the capacity of social enterprises to drive their own development.*
  - *Local and national authorities should recognise the potential of social enterprises to meet societal needs, improve public service provision, and reduce poverty and exclusion, while stimulating entrepreneurship.*
  - *Sources of capital should be developed which are oriented to the long-term benefits of social enterprise success, and do not demand either immediate financial returns or control of the enterprise.*
  - *Legislators, associations and co-operatives should work together to ensure that voluntary organisations (NGOs) are able to engage in trading as they work towards this transition to economic sustainability.*
  - *Social enterprises should make more use of social impact measurement and reporting.*
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# WHAT ARE SOCIAL ENTERPRISES?

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*A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.*

*The Commission uses the term 'social enterprise' to cover the following types of business:*

- Those for who the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation*
  - Those whose profits are mainly reinvested to achieve this social objective*
  - Those where the method of organisation or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice<sup>1</sup>.*
- 

Social enterprises represent a fundamentally new way of doing business and, as such, they have the potential to profoundly transform the socio-economic landscape. New trends in recent years have seen the emergence of a collaborative, circular economy, which in turn has created opportunities for the expansion of social enterprise in Europe. Social economy and social enterprises are playing an increasingly prominent role, which has been largely due to their ability to address some of the major challenges currently facing Europe, in particular the need to foster sustainable and socially-inclusive economic growth and create jobs. The European Commission aims to create a favourable financial, administrative and legal environment for these enterprises so that they can

operate on an equal footing with other types of enterprises in the same sector. The Social Business Initiative<sup>2</sup> launched in 2011 identified actions to make a real difference and improve the situation on the ground for social enterprises.

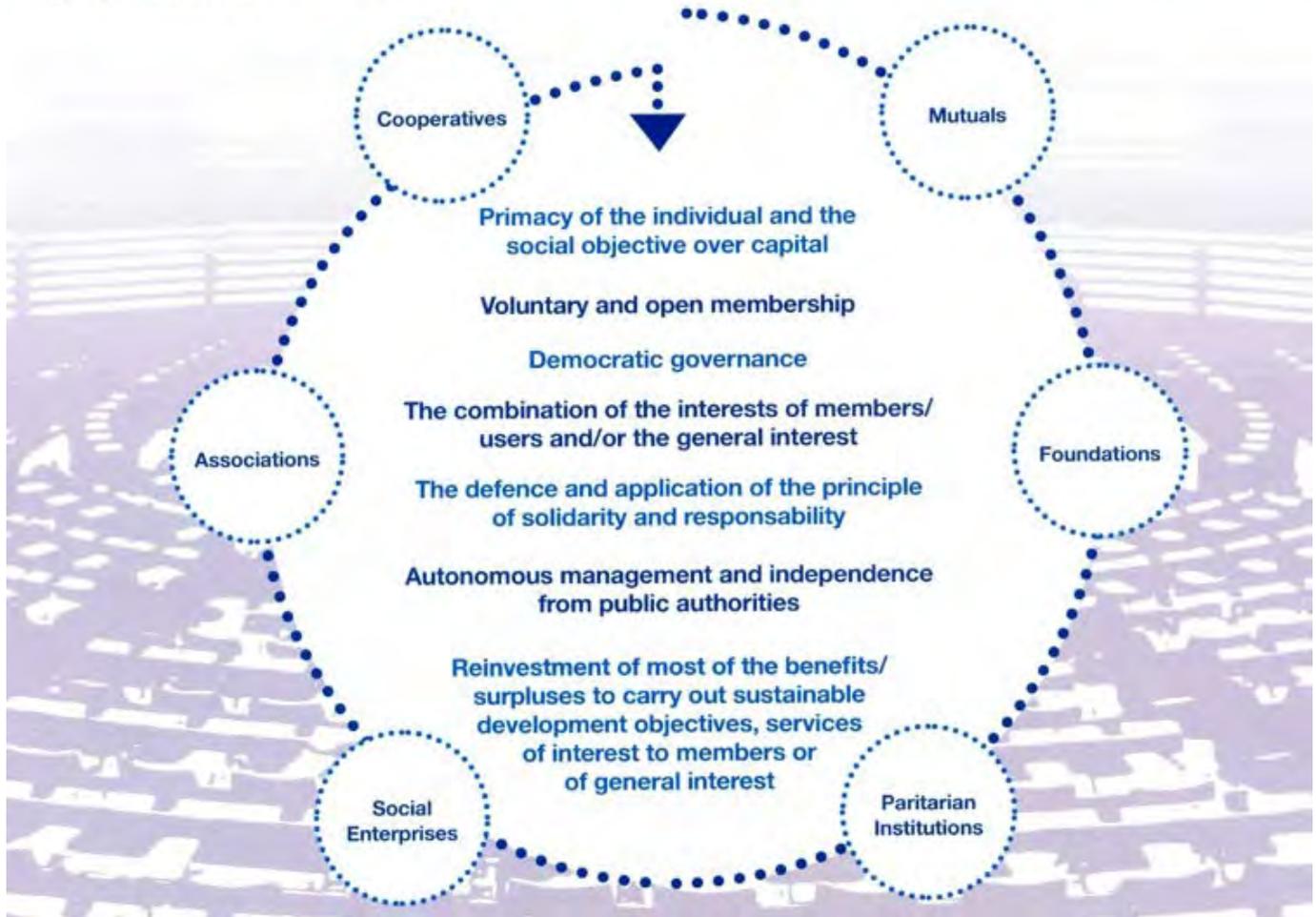
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<sup>1</sup> [https://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](https://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

<sup>2</sup> EC Communication "Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation" {SEC(2011) 1278}. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52011DC0682>

### SOCIAL ECONOMY, A EUROPEAN SUCCESS STORY

The social economy is an essential part of the European economic and social landscape. In the European Union, there are **2.8 million social economy enterprises** and organisations that **employ 13.6 million people** and account for **8% of the EU's GDP**. It is formed by a diversity of enterprises and organisations that are united by common values and features:





The Social Business Initiative mentions among the three identifying features of social enterprises the fact that “It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”

Social enterprises can take different legal forms in different countries, but the GECES Report<sup>3</sup> affirms that “legal forms to be recognised as social enterprises should:

...

- indicate a broad representation of stakeholders, and their participation;
- mention the duty to provide members, stakeholders and third parties with information based on a principle of fairness, openness and transparency....”

Possible forms and modalities of stakeholder and employee involvement depend on several circumstances, such as the type of social enterprise, the nature of the business conducted, the size of the enterprise, etc. Regulatory provisions and models of good governance are however of paramount importance in order for social enterprises to comply with the vision that EU institutions have of them.

The R2G project identified and examined 26 cases of good governance linked with sustainability and growth in a large number of European countries. It focused on social enterprises providing social services and work integration opportunities for disadvantaged and disabled persons, but also on social enterprises involved in public-social partnerships.

<sup>3</sup> *Social enterprises and the social economy going forward. A call for action from the Commission Expert Group on Social Entrepreneurship (GECES), October 2016*

# 2

## THE RIGHTS TO GROWTH ('R2G') PROJECT

The Rights to Growth ('R2G') project ran between November 2017 and September 2019 and was carried out with the support of the European Commission by a partnership including European-level organisations (DIESIS, CECOP, ENSIE, ETUC and SEE) on both the workers' and employers' sides. A wide range of national organisations participated in the project either as partners (ACT Grupa, AVISE, CGM, COCETA, FISE, Legacoopsociali, RISE, SEUK) or were involved as members of European umbrella organisations.

## ENTERPRISES STUDIED

Agintzari (ES) | Agro Iris (RS) | ANG Spółdzielnia (PL) | Caritas Šabac (RS) | Clarity – Employment for Blind People (UK) | Community Dental Services CIC (UK) | Concordia (RO) | Kooperatywa Spożywcza Dobrze (PL) | Face to Face (MK) | GLL (Greenwich Leisure Ltd) (UK) | Humana Nova (HR) | Inserfac (FR) | L'Innesto (IT) | Niti (ME) | Pôle AlpEn (FR) | Prádelna U Mandelíků (CZ) | QUID (IT) | Redes SC (ES) | ŠENT (SI) | Smart Belgium (BE) | Spazio Aperto (IT) | Spazio Aperto Servizi – SAS (IT) | Stara Roba, nova raba (SI) | Suma (UK) | Groupe Terre (BE) | Groupe Up (FR)

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# THEORETICAL FRAMEWORK

## 3.1 GOVERNANCE PRINCIPLES

Governance and participation are at the heart of the social economy and social enterprises. It may be said to be the 'unique selling proposition' of the social economy: it is an expression of the principle of mutuality, that members both contribute to a common economic project, and benefit from it, in a fair way. Participation means playing an active role in creating something. It means more than performing a task or obeying orders, it means contributing energy, ideas, innovation – in other words having the ownership and the control but also sharing in the results.

The main legal forms taken by the social enterprises studied by the project are co-operatives and associations, and both of these explicitly incorporate democratic control and participation in their principles.

The R2G project examined four aspects of governance and participation in social enterprises: the stakeholders involved, the nature and depth of their participation, the tools and methods they use to encourage participation, and the governance models they adopt.

## 3.2 STAKEHOLDER ANALYSIS

This looks at which people are affected by the operations of the enterprise, and how? The term 'stakeholders' is defined as "People who are affected by the actions of an organisation or a policy, i.e. stand to benefit or suffer because of what it does." Stakeholders may be divided in to three categories<sup>4</sup>:

- Primary stakeholders: Those ultimately affected, in this case firstly the workers and the users/clients/beneficiaries, suppliers and customers, and people living where the enterprises are active
- Secondary stakeholders: Intermediaries acting on behalf of primary stakeholders, such as trade unions on behalf of workers, NGOs on behalf of service users, local authorities on behalf of local communities, experts and the media
- Decision-makers: Politicians and their advisers in social, environmental and enterprise policy, at European, national, regional and local levels

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<sup>4</sup> Adapted from INBAS and Engender (2010) *Influencing Social Policy* [http://www.engender.eu/wp-content/uploads/2018/01/study-stakeholder-leaflet\\_en.pdf](http://www.engender.eu/wp-content/uploads/2018/01/study-stakeholder-leaflet_en.pdf)

### 3.3 SPECTRUM OF PARTICIPATION

This considers how deeply are the various stakeholders involved in the operation of the enterprise. The project looked at this through the lens of the 'spectrum of participation'<sup>5</sup> devised by the International Association for Public Participation (IAP2). This defines five degrees of participation, as follows.

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#### SPECTRUM OF PARTICIPATION

Information	<i>one-way dissemination of information to stakeholders on a specific issue</i>
Consultation	<i>informing and getting feedback from stakeholders, a two-way information channel</i>
Involvement	<i>gathering stakeholders' views and ensuring that their concerns and views are understood and considered</i>
Collaboration	<i>working with stakeholders as partners throughout a process, including in analyses, development and decision-making</i>
Empowerment	<i>placing final decision-making in the hands of stakeholders</i>

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<sup>5</sup> [https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum\\_8.5x11\\_Print.pdf](https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum_8.5x11_Print.pdf)



The following table summarises the degrees to which the different stakeholder groups participate, and the main tools used to facilitate that participation.

### DEGREES OF STAKEHOLDER PARTICIPATION AND TOOLS USED TO PROMOTE PARTICIPATION

<b>Stakeholder group</b>	<b>Spectrum of participation</b>	<b>Tools and methods used</b>
<i>Workers/employees</i>	<i>Collaboration (codesign) Empowerment</i>	<i>Works councils, safety committees, focus groups, internal meetings etc. – direct and/or representative  Employees elected to the board of directors General meeting vote Management training Bonus on wages/profit share/dividend</i>
<i>Volunteers</i>	<i>Empowerment</i>	<i>General Meeting vote Training</i>
<i>Users/beneficiaries /clients</i>	<i>Collaboration</i>	<i>Satisfaction survey Continuous dialogue, focus groups</i>
<i>Public authorities/ customers</i>	<i>Collaboration</i>	<i>Contract monitoring discussions</i>
<i>Local community</i>	<i>Collaboration</i>	<i>Public meetings</i>
<i>Suppliers</i>	<i>Varies</i>	<i>Continuous dialogue</i>
<i>Investors</i>	<i>Empowerment (sometimes)</i>	<i>'Investor member' status – limited voting power</i>

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# CONCLUSIONS

## 4.1 CREATING SOCIAL VALUE

### THROUGH PARTICIPATORY GOVERNANCE, SOCIAL ENTERPRISES BUILD SOCIAL CAPITAL

Social enterprises exist to satisfy social and societal needs. They must thus seek ways to take into account the contributions from and benefits to people who are not formally 'members' of the organisation, and to create benefit for society in general. The value of participation to social enterprises is that it is the channel through which stakeholders can communicate the needs which they wish to be satisfied, and then organise among themselves to serve meet these needs. For instance workers in social enterprises may wish to have secure jobs, satisfying work, congenial colleagues, and/or flexibility to reconcile their working and family lives. Similarly the members of a consumer co-operative may wish their enterprise to provide high-quality and affordably-priced goods, to respect certain ethical standards (e.g. organic food, or avoiding goods from oppressive regimes), and/or to operate in disadvantaged communities. The users of a co-operative providing social services may wish above all for reliable care provided by a stable workforce.

Social enterprises are developing increasingly sophisticated methods to measure the different impacts they have on various stakeholders. For instance Humana Nova, L'Innesto, Redes and GLL all audit their social impact and generally publish the results.

## HOW GLL MEASURES SOCIAL VALUE

GLL is a social enterprise managing leisure facilities on behalf of 50 UK local authorities, and social value is at the heart of its key impact measurements. GLL uses Data Hub's Social Value Calculator<sup>6</sup>, developed in partnership with Sheffield Hallam University and Experian, which monetises the value of societal improvements and provides a clear link between physical activity and health. For every euro spent, GLL generates €1.90 in social value measured in improvements to health and wellbeing, educational attainment and reduction in crime. This totalled €485m in 2018.

GLL is active in some of the country's poorest postcode areas, providing a measurable and positive contribution to the local community. GLL was awarded Best Social Enterprise winner at the UK Business Awards 2017 and numerous other awards recognised by its sector peers.

<sup>6</sup> <https://web.datahubclub.com/social-value-calculator/>



# UP'S ANNUAL SUSTAINABLE PERFORMANCE REPORT

*The Up Group was set up as Chèque Déjeuner in 1964 to promote social progress by providing luncheon vouchers, and has since expanded into domestic service vouchers, culture vouchers and other products. Its turnover in 2017 was €165 million. The group now has 1.1 million clients and over 28 million beneficiaries (employees and citizens). It employs over 3,600 people in 20 countries.*

*Up publishes an annual sustainable performance report, which is independently audited. It aims to coordinate a virtuous ecosystem which improves living conditions by addressing five societal issues: a healthy diet for everyone, a society where everyone has a place, a more balanced life, we are all actors in our consumption, and culture without limits or discrimination. It operates five Corporate Social Responsibility programmes in governance, economic, social, societal and environmental areas.*

*Its philanthropy policy is now operating in 10 countries, and aims to create social bonds and to prevent exclusion. It supports projects lasting three years or more in four areas: food as a vector for social bonding, housing, health, and education and culture. It is organised through the Up Foundation and a group of 24 philanthropy contact people, with the participation of organisations in the social and solidarity economy.*

*In 2018 the group supported 34 projects worth €236,000. Twelve percent of employees make charitable donations through their paycheques.*

*The group also practices environmental responsibility, and in 2018 the carbon emissions of the main French companies were offset.*

# SOCIAL ENTERPRISES CAN HAVE AN IMPACT ON PUBLIC POLICY

Several of the study sample have had an impact on public policy, for instance Redes (Spain) on child poverty, Humana Nova (Croatia) on sustainable public procurement, Caritas Šabac (Serbia) on municipal welfare strategy, deinstitutionalisation and work integration, L'Innesto (Italy) on local (tourism) development and depopulation, and Inserfac (France) on the operation of hygiene, safety and working conditions committees.

*ANG SPÓŁDZIELNIA – THE LOUDEST VOICE CAMPAIGNING AGAINST FINANCIAL MISSELLING*  
 ANG Spółdzielnia is a worker co-operative of 818 ethical personal financial advisers, and is Poland's third-largest financial broker. It was set up specifically to challenge the widespread misselling of financial products in Poland. It sells the best products available, does not sell unnecessary products, and informs clients of all the risks involved in their transactions. It is the loudest voice campaigning against the misselling of financial products in the media – for instance in television debates – and at industry events. It raises issues of ethics through its websites, a newspaper, books and an annual conference. In 2013 the ANG Group set up the Będę Kim Zechcę (I'll be who I want) foundation which builds social capital by organising workshops on responsible entrepreneurship and financial basics, especially for children.



# **PARTICIPATORY GOVERNANCE IS FLEXIBLE AND CAPABLE OF COPING WITH GREAT COMPLEXITY AND MEETING THE NEEDS OF MANY GROUPS IN SOCIETY**

Social enterprises bring different benefits to different stakeholders, through social innovation. They may provide stable employment, higher incomes, social integration, new social services, the continuation of essential services that are no longer provided by the public or private sectors, healthy food, and many other social benefits. They prove to be perfectly capable of dealing with the complexities of multi-site working, coping with different – sometimes opposing – stakeholders’ interests, managing complex public-sector contracts for different authorities, serving the needs of the most various groups in society, from fruit farmers to families to homeless people, and integrating severely disadvantaged people into a fulfilling working life.

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## *AGRO IRIS TRIPLES FARMERS’ INCOMES*

*Agro Iris in Šabac, Serbia, functions as an agricultural marketing co-operative. It provides mobile dryers and professionalises the processing and marketing of fruit. This allows the 20 co-operating farmers to capture a much higher share of the added value of their production by comparison with selling the fruit straight off the tree.*

*Each year, farmers sign a contract with Agro Iris which specifies the prices that will be paid, quantities to be delivered, roles and responsibilities. Both parties share the responsibility for quality, sales and turnover. This motivates the farmers to involve themselves in the decision-making process. Each year Agro Iris returns 70% of its profit to its suppliers. The farmers are thus sub-contractors to the enterprise, but are not formally members of it.*

*The farmers who market their produce through Agro Iris achieve higher prices – often up to three times what they would receive selling individually. This increases rural incomes, promotes local development, and reduces rural depopulation. Agro Iris co-operates with 20 farmers, which represents a beneficiary group of 100 people including their families.*

*Agro Iris also provides packaging work for 19 disabled people working for the work integration social enterprise Novitas Consult Šabac.*

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## **PUBLIC AUTHORITIES CAN USE PARTNERSHIP WITH SOCIAL ENTERPRISES AS A WAY TO IMPROVE PUBLIC SERVICE PROVISION**

The participatory governance practised by social enterprises, is responsive both to the needs of local populations and to employee development. Coupled with their non-profit-distributing status, this makes social co-operatives and community benefit societies the perfect vehicle for delivering public goods such as employment, inclusion, health and local development, through partnerships with public authorities. The employee loyalty and stability they inspire is a particular asset when delivering services with a high relational content. They can also step in to take over essential services when conventional businesses fail.

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### *AGINTZARI – IMPROVING SOCIAL SERVICES IN THE BASQUE COUNTRY*

*Agintzari is a social co-operative based in Bilbao which provides social services in four areas: community intervention, fostering and adoption, residential care for minors and domestic violence. It is the Basque Country first social co-operative and is recognised by the government as being of public utility. It has achieved a leadership position in social services in the Basque Country, and in 2017 served nearly 29,000 people – nearly 59% of all women and minors in the population. Over the last ten years the number of jobs it provides has risen by 228% from 222 to 728, and working conditions are better than the collective bargaining agreement (as regards salary, social benefits, work-life balance etc.) The co-operative's economic impact has also multiplied, with turnover having risen by 264% from €7 million to €25 million over the same period.*

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# GLL – A REPLICABLE MODEL FOR PUBLIC LEISURE SERVICES

*GLL is a social enterprise managing leisure facilities on behalf of 50 UK local authorities. Its mission is “to make community services and spaces better for everyone and to improve the health and wellbeing of local communities”. It now employs 14,000 people, has 54 million user visits each year, and turns over €360,000 annually. It has 850,000 user-members, who elect the board of trustees, which scrutinises management decisions and contains a majority of employees. It was founded in 1993 when the London Borough of Greenwich was facing austerity in public funding and needed to find a new way to run its leisure centres. Together, the staff of the leisure centres and council came up with a ground-breaking social enterprise model for public services and Greenwich Leisure Ltd (GLL) was born.*

*It is now the largest UK-based charitable social enterprise delivering leisure, health and cultural services, managing over 270 public sport and leisure centres, 113 libraries and 10 children’s centres in partnership with 50 local councils, public agencies and sporting organisations.*

# THE PARTICIPATION OF WORKERS IN SOCIAL ENTERPRISES, AND THEIR CLOSE LINKS WITH USERS, MAKES THEM FERTILE GROUND FOR SERVICE INNOVATIONS PROPOSED BY WORKERS.

Associating service providers together in the governance process increases the guarantee that the service provided will be adequate to meet beneficiaries' needs. This increases the quality of the service, but also ensures that the service keeps pace with the evolving beneficiaries' needs.

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## *COMMUNITY DENTAL SERVICES MAKES EMPLOYEE-LED SERVICE INNOVATIONS*

*The employees of Community Dental Services have proposed a number of innovations to improve inclusive access to oral health. These include the 'dentist at home' service, the presence of a 'comfort dog' which nervous patients can pet, and the provision of oral health advice to homeless people.*

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## 4.2 IMPROVING WORKING CONDITIONS

## WORKER PARTICIPATION IS CORRELATED WITH BETTER JOB SECURITY AND WORKING CONDITIONS

Research shows that worker participation in enterprises overall – so-called ‘high involvement organisations’, is correlated with higher job security, lower pay and status differentials, more training (formal and on-the-job), more autonomy, group cohesiveness, formal grievance and conflict resolution procedures, and finally higher productivity. There is some research evidence that worker participation improves the economic performance of worker co-operatives.<sup>7</sup> However much research on this topic is inconclusive. A report published by Eurofound (2019) “Co-operatives and social enterprises: Work and employment in selected countries”<sup>8</sup> affirms that “cooperatives demonstrated not only resilience but also the ability to flourish since the economic crisis” and “there has been a clear overall preference for creating and retaining full-time, permanent jobs, the ‘standard employment’ model which often used as an indicator of good-quality jobs”. It reports also that “workers in the case study organisations rated job quality highly, both in absolute terms and in comparison to similar organisations. They also gave high ratings to the social environment, voice and representation in the workplace, work-life balance and task discretion. (...) Skills development and job security were strong and there was significant intent to provide workers with career opportunities within organisations. (...) Many of the dimensions of job quality were integral to organizational objectives and, thus, were prioritised in workplace practices”.

<sup>7</sup> [https://emes.net/content/uploads/publications/2455/ESCP-5EMES-39\\_Effects\\_workers\\_participation\\_governance\\_cooperatives\\_Dethier-Defourny.pdf](https://emes.net/content/uploads/publications/2455/ESCP-5EMES-39_Effects_workers_participation_governance_cooperatives_Dethier-Defourny.pdf)

<sup>8</sup> <https://www.eurofound.europa.eu/publications/report/2019/cooperatives-and-social-enterprises-work-and-employment-in-selected-countries>

Based on 20 case studies (15 cooperatives and 5 non-cooperative social enterprises), the report tends to explain why co-operatives could perform well. According to the report, this is due to internal factors such as good management, governance and internal decision-making structures and processes, reinvesting (or at least not extracting) surplus value, prioritising jobs over wages and profit, the ability to share risks and rewards, a long-term focus and shared values among members, workers and, in many cases, customers and clients. These factors

are indeed inherent specificities of the co-operative model. The report also explains that there appears to be a sort of 'virtuous circle' within cooperatives and social enterprises by which internal human resource practices generate positive organisational performance that, in turn, provides positive employment outcomes, thus reinforcing the practices. This feature gives co-operatives a particularly important role in preventing a 'race to the bottom' in falling working condition for self-employed workers.

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### SMART – GIVING FREELANCERS SECURITY AND CONTROL OVER THEIR WORKING LIVES

*Smart is a co-operative of freelancers engaged in all sorts of activity, which supports them by providing a secure framework which simplifies the administrative and legal burdens and frees them to develop their professional lives autonomously. Through its online platform, users can declare their contracts, manage their expenses and invoices, and pay their salaries.*

*It offers a double solidarity system. Firstly, Smart provides the members with the status of salaried workers, which entitles them to full social protection. Secondly, members mutualise means and risks. It has developed a mutual guarantee fund that pays freelancers within 7 working days, an insurance against accidents at work extended to private life (in order to protect freelancers even when they are not under contract), training, co-working spaces, tailor-made advice and thematic events at which they can exchange experience with their peers.*

*Smart Belgium now has 25,000 users with short-term contracts, 30 users employed on permanent contracts, and 190 permanent employees. Annual turnover is €150 million. Smart also exists in eight other countries: Austria, France, Germany, Hungary, Italy, the Netherlands, Spain and Sweden. It has offices in 40 cities across Europe and serves altogether over 120,000 users.*

*Smart in Progress (SIP) is a tool, a continuous process to involve stakeholders to participate directly in the evolution of the co-operative. Each year three or four working groups are set up to discuss specific topics and make recommendations to the board of directors, which then validates or amends them before they are implemented.*

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## TRADE UNIONS HAVE A VALID ROLE IN COLLECTIVELY-MANAGED ENTERPRISES

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Trade unions are generally supportive of worker participation, and play a valuable role in ensuring that individual workers' rights are protected. In several cases trade unions play a structured role in governance.

### *TRADE UNION REPRESENTATION ON UP'S BOARD*

*In the Up Group, a worker co-operative that employs 3,600 people in 20 countries, the board of the controlling co-operative has 18 members, 12 of whom are elected by members at the annual general meeting, 3 represent the trade unions CFDT, CGT and FO, and 3 are advisory members from the company's economic and social committee.*

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### *THE STRONG BFAWU TRADE UNION BRANCH AT SUMA*

*Despite Suma's extreme empowerment of individual members, it is, unusually for a UK private-sector business, strongly unionised with some three-quarters of staff being members of the Bakers, Food & Allied Workers Union (BFAWU). A Suma personnel officer described the relationship as 'normally we and the union sit on the same side of the table but, when an individual worker is being represented, we move to opposite sides'. Thus individual worker rights are protected while Suma as a worker-controlled business gets the benefit of the union's industry expertise.*

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# TRADE UNIONS AT TERRE

*Based in Liège, Groupe Terre recycles paper, clothing and metals, as a way of carrying out work integration and financing development projects abroad. With 434 workers, the group now comprises 12 operating units, 4 of which are constituted as associations and 8 as limited companies. Groupe Terre ASBL is the majority shareholder of all of these subsidiaries.*

*Groupe Terre operates a system of direct worker democracy. All workers in any of the group's 12 operating companies are invited to join the general assembly.*

*The unions have organised their role in the company according to a well-defined model. They represent certain categories of workers in a works council and a committee for prevention and protection at work. They also deal with the defence of their workers through the trade union delegation. In this way, they participate in the management of the company as a counter-power vis-à-vis the employers' power. Their mission is part of the approach of control and consultation: they respect the hierarchical division of labour and let the employer assume the responsibility for strategic decisions, following the model of consultation that is enshrined in Belgian law.*

## **SOCIAL ENTERPRISES CAN WORK WITH TRADE UNIONS TOWARDS THE MORE INCLUSIVE REGULATION OF WORKING CONDITIONS**

Social enterprises already practice a comprehensive social dialogue, given that in most cases their employees have predominant decision-making power. In partnership with trade unions, they can serve as models to extend this dialogue, especially where social dialogue is underdeveloped.

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### *INSERFAC EXTENDS SOCIAL DIALOGUE TO WORKERS IN INTEGRATION*

*Inserfac is a work integration social enterprise (WISE) in the French département of Puy-de-Dôme. It operates nine workshops which offer 66 integration places as well as employing 22 supervisors and administrators along with 17 volunteers.*

*In 2014 a change in French labour law meant that workers in integration enterprises had to be considered as employees. The resulting increase in numbers meant that social dialogue bodies had to be set up. The law demands that firms employing more than 50 people set up a Comité d'hygiène, santé et conditions de travail – CHSCT (Hygiene, safety and working conditions committee). Working within their collective agreement, Synesi, the employers' union of integration workshops, the trade unions and the workshops decided to adapt this model for use in integration workshops employing fewer than 50 people. The resulting model of the Instance Santé Conditions de Travail (ISTC – Health and Working Conditions Committee) goes further than the law requires by including not only permanent employees but also workers in integration. Social dialogue extended to include workers in integration promotes the two-way flow of information, allows a collective rather than a conflictual approach to the resolution of issues, and enhances skills and self-confidence among workers in integration.*

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## SOCIAL ENTERPRISES CONTRIBUTE TO GENDER EQUALITY

Women make up a high proportion of the employees of the sample enterprises, and are a large majority of employees in a quarter of the enterprises (in France 67%, in Belgium 66% and in Spain 50% of members of social enterprises are women). They also constitute a majority of users in many cases. This leads social enterprises to pay attention to women's needs when they design their working conditions and the services that they offer. For instance flexible working hours and part-time working are common.

In a recent paper for the OECD,<sup>9</sup> Marieke Huysentruyt looked at gender disaggregated data from the SELUSI study, and came to the following conclusions:

- Based on regression analyses of social enterprise revenue, gender has no effect on total revenue of social enterprises
- There is no evidence that women prefer to stay "small" when men and women-led social enterprises are compared within the same sectors
- Women social entrepreneurs are significantly more likely to engage in participatory management practices
- When it comes to new market creation, women social entrepreneurs are more innovative than male social entrepreneurs.

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### NITI – REVIVING TRADITIONAL CRAFTS TO CREATE WORK FOR WOMEN

*Niti is a social enterprise in Bijelo Polje, Montenegro, which designs and produces woollen items such as socks, gloves, scarves, vests, blankets, rugs, souvenirs and decorative items such as children's seats in the shape of a sheep. It also carries out cultural projects such as 'Woollen Road', which animated interest in the woollen industry in the local community.*

*It makes use of wool which would otherwise go to waste, and sells its wares both to individuals and to domestic and international organisations putting on tourist fairs, foreign embassies etc.*

*The enterprise has no formal employees, but provides part-time paid work for local women who have difficulty finding jobs and who may be facing traumatic conditions in their lives. They also knit at home.*

*Niti gives its workers the opportunity to socialise, to connect with people who have problem similar to their own, and to reconceptualise their family and social situations. It also gives new knowledge and skills, and enables them to value those skills they already possess.*

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<sup>9</sup> <http://dx.doi.org/10.1787/5jxzkq2sr7d4-en>

## 4.3 INVOLVING MULTIPLE STAKEHOLDERS

## SOCIAL ENTERPRISES LED BY THEIR EMPLOYEES CAN OVERCOME ANY SECTIONAL INTEREST AND SERVE COMMUNITY WELLBEING, EVEN WITHOUT FORMAL MULTI-STAKEHOLDER GOVERNANCE

The vast bulk of the social enterprises studied are owned and controlled by their employees, and only a minority offer formal membership to other stakeholder groups such as users. However it is in their nature and their constitutions to serve social needs rather than private profit. They address this through various means such as co-planning exercises, continuous dialogue, by including in the governance public authorities or other social enterprises, or periodic satisfaction surveys. In some cases the users are the members, and the categories may be combined by requiring users to input some working time.

### ANG CHAMPIONS ETHICAL FINANCE

*ANG Spółdzielnia is a worker co-operative of ethical personal financial advisers. Its mission is “to provide people with the financial services they need, that they understand, at a fair price and that they can afford”. In a decade it has grown to be Poland’s third-largest financial broker, offering to individuals products such as mortgages and insurance in an ethical way. It has become famous as an opponent of misselling and a champion of responsible business, finance and consumption.*

*As the third-largest credit broker in Poland, in 2018 ANG made 14,381 credits and loans worth €800 million and sold 4,256 insurance products worth €590,000. Sales are growing fast, and in 2018 were up 48% on 2017.*

# DOBRZE'S CUSTOMERS ARE ALSO ITS WORKERS

*Dobrze is a social enterprise in Warsaw selling healthy food. It is based on a win-win-win business model: it provides a stable and profitable income for farmers, better jobs for employees and healthy affordable food for customers. It opened its first shop in 2014 and its second in 2016, and employs 14 people: 6 cashiers, 7 co-ordinators and one evaluator/manager. Its annual turnover is €600,000. Dobrze operates as a co-operative although it is incorporated as an association, and has two classes of members:*

- 300 full members, who pay a monthly subscription of 30 zlotys (€7), must volunteer for 3 hours' work per month, and can buy at members' prices (20% discount). They receive a monthly update on the co-operative's situation and may vote at the general assembly, which meets 3 or 4 times a year;*
- 100 supporting members: each full member can nominate one member of their household as a supporting member, who also has to do 3 hours' voluntary work per month and may buy at members' prices, but pays no subscription and has no vote.*

*Workers may also buy at members' prices but have no vote. They are included in the decision-making process only when the issue is directly connected with their job. They are informed about the business situation, but less often and in less detail than the members.*

*Major proposals such as a new shop opening are considered by a task group consisting only of volunteers, which prepares a proposal for the general assembly.*

*Day-to-day management is in the hands of the board, which consists of five elected full members. There is no single leader of the board – all members are treated equally.*



## MANY SOCIAL ENTERPRISES GROW OUT OF EXISTING VOLUNTARY ASSOCIATIONS

As regards how they came into being, a large majority (61%) of enterprises considered in this study were spin-offs from existing voluntary associations, with only 2 being ex nihilo start-ups, and 3 conversions of pre-existing traditional enterprises. This shows the connection between these two families of the social economy, and the need to ensure that legal pathways exist which allow associations to evolve into co-operatives.

### *PRÁDELNA U MANDELÍKŮ – A DEPARTMENT OF FOKUS PRAHA*

*In 2011, the Atlant association, which provides work and housing for mentally disabled people, contacted the mental health charity Fokus Praha to take over a laundry business which was no longer profitable. Fokus took over and renovated the premises, installed new equipment, and created a team comprising some of the existing employees along with some new members. The business now employs 14 people, of whom 11 have a mental handicap and two a physical handicap. It carries out washing, pressing, ironing and minor mending, catering both to the neighbourhood and also to customers further afield through a collection and delivery service. Trading income is €52,000 a year, which covers 47% of costs, with the balance being made up by €56,000 a year in support from the Job Centre.*

## **CLOSE LINKS WITH THE COMMUNITY ARE A STRONG POINT**

Co-operatives in which several different stakeholder groups are members and which emanate from the community can unite the forces of a locality to carry out local development.

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### *L'INNESTO INVOLVES THE WHOLE COMMUNITY IN LOCAL DEVELOPMENT*

*L'Innesto is a community-based multi-stakeholder social co-operative set up in 1999 to develop the area of Val Cavallina, near Bergamo in northern Italy. It carries out social agriculture using traditional seeds and methods, maintains green areas, carries out environmental education and operates tourist facilities. Its work integration activities have countered rural depopulation by creating 100 jobs in health care, education, tourism and waste treatment.*

*Real and effective involvement of the 227 members is ensured through area and service meetings involving members working in a given area or service, informal meetings to involve the community, and training for members, managers and employees so that they can contribute effectively to its management. The co-operative has a good relationship with the trade unions, and supports their role in protecting workers' rights. Its close ties with the local community have enabled it to raise €675,000 through crowdfunding campaigns.*

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## FINANCIAL INVESTORS HARDLY EVER PARTICIPATE IN THE GOVERNANCE OF SOCIAL ENTERPRISES

Most social enterprises have either zero shareholding (associations, companies limited by guarantee) or a token shareholding (e.g. co-operative societies with withdrawable par-value shares (in French parts). While most never pay out a dividend proportional to shareholding (ANG is an exception), several may provide limited compensation in the form of a bonus on wages. In at least one case in this study (Redes), this 'internal flexibility' works also in the other direction, with wages being reduced when times were hard, to avoid lay-offs. The enterprises' working capital is thus generally limited to retained earnings, any loans that may be taken on, and in some cases by public share offers (crowdfunding), which is facilitated by their close links with their communities. If the advantages stemming from their participatory nature are not to be stymied, their growth demands access to capital which does not demand control of the enterprise.

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### *INVESTOR MEMBER IN L'INNESTO*

*In some cases, financial investors have a formal place in the structure. L'Innesto, a community co-operative in northern Italy, has organised two public share offers, which have crowdfunded €750,000 and enabled it to increase its membership to 227 people, bringing more of the local community on board. L'Innesto also makes use of a provision in Italian co-operative law that allows a place to 'investor members' so long as their voting power is limited. The Coopfond investment fund makes use of this, as part of the sound monitoring and management of its funds.*

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4.4 MANAGING DEMOCRATICALLY

**PARTICIPATORY  
GOVERNANCE  
IS BASED ON DIRECT  
OR REPRESENTATIVE  
DEMOCRACY AND  
INDIVIDUALS' CONTROL  
OVER THEIR  
WORKING LIVES**

Participatory governance arrangements:

- practice direct democracy and combines this with representative democracy once a manageable size (about 20) is exceeded
- treat stakeholders, and above all employees, as rounded human beings who have intrinsic as well as extrinsic motivations. What they get from work comprises not only an income and a pleasant working life among colleagues they like, but also a feeling of community, being part of a group pursuing a common project;
- give workers much greater control over their working lives, at all levels:
  - in determining their own working conditions to fit in with other commitments such as family
  - in co-organising operations (for instance at departmental meetings)
  - in setting the business's strategy (at general meetings)



# SMART IN PROGRESS – A CONTINUOUS PROCESS OF STAKEHOLDER INVOLVEMENT

*Smart is a co-operative for freelancers of all sorts, whom it supports by providing a secure framework which simplifies the administrative and legal burdens and frees them to develop their professional lives autonomously.*

*Smart Belgium now has 25,000 users with short-term contracts, 30 users employed on permanent contracts, and 190 permanent employees. Annual turnover is €150 million.*

*Smart also exists in eight other countries and serves altogether over 120,000 users.*

*Smart in Progress (SIP) is a continuous process of involving stakeholders in the evolution of the co-operative. Each year, three or four working groups are set up to discuss specific topics and make recommendations to the board of directors, which then validates or amends them before they are implemented.*

*The SIP process was launched in 2015 through blogs, a forum, questionnaires, debates in local offices ('small talks'), written documents and four thematic working groups looking at:*

- Becoming a co-operative: for whom and with whom?*
- Mutualist, redistributive, solidarity: a viable economic model?*
- Creating and developing your business: how? With what tools?*
- Is a shared and participatory enterprise realistic?*

*Each of these groups debated its theme under the moderation of a permanent employee, and with the presence of two board members and members of the community (member-users, clients, partner organisations). They could access the support of specialists*

*(experts, researchers and study visits). Their mission was to deliver recommendations that would be submitted to the board and then to a vote of the general assembly, and then translated into concrete actions. Not only did the recommendations design the legal statutes of the cooperative, but they were also used to define the 2020 strategic plan.*

*The level of participation is high, with 800 users taking part in a survey addressing the quality of Smart's services which was presented to the 2016 general assembly. Since the start, 11 working groups have looked at such topics as ethics, representation, economic transparency, information technology tools, ecological purchasing, social impact and creating an economic value chain.*

### *UP – CO-OPERATION GROUPS*

*Up is a French worker co-operative formerly known as Chèque Déjeuner which supplies meal and service vouchers and employs over 3,600 people in 20 countries.*

*It is sometimes thought that large enterprises cannot be democratic, or cannot be “proper co-operatives”. Yet the evidence from the enterprises studied shows that democratic worker control can be preserved in larger businesses (8 of the sample enterprises (31%) employ over 250 people and the largest employs 14,000). They adopt a wide range of management systems, ranging from those that preserve a collective feel to those that balance quasi-conventional hierarchical line management with oversight by democratically elected bodies. They use a variety of tools to encourage workers to make an input into policy-making.*

*To optimise daily management, between October 2018 and October 2019, 15 groups of 10 managers met monthly in co-operation groups facilitated by their peers. The groups discussed how to resolve various difficulties and built solutions together. Four months after the start, 25 topics had already been discussed and action plans had been formulated on topics such as employee motivation, responsibility, management/operations balance, teamwork and cross-functional working.*

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### *CO-OPERATIVE SHARE CAPITAL IN ANG SPÓŁDZIELNIA*

*ANG Spółdzielnia is a worker co-operative of ethical personal financial advisers, which in a decade has grown to be Poland’s third-largest financial broker.*

*People and companies who wish to become members of the co-operative apply to join, and their experience, track record and reputation are checked by the human resources team. They may then purchase shares, with a minimum shareholding of PLN 250 (€59). However many shares they hold, each member exercises one vote at general meetings, but profit distributions are proportional to capital invested. Co-workers who are not members have no vote, but may take part in decision-making by volunteering to work in task teams.*

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## GROWTH IN SOCIAL ENTERPRISES DOES NOT NECESSARILY IMPLY THE ADOPTION OF HIERARCHICAL MANAGEMENT STRUCTURES

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### *SUMA – RETAINING COLLECTIVE MANAGEMENT WHILE GROWING*

*Suma is a worker's co-operative in northern England employing 300 workers under a non-hierarchical collective management system. Turnover for 2018/19 was €65 million, reflecting a normal 10% per year growth rate. In 2019 Suma was voted 'Most Ethical UK Company of the past 30 years' by the readers of Ethical Consumer magazine.*

*Suma still pays an equal wage rate to all workers (which is double the industry average). There is no chief executive officer or managing director. Members practice multi-skilling and job rotation and all management is done consensually.*

*Its governance structure has similarities to the Basque Mondragón worker cooperatives.*

*The sovereign general meeting instructs and is informed by a board of nine elected directors with delegated authority to run the business. Sub-committees of the board oversee the activities of the 'company' officers (Personnel, Finance, Health and Safety, Facilities, Compliance) who have oversight of the entire operation.*

*Operations are managed as three largely self-managing 'zones', Commerce (sales and marketing activities), Business Support Services and Logistics. Each of these has a 'Leader' and officers responsible for people, strategy, compliance (legal, quality control etc.) within their zone. The zones are answerable to the board.*

*An elected Member Council of nine representatives exercises a scrutiny function to check that the board is acting in accordance with general meeting decisions, is consulting the membership properly and that the board and zones are acting in the best interests of the members.*

*Meeting time is paid and attendance at general meetings is compulsory for members. Suma operates open books management with all business information available to all members. Several user-controlled communication systems enable communications between members as well as communication both to and from the various management foci by individuals or groups. Formal and informal, online and face-to-face forums abound. Disputation, discussion, dialogue and debate about all aspects of the co-operative is normal Suma culture.*

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## **SOCIAL ENTERPRISES USE A NUMBER OF TOOLS TO RETAIN DEMOCRATIC GOVERNANCE AS THEY GROW**

Inevitably, the way social enterprises organise themselves must be adapted as the number of people involved grows. To ease the pain of transition, it is worthwhile considering existing models of participatory governance. Technologies (e.g. use of platforms) can be one way of practicing e-democracy in large social enterprises, but also sociocracy, a methodology developed by Kees Boeke, which is based on the following principles:

- Consider interests of all members and the whole
- Consent – everyone must accept decision – i.e. no objections
- All members must accept these unanimous decisions
- Group size less than 40. Delegate to representative group if needed

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### *SPHERICAL ORGANISATION AT ANG*

*ANG Spółdzielnia is a worker co-operative. It uses a spherical, non-hierarchical organisational model, with a high degree of autonomy given to co-workers. There are no formal directors or managers: members of teams and departments share jobs and responsibilities, and decide for themselves how to fulfil them. It ensures democracy by consulting task teams on all important decisions, and conducts frequent surveys among its workers. About half of co-workers are involved in at least one task team, and 10% volunteer regularly. 91% of co-workers are satisfied with their jobs as against a 70% national average, and labour turnover is minimal. ANG has won the Polish Best Employer of the Year award four times in succession.*

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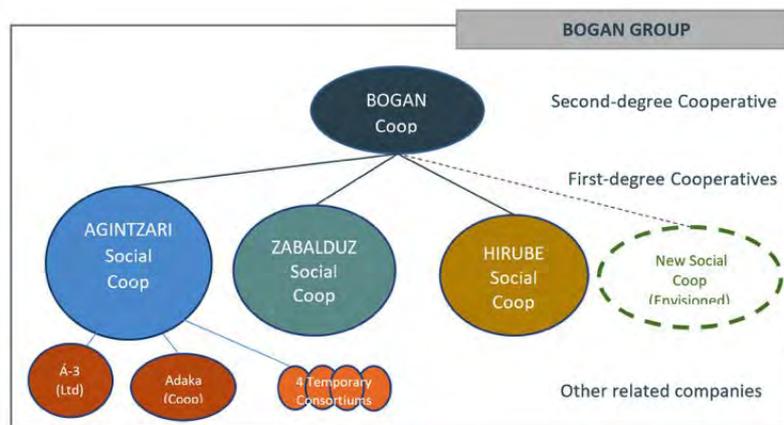
## THE BENEFITS OF SOCIAL ENTERPRISE CAN BE EXTENDED BY SETTING UP UMBRELLA CO-OPERATIVES AND CONSORTIA

Social enterprises can benefit from economies of scale, for instance in purchasing, but without losing their individual characters and specialities, by forming secondary co-operatives or consortia. Because they are controlled from the bottom up, these structures preserve democratic control by the members of the original enterprises.

### *BOGAN – A SECONDARY CO-OPERATIVE TO TURN ROUND COMPANIES IN TROUBLE*

As a result of the economic crisis of 2008-14, Agintzari faced the threat of for-profit companies moving into the Basque social services market. Agintzari's response to this has been to develop a modular growth model – to divide into several separate but co-ordinated companies. Its aim was to occupy all the niches of the market, while maximising agility, flexibility and innovation capacity. Its strategy is based on taking over and turning round social service companies that are in trouble, by transforming them into worker co-operatives.

To co-ordinate the actions of the various co-operatives, in 2019 it has established an umbrella co-operative called Bogan. The co-operative group also includes a number of smaller complementary co-operatives and companies. The group now turns over €25 million a year.



# RECOMMENDATIONS

**An important role for trade unions:** Social enterprises should recognise the role trade unions can play in ensuring their employees' individual and collective rights. Trade unions should support the democratic practices typical of social enterprises, which act as role models for deeper and more inclusive social dialogue. The recognition of social enterprises in the Social Dialogue, already a reality in many Member States, should be given further value. Social enterprises and trade unions should strengthen their cooperation to improve workers' rights and preserve jobs through supporting worker buyouts of firms in difficulty, provided the necessary conditions are met.

**Development of participatory governance models:** Social enterprises should consider establishing umbrella and consortium structures which allow for scaling-up and growth, while preserving horizontal governance. The social enterprises sector should share its experience of the use of participatory governance models more actively, so that existing successful models can be replicated and adapted.

**Multi-stakeholder governance:** Social enterprises should consider various ways to better involve users in their governance. Provided that legal frameworks allow it and as an alternative to treating users simply as customers or beneficiaries, several ways of institutionalising user involvement are possible, such as:

- Users along with workers as general members;

- Users and workers and users forming separate constituencies, each of which elects a quota of directors (as in multi-stakeholder co-operatives, where associating service providers/workers and service beneficiaries increases the quality of the service itself and its relevance);
- User representatives on a supervisory board or stakeholder council;
- Users able to attend and speak, but not vote, at general meetings.

**The need for a supportive ecosystem:** Social enterprises result from identifying possible solutions to social and societal problems. A range of different stakeholders (government, finance, culture, business, trade unions, civil society) must come together to formulate these solutions and give their support. One very good way to structure this support is through a supportive ecosystem linked through structures such as federations and consortia, which build the capacity of social enterprises to drive their own development. Such ecosystems consist of five main components:

- The legal and regulatory framework, which brings clarity, visibility and recognition;
- Access to finance, which should be of a range of types and sources;
- Access to markets, particularly through public procurement;
- Business support structures, both generic and specialist, and catering for both start-up and growth;
- Training and research, including the co-construction of policy through partnerships.<sup>10</sup>

<sup>10</sup> <https://www.oecd.org/cfe/leed/CBS-ecosystem-22-23-Apr15-Sum-report.pdf>

**A recognition of the value of social capital:** Social enterprises are founded to address social problems on the basis of strong values, which motivate stakeholders and give rise to the formation of social capital. This is a crucial asset in social enterprises' success, growth and resilience. Local and national authorities should recognise the potential of social enterprises to meet societal needs, improve public service provision, and reduce poverty and exclusion, while stimulating entrepreneurship.

**Availability of appropriate finance:** Sources of capital should be developed which are oriented to the long-term benefits of social enterprise success, and do not demand either immediate financial returns or control of the enterprise. These may be public funds, sometimes supported by European Union Structural and investment Funds or EaSI, or private social investors. Ethical stock exchanges such as Ethex<sup>11</sup> in the UK can open up a market for such investments.

**A growth path from voluntary to professional:** As voluntary organisations providing services grow and mature, and require a sustainable legal structure, the association and co-operative families should work together to ease the passage from a voluntary to an enterprise mentality. Legislators should ensure that voluntary organisations (NGOs) are able to engage in trading as they work towards this transition to economic sustainability.

**Social impact measurement:** Social enterprises should make more use of social impact measurement and reporting as a way to publicise their values and achievements, to demonstrate to public authorities the social value that can be created through policies that support social enterprises, and to influence the behaviour of business more generally.

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<sup>11</sup> <https://www.ethex.org.uk/>



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