

Chapter One

Community-based social enterprises in Ireland: an overview

Introduction

The subjects of this investigation are community-based social enterprises. These are organisations which appear to be commercial businesses but whose underlying rationale is to achieve social objectives. In Ireland, it can be argued that these organisations are situated within the community and voluntary sector as their primary rationale is social – to address an identified need or service within a community, either for particular individuals, specific communities or the wider public. There are many ambiguities relating to social enterprises: there would appear to be no commonly accepted definition for these entities, there would not appear to be a single legal form that encapsulates them and, in the last number of years, they would seem to have fallen from the political agenda nationally. Yet, there exists a nationally-funded programme to support social enterprises and a number of other funding programmes aimed at specific sub sectors. Thus, it seemed timely to examine these entities.

The remainder of this chapter will introduce the basic concepts relating to social enterprises: how they can be identified, where they are positioned within broader economic and social structures and an outline of the variety of legal forms that they may take. The chapter will then discuss the role of welfare geography and the implications for social enterprises that ensue. The chapter will conclude by discussing the research questions to be examined and give an outline of the structure for this research. Many of the issues and concepts raised in this chapter will be discussed further in the following two chapters.

Social enterprises – the hybrid organisations

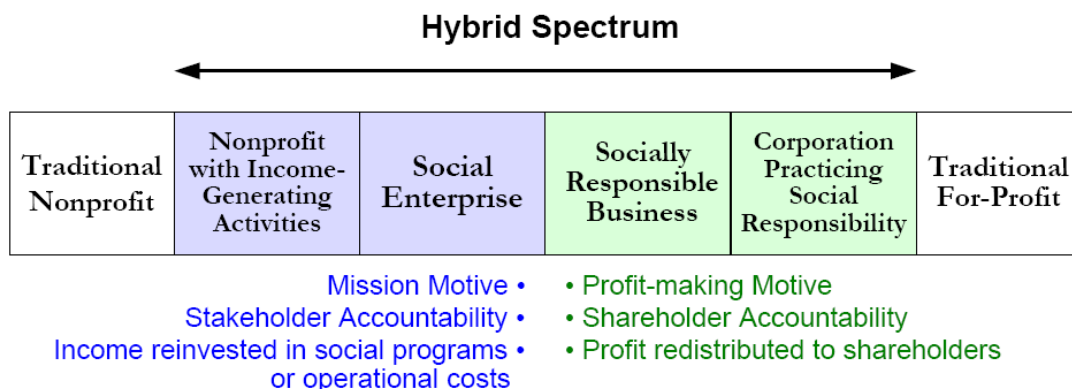
There exists no commonly-accepted definition of a social enterprise. Alter (2007), having discussed many of the alternative definitions, came to a synthesised definition:

'A social enterprise is any business venture created for a social purpose - mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business'

Alter (2007, 11-12)

Alter (2007) identified that 'all hybrid organizations generate both social and economic value and are organized by degree of activity as it relates to motive, accountability, and use of income' (ibid, 14). However, there was a wide spectrum of organisational forms located between the economic and social realms and there were varying hybrid forms within this spectrum (see Figure 1.1).

Fig. 1.1 The hybrid spectrum



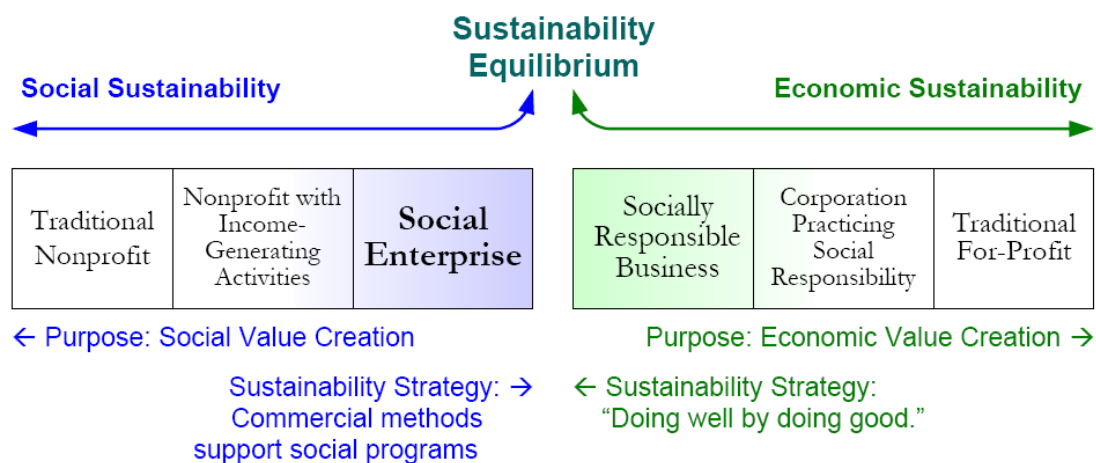
Source: Alter (2007, 14)

The hybrid spectrum runs from traditional nonprofit organisations, trading on grants and donations, to traditional for-profit organisations, trading to generate profit through maximising efficiency. For community and voluntary organisations there were three options: to operate as a traditional charity, to develop an earned-income strategy or to develop a trading social enterprise.

Earned-income strategies covered a range of activities from entering joint ventures with private businesses to exploiting mission-unrelated business opportunities. Social enterprises are the closest organisational form within the community and voluntary sector to the private sector.

The question then arose as to why a traditional charitable organisation would want to establish either an earned-income strategy or establish a social enterprise? According to Alter (2007), the most common answer related to sustainability (see Figure 1.2). In a period of extraordinary social and economic change promoted by increasing neoliberal political tendencies, governments have evaluated their role in relation to society, welfare systems and the effects of modernisation, community and voluntary organisation must seek more sustainable revenue-generation sources, not only to achieve financial stability but also to assist in achieving social mission.

Fig 1.2 – The Sustainability Equilibrium and dual-value creation



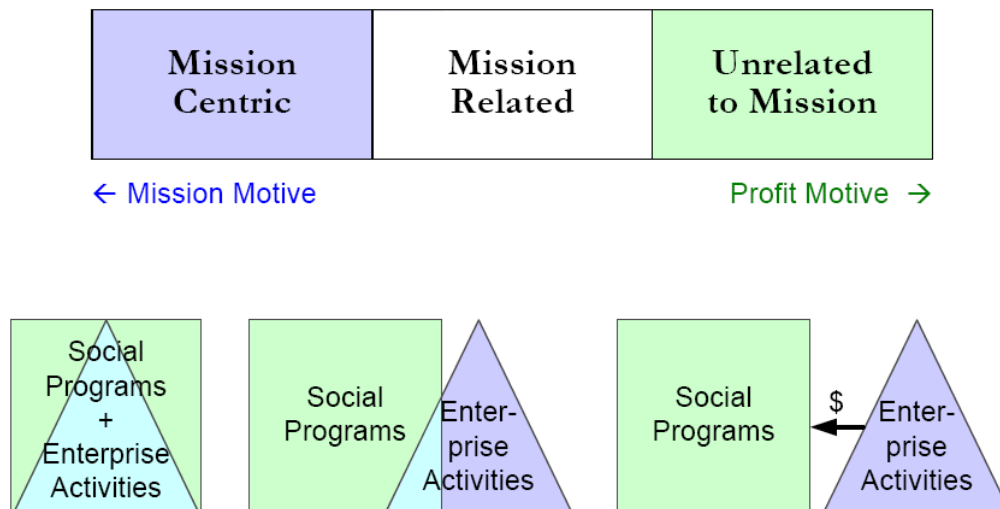
Source: Alter (2007, 15)

The advantage that a social enterprise would appear to possess was its ability to sustain itself through market-driven activities, thus being less susceptible to funding reductions by government on the one hand and to donor fatigue on the other, whilst also achieving its social mission.

There were different methodologies identified within social enterprises. Some social enterprises generated income in an unrelated activity and transferred

their profits to the original charitable organisation. An example of this might be charity shops which were established by charitable organisations to buy and sell second-hand goods and where the profit generated was used for the original charitable purpose. However, the charity shop was not directly related to the social mission of the originating charity. Some social enterprises can be mission-related. For example, many work-integration social enterprises (WISE) were established to assist unemployed persons, or persons challenged by a disability to integrate into the labour market. They may develop craft shops to sell the work designed by the participants/employees, or employ them in service-related businesses, all of which generated traded income. However, the primary goal of the enterprise was to train and develop the participant/employees and the trading facilitates this objective. The third option identified was a 'mission-centric' social enterprise. Here the aim was to address the identified social objective of the organisation, its social mission, through the trading activities of the social enterprise. An example would be a community IT training company that generated its income by up-skilling members of the local community in circumstances where there was an identified need to up-skill the local community to generate jobs or secure inward investment. Mission-centric social enterprises achieve their social mission through their trading activities (see Figure 1.3).

Fig 1.3 Classifications of social enterprises by mission and level of operational integration



Source: Alter (2007, 18)

The main characteristic of a 'mission-centric' social enterprise was that 'the enterprise was central to the organization's social mission. These social enterprises were created for the express purpose of advancing the mission using a self-financing model...Mission-centric social enterprises often take the form of embedded social enterprises' (Alter, 2007, 23). Many community-based social enterprises appeared to be 'mission-centric' in nature.

This raised one important issue, as a mission-centric social enterprise was defined by its function and operation, not by its legal form. Thus, a community-based social enterprise could take a number of legal forms in Ireland: a company limited-by-guarantee, a co-operative, a trust, a provident and industrial society, or even a company with share capital or an unincorporated association. It was the manner in which they operated and achieved their social mission that distinguished these entities. Co-operatives were another point in fact. Some co-operatives were established to achieve 'social purposes' and would be considered social enterprises, whereas many worker co-operatives were established as for-profit organisations with a democratic ownership structure and would be more readily considered as part of the private sector. Thus, community-based social enterprises cannot be

defined by their legal status as legal status differs from country to country and even within countries (Alter, 2007, 53).

Situating social enterprises in society and the economy

Social enterprises are microeconomic entities and are therefore situated somewhere in the economy, which in turn is situated somewhere in civil society. Whereas it may be relatively easy to identify and define a specific social enterprise, there is far less clarity when identifying its position in macroeconomic and societal terms. There exists what Salamon and Anheier (1997) described as a 'profusion' of terms to describe the sector in civil society which incorporates 'community' and 'voluntary' activities. Included were terms such as 'nonprofit sector', 'charitable sector', 'independent sector', 'voluntary sector', 'nongovernmental organisations (NGOs)', 'économie sociale', 'third sector' and many more. The discussion was complicated by the range of activities and organisations included. There were many sub sectors within these broad categories. There was no common legal definition and many associations were informal and unincorporated in character (Salamon and Anheier, 1997, 14). Social enterprises formed only a small percentage of the overall number of organisations within the community and voluntary sector in society, less again within the overall number of public- and private-sector entities. To cite Salamon and Anheier (1997) again:

'Definition lies at the heart of all social analysis. Without a set of concepts to give some order to reality, there is no way to group perceptions and begin making sense of them'. Without such common definitions, 'the probability is high that different observers will perceive the same reality in far different ways, including or excluding aspects that others may view in a wholly different light'

(Salamon and Anheier, 1997, 11).

Definitional ambiguity has been a recognised problem within the community and voluntary sector. Table 1.1 provides a comparative analysis of the main terminology applying to the community and voluntary sector at societal and macroeconomic levels and social enterprises at a microeconomic level, as well as outlining the potential legal forms that applied to the different geographic

areas/institutions examined: Ireland, The European Union, Continental European countries and the United States of America.

Table 1.1 – Comparison of transnational terminology applicable to the community and voluntary sector/social enterprises

	Ireland	EU	Continental Europe	USA
Civil Society	Community and Voluntary Sector	Third Sector	Economie sociale	Nonprofit Sector
Macroeconomic	Social Economy	Third System	n/a	Commercial nonprofit sector
Microeconomic	Social enterprise	Third-system organisation	Social enterprise	Commercial nonprofit venture
Potential legal forms	<ul style="list-style-type: none"> • Company limited-by-guarantee • Co-operative • Provident and Industrial Society • Unincorporated association • Trust 	n/a	<ul style="list-style-type: none"> • Association • Mutual Aid Society • Co-operative • Trust 	<ul style="list-style-type: none"> • Nonprofit (501 (c) (3)) company • Trust

In the context of this thesis, the Irish terminology will be used as far as practicable and where other terms are used they will be equated to the Irish usage. However, there are a number of definitional issues which needed clarification at this point, although they will be addressed in more detail in Chapter 2. There is a difference between the American and Continental European definition of the sector at a civil society level. The American definition was centred on the strict non-distribution of profit to individuals; 'the non-distribution constraint'. In Europe, where the co-operative tradition is much stronger, the non-distribution constraint is less strict and the character of the sector is defined more by reference to the structure of the relevant welfare state. Thus, the use of the term 'nonprofit' is usually indicative of the America approach. The Continental European definition of the sector at civil society level is based on the French 'l'économie sociale'. This causes confusion, as it has been generally translated into English as 'the

social economy'. However, the Anglo-American usage of the 'social economy' was different and related to, what was in effect, the sum of products generated by all social enterprises. Thus, the Anglo-American usage of the 'social economy' relates to the sectoral definition at the macroeconomic level. To prevent confusion, the term 'l'économie sociale' will be used when referring to the continental civil society usage and 'the social economy' will relate to the Anglo-American macroeconomic usage. It should be noted from Table 1.1 that the Irish usage of the social economy is similar to the Anglo-American and the term 'Community and Voluntary Sector' is equivalent to 'l'économie sociale'. Finally, the European Union introduced the term 'Third System' to equate to the macroeconomic level and this has caused further confusion. The third system therefore equates to the Irish usage of the social economy and the American 'commercial nonprofit sector'.

Therefore, in the Irish case:

The '**Community and Voluntary Sector**' is a term describing the entirety of the community, voluntary and nonprofit organisations operating in society. All third-sector organisations have as their primary objective the attainment of identified social needs. These can exist to meet social needs in a local community (community employment projects, community development projects, tenants associations or credit unions), at regional or national level (the Irish Farmers Association, ICMSA¹, or Foroige²) or even at international level (Goal³, Concern⁴ or the Red Cross). Community and voluntary organisations can be formal or informal (including local groups, associations or even anarchic or environmental groups) and use a wide range of resources including pure volunteerism, grant aid, fund-raising and donations, through to fund management, foundations and trading companies to achieve their appropriate objectives. They are characterised as being socially driven,

¹ The Irish Creamery Milk Suppliers Association (ICMSA) is a representative body for creamery milk suppliers.

² Foreoige is the Irish national youth movement

³ GOAL is an Irish non-governmental organisation which developed projects in third world communities.

⁴ Concern is an Irish non-governmental organisation which works in the third world and especially works in areas of drought and hunger.

empowering, pragmatic and with some degree of community or member ownership.

The '**Social Economy**' is the sub category of the Community and Voluntary Sector that operates in the formal economy. The social economy encompasses all trading social enterprises. This includes community businesses (community enterprise centres, community training companies), deficient-demand social enterprises (some community crèches, community care providers, most community centres), some public-sector contract social enterprises (including community estate management companies, Community Employment⁵ projects, some environmental projects), credit unions, some co-operatives and any other 'trading' community organisation. Social enterprises are characterised by their 'commercial' rationale, by achieving their social mission through utilising an 'enterprise model' (similar to private enterprises), and were predominantly 'service delivery platforms' which deliver socially-necessary goods and services to the target group through a 'funding mix' of direct funding (income paid for goods and services) and indirect funding (grant aid, donations and volunteer labour). Social enterprises may also provide services to the mainstream economy as a method of increasing direct income, but their primary objectives are the attainment of their primary social goals.

Social enterprises provide a wide range of products and services. Examples are community enterprise centres which provide affordable enterprise space to start-up businesses, community centres which provide community development services and generate revenue from room rental, childcare facilities and coffee docks (Pobal, 2008). Community rural transport companies provide bus services to rural communities with little or no public transport services. Community Information Technology (IT) training companies provide affordable and certified IT skills to disadvantaged individuals. Other areas where social enterprises provide services are in tourism and heritage promotion, home improvements for local authority

⁵ The Community Employment programme is an Irish intermediate labour-market programme.

tenants, community recycling companies and several theatre companies. In general, these social enterprises provide tangible goods and services from which they can derive a payment (either by the end user or a public- or private-sector body).

Social enterprises may take several forms, some of the possible legal/formal entities are as follows:

An '**association**' is a group of persons who band together for a specific purpose. Generally associations must have a written constitution, such as an "articles of association," and must have at least two initial members⁶. Associations must have voluntary membership, with equal voting rights and majority decision-making procedures. Funding is achieved through members' fees with no capital contribution. An association must be autonomous and independent and usually engaged in service provision within voluntary work, sports, healthcare, personal services, as well as advocacy and representative work.⁷

A '**mutual society**' or a 'local mutual aid association' is defined as an entity, including a society or association of any sort, formed to engage in the provision of insurance and other pay benefit services to its members.⁸ In general a mutual society has voluntary and open membership with equal voting rights and majority decision-making procedures. Members' fees are based on actuarial calculations (where appropriate) with no capital contributions. They are autonomous and independent and mainly provided medical, life and non-life assurance; guarantee schemes; and home mortgages.⁹

⁶ See <http://www.irs.gov/charities>

⁷ See <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/introduction.htm>

⁸ See <http://www.capitol.state.tx.us/statutes/in/in0088600.html>

⁹ See <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/introduction.htm>

A **'co-operative'** is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise¹⁰. In general, a co-operative has voluntary membership with equal voting rights and majority decision-making procedures. Members contribute to the capital, which was variable. The co-operative is autonomous and independent. Traditionally, co-operatives have been important in the sectors of agriculture, manufacturing, banking, retailing and services ¹¹

A **'company limited by guarantee'** is an incorporated company in which membership is not tied to the ownership of shares and therefore does not create a property interest. Such a company can be structured to operate as a trust or a partnership while retaining the benefits of a corporate entity¹². Many organisations decide to register as a limited-by-guarantee company because it:

- Provides limited liability for members (six euro in the case of a Company Limited by Guarantee in Ireland)
- Provides a legal framework within which to operate
- Gives credibility to the organisation

The limited-guarantee company is suitable for most voluntary-sector organisations because it is founded on democratic principles (one member one vote) and it has a very flexible structure ¹³

A **'community business'** is a social enterprise which operates under a commercial business model and delivers services either in a specific geographic area, to a specific target group or specific community of interest, but whose primary mission is the attainment of clearly defined social objectives. A community business is 'ultimately financed from trading income alone and would be expected to move into viability in the medium term' (FÁS, 2000b).

¹⁰ See <http://www.ncba.coop/values.cfm>

¹¹ See <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/introduction.htm>

¹² See <http://www.savory-co.com/services.htm>

¹³ See <http://www.mpen.org.uk/briefing/briefing7.html>

A '**deficient-demand social enterprise**' is a social enterprise that provides services to a target group or community of interest in a situation of market failure. Deficient-demand social enterprises operates 'where the demand for particular goods and services within a community was not matched by resources to pay for these, due to disadvantage or low density of population' (ibid, 2).

A '**public-sector contract social enterprise**' is a social enterprise that fulfil clearly defined social objectives through delivering services under a public tender or contract. These social enterprises are concerned 'with the potential for subcontracting public sector expenditure in disadvantaged areas and communities' (ibid, 2). Many work-integration social enterprises fit into this category.

An '**intermediate labour market**' (ILM) programme provides training, employment skills and work placements to disadvantaged individuals or those who were long-term unemployed. ILM participants are given supportive employment placements in community and voluntary organisations, resulting in a 'double bottom line' benefit, to the participant and to the community. Although some ILMs are state run, many are contracted out to community organisations.

A '**credit union**' is a co-operative financial institution, owned and controlled by the members who uses its services. Credit unions served groups that share a common bond, such as where they work, live or go to church together. Credit unions are also not-for-profit and existed to provide a safe, convenient place for members to save money and to get loans and other financial services at reasonable rates. In credit unions, the members are the owners. Benefits of ownership include better rates on deposits and loans and better service. Regardless of their size or field of membership, credit unions are different to for-profit financial institutions. Credit unions exist to serve their

members. Banks and other financial institutions exist to make money for their stockholders.¹⁴

A '**social bank**' is a financial institution operating within the social economy and providing finance to social organisations developing projects that were socially useful and produced a financial return over time. Many are established as trusts¹⁵.

A '**charity**' is an organization that carried out charitable activity, defined as being 'endeavor, often altruistic, in pursuit of the public good, and in the public interest'.¹⁶ Charitable status did not exist in Ireland *per se* (as in England and Wales) although this will be addressed in the forthcoming Charities Bill. However, a social enterprise can obtain a 'charity number' from the tax authorities (the Revenue Commissioners) entitling them to tax relief provided they come within the ambit of the law on charity.¹⁷

An '**industrial and provident society**' is a corporate form which is used by co-operatives and certain organisations which provide a benefit to the community, including many housing associations and clubs. Registration under the *Industrial and Provident Societies Act 1965* gives such organisations legal status and limited liability while allowing their governance structure to reflect a mutual ethos distinct from conventional corporate principles.

¹⁴ See <http://bstcu.com/About.htm>

¹⁵ For further information see the INAISE (International Association of Investors in the Social Economy) at <http://www.inaise.org>

¹⁶ See http://www.ncoss.org.au/bookshelf/charities/submissions/charities_inquiry.pdf

¹⁷ See <http://www.efc.be/ftp/public/eu/CountryProfiles/Irelandprofile.pdf>

Geography, Social Well-being and the Provision of Services

Concern with aspects of social well-being became established as an important research element of geographical enquiry from the early 1970s (Knox, 1972, 1974a, 1974b, 1974c; Smith, 1977), being closely associated with the discussions of social relevance in geography and the theme of social justice within the discipline (Harvey, 1973). This newly-emergent field of welfare geography developed under a broad critique and, while economic geography had traditionally concerned itself with factors pertinent to understanding the operation of the productive space economy, if the aim of society were the fulfilment of human needs, it was pertinent also to examine distributional factors which could present evidence of the degree to which social need was indeed being fulfilled successfully. The productive system therefore became viewed as a single element (the creation of potential inputs) or 'moment' in the supply of goods and services to meet human needs. Thus, it was argued, investigation was also required into considerations of distributional outcomes. Research therefore became engaged in addressing the evidence for spatial variations in living conditions at levels of resolution which ranged from international and regional scales down to the intra-urban and even to individual household levels (see Coates, Johnston and Knox, 1977; Knox, 1975; Knox and MacLaran, 1978; MacLaran, 1977, 1981; Smith, 1977, 1979, 1987).

Evolving from within these research concerns, notably at the intra-urban scale, there developed a concern for the manner in which the provision of services impacted differentially on personal well-being. It soon became evident that the operation of most private-sector urban services could readily be explained in terms of the economic wherewithal of consumers and the spatial distribution of market power (Cox, 1973). However, concern grew that for a range of public services, despite their theoretical attributes of non-exclusion and equality of availability, for those services which were necessarily implanted in physical space, some 'impurity' in levels of access to

them would necessarily arise. The question arose as to how such impurity impacted upon existing geographical distributions of well-being.

A wide range of public-sector operations therefore became subjected to research scrutiny, involving concern for the geography of 'collective consumption' and the question of territorial justice (Kirby and Pinch, 1983; Pinch, 1985), investigating the functioning of services such as the publicly-funded school system (Cox, 1973; Kirby, 1982), the provision of medical services and the location and variable quality of general practitioner services (Cox, 1973; Kirby, 1982; Knox and Pacione, 1980), and the allocation of personal support services such as health visiting, home helps, home nursing and meals-on-wheels (Pinch, 1979).

Some investigations also attempted to evaluate the degree to which levels in the provision of services correlated geographically with degrees of appraised need (see Pinch, 1979). In certain cases, it was found that the provision of public-sector services related either very weakly to levels of assessed need or that it was random. More disturbingly, in other cases it was discovered that service-level provision and the degree of need appeared to correlate in a negative manner, with public services operating in a regressive manner to reinforce existing inequality (Pinch, 1979).

The current research can be located within this broad tradition of welfare geography and its concern with the operation of services aimed at meeting social needs. However, unlike the aforementioned works, the current research addresses those operations which fall neither within the logic of market-related services nor within the range of services provided directly by the public sector. This thesis confines itself instead to one element of so-called 'third-sector' activities. It concerns itself specifically with the operations of a unique form of service delivery to disadvantaged communities, that of community-based social enterprises. Although they are not public-service organisations, social enterprises have acted to fill the gaps in public-service

provision in disadvantaged communities and have operated as intermediate service providers on behalf of public-sector bodies. While they have in recent years become an important tool in addressing social needs, they remain an under-researched subject, particularly in the Irish context. This thesis attempts to address this gap in our knowledge.

Research Questions

Social enterprises may use any of the above forms, as may many other community and voluntary organisations. What distinguishes a community-based¹⁸ social enterprise is that it achieves its social mission through its trading activities. Therefore, for the purposes of this research, **a community-based social enterprise is defined as a community-based organisation with a traded income (although a mixture of trading and non-trading income sources may be used) and which is mission-centric in that it achieves its social mission through its trading activities.** Four specific research questions arose with regard to embedded social enterprises:

- What are social enterprises in the Irish case?
- What activities do they engage in and, in what areas do have a competitive advantage over traditional community and voluntary groups?
- Who established these social enterprises? and
- What were their motivations?

Other associated questions also arose:

- Was there a coherent national policy towards social enterprises and is it successful?
- How successful were the existing social enterprises in meeting their social mission?
- How successful were the existing social enterprises in achieving their financial objectives?

¹⁸ Community-based social enterprises tended to service distinct geographic areas and thus the definition used here of community will correspond to locale unless otherwise stated.

- Was it possible to identify any important demographic or social-political changes in recent years that have effected the evolution of Irish social enterprises?

The overall hypothesis is that social enterprises in Ireland were strong. There may well have been far more support for individual social enterprises than for the concept of a social economy overall. The belief was that the existing social enterprises were driven, if not controlled by, the community and voluntary sector and that the public sector was playing only a supporting and facilitating role in the development of social enterprise.

Format of thesis

The following framework will be used in writing this thesis:

Chapter two will initially examine the phenomenon of social enterprise by exploring the community and voluntary sector, the pressures that the sector at a civil society level has faced since the 1970's and the internal changes that have occurred which resulted in increased commercialism and the development of social enterprises. The latter part of the chapter will explore theoretical explanations for the existence of social enterprises, paying particular attention to economic, sociological and institutional theory.

Chapter three will explore social enterprise in the Irish case. Beginning with an examination of the Irish community and voluntary sector, its characteristic and historical development, the chapter will explore the pressures within the sector in the past thirty years, especially relating to the development of social partnership. The chapter will continue by examining Irish social enterprises, their historical roots and their current position.

Chapter four will examine methodology. This will cover the selection of the appropriate methodology, the selection and framing of the primary field research, and the research methods used to collect, collate and analyse data.

Chapter five will explore the issue of the embeddedness of social enterprises in their societal circumstances by examining the results of a transnational survey of social enterprises across a network of European local authorities; the European Edge Cities Network. The purpose will be to provide a limited comparative analysis of social enterprises in Ireland with those in other European countries, with special interest in the degree of cultural, social and institutional embeddedness of the social economy in different areas.

Chapter six will examine the public policy context relating to social enterprises in the Irish case. It will examine the outcomes of a series of semi-structured interviews with policy and decision-makers in the Irish system.

Chapter seven will examine the results of a survey of social-economy networks within Ireland. The objective is to give a broad overview of the current situation and probe areas of interest arising from the theory and literature review in Chapters 2 and 3.

Chapter eight will examine the outcomes of six in-depth case studies of social enterprises in the Fingal area. It commences with an historical overview of the social economy in Fingal (north Dublin) and then examines the results of the in-depth case studies.

Chapter nine will conclude the thesis by testing the outcomes of the field research against the theoretical and literature reviews and the initial research questions. The chapter will conclude with the main findings of the thesis.