

Case study

The added value of Italian work integration social enterprises

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Abstract: The paper aims at underlining the need of building a common framework on impact assessment for Italian work integration social enterprises (WISEs) and the consequent attempt conducted through a research project to focus on their value dimensions as baseline for this purpose. Based on a regional (Emilia-Romagna) sample of WISEs, the research built a framework able to represent the contribution of WISEs in terms of both economic and social added value in the following areas: economic sustainability and development; democracy and inclusive governance; workers' participation and employment resilience; impact on beneficiaries and relationships with the community and the territory; reduction of disadvantage and personal growth; professional growth of disadvantaged workers; support to the disadvantaged worker's family. The analysis was conducted carrying out a survey developing questions in order to investigate the main topics referring to the added value framework above mentioned (data collected refer to the time interval: 2014-2016).



The added value of Italian work integration social enterprises

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ABSTRACT

The paper demonstrates the need to build a common framework on impact assessment for Italian work integration social enterprises (WISEs) presenting a research project focussing on this specific theme.

Based on a regional (Emilia-Romagna) sample of WISEs, the research outlines a framework able to represent the contribution of WISEs in terms of both economic and social added value in the following areas: economic sustainability and development; democracy and inclusive governance; workers' participation and employment resilience; impact on beneficiaries and relationships with the community and the territory; reduction of disadvantage and personal growth; professional growth of disadvantaged workers; support to the disadvantaged worker's family.

The analysis was conducted using a survey investigating the main topics of the aforementioned added value framework (data collected refer to the time interval: 2014-2016).

CONTEXT

Social co-operation is, by its nature, capable of pursuing a social mission through commercial activities (Venturi, Zandonai, 2014) as one of the actors of the *Civil Economy* paradigm. The latter is a cultural perspective to understand the whole economy that represent a different market economic theory in respect to the "capitalistic" one (Bruni, Zamagni, 2004).

With globalisation, the close link between wealth and territory, on which the welfare system was originally conceived in Western countries, has disappeared. Consequently the logic in which first the companies produce economic value and then the State takes care of guaranteeing the social dimension through the redistribution of resources is no longer able to function. This is why it's more and more necessary also intervene on the wealth production's process through enterprises that express their social dimension through their economic activity. In this sense, the challenge of the Civil Economy is to build a system where efficiency, equity, and reciprocity coexist.

Within this perspective, the entrepreneurial figure of the social cooperative finds natural space for acting. Its affirmation has allowed to feed the pluralism of forms of enterprise on the national scene, thus contributing to the effectiveness of the response to the social needs. Since 1991, in fact, two main types of social cooperatives emerged within the Italian context: type A social cooperatives, delivering social, health, and educational services, and type B social cooperatives or work integrations social enterprises (WISEs). Moreover, a new generation of social cooperatives, strongly rooted in forms of collective awareness is emerging in innovative fields outside the traditional social service sector (European Commission, 2020). New areas in which social cooperatives are expanding include for instance the management of social housing and social tourism, the regeneration of areas and recovery of unused lands, and the marketing of organic and ethical products harvested by solidarity

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purchase groups. Additionally, there are two more groups of social cooperatives: type A+B also called mixed social cooperatives that put together operational items from both type A social cooperatives and type B social cooperatives. The second is consortium as second level organisation having the role of an economic player and a key political interlocutor, engaged in the promotion of social cooperatives associated and in the development of new entrepreneurial initiatives.

Particularly, within this entrepreneurial organisations, the social dimension of WISEs is strictly connected to their ability to include through job placement activity the categories of disadvantaged workers provided by the law No. 381/1991 as well as those people who are in such vulnerable conditions that they find it difficult to easily access the labour market (*non-certified disadvantaged people*).

In addition, the ability to simultaneously produce considerable economic value through a multi-stakeholder entrepreneurial model strongly connected to the territory is another characteristic element of WISEs. So WISEs can be defined as *inclusive enterprises*, or – in other terms - an institution that aims at facilitating the inclusion in the production process of all the resources available in a territory, especially in terms of work, ensuring respect for fundamental human rights and the reduction of social inequalities (Acemoglu, Robinson, 2013).

According to this vision about WISEs, it is more and more necessary to find ways order to assess the added value of work integration activity fulfilled by this type of organisation. “Evaluating” means “giving value”, not only measuring and judging (Zamagni et al. 2015). If until now it has been enough to check transparency and report through appropriate documents (*accountability*), now WISEs must identify a sufficiently precise metric to ensure respect for the identity of the social enterprise, that looks beyond profit and shareholder value and that is able to enhance the elements and paths of social innovation which social enterprises make themselves bearers in the means and ends of their actions.

Furthermore, the issue of social impact assessment is also linked to the need to find an Italian response to the orientation on the subject dictated at European level (EESC, 2013), which provides that the objective of measuring the social impact is “measure the social effects and the impact on society determined by specific activities of a social enterprise” and that “any method of measurement must be developed starting from the main results obtained by the social enterprise, must favour its activities, be proportionate and must not hinder social innovation. The method should aim to find a balance between qualitative and quantitative data, in the awareness that 'narration' is central to measuring success”.

RESEARCH OBJECTIVES/QUESTIONS

In Emilia-Romagna region of Italy, social co-operation has always played a fundamental role in the production of economic and social value for the territories and communities of reference. These are part of a world – the cooperative one – which Emilia-Romagna has experienced even in the years of the crisis (since 2008 and up to 2017) as a positive trend in terms of both the number of companies and employees, also in comparison with the totality of the regional entrepreneurial context. In the years of the crisis (2008-2014), cooperatives recorded positive turnover (+ 3.6% against the -3.1% recorded by other corporations) and employees (9.4% against 3.3% of other corporations). Within the Emilia-Romagna cooperative aggregate, the social cooperatives have their own significant specific

weight both in terms of turnover and employees. In the region there are 762 social cooperatives, they employ 51,116 employees and generate a turnover of 1,935,155 euros (2016)⁴ with positive growth percentages for each of the observed variables.

The regional research project ended in 2017 aimed to highlight the importance of the action of social cooperatives as actors having an important both economic and public interest task. Therefore, even with respect to the outsourcing relations of services by the Public Administration, it is important to support an improvement in terms of relations and transparency in order to encourage the link between the Public Administration and social cooperatives allowing the latter to reach their own final goal. To make this happen, it is necessary that external stakeholders, including the Public Administration, banking foundations and, more generally, the community, understand the importance of WISEs, which at the same time must be equipped with evaluation tools to measure the result achieved and the value created.

According to the relevance of the phenomenon at the regional level, the research project aimed at highlighting the weight of WISEs in Emilia-Romagna, focusing particularly on the organisations member of regional Confcooperative-Federsolidarietà⁵, one of the three Italian cooperatives' representative association. The research project highlights, on the one hand, the economic dimension and, on the other hand, the social dimension of added value produced by WISEs through qualitative and quantitative analysis.

METHODOLOGICAL APPROACH

The process of value production by WISEs is strictly connected to their identity characteristics. Common features of the different types of social cooperatives are certainly the private nature, the profit non-distribution constrain, the pursuit of activities of general interest, the active participation in the decision-making process of the organisation and, therefore, the characteristic of democracy that distinguishes the governance bodies of these subjects. Additional elements that contribute to the production of added value and, consequently, to determine the impact of WISEs are then more closely linked to the specific activities carried out and the sector of activity in which they operate.

Within this perspective, *value dimensions* can be defined as positive characteristics describing organisation's identity and producing a positive transformation (impact) in the referring context (area and community) differentiating it from other organisational types (Zamagni *et al.*, 2015). Particularly, WISEs' value dimensions are as following:

⁴ Data source: Registro Imprese – Unioncamere (2017).

⁵ <https://www.federsolidarieta.confcooperative.it/en>



The analysis was conducted carrying out a survey on a sample of 20 regional WISEs developing questions in order to investigate the main topics referring to the *added value framework* abovementioned (data collected refer to the time interval: 2014-2016).

MAIN RESULTS

1) The contribution to the economic sustainability and development of the territory

WISEs are enterprises engaged in pursuing general interest through the implementation of economic activities. As economic institution, a high level of sustainability and capacity to produce economic benefit is the main condition to survive on the market. For this reason, we have to consider economic sustainability to measure and evaluate a WISE and its contribution to the social sustainability. A good level of economic sustainability is a proxy of the ability of WISEs to guarantee the production of goods and the provision of services time after time. Consequently, this allows them to create and maintain jobs and to produce wellbeing for the community and areas where they are placed. Particularly, WISEs build their sustainability on public and private economic sources. Public resources are composed by income deriving from public entities and health companies as well as public contributions; instead, among private resources is possible to find out, for example, income from selling goods or services on the market directly to private entities or individuals.

In Emilia-Romagna the main component of the revenue items of WISEs has a public nature in 2014 (51.0%), while, conversely, they are private sources in 2015 (50.5%) and 2016 (53.7%). Within the sources of a public nature, the highest percentages are related to the "revenues from public bodies for services/products following a tender" item (with an average over the three-year period considered equal to 69.1% of total public sources). Referring to the private resources, on the other hand, "revenues from legal entities (companies/ foundations)" are the main entry item (average over the three-year period equal to 83.2% of total private sources). The remuneration of (able-bodied and disadvantaged) workers constitutes the fundamental component of the distribution of the global net added value of the cooperatives analysed, confirming the centrality of the role of "work" within these entrepreneurial realities.

2) Democratic and inclusive governance model

According to the II cooperative principle "Democratic Member Control": "Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable

to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner” (ICA, 1995). A WISE must have a General Assembly, a Board of Directors and a supervisory body or an external auditor. Every member has one vote in the General Assembly, regardless of his contribution to the capital, in conformity with the principle of democratic governance. Usually, they involve diverse types of stakeholders in their membership and workers, volunteers and other types of stakeholders in their Board of Directors.

Democracy is one of the historically underlying elements of social enterprises. A management based on compliance with the democratic principle “ensures a greater level of efficiency in the use of resources, a strong ability to pursue institutional purposes, as well as qualitatively and quantitatively more consistent information flows, also creating useful opportunities for comparison, discussion and exchange of point of views” (Pace, 2004).

Participation in governance contributes to the production of social added value from several points of view (Propersi, 2011): first, it allows reducing information asymmetries through a greater distribution of information. Furthermore, a democratic organisation allows a greater capacity in terms of control against opportunistic behaviours.

WISEs also tend to be involved in networks and collaborations with local institutions and the community. Consequently, the result is the building of a multi-stakeholder governance allowing the participation of beneficiaries and the emergence of requests from different stakeholders. At the same time, it allows to maintain direct and constant contact with the community and territories in which they operate to guarantee their inclusiveness dimension.

The first area observed relates to the governance of the WISEs, within which the main characteristics of the membership base and its composition were identified. Workers are the most represented category within the membership base of the WISEs observed (with a value that fluctuates between a minimum of 60.0% and a maximum of 66.0%). Volunteers follow (between 18.0% and 19.0%) with users’ families (around 7.6%). In absolute terms, the WISEs analysed employ 1,106 people and have 322 volunteers (average values over the three-year period 2014-2016). The largest corporate body is the General Assembly (totalling 1,530 people are involved) obviously composed of individuals within the WISEs. 87.3% of the Boards of Directors also include figures within the cooperatives themselves. The average participation rate of the ordinary General Assembly is 62%, with a minimum value of 33% and a maximum of 100%. Most of the cooperatives observed (3 out of 4) have a participation rate between 51 and 75%. Almost 8 out of 10 cooperatives indicate the General Assembly as the main tool aimed at their participation in the cooperative life.

3) Workers’ participation and employment resilience

The value produced by a WISE towards the primary internal stakeholders (workers) is as fundamental as the value produced for the secondary (external) stakeholders. Workers can exert an effect on the decision process also influencing the quality of goods and services produced. As well, they can be beneficiaries of corporate welfare services, on which the social cooperative can also call them to contribute actively to identify the needs to be met.

To nourish the sense of belonging to the organisation, they can be involved in specific training on identity issues rather than in the administration of surveys/research aimed at understanding their

motivation and at highlighting the strengths and weaknesses in the relationships between workers and WISEs.

One of the most easily measurable aspects to assess the social impact of WISEs is the ability to contribute to the employment growth of the reference area (Pace, 2004). The contribution of social cooperatives in terms of employment, both from a quantitative (number of employees) and qualitative (employment conditions) point of view has always been a distinctive feature of these subjects. Even within the ongoing crisis, the employment levels of social cooperatives remained almost stable, however continuing to guarantee employment to categories of vulnerable people who find it most difficult to be permanently included into the labour market (women, refugees and migrants, young people).

The number of workers employed in the social cooperatives observed has remained substantially stable over the three years of analysis, with a growth of 5.9% between 2014 and 2015 and a decrease of the same percentage (-5.1%) between 2015 and 2016. The male component of the workforce of the work placement cooperatives is higher than the female one (which usually characterizes more the type A social cooperation due to the specificity of the services provided) and represents 63.7% in 2016 (+4.4% on the 2014). The distribution by age group of workers shows a strong concentration (more than 8 out of 10 workers) between 30 and 54 years.

In addition, the category of stakeholders that most influences the process of supply/delivery of services of the social cooperatives analysed is that of workers: almost 69% have a high weight in guiding these processes.

The ability of social cooperation to deal with the crisis while maintaining employment levels (so-called *occupational resilience*) is also confirmed by the sample analysed. The employment balance of the three-year period considered (2014-2016), in fact, returns a positive value equal to 213 new positions created. Among the workers employed in the WISEs of the sample there is also a group of people (equal to about 10.0% of the total employed) ordinary workers (not disadvantaged) with difficulty in entering the labour market or with social fragility. Among these, the most represented typologies are the over 50s (average figure over the three-year period equal to 24.9%) and people with social hardship (average figure over the three-year period equal to 22.7%).

Finally, WISEs mainly offer to their workers employment stability. In fact, almost 8 positions out of 10 are permanent (the Italian average in the same period was equal to 71.9%).

4) Impact on (direct and indirect) beneficiaries and relationships with the community and local development

The link with the territory and the diffusion of culture are the variables of fundamental importance for a balanced and lasting development of social cooperatives over time (Pace, 2004), also to respond to the VII cooperative principle "Concern for Community": "Cooperatives work for the sustainable development of their communities through policies approved by their members".

The recognition and enhancement of a social cooperative are the result of the accreditation work that the organisation carries out with the aim at retaining its reference market and developing an interaction with the various social and economic institutions on the territory.

WISEs develop paths of social innovation aimed at producing impact in the long term within the relationship with their ecosystem, represented by communities and territories. Social innovation is the application of innovative ideas in a product/process/organisational way that produce an outcome. In other words, they modify the well-being level of a community or part of it in a stable and positive way through added value creation (Lippi Bruni et al. 2013). According to this definition, social innovation is transformative because connected to the production of a social value, in the double meaning of solution to social problems and (re)generation processes of common goods. A radical change that redefines the relationships between the actors as it is based on collaboration and regeneration of common goods. Social innovation paths transform the existing, implementing a path that goes in the direction of sustainability over time of the actions implemented. In this sense, social innovation promoted by social cooperatives is not only aimed at increasing the quality of life of people and social cohesion within the community, but it can play a fundamental role in terms of competitiveness – by increasing the degree of efficiency of the resources used – and in terms of sustainability.

The beneficiaries of the services offered by the cooperatives analysed are above all (55.8% overall) people with physical disabilities (almost 20%), mental disabilities (about 19%) and mental illness (more than 17%), traditional categories of reference for the WISEs in order to carry out their mission.

The indirect beneficiaries with whom the social cooperatives have relations most frequently are the families of the beneficiaries of the services (46.1%, average value 58.7 subjects for each cooperative), followed by the for-profit enterprises (28.0%, value average 35.7 subjects for each cooperative).

The category of stakeholders with which the observed social cooperatives have the most ongoing relationships is within the Third sector, i.e. other social cooperatives (65.0%). Equally relevant is the data with respect to the Public Administration: relations with the local level (Municipality and Local Health Authority) present the most significant frequencies, while these decrease as the institutional geographical level (provincial and regional) rises. Almost all the cooperatives have economic-financial relationships with the municipalities and for-profit enterprises with which they have relations.

The main subjects with whom relationships are established in the planning field, on the other hand, can be found within the Third sector, i.e. other social cooperatives and volunteer organisations. In terms of relationships aimed at implementing training activities, however, WISEs find their main references in other social cooperatives and representative associations.

FOCUS ON DISADVANTAGED WORKERS

Referring to workers with certified disadvantage (according to the Law No. 381/1991), specific questions were addressed to the social cooperatives aimed at understanding some aspects regarding the ways in which job placement has contributed to the reduction of the disadvantage and to their personal growth and professional, as well as supporting the family of disadvantaged workers.

5) Reduction of disadvantage and personal growth

The percentage weight of workers with certified disadvantage on the number of able-bodied workers (which by law must be a minimum of 30%) is equal to 54.5% (+ 4.1% on 2014). People with physical disabilities make up more than half of the workers included in the cooperative (over 58% in all three reference years), while almost 2 out of 10 disadvantaged workers have had drug addiction problems.

The main way by which the cooperatives detect the potential abilities of disadvantaged workers is constituted by the realization of specific meetings between the cooperative representatives and the worker inserted, to build together a working path aimed at developing the skills (Sen, 1999) of the person. Three out of four WISEs, in fact, use this methodology.

6) Professional growth of disadvantaged workers

Nine out of ten cooperatives provide for customised integration paths, consistent with the path operated in the service area and aimed at achieving concretely achievable objectives for the disadvantaged worker, which are then integrated with different methods of monitoring personal growth, among which it emerges - consistently with what is achieved *ex ante* - the realization of *ad hoc* meetings with the integrated worker (73.7%).

Among the benefits/services offered to support disadvantaged workers, almost eight out of ten companies provide for the provision of health and insurance supplements and over six out of ten monetary payments through salary advances. No reality supports its disadvantaged workers through the provision of family services (e.g. company nursery, summer school or colonies, supplementary education, campus, etc.) or support services and home help at a subsidised or free price.

7) Support to the disadvantaged worker's family

In the relationship with families, it is above all the response to specific needs and the personalization of interventions that are the options most used by the responding cooperatives, together with the creation of groups for sharing problems and knowledge that are used as methods of support and relationship with families of disadvantaged people.

EXPECTED CONTRIBUTIONS/LESSONS

The research project presented allow to move a step forward in the Italian landscape on impact assessment of social enterprises and, more in general, of Third Sector organisations (TSOs). Particularly, the analysis ended at the very moment when the reform text of the Third Sector was being completed in Italy (2016). One of the main topics of this reform, in fact, concern the impact evaluation systems of TSOs as also reported in the ministerial guidelines on the subject in which there is a strong suggestion – impact evaluation is not mandatory for TSOs – to deal with this topic as fundamental tool in supporting their long-term strategies, empowering their human capital (both employees and volunteers), building planning together with public authorities and partnerships with for-profit enterprises at different levels of engagement.

In this context, the research focused on the dimensions of the contribution of WISEs to their ecosystem of reference, from both a quantitative and qualitative point of view, underlining their weight in terms of job creation and long-term employment as well as social cohesion (EESC, 2021).

BUSINESS OR POLICY RECOMMENDATIONS

In the last years – and particularly within the COVID crisis – social cooperatives as social and community enterprises deal more and more with the social challenges improving their ability in finding entrepreneurial responses to social needs, starting social and technological innovation paths,

and planning solutions with public administration, other Third Sector organisations, and for profit enterprises.

According to this perspective, in the future it will be essential to grasp the value generated by social cooperatives, in general, and by WISEs, in particular, observing some other areas such as “technological development”, “entrepreneurial development and innovative processes”, and “ability to influence and guide public policies”.

Moreover, the different types of social cooperatives are innovating their sectors of activity in order to respond to the social challenges of our time as abovementioned. Type A social cooperatives, for example, are deeply involved in fighting against child educational poverty, while WISEs are more and more involved in fields of activity like conservation, protection and environmental sustainability or regeneration of community asset.

It is therefore essential that an assessment model/tool can adequately read these innovations concerning social cooperation through suitable indicators in order to capture and share the added value generated by its activities towards the reference communities.

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