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“Innovate and Ideate for Social Entrepreneurship”

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Country Report on social entrepreneurship

ITALY

Erasmus+ Programme, KA2 Strategic Partnerships for Youth

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The concept of social entrepreneurship in Italy

The term “social enterprise” was introduced for the first time in Italy in the 1980s. The term referred to the innovative private initiatives established by volunteer groups with the aim of delivering social services or facilitating the integration of disadvantaged people in the labour market. These initiatives were initially set up using existing non-profit legal forms, but obtained their own distinct legal identity when the **Act on Social Cooperatives** was passed in 1991 (Law no. 381/1991).

In order to promote pluralism in the production of social utility goods and services and a diversification of sectors of activity, a legal category of “social enterprise” was introduced in 2005 with the adoption of the **Law on Social Enterprises** (Law no. 155/2006). For the Italian law system, the social enterprise identifies all those private companies (always excluding cooperatives since they pursue mutual order) in which the main business and economic activity is stable and has the production and exchange of goods and community services as its object. These are the goods or services that fall in areas strictly specified by Legislative Decree no. 155/2006. An important definition is the one proposed in 2001 by Borzaga and Defourny, in their work “Social enterprise in European perspective”.

As written before, since the 80s entrepreneurial and organisational forms with social purposes operating in the competitive market have been increasingly affirming. The reasons for the birth of this type of companies are various. Firstly, social enterprises have emerged to respond to new and neglected needs which governmental policies were not able to adequately cope with. In Italy, their birth of social companies coincides with the closing of large public or semi-residential structures and offices as a response to the consequent de-institutionalization, with the general aim of reinserting these previously institutionalized services and offices into society. In several countries, social enterprises are configured as experiences of mutual help among people with different needs and as expressions of local communities, who are directly dedicated to the production of different services. However, the definitive consecration of the social enterprise has been caused by the general crisis of the welfare systems and the orientation to decentralization by public authorities, which are allowing these companies carving out new spaces.

Legal recognition itself, as well as the rules governing these bodies, was first established by law 13 June 2005 n. 118, the provisions of which were implemented by Legislative Decree 24 March 2006, n. 155 (“Discipline of social enterprises, in accordance with Law 13 June 2005, n. 118”). With the introduction of social enterprise juridical figure the concept of entrepreneurship definitely stood out from that lucrative purposes. It is now recognised the existence of companies with purposes other than profit.

In comparison with traditional enterprise, the added value lies in the attempt to produce high relational content services, in trying to do “network” with other experiences in the third sector, to produce positive externalities for the community. The promotion of local development, the adoption of values such as social justice, the guarantee of democratic organisation and the direct involvement of employees in the management, equal opportunities and the reduction of inequalities are fundamental.

Political and legal framework in Italy

Under article 1 of the d. lgs.155/2006 they can achieve the title of social enterprise: “Private organisations, including the bodies referred to in Book V of the Civil Code, whose activity is stable and the main economic activity is organised for the purpose of the production and exchange of goods or services of social value, aimed at achieving the objectives of general interest”. The social enterprise must meet the following requirements:

- it must be established with a public act
- it must have a democratic structure
- it must allocate profits to carry out the statutory activity or to increase the assets, and therefore it cannot distribute profits, even indirectly
- it must keep accounting books and inventory
- it must prepare and file with the business register a document that represents the company equity and financial status
- it must draft a social report
- it must involve workers and management
- it must have the majority of managing partners

So they can acquire the qualification of social enterprises:

- legally or not legally registered associations, foundations, committees
- companies (partnerships and corporations), cooperatives, consortia

Social enterprises should seek to maintain the objectives of general interest that are favoured by the legislator under civil law with the ability to organise themselves in any form of private organisation and with any corporate type with the ability to also form a group. The important thing is that this type of undertaking has never the ultimate goal of profit.

They cannot be considered as social enterprises or public administrations those bodies only providing services to members.

Italy is one of the few countries with a law on social cooperatives (legal form) as well as a law on social enterprises (legal status):

- The **Law on Social Cooperatives** (1991) created a new form of cooperatives. In contrast to traditional co-operatives who are primarily oriented towards serving the interest of their members, social cooperatives pursue social or general interest aims.
- The **Law on Social Enterprises** (2006) provides a legal definition of social enterprise and specifies the criteria that an organisation must comply with in order to be legally recognised as a social enterprise.

The law distinguishes between two types of social cooperatives:

- Social cooperatives supplying social, health and educational services (defined by law as **type A social cooperatives**)
- Social cooperatives integrating disadvantaged groups² into the labour market (**type B social cooperatives**).

Public funding and financial support for social enterprises in Italy

Italian social cooperatives and social enterprises *ex lege* rely largely on their own financial resources: about 70 per cent of these organisations are mainly self-funded (Venturi and Zandonai, 2012a). The main sources of self-financing are the contributions from cooperative's members and the surpluses resulting from business activities. Over the last few years, the financial market has developed innovative instruments for social finance. For instance, financial actors were born which provide funds in support of ordinary activities undertaken by social enterprises, such as the acquisition of goods and services (these actors include, for example, Banca Etica and Banca Prossima). Also, actors investing in social enterprises are now fuelling the Third Sector such as bank foundations and mutual associations. Italy has a relatively rich, well developed and diverse ecosystem for social enterprises as compared to other European countries. Several public support measures and initiatives have been developed by authorities at local level (provinces and regions) and national level. At European level the support is mainly provided by the ESF.

The ESF supports a large spectrum of social enterprises committed to helping groups who face major obstacles in finding a job, such as people with disabilities, people with mental health problems, former prisoners, marginalised communities and many others. This support is guaranteed in various forms. For example, ESF offers training (which concerns, among others, the areas of human resources, laws on employment and health and safety in the workplace, etc.) to the management who will have to guide such enterprises or providing specific technical training based on the needs of each business (knowledge of the tourism market, expertise in sales and marketing, know-how and skills in the field of consultancy to local new enterprises). The ESF also helps social enterprises seeking financial support that they need to carry out their activities and ensuring their long-term sustainability.

In Italy there are different programmes which support the creation of social enterprises. Following some of them are listed:

Fertility Programme

The programme is designed to support the creation and development of the social cooperation sector. The overall objective is to enhance the social enterprise experiences as a lever for economic development, strengthening and extending the territorial welfare systems and creating new production opportunities - employment. The peculiarity of the "Fertility" programme is given by the active involvement of more actors during the start-up phase: the person to whom the benefits are granted in relation to the investments made and the overall costs in three years of filing the application for admission to the facilities; the promoter who is entitled to get back the costs incurred for the activities of guidance, training, tutoring assistance during the start-up process. The presentation of the projects can be done in two ways: 1) individual projects by each promoter; 2) "cluster" projects where the integrated operation allows supply chain operations, productive and social integration.

Among the actors involved: the tutor, who offers a consultancy service for the start-up business plan in the first two fiscal years following the submission of the application for admission to the incentives; a financial partner who ensured the necessary financial means to entrepreneurial implementation of the initiative in the form of advance funding; other partners (public and/or private) able to bring specific skills for the success of the mentoring project. With the first call about 30 million Euros were allocated, part of which came from European Structural Funds. Out of 182 admitted projects, only 160 were financed. The recipients are 47.5% from Southern Italy. This successful outcome has led some southern regions to establish a local "Fertility" call on the basis of the national project guidelines. Also, upon request of the main social cooperation mutual associations there is the possibility that this

programme can be a permanent incentive tool through a first come-first serve mechanism: this would lead, with the limit of available funds, to a policy of development of social cooperatives based on a real programming.

“Start-up social entrepreneurship” project by Unioncamere

The Chambers of Commerce system has been engaged for years in the promotion of social actions. At the Chambers of Commerce and Regional unions "Committees for social entrepreneurship and microcredit" (called CISEM) are being set up with specific functions of observatory and promotion.

In 2013, Unioncamere launched the initiative called “Start-up social entrepreneurship”, which aims at encouraging the creation of 400 new social enterprises. It is currently in place the first stage of the project with the selection of entrepreneurs which intend to start a new social enterprise in the provincial territory of the participating Chambers of Commerce (38 throughout the national territory), in the “social utility” area (Legislative Decree 155/06 and Law 381/9115). They can also be submitted ideas that fall in other business sectors, provided that the business initiatives are aimed at providing employment for persons defined as “disadvantaged”. Companies and organisations already in existence may also participate to the initiative, provided that they intend to turn into a social enterprise. The selected entrepreneurs will benefit from basic information and guidance for business start-ups, as well as training and support to the development of their business plan. These services are provided by the provincial Chambers of Commerce by specialised tutors who will assist proponents in the development of the business plan; in connecting with the credit and micro-credit system; in the company constitution.

ESF Jeremie Fund in Lombardy

The ESF Fund Jeremie is one of the tools for financial engineering activated out of the 2007-2013 Porl - Axis III "Social Inclusion", established by DGR 7687/2008 and subsequently refinanced by DGR 8982/2009, with a total budget of € EUR 20 million, of which 10 are already spent.

The aim of this action is to facilitate access to employment for categories excluded or at risk of social exclusion and to facilitate access to credit for micro-businesses, individual enterprises, non-profit institutions and social services (such as social cooperatives). More in particular, financial assistance so far implemented aims at co-financing, with selected banks through a public procedure, the recapitalisation of cooperatives for social production and work that employ disadvantaged people, operating in Lombardy.

The specific technical form of intervention is micro-financing the fixed amount of EUR 4,000 to individuals who use these resources to capitalise the social cooperative for production and work in which they work as cooperative members. Beneficiaries of a cooperative may be 50 members the most. Accordingly, the enterprise will be recapitalised, therefore, with a maximum amount of 200,000 euro funded by the initiative. The duration of the loan is 5 years.

Italian Government support for social enterprises

The main advantages for social enterprises are related to the company financial liability: in case of assets of more than EUR 20,000, the organisation is only responsible for its debts, not the members). Also, another advantage is the possibility of using volunteers in the limit of 50% of workers.

Type and geography of social enterprises in Italy

There are two legally recognised forms of social enterprise: social cooperatives and social enterprises ex lege. These legally recognised and institutionalised forms of social enterprise do not capture the real spectrum of social enterprises in Italy which also includes:

- Non-profit organisations pursuing social aims and oriented towards productive activities;
- Other organisations (e.g. traditional cooperatives and normal enterprises) which perform activities of production and/or exchange of goods and services of social utility while pursuing objectives of general interest.

Additionally, organisations demonstrating the characteristics of social enterprises can be found among associations, foundations, cooperatives and normal enterprises.

Social cooperatives are the most important form of social enterprise in Italy, representing approximately a third of the stock of social enterprises. The main activities undertaken by social cooperatives include:

- The provision of social services in the fields of social care and civil protection;
- Economic development and social cohesion (this includes “type B” or “working integration social cooperatives”);
- Health;
- Education and research.

It is estimated that there are roughly 35,000 social enterprises in Italy that fully meet the criteria laid out by the EU operational definition, representing 0.8 per cent of the total business population. Social cooperatives and social enterprises ex lege capture only a third of Italy’s estimated social enterprise population. Additionally, organisations demonstrating the characteristics of social enterprises can be found among associations, foundations, cooperatives and normal enterprises.

The geography of social enterprise in Italy

	Type	Number	Year	Source
<i>Social enterprises</i>	Constituted in accordance with Law 118/05 and registered in Section L	365	2011	Unioncamere - Infocamere
	Other businesses with the phrase “social enterprise” in their business name	404	2011	Business Register - Infocamere
	Social cooperatives constituted in accordance with Law 381/91	11,808	2011	Unioncamere - Infocamere
<i>Social enterprise potential</i>	Non-profit organizations that are not social cooperatives	22,468	2011	Economic and Administrative Index (REA) - Infocamere
	For-profit businesses operating in the sectors of activity specified by Law 118/05	85,445	2009	Statistical Register of Active Enterprises (ASIA) - Istat

Data processing by Iris Network based on indicated sources

In terms of absolute numbers, social enterprises still represent a small fraction of Italian businesses in general, but the relative share reaches 3% of the private nonfarm economy in terms of employed workers, given their significant average size. In fact, on the basis of

the information from the Excelsior study, it is estimated that at the end of 2010 around 383,000 workers were employed in social enterprises, with an average annual increase of 5.0% compared to 2008. The employment dynamic in social enterprises between 2003 and 2010 showed an increase of over 70%, much higher than the increase in all Italian businesses (up by around 10%). The number of jobs estimated for 2010 corresponds to a not-insignificant share (3.3%) of the total number of jobs at a national level, excluding agriculture and the public sector.

The business sectors in which social enterprises can operate are defined in Article 2 of d.lgs.155 / 2006:

- social care
- health care and social health
- education
- environmental protection
- protection of cultural heritage
- university education
- formal training
- social tourism
- services instrumental to social enterprises.

They can also become social enterprises organisations, regardless of scope of activities, carrying out business activities for the inclusion of disabled and disadvantaged workers if these workers constitute at least 30% of staff. Moreover, the activity must not have as priority mutualistic objectives, or cannot be exclusively addressed to members.

Accreditation and certification systems for social entrepreneurs in Italy

There are no marks, labelling schemes or certification systems for social enterprises in Italy. There are, however, systems for social reporting which are specifically targeted at social enterprises ex lege and social cooperatives. The accreditation process is usually replaced by affiliation to networks and mutual trade associations.

Networks and mutual support mechanisms at European and national level

Networks and mutual support mechanisms are well established in Italy. Social cooperatives often group together in local consortia to be effective in the market place. The consortia are in turn linked together in national federative bodies. For example, the creation of a national federation for social cooperatives in the late 1980s (Confcooperativa-Federsolidarietà) has played a key role in the institutionalisation of social cooperatives in Italy. The most significant of these consortia is called CGM, which brings together 78 territorial consortia, involving over 1,000 individual social cooperatives. In Italy there are different network putting together social enterprises. Among them:

- **FISI** – Federation on Italian Social enterprises: it is a legally recognised organisation, which represents, assists, supports, guides and protects social enterprises, associations, societies, associations with social purposes. FISI nurtures and develops internal reflection among the associates, and spreads organisational policies, and promotes cooperative measures. It negotiates and signs national collective contracts in various economic sectors as well as memoranda of understanding with institutional parties and social partners. FISI actively communicates with European and international institutions;
- **Federsolidarietà** - it is the organisation of political and union representation of social enterprises and cooperatives belonging to Confcooperative. Federsolidarietà represents their associates at institutional level and it assists them at union, legal and legislative, technical and economic level. Federsolidarietà also take care of the promotion and strengthening of participating institutions through a complex and widespread consortium system.

Social organisations have a natural tendency to form groups based on similarities and common economic and political interests. Some groups of social economy enterprises and networks that are organised so as to be competitive are quite big in Europe. They have also formed groups operating in the political sphere. The social economy in Europe has created a number of organisations that represent their interests and, through them, have participated in the elaboration and implementation of national and European policy whenever these processes have opened a space for participation for this type of social subject.

In several European countries, the associations that represent businesses and social economy organisations were mainly based on a sectoral perspective, giving rise to organisations, associations and platforms that represent, among other things, credit unions, of and agricultural workers, and mutual associations, institutions and social security associations and other non-governmental organisations involved in social activities.

In Europe, where the social economy (as a whole or through the "lobby" that compose it) has historically played a role in several EU policies, this aspect has been evident since the Treaty of Rome, with the foundation of Eurocoop, the organisation representing cooperatives of consumers in Europe, and in the development of the Common Agricultural Policy assisted by the General Confederation of Agricultural Cooperatives in the EU (COGECA). Following some of the most important representatives of social enterprises at EU level:

- **CECODHAS** (<http://www.housingeurope.eu/>), the European Coordinating Committee for social housing, which includes about 41.400 between cooperatives, public bodies and voluntary organisations providing housing services in 19 countries;

CECOP

(<http://www.cecop.coop/>): European Confederation of Cooperatives of production and labour, social and participatory cooperative enterprises active in industry, services and crafts. CECOP has members in 17 European countries including 20 national federations and four development organisations for the promotion of cooperatives, for a total of about 50.000 companies;

- **CICOPA** (<http://www.cicopa.coop/>): International organisation of production cooperatives in different sectors (construction, industrial production, services of general interest, transport, intellectual services, crafts, health care, etc.). The members are second level associations representing cooperatives in the mentioned areas;
- **COGECA** - European agri-cooperatives and farmers (<http://www.copa-cogeca.be/>): General Confederation of Agricultural Cooperatives in the EU. It has 35 full members and 4 affiliated members of the European Union and represents over 40.000 cooperatives;
- **Cooperatives Europe** (<http://Coopseurope.coop>) is the umbrella organisation of all the representative entities of the European cooperative movement that officially interacts with the European institutions. It has 91 member organisations from 35 European countries and represents over 160,000 cooperative societies;
- **AECB** - European Association of Co-operative Banks (<http://www.eacb.coop/en/home.html>): Association of European cooperative banks that represents, promotes and defends the interests of 28 member institutions and cooperative banks. It represents about 56 million members and 860.000 workers;
- **EFC** - European Foundation Centre (www.efc.be): European Foundation Centre that encompasses about 230 foundations and the philanthropic sector as a European entity;
- **EVPA** - European Venture Philanthropy Association (<http://evpa.eu.com>): European Association of Venture Philanthropy Association. The network includes more than 160 members between venture philanthropy funds, funding foundations, private equity firms, philanthropy advisors and business schools from 22 countries;
- **EUROCOOP** (<http://www.eurocoop.org/it/>): European Community of Consumer Cooperatives. Its members are the national organisations of consumer cooperatives in 18 European countries and one non-European. Created in 1957, EUROCOOP today represents over 4,500 local and regional cooperatives, whose members are more than 30 million consumers across Europe;
- **FEBEA** - European Federation of Ethical and Alternative Banks (www.febea.org/home.php): European Federation of Ethical and Alternative banks representing 25 major European ethical banks in order to promote the growth of initiatives in favour of ethical finance.

Barriers and problems for setting up a social enterprise in Italy

The barriers and challenges to the growth and development of social enterprises in Italy can be summarised as follows:

- The spending reviews implemented by the Italian Government in response to the economic crisis have reduced the availability of public resources in sectors that are fundamental for social enterprises, such as the sector of welfare;
- Delays in payments for the services delivered to public administrations affecting sustainability of social enterprises;
- Growing competition from for-profit companies in some markets traditionally served by social enterprises;
- Difficulty in attracting effective managers to develop further their business due to lower salaries offered by social enterprises as compared to other sectors of the economy.

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