Chapter Three

Social enterprises and the Irish experience

Introduction

This chapter will follow on from the discussion of social enterprises with specific reference to the Irish case. The chapter will commence by examining the Irish community and voluntary sector, the internal commonalities and differences and the changes in the sector since the 1970s. It will continue by discussing social partnership, the sectors role within this process and the relationship with the state and policy and decision making that resulted. The discussion will then examine social enterprises in Ireland and will continue by examining the Irish and European Union programmes that operated in Ireland to support social enterprise.

The Irish community and voluntary sector

According to O'Hara (2001, 150) the term 'community and voluntary sector' was the most common concept used to refer to nonprofit organisations with social aims in Ireland. The concept was a relatively new one as the first reference to a community and voluntary 'sector' was made in the early 1980's (Donnelly-Cox, Donoghue and Hayes, 2001, 195). However, the background to the Irish community and voluntary sector 'casts a long shadow' (Donnelly-Cox, Donoghue and Hayes, 2001, 196; Teague, 2007, 91). Several themes emerged from the literature in this regard, notably the role of the religious orders, the role of philanthropic citizens and the tradition of 'self help'. Several scholars noted the role of religious orders, especially Catholic orders in the provision of services to the disadvantaged and in the provision of health and education services in Ireland (Donoghue, Anheier and Salamon, 1999, 7-8; Donnelly-Cox, Donoghue and Hayes, 2001, 196; O'Hara, 2001, 150-151; Acheson, Harvey, Kearney and Williamson, 2004, 11-16; Teague, 2007, 91). From the repeal of the Penal Laws through to the formation of the Irish state and the post-war period, the Roman Catholic church played the dominant role in the Irish voluntary sector within a philosophy and process referred to as 'Catholic corporatism' (Birrell and Hayes, 2004, 41). The evolution of a 'community sector' only emerged after the 1970's and this may have resulted from a crowding-out effect where the religious orders dominated, Salamon and Anheier (1997, 501) noting that where there was a close connection between Church and State, 'the opportunities for third-sector development are generally limited' and this may well have been the case in Ireland.

However, there were other strands to the development of the community and voluntary sector. Several scholars have referred to the role of philanthropic citizens (Donnelly-Cox, Donoghue and Hayes, 2001, 196; Acheson, Harvey, Kearney and Williamson, 2004, 9-11). The most prominent of these were identified as the individuals who initiated the formation of several large, often medical, institutions; Dr. Mercer's Hospital, Patrick Dunne's Hospital and the Adelaide Hospital for example. Many of these individuals were protestant middle-class philanthropists and their actions were motivated to relieve the suffering and poverty of the working class, especially in urban areas. The other strand cited for the development of the community and voluntary sector was 'self-help' activities, many of which were rurally based. Several scholars have referred to the 'meitheal' system, where the small rural and mainly farming communities would assist each other every year to harvest crops in a co-operative effort (Donoghue, Anheier and Salamon, 1999, 8; Donnelly-Cox, Donoghue and Hayes, 2001, 196; O'Shaugnessy, 2005, 94; Teague, 2007, 91). It was not until the 1950's that the state played a more significant role in the provision of community care, health and education services, thus placing significant reliance on the social contribution of philanthropy and self help.

It has been argued that Ireland did not follow other north European countries in developing an extensive social welfare state (Teague, 2007). According to Teague (2007, 91), in so far as Ireland did develop a welfare state 'it focused on creating a high-calibre education system and a sufficient stock of affordable public housing. To a great extent, the state was content to allow the voluntary sector to provide the other social care services needed. Donnelly-Cox, Donoghue and Hayes (2001, 198) have noted that historically 'the relationship between the state and the third sector was characterized by the principle of subsidiarity. The state operated a "hands-off" stance in relation to the provision of social services which were mainly supplied through the third sector but often funded, at least in part, by the state'.

Donnelly-Cox, Donoghue and Hayes (2001, 197), citing O'Regan (1998), suggested the following five roles of the Irish community and voluntary sector:

1. The delivery of services, often in partnership with the state.
2. Identifying and addressing new social needs.
3. Maintaining and changing the value systems in society.
4. Mediating between the individual and the state.
5. Providing a forum for the social construction of the individual.

They argued that all of the roles were interlinked. Thus the state legitimised the role of the voluntary sector, especially the Catholic Church and subsidiary organisations, as the central player in the delivery of community care, health care and, to large extent, educational services. Thus it could be expected that the community and voluntary sector was significant in size and breadth.

The most serious attempt to map the community and voluntary sector in Ireland was undertaken by Donoghue, Prizeman, O'Regan and Noel (2006) for the Centre for Non-Profit Management (CNM), in the University of Dublin, Trinity College. However, their report, 'The Hidden Landscape' gave only preliminary findings, and there was no report on social enterprises presented *per se*. This survey was based upon the International Classification of Nonprofit Organisations (ICNPO) developed by the John Hopkins University Nonprofit Sector Project and used the American 'nonprofit' definition which applied the strict 'non-distribution constraint'. As a result, the survey based upon responses from 4,199 organisations excluded all credit unions, mutual societies and co-operatives[1]. However, they identified over 24,000 organisations that met their criteria as being part of the third sector.

Two other international surveys demonstrated that Ireland had a strong community and voluntary sector. Salamon and Anheier (1999,6) and data compiled by CIRIEC (1999, 17-18)[2] indicated that the Irish community and voluntary sector had the second highest level of full-time employment as part of both the non-agricultural labour market and civilian employment compared to the other countries examined. Some 21% of those employed in the Irish community and voluntary sector were within co-operatives (primarily agricultural co-operatives and credit unions) and 78% were employed in 'associations' (primarily community-based organisations). Half of all organisations surveyed by Donoghue, Prizeman, O'Regan and Noel (2006, 25) report had been formed since 1986, in line with the international growth of new community-based organisations. It also demonstrated that a higher proportion of organisations formed after 1986 were formalised as legal entities (67.3%) and had registered with the Revenue Commissioners for charity status (41.8%). Akin to the new community-based organisations described earlier, 78.2% had a local remit (ibid, 41). However, the importance of state funding in Ireland was demonstrated by the fact that 59.8% of organisations received state funding and only 14.6% generated their income from fees (ibid, 47). Only 2.2% of respondents identified the 'social economy role' as of importance, indicating the low priority that social enterprise had within the community and voluntary sector as a whole. However, to cite Arnold (2007, 75-76) 'each country has its own distinct historical experience. And this experience will determine the nature of the relationship between the state and the not for profit sector. We meet…in a country where political space and freedoms are provided for the not for profit sector to operate with relative ease. This is not the case in many countries and, in such circumstances, the sector will face very different challenges'.

[1] As discussed in Chapters 1 and 2, the American definition applies the strict non distribution of profits to the owners of the social enterprise. Co-operatives, credit unions and mutual societies do distribute profits to their members and were excluded from this survey on this ground.

[2] Centre interdisciplinaire de recherche et d'information sur les entreprises collectives (CIRIEC)

Although many scholars refer to the 'community and voluntary sector', there appeared to be a dichotomy between these two distinct groupings and even a 'fracture' between the two. Collins (2002, 96) noted that on one side of this fracture are the traditional voluntary organisations, with a strong rural base with a traditional Catholic social-policy ethos and originating mainly in the first half of the twentieth century. On the other side are the 'community' sector groups. These have a strongly urban or suburban base, have emerged over the past thirty years and were 'inspired by European anti-poverty programmes and by radical social analysis' (ibid, 97). Community development organisations, especially in urban areas, developed since the 1970s (Acheson, Harvey, Kearney and Williamson, 2004, 93-95), although Lee (2003, 50) has asserted that prior to 1987 and social partnership, community development was at best only 'tolerated'.

Community development covers a wide range of issues and, citing the United Nations definition, was reviewed by Henderson and Thomas (1981):

> '…the term 'community development' has come into international usage to connote the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation and to enable them to contribute fully to national progress…the complex of processes is thus made up of two essential elements, the participation of the people themselves in efforts to improve their level of living with as much reliance as possible on their own initiative, and the provision of technical and other services in ways which encourage initiative, self-help and mutual help and make them more effective. It is expressed in a variety of programmes designed to achieve a wide variety of specific improvements'.
>
> (Henderson and Thomas, 1981, 7)

Collins (2002, 97) has asserted that the newer community sub-sector had demonstrated an ability to engage with highly disadvantaged groups and had as a result successfully 'inserted itself into the State machinery' especially in policies relating to 'social inclusion, community development and participatory democracy'. One reason for the greater penetration of the community sub-sector related to a shift in the view of poverty at a policy level from being an 'objective condition' to a view of 'exclusion' and 'marginalisation'. The community groups within this sub-group were at the fore in the analysis of countering disadvantage and creating the conditions for social integration (ibid, 94-95). The context for community development in the twenty-first century in Ireland was 'generally supportive, but was nevertheless fraught with difficulty'. Community development had moved from the margins and has become a central player in anti-poverty and social-inclusion policy (Lee, 2003, 51)[3]. As full partners in social partnership (see below), expectations within the 'target groups' had been raised and these had to be met.

'The last 40 years or so…have witnessed great changes both within the sector and in its relationship with the state' (Donoghue, Anheier and Salamon, 1999, 9). The Irish community and voluntary sector had experienced many of the external pressures identified in Chapter 2 and have demonstrated many of the characteristics identified there. The Irish state has adopted many neoliberal ideas and become more of a facilitator in the delivery of public services rather than a direct service provider, adopting a more 'hands-off' stance. Many of the concepts ascribed in Chapter 2 to entrepreneurial governance are also in evidence: value-for-money considerations, the use of public-private partnerships and the adoption of social partnership. However, with all these influences in evidence, the state remained the main funder of voluntary and community organisations in the Republic of Ireland (Daly, 2007, 163).

In 2000, the Irish government published a White Paper on its relationship with the community and voluntary community called 'A framework for supporting voluntary activity and for developing the relationship between the State and the Community and Voluntary Sector' (Department of Social,

[3] One of the earliest examples of this was the establishment of the Combat Poverty Agency in 1973 which Lee (2003, 49) ascribes as part of Irish societies rediscovery of poverty. Lee is herself a former Chairperson of Combat Poverty.

Community and Family Affairs, 2000). Broaderick (2002, 105) described the aims of the White Paper as outlining the contemporary context for the community and voluntary sector, setting out a cohesive policy framework for government departments and agencies to support the community and voluntary sector, promoting principles of best practice and making recommendations to support the sector and 'deepen the relationship with the state'. The vision in the White Paper 'encourages people and communities to look after their own needs – often in partnership with statutory agencies, but without relying on the state to meet all needs' (ibid, 106). This was at a time when the European Union emphasised the principle of 'subsidiarity', delegating decision-making powers to the level nearest the people, this demonstrated that third-way principles were being implemented in the Irish case.

Thus, the Irish community and voluntary sector was significant in size and breadth. However, it was not homogeneous and demonstrated a wide variety of organisational forms and motivations. According to Donnelly-Cox, Donoghue and Hayes (2001, 202), 'maturing, vexatious, caring, campaigning, empowering, fractious, and legitimate; these are some epithets that could be applied to the third sector today'. The Irish community and voluntary sector appeared to be a sector in flux.

Social Partnership

The Irish social partnership model had been adopted at a time of persistent unemployment, low growth and high levels of emigration and social deprivation. It has been argued that 'the need to address social exclusion, particularly the persistence of long-term unemployment, has led Ireland to adopt a development strategy which, *inter alia*, involved strengthening local capacity by supporting development partnerships. One of the recognised values of this 'partnership' approach is its capacity to effectively address a combination of economic and social issues simultaneously' (O'Hara, 2001, 161). In the national wage agreements prior to 1987, the Government acted as mediator between the employers and unions. However, since the 1970's it has played a more active role as a partner in the agreements (Boucher and Collins, 2003, 300). Social partnership and the previous national wage agreements were corporatist in nature. Meade and O'Donovan (2002, 1) defined 'corporatism' as a 'system of representation adopted by governments that seek to secure pacts between the state and representatives of trade unions and employers in the interest of the national economy'. Social partnership was necessarily a compromise arrangement whereby 'the state confers a monopolistic representational legitimacy on certain organisations and grants a seat at the table in exchange for some restriction on their articulation of demands and support for agreements reached' (ibid, 1). The social partnership agreements initially addressed wage moderation, fiscal restraint and tax concessions and were traditional corporatist agreements (Boucher and Collins, 2003, 303; Teague, 2006, 421). Initially, there were three social partners; the government, employers and trade unions. Since 1996, other social partners have been included, such as the 'community and voluntary pillar' and the representatives of agriculture (the Irish Farmers Association (IFA) and the Irish Creamery Milk Suppliers Association (ICMSA)) (O'Donnell and Thomas, 1998, 119; Broaderick, 2002, 102-104; Boucher and Collins, 2003; Acheson, Harvey, Kearney and Williamson, 2004, 98-108; Teague, 2006, 423). The community and voluntary pillar comprised a representative group for the third sector in Ireland and gave the broad sector a voice and a seat at the table.

The following was a list of the national agreements to date:

- Programme for National Recovery (PNR), 1987
- Programme for Economic and Social Progress (PESP), 1991
- Programme for Competitiveness and Work (PCW), 1994
- Partnership 2000 for Inclusion, Employment and Competitiveness, 1997
- Programme for Prosperity and Fairness (PPF), 2000
- Sustaining Progress, 2003
- Towards 2016, 2006

The development of social partnership in Ireland involved a 'wide range of economic and political actors in a complex process of negotiation and interaction' (O'Donnell and Thomas, 1998, 122). Irish social partnership was defined as a 'Four Room' negotiating process (O'Donnell and Thomas, 1998, 132; Teague, 2006, 423). Thus IBEC[4] and ICTU[5] constituted one room, there was a business room, a community room and a farming room, with the Department of the Taoiseach at the centre. Before the community and voluntary sector gained full membership at the social partnership table it was granted formal, full and equal membership in the National Social and Economic Forum (NESF)[6] established in 1993. In the NESF, the community and voluntary sector had a third of the members of the forum on a formal basis and this was the first national partnership structure under which the sector had formal membership (McCashin, O'Sullivan and Brennan, (2002, 263-279)

Collins (2002, 92) argued that by the late 1980's the State was committed to participatory processes not just representative ones. The resulting partnership approach was seen at national, regional and local levels. As a result, the partnership approach has become institutionalised and has become the 'normal means of decision-making in Ireland' (Boucher and Collins, 2003, 305). The community and voluntary sector had 'considerable success in establishing a role for itself in a range of policy-oriented, government-established bodies, such as NESF, NESC[7], the National Anti-Poverty Strategy, various Task Forces and the Area-based Partnership' (McCashin, O'Sullivan and Brennan, 2002, 266). For example, the Programme for Prosperity and Fairness (2000-2003) established 56 working groups to make recommendations regarding a wide range of policies, all of which had representatives of the Community and Voluntary Pillar (Teague, 2006). Teague (2006, 421) noted 'one view, which enjoys considerable support, is

[4] Irish Business and Employers Federation (IBEC) is the main representative body for Irish industry and employers.
[5] Irish Congress of Trade Unions (ICTU) is the main representative body for Irish trade unions.
[6] The National economic and Social Forum is an advisory body on social and economic policy to Irish government, with the community and voluntary sector forming one-third of nits membership.
[7] National Economic and Social Council (NESC) is a government based economic and social think tank.

that the Irish system of social partnership stands apart from corporatist deals of the past as it is based on the principles of deliberative democracy'. The outcome of such a social partnership process based upon deliberative democracy would be 'social inclusion rather than wage regulation' (ibid, 422). The emphasis in a deliberative democratic process was to develop 'policy solutions to economic and social matters in ways that seek to reconcile particular interests that were considered to be in collision' (ibid, 424). The 'administrative centre' acts in a supervising manner and, as Teague (2006, 425) noted, the Irish government became 'remarkably locked into this form of thinking'.

Social partnership had its difficulties and critics. The community platform was a diverse and heterogeneous group (Broaderick, 2002). The sheer diversity of the sector created a difficulty when attempting to 'forge an "alternative" voice to the existing participants in policy making' (McCashin, O'Sullivan and Brennan, 2002, 276). A number of authors expressed reservations regarding the relationship between the community and voluntary sector and government. McCashin, O'Sullivan and Brennan (2002, 276) commented that a closer relationship with the state 'may transform the very nature of the Voluntary and Community Sector in Ireland'. Furthermore, Murphy (2002, 88) argued forcefully that the community and voluntary pillar had gained little from social partnership and that there has been a 'considerable opportunity cost in terms of loss of time dedicated to other actions for social change'. However she continued to recommend that 'for the time being, the outsiders on the inside should stay where they are'. Broaderick (2002, 108) also warned that the sector 'should be wary of the corporatist nature of current institutional trends and treasure the flicker of dissent in a landscape of benign consensus'. Others criticised the process itself. O'Carroll (2002) asserted that the Irish case of social partnership 'is, in fact, not unique' and this was supported by Birrell and Hayes (2004, 46) who noted that in fact the partnership model was a requirement of all European Union programme funding. Teague (2006, 440-441) has asserted that 'all in all, the evidence does not appear to sustain the claim that the Irish social partnership model has been successful at placing deliberative democracy at the centre of industrial relations structures'.

However, it may well be at the local level that the community and voluntary sector has gained most from social partnership. Several scholars have discussed the operation and effects of area-based partnership approaches (Walsh, 1998; Collins, 2002; Teague, 2006). Walsh (1998, 329) opined that social partnership 'marks the reversal of a long-standing hegemony at central government level by recognising the role that local actors can play in the process of economic and social development'. He also noted that these new locally-based partnership structures have effectively by-passed the already existing local government structures. The level of actual impact achieved was also questioned by several authors. Teague (2006, 438) has demonstrated that 'administrative decentralization has been achieved, which has resulted in a fair degree of uniformity across local partnerships in terms of what they do and how they go about doing it. But little evidence exists of the centre providing substantial or sustained support to local stakeholders that would have enabled them to launch genuinely experimental initiatives'.

Much of the work of area-based partnership companies (APCs) was administered by Area Development Management Limited (ADM – which was later re-branded as 'Pobal'), an intermediary programme funding and monitoring body established as a company limited-by-guarantee, whose aim was to initially distribute and monitor the expenditure of public funding through the APCs, Community Development Projects (CDPs) and later other community-based initiatives. According to Teague (2006, 429) 'at the aggregate level, the ADM appears neither to have been a big success story nor an unmitigated failure. It has performed satisfactorily, producing a range of benefits, but containing a number of shortcomings'. One concern raised about community development programmes was 'programme paralysis', where the 'primary focus becomes the challenge of sustaining programme structures rather than a constant review of how the development of communities and groups experiencing disadvantage might best be progressed' (Lee, 2003, 54). There was a considerable amount of effort made by all sides to deliver programmes at local level using the 'partnership approach'. However, the community and voluntary sector was at a disadvantage, at least initially, when working on these local-partnership bodies. Lee (2003, 52) noted that community representatives on working groups and area-based partnership structures 'experienced difficulty in managing the working style and the language that characterizes these committee'.

Since 1987, Ireland has been transformed economically and socially. Social partnership has delivered wage constraint and industrial peace, allowed for the transformation of the public finances and the creation of the foundations for an economic boom. Whether it had delivered all that the community and voluntary sector wished is unlikely. However, the sector was given full participation rights at the table and formal recognition for its position in Irish society. However, social partnership raised the thorny issue of the role of the state with regard to community development. In an insightful commentary, Collins (2002) was led to conclude that the motivations of the state with regard to its engagement with community and voluntary sector, may have been driven by self interest:

> 'the emergence of community based, participatory democratic processes in Ireland and elsewhere was not in fact a rolling back of the State, nor indeed was it particularly the community driven innovation which Sabel seems to believe it was. It was rather an induced – if not driven – State innovation to expand its frontiers in constituencies where its presence was weak or predominantly repressive – an in policing, housing or social welfare'
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> (Collins, 2002, 100).

The role of the Irish state and civic society

Kirk (1980) and MacLaran (1993) outlined four main conceptions of the state – pluralist, managerialist, reformist and Marxist. The pluralist view conceived the role of the state as to mediate and regulate between competitive groups in society. This view saw society as constituting a myriad of groups vying to promote their diffuse interests, with no one group able to assert dominance over the other groups. The managerialist view conceptualised the state as a bureaucratic entity whose role was to manage its affairs in a fair and regulated manner but within which the departments and functionaries of the state sought to fulfil their own agendas.. The reformist view conceived the state as asserting a positive social influence on society through addressing undesirable aspects in society and ameliorating poverty and social disadvantage. If the first three views saw the role of the state as 'benign', the Marxist view saw the fundamental role of the state as to ensure the interests of capital and 'assuage the conflict between capital and labour, to mediate class conflict, to legitimate capitalist society and property relations and guarantee the relations of production' (MacLaran, 1993, 81). Kirk explained the limitations of these views:

> 'The theoretical perspectives outlined here all focus on different aspects of the distribution of power in society, and have various strengths and weaknesses. These approaches each have their own specific emphasis, and allow one to focus on particular aspects at the expense of others'
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> (Kirk, 1980, 93)

What does the previous discussion regarding social partnership and the 0relationship between the state and the social partners reveal about the Irish state? At first glance, the Irish government seemed to be adopting a managerialist approach, as the state initiated and managed the social partnership process and operated a 'hands-off' approach, as outlined in the aforementioned Government White Paper (2000). The approach was corporatist in nature. O'Donnell and Thomas (1998, 125) concluded that social partnership was a form of corporatism that extends beyond multi-annual pay agreements, but had incorporated the social partners into the domain of public-policy making. The result was a 'more institutionalised and regularised mode of participation' (ibid, 126). The fact that all the main political parties in Ireland have engaged in and concluded a social partnership agreement demonstrated that the process has been institutionalised at the core of the political system (ibid, 130). Healy (1998, 64) asserted that 'there are three broad ways in which institutions tend to influence political outcomes: they affect the strategies adopted by players, they distribute bargaining power in unequal ways and they rule in advance on the criteria for participation in the policy-making process. The Irish state's involvement within the social partnership process certainly fits within these influences from establishing the initial mechanisms of the process and the later widening of these parameters, down to who was to be included in the process. The four-room process puts the government at the heart of the discussions, managing the process.

Collins (2002, 93) argued that 'civil society should be seen as part of the State apparatus – even if not governmentally or statutorily driven'. He continued that 'the structures of civil society allows for the extension of the State's reach into social groups and even geographic areas where it has heretofore failed to reach'. The inclusion of the community and voluntary sector certainly legitimised the sector's role in the state apparatus, whilst also allowing for government policy to be delivered at a local level through many, apparently community-based organisations. Seibel and Anheier (1990, 16) noted that 'public and nonprofit sectors also overlap in the area of policy formulation. Whether at local, regional, national or international levels, governments seem to find it increasingly difficult to formulate policies on their own'. Thus the view of the state was confirmed as apparently managerialist and corporatist in nature.

The above discussion did raise resonance with the discussion in the previous chapter with regard to institutional theory. Looking at Lee's (2003, 52) citation earlier that community representatives had difficulty initially in coming to terms with the working processes of social partnership, there was a clear implication that the process, as defined by government, was being adopted by all the other social partners. Thus, there were clear institutional isomorphic forces at work, possibly mimetic (community and voluntary organisations mimicking the perceived success of other organisations or processes) or normative (the development of a body of 'best practice'). Healy (1998, 70) noted the speed at which decision-making processes, agreed by a few individuals in a process, became the institutional norm and how 'the arbitrariness of these decisions is quickly forgotten. They become the natural and legitimate categories for the analyses and evaluation of policy, creating cognitive commitments in the minds of individuals who use them'. Social partnership certainly demonstrated many of these institutional traits. Defourney (2001, 1) argued that the development of social enterprise 'represent the new or renewed expression of civil society'. The next section examines the development and current status of social enterprises in Ireland.

Social enterprises in the Irish case

Social enterprises in Ireland appeared to follow many of the characteristics attributed to them in Chapter 2. They appeared to be service-delivery vehicles for the community and voluntary sector. According to O'Hara (2001, p150), 'in Ireland then, the terms social economy and social enterprises are generally understood to refer to initiatives involved in the production of goods and services but with social, rather than purely profit-making or commercial goals'. There was no formal statistic as to the number of social enterprises in Ireland. Table 3.1 provides a compendium of available statistical information.

Table 3.1 – Compendium of available statistics on Irish social enterprises

Category	Number	Turnover/Savings in €	Employees
Co-operatives - ICOS[8]	93	12,054,212.34	34,904
Credit Unions – ILCU[9]	530	10,869,320, 328[10]	N/a
NSEP[11] - FAS[12]	312	N/a	2,257

Source: ICOS (2005), ILCU (2006),
WRC Social and Economic Consultants (2003)

It must be noted that these figures under-represent the total number of social enterprises in Ireland. There were difficulties with the figures presented as not all co-operatives were members of the Irish Co-operative Society (ICOS) and, furthermore, not all co-operatives are social enterprises. Credit Unions are a financial co-operative and technically under the American 'nonprofit' definition would not qualify as a social enterprise. However, the norm in Europe would be to include them. Additionally, not all credit unions are members of the Irish League of Credit Unions (ILCU), although the large majority were.

According to Donoghue, Prizeman, O'Regan and Noel (2006, 71), 2.2% of their respondents felt that the social economy role was important for the community and voluntary sector. It was interesting that, 'although overall the policy development, service and social economy roles were regarded as less important, they were relatively more important amongst younger than older organisations'. If 2.2% of those who responded to the survey were social enterprises (accepting that there was no evidence to support this) then this would account for 93 organisations. If the overall figure of 24,000 was correct, then a rough estimate of the number of social enterprises within this survey would be 528. This is, of course, not scientifically accurate but purely an estimate. However, it demonstrates the fact that 'any attempt to delineate or categorise social enterprises is, necessarily, rather arbitrary' (O'Hara, 2001, 152).

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[8] Irish Co-operative Organisation Society (2005), 'Annual Report – 2004', (ICOS, Dublin), p 32
[9] Irish League of Credit Unions (2006), 'Annual Report – 2005', (ILCU, Dublin) pp 86-87
[10] ibid, p86, note Republic of Ireland figure only, excludes NI
[11] National Social Economy |Programme (NSEP) was a programme to promote community-based social enterprises and is discussed in depth later in this chapter
[12] WRC Social and Economic Consultants (2003), 'Evaluation of the social economy programme' (WRC, Dublin, p22)

The remainder of this section comprises two elements. The first examines the historical roots of Irish social enterprises and the second examines their current position.

Historical evolution of social enterprises in Ireland

The historical evolution of Irish social enterprises can be defined by reference to categories of social enterprise: co-operatives, including credit unions, industrial and provident societies and community-based enterprises.

Co-operatives

Co-operatives cover a range of organisational types in the Irish case, particularly agricultural co-operatives, community development co-operatives in the Gaeltacht areas, worker co-operatives and credit unions. As discussed in the previous chapter, not all co-operatives are social enterprises. Many are 'for-profits' with a democratic management/ownership structure. However, the co-operatives are an important tradition in the development of the Irish social enterprise tradition, as they incorporate mutuality, self-help and trading within their organisational form.

The first *agricultural co-operative* in Ireland was a creamery co-operative and was established in 1889 at Dromcollogher, County Limerick. Committed individuals such as Horace Plunkett and his associates saw the co-operative idea as a way to assist farmers' pool their resources and achieve economies of scale. In 1894, the Irish Agricultural Organisation Society (IAOS)[13], a representative body for the co-operative movement, was established. There were three main types of agricultural co-operative: dairy creamery co-operatives, meat and mart (livestock) co-operatives and agricultural credit co-operatives. The dairy creamery co-operatives were the largest in number and

[13] Later to be renamed the Irish Co-operative Organisation Society

size, the livestock cooperatives developing only later while the agricultural credit co-operatives died out around the 1920's. The role of agricultural co-operatives in transforming Irish agriculture has been significant (McCarthy, Briscoe and Ward, 1998)

The 1920's were the high point for the number of agricultural co-operatives, but still many of these were small in volume and membership (see Table 3.2). Between the 1930's and 1960's several historical events, notably the great depression, the Anglo-Irish trade war and World War II and its aftermath, notably Irelands inability to access Marshall Plan funding, created difficult conditions for the agricultural sector. In response, the co-operative movement saw the need to rationalise in order to take advantage of economies of scale. In 1966, IAOS commissioned Dr. Joseph Knapp of the U.S. Department of Agriculture to draft a plan for the rationalisation of the co-operative movement in Ireland, especially the amalgamation of creamery co-operatives. The first phase of amalgamations took place in 1966 with a second stronger wave in 1972 (ICOS, 2007). This helped to create a far stronger co-operative and agricultural sector by the time of Ireland's accession to the European Economic Community in 1973. By 1995 there remained only 70 co-operatives (both creamery and livestock co-operatives). Combined, they had 136,333 members and 29,500 employees.

Table 3.2 – Number of IAOS affiliated co-operatives in Ireland in selected years

Year	No. of co-operatives
1884	50
1900	374
1920	1,114
1995	70

In the 1980's and 1990's, many of the creamery co-operatives chose to de-mutualise and become publicly listed companies (PLC's). According to McCarthy, Briscoe and Ward (1998), there were good reasons for this. Over time, many co-operative members had ceased to be dairy farmers yet remained as co-operative members. Also, as the creameries grew, they took supply from dairy farmers who were not members of the co-operative. Thus, the actual base of diary farmers who were members of the co-operative reduced in scale and many non-farming members saw the financial benefit of making profits personally by capitalising the co-operative's assets by converting into a PLC. Breathnach (2004) gave an outline of the historical development of Glanbia from its early roots in the Dungarvan Co-op, into its development as the Waterford Co-operative Society and Waterford Foods, which emphasised the trajectory that the co-operative movement had followed over the past century.

From a policy perspective, agricultural co-operatives operated under the Industrial and Provident Societies Act, 1893. However, in the 1930's the agricultural co-operatives obtained their own separate legislation, the Agricultural Co-operative Societies (Debentures) Act, 1934, which was 'an Act to empower certain societies registered under the Industrial and Provident Societies Act, 1893, to issue debentures, and to borrow money on the security of their uncalled capital, and for other purposes connected with the matters aforesaid'. Statutory instruments were issued in 1934 and 1949 under this Act.

An agricultural co-operative society is defined by law as:

> 'a society the business of which is wholly or substantially agricultural and the majority of the members of which are mainly engaged in farming and derive the principal part of their livelihood from farming, and in which the acceptance of deposits and the making of loans constitute an insubstantial part of the business of, or are incidental to, or are intended to assist the carrying on or the development of, the society's principal business'.
>
> Government of Ireland (1978)

National policy in relation to agricultural co-operatives, like agricultural policy generally, was subsumed into the Common Agricultural Policy (CAP) when Ireland joined the then European Economic Community (EEC), now the European Union (EU), in 1973. Irish government policy with regard to agricultural co-operatives was primarily one of regulation, facilitating necessary financial instruments.

The 1934 Act was enacted to allow certain agricultural co-operative societies to raise debentures as, prior to this, the members of the management committee were required personally to guarantee loans if funds needed to be borrowed However, whereas the government would facilitate necessary legal instruments, the primary role for the development of the sector remained within the sector. To quote the then Parliamentary Secretary for Agriculture and Fisheries in 1972, 'as I pointed out in my statement of 10th October, creamery amalgamation is a voluntary matter, no individual creamery society is being forced into an amalgamation against the wishes of the majority of its members' (Dail Eireann, 1972, Vol. 264). The role of government policy was to facilitate, not to promote and develop the sector *per se*.

Community Development Co-operatives (CDCs) were established in rural and island Gaeltacht areas starting in West Kerry in 1966. By 1977, 16 CDCs had been established (Breathnach, 1986). According to Briscoe, McCarthy and Ward (2000, 65) 'there is a common tendency to invoke the co-operative approach only in exceptional circumstances, when more conventional approaches to meeting needs have broken down…the Gaeltacht co-ops evolved in just such unfavourable circumstances'. CDCs were established as a hybrid between a business and a community development organisation. They provided piped water, roads, electricity and other services to isolated areas (Bricsoe, McCarthy and Ward, 2000) and supplemented the work of the state in local economic development in areas 'characterised by declining and unbalanced demographic structures with severely depleted public service provision' (O'Shaugnessy, 2005, 7). Although established as co-operatives, they performed tasks more akin to local authorities and local development agencies. Breathnach (1986, 106) questioned the level of buy-in by local community people who 'although disposed to the efforts being made by them, take little interest or active involvement in CDC affairs. He concluded that, as a consequence of the Lack of 'buy in', the status of CDCs as true co-operatives was 'doubtful'. The other issue raised by Breathnach was the 'serious defects as regards overall long-term planning' (ibid 104). However, it should be noted that the CDC model was adopted in other areas, notably the Highland and Islands region of Scotland (CENTRAC, 1991).

Ireland did not have a major tradition of *worker co-operatives*, certainly as compared with some other European countries like Spain and Italy. Nevertheless, there was a national programme to support and develop worker co-operatives. FÁS established the Co-operative Development Unit (CDU) in 1994. The unit was small, with a manager and two project officers, but it had a high profile and had its own distinctive identity within FÁS. The unit was established under the remit of the national partnership agreements. The original idea, to promote co-operatives, was set out in the Programme for National Recovery (PNR, 1987), but in the Programme for Economic and Social Prosperity (PESP, 1991) a formal budget was given to the concept and FÁS established the unit. Like many FÁS programmes, the co-operatives that qualified got financial assistance by way of capital and wage grants; they also got advice and mentoring. The unit continued until 2001, at which stage it was closed after FÁS carried out a 'strategic review' of its remit, services and targets. In 1998, Fitzpatrick & Associates carried out an evaluation of the programme and the unit. This report was unpublished, but apparently gave a positive evaluation of the unit and its work[14]. FÁS moved its focus from assisting the unemployed to capacity building for those at work, especially in the lower-skilled positions, which evolved into the competency development programme. The programme, although subsequently terminated, did represent one of the first real national programmes aimed at not just recognising and supporting, but actually developing, one small sector of the social economy in Ireland.

[14] Although the evaluation was unpublished I wish to thank Colm Hughes, the manager of the FAS CDU, for his insight and information.

Credit unions are self-help organisations where small investors pooled their savings and lent to one another at a reasonable below-market rate of interest. The surplus generated from the lending was either kept in a reserve fund to cover future lending and/or was distributed back among the members. Credit unions in Ireland were created under a 'common bond', the criteria by which membership of the credit union was determined. Usually this was geographic, commonly comprising the residents of a particular area or parish, but some were vocational, such as the employees of a certain company or public sector body. The biggest representative body was the Irish League of Credit Unions (ILCU) but a smaller group has formed since 2000 of ex-ILCU unions, called the Credit Union Development Association (CUDA), apparently in a disagreement about the running of the ILCU.

The first credit union in Ireland, the Donore Credit Union, was formed in Dublin in 1958 (ILCU, 2007). Agricultural credit co-operatives had existed in the early twentieth century but had died out by the 1920's. These co-operatives had been formed on the philosophy of mutual support and laid the foundation for the credit unions later on. However, it was somewhat surprising that the Irish credit union movement started so late. According to the ILCU, by 1984 there were 648,000 members in Irish credit unions with total savings of €361 million. By 2001, there were 2.6 million members on the island of Ireland with total savings of just over €7 billion in assets in 530 credit unions of which over 400 were in the Republic of Ireland. Credit unions operate as co-operatives with democracy and mutuality as their guiding principles. Credit unions are also not-for-profit organisations supporting members' needs, which meant that profit maximisation was not primary goal.

From a policy perspective, the government saw the need to formalise the operation of these new financial institutions, as the credit union model was spreading rapidly and in 1966 the Oireachtas passed the Credit Union Act. The 1966 Act defined a credit union within the context of the Industrial and Provident Societies Acts, gave regulatory control and powers to the registrar of friendly societies and defined the 'common bond' and the types of common bond. The common bond is the nature of the association under which the members come together and form their credit union.

The credit union movement grew through the 1960's and 1970's under the remit of the 1966 Act. However, as times changed, so did the financial markets and this necessitated a review of the 1966 Act, which culminated in the passing of the Credit Unions Act, 1997. According to the then Minister for Finance, Charlie McCreevy T.D., the Act:

> 'consolidated all previous legislation in relation to the registration and supervision of credit unions with provision for the expansion of credit union services in the future. This Act will allow credit unions to provide, within a proper regulatory framework, financial services currently provided by the main financial institutions'.
>
> (Dail Eireann, 2000, 2nd February)

Apart from updating the provisions of the 1966 Act, the new Act required all credit unions to maintain minimum reserves and allowed for the remaining surplus generated to be paid as dividends to members. The Act also allowed credit unions to provide a wider range of financial products, thus allowing them to compete with the growth in financial products that had occurred in the preceding thirty years, since the original Act. Importantly, it legislated for the establishment of a Credit Union registrar. Irish government policy in relation to the credit unions was to recognise their place in society and maintain regulatory control. According to the then Minister for Finance, Brian Cowen T.D., in a speech to the ILCU consultative general meeting on 29th April 2006, '…your movement [ILCU] is an integral part of Ireland's social fabric and I welcome the opportunity to contribute to your discussions' (Department of Finance, 2006). To cite former Taoiseach, Bertie Ahern T.D., 'the government fully recognises and very much values the unique ethos guiding the credit union movement in Ireland. As I have stated before however, good regulation is critical for the movement and the solvency and safety of member's funds is of absolute importance' (Department of the Taoiseach, 2006). The policy would appear to recognise the role of credit unions and regulate them, rather than to promote them. The policy is 'hands-off' and supervisory in nature. Although recognising the 'unique ethos' of the credit unions, the government was consistent with its policy to regulate financial services generally.

Other forms of social enterprise in Ireland

Apart from the co-operative movement described above, the other potential social enterprise forms were provident and industrial societies and community enterprises established as companies limited-by-guarantee.

Many social enterprises traditionally operated as *industrial and provident societies* under the auspices of the Industrial and Provident Societies Acts 1893 – 1978. This was broad legislation that covered many charities, credit unions, agricultural and fisheries co-operative societies. The Acts gave a legal framework under which such organisations could legally operate, raise funds, expend funds, hold property and be held accountable. The purpose of the Acts was to give a regulatory framework, rather than a promotional framework, as can be discerned from the second reading of the 1978 Amendment Act, which discussed the importance of regulation. Again, not all industrial and provident societies were social enterprises but, rather, some social enterprises used this legal form in order to establish themselves legally.

Community-based social enterprises are more recent developments and, in Ireland, the main promoters of social enterprise have been 'those involved in local and community development through their various networks and representative bodies' (O'Hara, 2001, 162). Thus, there has been a correlation between the growth in strength of community development and social enterprise. It is these social enterprises that formed the focus of this investigation and they will now be discussed further.

Community-based social enterprises

O'Hara (2001, 152) identified five categories of social enterprise in Ireland: work integration social enterprises (WISE), social enterprises concerned with housing provision, credit unions, social enterprises providing personal and proximity services and local development organisations. These categories defined social enterprises by their operational function, not by their legal structure. Alter (2007, 53) noted that 'a social enterprise may be incorporated either as a for-profit or a nonprofit. It is however important to recognize that social enterprises are not defined by their legal status: legal status may be arbitrary. A social enterprise's structure or model is not a definitive determinate of its legal status'. O'Hara (2001, 152) has observed that there was no distinct legal definition of social enterprise in Ireland and continued that 'we can distinguish social enterprises in the basis of their objectives, activities and operation rather than by their organisational form'. O'Shaugnessy (2005, 16-18) outlined several legal forms for a social enterprise in Ireland – a company limited by guarantee, an industrial and provident society, an incorporated scheme under the Charities Act or as a trust. However, as outlined in the previous chapter, the definition of a social enterprise by its operation rather than its legal status appeared to hold firm in the Irish case.

There exists no official definition of a social enterprise in Ireland. The only official categorisation of social enterprises comprises the three categories defined under the National Social Economy Programme (discussed in detail below). The three categories highlighted are demand-deficient social enterprises, enterprises based upon public contracts and community businesses (FÁS, 2000; O'Hara, 2001, 149; Teague, 2007, 95). Demand-deficient social enterprises provide necessary products and services in communities which could not afford to pay the full commercial rate. Public-contract social enterprises provide products and services on a fixed- term contract for a public body, the example of a community estate management company providing services to its community on a contract from a local authority. Community businesses are defined as commercial social enterprises that had the capacity to become self-sustaining with three years initial support.

The issue of work-integration social enterprises (WISE) has been discussed by O'Shaugnessy (2000 and 2005) and by Kerlin, (2006). These are social enterprises which use their trading activity to reintegrate disadvantaged individuals back into the mainstream labour market. These are themselves connected with intermediate labour market programmes (ILM). O'Shaugnessy (2005) has highlighted the importance of active labour-market programmes to the community and voluntary sector as many community groups had become reliant on labour-market programmes to function and deliver services. Approximately 1.75% of Irish Gross Domestic Product was spent of active labour market programmes - particularly the Community Employment Programme (CE) and the Full-time Job Initiative Programme (JI) (p3). However, not all Community Employment and Job Initiative projects could be counted as embedded social enterprises. The primary objective of a Community Employment or Job Initiative project was the training, placement and progression of participants. If the definition of a community-based social enterprise, discussed in Chapter 1 were to be applied, that it comprises a community-based organisation with a traded income which achieved its social aims through its trading, most Community Employment and Job Initiative projects would fail as they do not have a traded income *per se*. They received employment, management and operational grants from FÁS and this could be considered a public-sector contract. Yet the projects had very little discretion over these budgets and all discretionary expenditure must be pre-approved by FÁS. Like most other categories used by social enterprises, a work-integration social enterprise could only be identified by the manner in which it operated. Some community centres which had Community Employment projects did generate income from room rental, coffee shops, childcare facilities and other programmes. In this case the community centre may be described as a mission-centric social enterprise as it delivered community development activities through the operation of a community centre. The role of the Community Employment project however, must be brought into question. Was the Community Employment project a work-integration social enterprise (WISE) or did it facilitate the community centre that was a WISE? There was a difference between a community-based business with social objectives and a community group with economic objectives. It appeared that many WISE should have properly been defined as the latter.

The definitional problems outlined earlier in this chapter, with co-operatives, industrial and provident societies and WISE, made it difficult to obtain an accurate measurement of the number of embedded social enterprises in Ireland. Area Development Management Limited (1996) commissioned a report that identified a total of 489 community enterprises, defined as organisations with both a trading and service provision role (O'Hara, 2001). FÁS identified 312 social enterprises within the implementation of the National Social Economy Programme. There was no way to estimate accurately the number of social enterprises in Ireland identified in the literature. Whether the numbers were increasing, constant or decreasing was an open question as was the question of its current role. O'Hara (2001, 163) asserted that 'as Ireland becomes an increasingly prosperous society, it seems likely that social enterprises may come to be seen as an effective and appropriate means of providing services to socially excluded groups'. Not all would agree. Allen (1996, 41-42) set a note of caution regarding social enterprise and people's expectations of it. He argued that the ambiguous understanding of the sector may result in difficulties as 'nobody knows what it is or what exactly it is for, yet everybody agrees it is a good thing'. National policy and funding programmes had clearly failed to clarify the understanding of social enterprises. The following section will examine the publicly-funded programmes that supported and attempted to develop social enterprises in Ireland.

Social enterprise programmes

There have been several discreet programmes aimed at supporting social enterprises in Ireland. The earliest was the Community Enterprise Programme (CEP) established in the early 1980's to provide 'advisory and financial assistance to community enterprise projects' (O'Shaugnessy, 2005, 10). This programme was managed by FÁS and consisted of a series of modules that community groups considering establishing a community enterprise could complete, allowing them to draw up a business plan and evaluate whether the community business route was appropriate. If the community group did establish the community enterprise then small-scale grants were offered as seed capital. However, there were other more significant programmes. The European Union ran a Third System and Employment Pilot Action (TSEP) under which Irish social enterprises participated. The Irish government established a National Social Economy Programme (NSEP) which, after a programme review by external consultants, was transformed into the Community Services Programme (CSP).

Third System and Employment Pilot Action

Since the mid 1990's, the European Union has had an interest in what they labelled the 'Third System', or what would be normally referred to in Ireland as the social economy[15]. European Union interest in this area was centred on reducing the high levels of unemployment that persisted across the member states and also as a way to provide services in disadvantaged communities. In 1997, the European Commission launched the Third System and Employment Pilot Action (TSEP). This was a pilot action initiated by the European Parliament. It aimed 'to test out, and to demonstrate, what benefits the Third System approach generates and what factors influence

[15] For the purpose of this discussion on the TSEP, the labels 'Third System' and 'social economy' are being used interchangeably. This is because the EU use of the term third system is relatively equivalent to the Irish use of the social economy.

whether and how it works in practice.' (ECOTEC, 2001, 3-4). The launch of the pilot action was based upon three considerations:

> 'First, the existence of **a series of unsatisfied needs** to which neither the State nor the market seem to be able to respond satisfactorily, in particular in the fields of social services, services to improve the environment and the quality of life, as well as cultural and leisure services. Secondly, the need to promote new avenues for **employment growth** that are labour rather than capital intensive and can fight unemployment more effectively. Third, the burgeoning of thousands of **initiatives which combine social and economic objectives**, and which offer an effective response to unsatisfied needs while simultaneously creating jobs.'
>
> (ECOTEC Research and Consulting, 2001, 3-4)

The TSEP was a major piece of work which initially aimed to test the value of the social enterprise model as a mechanism to address unemployment whilst meeting unmet social needs. However, the European policy agenda broadened during the period of the project. The European Employment Strategy (2006) came out of the Amsterdam Treaty which, under the 'Title on Employment', set out commitments and guidelines for a higher level of co-operation and involvement between the member states and the EU institutions. The Luxembourg Job Summit of November 1997 looked at ways in which the title could be implemented and the outcome of this summit was the European Employment Strategy (EES). As part of this strategy, based upon Article 128 of the Amsterdam Treaty, each member state was to implement a National Action Plan for Employment, which manifested in Ireland as the National Employment Action Plan and the Local Action Plans, and make an annual report on its progress on implementing the plan and strategy. One of the areas identified under the EES and upon which there must be an annual report on progress, was the development of the social economy. This brought to the fore the necessity of developing a social economy strategy in Ireland.

The TSEP funded 81 social enterprises across the European Union, including three in Ireland: Get Tallaght Working Co-operative Limited, Roscommon Home Services Co-operative and Skyline Foundation Limited (ECOTEC, 2001). The TSEP also represented the first real systematic attempt to analyse the overall benefits of the social economy. The project lasted four years and was evaluated on an ongoing basis by ECOTEC Research and Consulting Limited. This allowed for a detailed evaluation of the programme and a detailed learning process.

The programme evaluation found that a number of countries, including Ireland, had very high levels of people employed in the social economy (16% being quoted for Ireland) (ECOTEC, 2001, 4-5). This appeared to be very high. Many of the social enterprises funded under the pilot action used employment of their 'target group' within their organizations as a method of 'integration' and this proved successful. These were equivalent to the work integration social enterprises discussed earlier. Many funded social enterprises used different approaches and perspectives to work with their target groups. They used 'specialist knowledge of their target groups as well as improved insight of how to gain access to these target groups'. Social enterprises used 'softer methods of working with the target groups and increased flexibility and responsiveness of these methods to the needs of their beneficiaries' (ibid, 17). These were equivalent to the holistic approaches referred to in the previous chapter. There was an even distribution between high- and low-skilled jobs created under the pilot action. To cite ECOTEC (2001, 19-20), 'this is a significant finding as the common perception of jobs created in the third system is that the vast majority of them are low skilled. It must be remembered however that many of the higher quality jobs related to administration and delivery of the projects themselves, rather than being the result of the quasi-market operation of social enterprise.'. The social enterprises examined not only created jobs, but yielded social and economic returns. Clearly there were savings in the payment of unemployment benefits, but also in the fact that social enterprises were bringing people into the labour market whom the private sector would not normally employ. 'Hence, the jobs created by the Third System… are additional in the economy' (ibid, 21). The evaluation undertook a comparison of the benefits of service provision between public and social enterprise delivery and found that the social enterprises were better than public agencies at 'identifying new, latent needs and at transforming them into demand for innovative goods and services' (ibid, 26). The evaluation found that social enterprises added to social capital. Social enterprises 'added significant value to local partnerships through their ability to nourish trust relationships'. The evaluation also found that social enterprises 'contribute to a greater sense of local solidarity', and 'owe their success to the energy and the commitment stemming from the community' (ibid, 31).

ECOTEC (2001, 34) identified a number of challenges faced by social enterprises. These included the reconciliation of social and commercial objectives, ensuring that the quality of products and services remained high, the constant challenge of upgrading the competencies of staff, securing expertise and support from agencies, gaining access to finance, developing networks and co-operation between social enterprises and molding a supportive legislative and regulatory environment.

The evaluation expressed concern at one conclusion reached:

> 'One perhaps disappointing aspect of the Pilot Action is that there are few examples where production models originated in one project show much likelihood of being adopted by other organisations or by other sectors…the contextual specificity of projects, combined with the lack of clear focus on the input and output equation has in practice undermined the wider replicability of the individual models which were put into operation.'
>
> (ECOTEC, 2001, 71)

The ECOTEC evaluation made recommendations in relation to the European Employment Strategy (EES) and suggested that European institutions should take a wider view with regard to the benefits accruing from the social enterprises. The benefits identified were wider than just creating jobs and meeting unmet needs. Specifically, 'it is the view of the Evaluation that the Third System has a possible bearing in almost all areas of the EES and associated guidelines, and that development of policy in this area needs to take this wider relevance into account' (ibid, 72).

The National Social Economy Programme

The National Social Economy Programme (NSEP), which aimed to establish a framework for the development of the social economy in Ireland, was launched in September 2000. The rationale for the programme lay in two places, the European Employment Strategy as stated earlier and the social partnership process and agreements. Teague (2007, 93) raised the problem with developing a social economy programme in Ireland – whether the policy objectives would best be 'realized by a strategy or a programme based on the narrow rather than the broad definition of the social economy'. He continued that 'the Irish government was probably too wedded to the narrow definition of the social economy and as a result missed an opportunity to launch a more expansive, exciting programme for the sector to promote a wider range of not-for-profit activity' (ibid, 101). Teague opined that 'it would be more prudent to adopt a broader definition of the social economy. This would allow the sector to be seen less as a small business and service sector – albeit dressed up in community clothing – and more as involving the delivery of social and public goods to communities in a manner that strengthens mutuality and self-reliance' (ibid, 104). Crossan, Bell and Ibbotson (2003, 6) noted that under 'Partnership 2000 for Inclusion, Employment and Competitiveness' a working group on the social economy was established to undertake a detailed examination of the potential for the social economy. This working group considered that:

> 'There is a clear case for developing the social economy in the context of combating disadvantage and with the aim of regenerating communities. But this has to be balanced with recent market trends, skills shortages and forecasts in relation to the labour market…a specific social economy programme should be funded…from existing resources. The most obvious source of

> such funding is Community Employment, as it is already the primary supporter of the social economy activity in Ireland'.
>
> (Government of Ireland, 1998, 53)

The implication was to place the programme under the remit of the Department of Enterprise Trade and Employment, with operational control given to FÁS, which managed and delivered community employment and its budget. The working group report recommended a budget of just under £41 million (€52 million). Based upon the recommendations of the working group, FÁS set up a Social Economy Unit within its Head Office to implement the programme and oversee the budget. At a local level, FÁS established with the assistance of ADM-funded Area-based Partnership Companies (APC) and funded non-partnership community groups, what were called Local Social Economy Working Groups (LSEWG). These were made up of local FÁS management, local development organisations, community representatives and other stakeholders. The LSEWG would oversee the implementation of the NSEP at local level, establish local needs and priorities, assess applications for NSEP from social enterprises and provide a framework for the development of local support actions (FÁS, 2000). However, the LSEWG only had a consultative role in relation to the approval of projects and the final decision remained with the local FÁS management. At a national level, there was a monitoring group established within the Department of Enterprise, Trade and Employment. This national monitoring group was chaired by the Principal Officer in the Department responsible for the programme and had representatives from the social partners and local development representative groups, notably PLANET (the network for the APC). At local and operational level, the programme was managed by the local FÁS Community Services Unit (CSU), which also managed the operation of Community Employment and Full-time Job Initiative programmes at local level.

The objectives of the programme were to promote the emergence and consolidation of the social economy, to maximise the potential of the social economy to generate employment that is sustainable and of high quality, subject to labour market constraints, to regenerate both urban and rural communities by providing urgently needed local services, employment opportunities and experience for people who have been distanced from the labour market and to promote equal opportunities between men and women (FÁS, 2000, 25).

The 'Guidelines for social economy enterprises' (FÁS, 2000) established the funding rules for the new programme. To qualify, social enterprises had to fall under one of the following categories:

- A community business, which by definition was a social enterprise capable of being self-sustaining within the three-year life span of the programme.
- A demand-deficient social enterprise, which is a social enterprise that is meeting an important community need in a sector that is not commercially viable.
- That the social enterprise is fulfilling a public-sector contract, which is an enterprise fulfilling a contract under tender to a local authority, health-service executive, or other similar body. An example of the type of contract envisaged might be estate management (O'Shaugnessy, 2005, 11; Teague, 2007, 95)

The social enterprise applied through the procedures laid down and completed a business plan for a three-year period. FÁS initially would fund the cost of contracting a consultant to write the business plan. If accepted under the programme, the social enterprise would receive grants towards the wages of participants, the salary for a manager, staff training, accountancy and auditing fees, the purchase of necessary capital items and a contribution to general overheads. However, there were strict criteria relating to the employment grants. As a result, the employees recruited must have been thirty-five years of age or over and be unemployment for at least three years. For the purpose of calculation, the three years of unemployment included time on unemployment benefit, unemployment assistance, community employment projects, job initiative projects, single-parent allowance, disability benefit, back-to-work allowance, carers allowance and a number of smaller social welfare benefits. There was a small derogation to hire more highly-skilled staff; 10% of the employees could be exempted from the above cited criteria with the pre-approval of FÁS. The Manager could be employed from the open-market as this person required specific skills. Initially, each enterprise was required to complete an annual social audit to quantify social benefits generated but this requirement was later relaxed, with enterprises being asked to fill in a shorter social benefits report on an annual basis. Funding was given for three years but there was no guarantee of funding beyond this point. The annual grant per social enterprise was determined by the number of grant-aided employees plus the manager. So, if there were a manager and three employees, the total grant would be €79,514 annually but for a manager and ten employees the total grant would be €223,818 annually. FÁS capped approvals at ten employees plus a manager, so this figure became the operational maximum grant.

WRC Social and Economic Consultants were contracted to conduct an evaluation of the programme and they reported in October 2003. The evaluation, although never formally published,[16] established that at end of May 2003, 312 social enterprises were funded under the programme. A total of 2,257 people were employed under the auspices of the programme. This figure consisted of 312 managers, 1,165 full-time employees and 780 part-time employees (WRC, 2003). This was close to the target of 2,500 employees set under the programme, even though the programme was considerably under-spent.

The WRC evaluation noted that the programme demonstrated a number of structural and operational weaknesses:

- The use of a labour-market mechanism did not suit the needs of many approved social enterprises. FÁS, as the national training and employment agency, managed all the labour market programmes for the government. FÁS, in effect, established the NSEP as a quasi-

[16] I wish to thank colleagues on the PLANET Social Economy Working Group and FÁS for offers of copies of the evaluation report.

intermediate labour-market programme. FÁS had operational experience of Community Employment and Full-time Job Initiative and their predecessor programmes such as the Social Employment Scheme (SES) and the Community Youth Training Programme (CYTP). The strict recruitment criteria laid down with respect to eligible employees made it difficult for some approved enterprises to recruit staff at times. It also made it difficult in areas where there were high levels of youth unemployment.

- Both FÁS, and the Department, saw the programme as an opportunity to restructure CE. Thus several community-based projects, like community centres, were steered in the direction of the NSEP. The report noted that the NSEP did not meet the needs of such highly demand-deficient social enterprises.
- Operational issues regularly created difficulties for both FÁS and the approved enterprises. At several stages, the FÁS CSU budget was issued late and the local offices had to place embargos on recruitment until their budgets were established. During this time, approved enterprises could not replace staff who moved on. Also, FÁS initially miscalculated the budget allotted to the local areas and there was a potential overspend. The net effect was a total embargo on new applications approved for NSEP for three years. Recruitment on NSEP was frozen while this budget miscalculation was rectified.
- The number of demand-deficient social enterprises was far higher than expected. FAS initially expected that many of the approved enterprises would become self-funding within a three-year span, but it became obvious from an early stage that this was not realistic and that funding for most enterprises would have to be long-term. This point was made by Teague (2007, 97) who asserted that 'there was strong suspicion is that many of the enterprise set up under the social economy programme were from the very outset never going to generate a surplus'.

Teague (2007, 102) considered that 'the experience of the social economy programme in Ireland is that the government exercised too much control over its operation and selected the wrong agency to manage the initiative'. In reality, however, FÁS was the only agency with the capacity to establish this new nationwide programme. FÁS had the local and national infrastructure and the local contacts to get this programme operational. The NSEP did succeed in many respects. It funded and supported 312 social enterprises with well over 2,000 people employed as a direct result of the programme. Many communities attained new and important local services provided in a manner that was more sustainable than using Community Employment and Full-time Job Initiative.

Following the evaluation, the government set up an inter-departmental group to look at the future of the programme. A key recommendation of the evaluation stated:

> 'In recognition of the shift away from operating a programme falling within the policy framework of active labour market policy, it is recommended that operational responsibility for the development and delivery of the transition strategy would transfer out of the Department of Enterprise, Trade and Employment. Based on current departmental structures the most appropriate department to take up responsibility for the development and delivery of the transition option is the Department of Community, Rural and Gaeltacht Affairs.'
>
> (WRC Social & Economic Consultants, 2003, 134)

The Community Services Programme

According to Teague (2007, 96) the National Social Economy Programme came to an end in 2003. However this was not accurate. The WRC evaluation of the NSEP looked at different options for the future progress and structure of the social economy programme. It explored three possible options or strategies and recommended what they called the 'transition option' which:

> 'involves recognising that – despite its limitations – a substantial number of enterprises have been established with support from the SEP but also acknowledging that the SEP is neither an appropriate programme nor a realistic policy framework within which to meet the varying ongoing needs of enterprises in terms of enabling them to achieve sustainability. Effectively, this option recognises both the current state of play…and the presence of current pressures on public expenditure…the need to reposition the SEP more firmly as a programme prioritising the provision of essential-services in disadvantaged urban and rural areas and addressing the needs of people experiencing or at risk of social exclusion…in a manner that does not leave enterprises reliant on funding from an active labour market programme.'
>
> (WRC Social & Economic Consultants, 2003, 134)

In making the case for the transition option, WRC made clear reference to the use of social enterprise in addressing 'market failure' situations:

> 'Market failure [on the ground of inequities in consumption of services in disadvantaged communities, among members of communities of interest experiencing disadvantage, and among persons experiencing or at risk of social exclusion]…pragmatically recognising the need to address particular priorities such as child and elder care, securing equality, and maintaining needed services in disadvantaged urban and rural areas. (ibid, 131)'

In 2005, the government decided to implement many of the recommendations of the WRC evaluation. In December 2005, operational management of the programme budget and operational aspects moved to the Department of Community, Rural and Gaeltacht Affairs. However, as the result of a civil service recruitment embargo, the Department could not hire the staff to manage the programme itself and was required to outsource operational management of the programme to Pobal (formerly ADM). Pobal was an independent management intermediary for publicly-funded community-based programmes. Pobal specialised in programme management, funding dispersal, financial control and auditing of programmes, especially in the area of social inclusion and countering disadvantage.

There was an immediate change of name, as the programme became known as the Community Services Programme (CSP). Between February and May 2006, Pobal hired staff on fixed-term contracts to manage the programme. It also introduced an interim measure by which it would fund all existing enterprises until 31st December 2006. This was a sensible measure for Pobal while it gained a detailed understanding of the programmes and allowed for all projects to be brought to one end-of-year date. Pobal made the following interim decisions[17]:

- The numbers employed as of 31st December 2005 were fixed. Thus, if staff were to leave they could be replaced up to this operational number, but in many cases this was below the number approved by the original FAS contract.
- Pobal agreed to issue new contracts to funded enterprises up to the end of 2006.
- Pobal introduced new financial-control procedures, in line with other Pobal funded programmes.
- Pobal relaxed the criteria for staff recruited after 1st January 2006. Under the new criteria 75% of staff have to be unemployed. This dramatically widened the potential employee base for the funded social enterprises and was clearly in line with the WRC evaluation recommendations.
- Pobal indicated a change of emphasis, from the development of the social economy, to the delivery of community services using a business model. This shift was also clearly in line with the recommendations of WRC.
- Pobal held separate information meetings for managers and administrators of enterprises and agreed to facilitate a network of funded enterprises.
- Extra funding was secured for new projects (€5 million in 2006) and an increase of €5,650 per annum in the managers' grant was

[17] This information came from personal involvement with the CSP, and from information gleaned from the semi-structured interviews with decision and policy-makers.

approved. The managers' grant had not increased in five years and this had been a point of contention at some of the information meetings[18]. It became clear from these meetings that many of the managers were being paid the basic manager grant amount, as many social enterprises could not 'top up' the managers' salaries as a result of insufficient traded income, indicating the high levels of demand-deficient social enterprises.

These were interim measures introduced by Pobal while it consulted with the Department and drew up new operational guidelines for the CSP, to run from 2007 to 2009. The new programme had a three-year rolling budget and all enterprises previously on the programme had to re-apply. A new business plan was required and a new set of criteria based upon community-based services was introduced. As a result several social enterprises had their total grant reduced as they did not fully meet the criteria set down. The CSP continues up to the present day and its future currently seemed stable.

Summary

Ambiguity has been a term that has arisen repeatedly with respect to social enterprises. Social enterprises have here been identified as part of the Irish community and voluntary sector, a response to external pressures faced by restructuring of the welfare state and the retrenchment of government from social service provision. The role of social partnership gave the community sector the impetus to promote the social enterprise model in the late 1990's and early years of the new millennium. Irish social enterprises cab best be defined by their operational function, not by their legal status. Social enterprises provide a range of services to disadvantaged communities and marginalised individuals. There remains no clear definition of a social enterprise in the Irish case or a clear knowledge of how many exist. The original emphasis of the National Social Economy Programme, to promote the development of the social economy, had been replaced by a programme to

[18] As a manager of a CSP-funded social enterprise, I personally attended some workshops

deliver community service using a social enterprise model: a clear diminution of purpose. Indeed, the last social partnership programme – 'Towards 2016' – omitted all reference to the social economy, the first social partnership programme to do so in many years. Thus, social enterprises appear to have become a community without a champion in the last few years.