

INFORMATION NOTE

Overview of Social Enterprise Policies and Measures of the United Kingdom and Spain

1. Introduction

1.1 At its meeting held on 1 February 2007, the Subcommittee to Study the Subject of Combating Poverty proposed to undertake an overseas duty visit to selected places to study the operation of their social enterprises. In this regard, this information note provides Members with information on the emergence of social enterprises in developed economies and social enterprise policies and measures adopted in the United Kingdom (UK) and Spain.

1.2 The UK is selected because the UK government has established a distinct legal identity for social enterprises and carried out some pioneering works to improve social enterprises' access to finance. Spain is selected because the Spanish government has used social enterprises as a means to alleviate the unemployment problem and social enterprises have involved in the operation of almost all economic sectors in Spain.

2. Emergence of social enterprises

2.1 In developed economies, not-for-profit organizations have long engaged in income-generating activities and businesses to supplement or complement their mission activities. For example, the first co-operative was established in the UK in 1844 to run businesses to cater for the needs of their members. Since the 1980s, such income-generating activities by not-for-profit organizations have soared and they are commonly grouped under the umbrella terms of "social enterprise"/"social economy"/"social entrepreneurship". Although there is no universally accepted definition for these terms, the notion of entrepreneurial activities being conducted for social purposes is considered pertaining to such terms.

2.2 The growth in social entrepreneurial activities is a result of the not-for-profit organizations' quest for financial sustainability as their financial support from traditional, philanthropic, and government sources is declining. In addition, the governments of many developed economies are committed to promote these entrepreneurial activities because they believe that this type of entrepreneurial activities is a vehicle to tackle social problems (e.g. unemployment) and boost the economy.

3. Social enterprise policies and measures of the United Kingdom and Spain

3.1 Social enterprise policies and measures adopted in the United Kingdom and Spain are presented in the following tables.

Table 1 — Official definition of social enterprises

United Kingdom	Spain
<ul style="list-style-type: none"> The UK government defines a social enterprise as "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners"¹ 	<ul style="list-style-type: none"> According to Spanish laws, social economy enterprises are specific forms of organizations which engage in the production and trading of goods and services, and the purpose of engaging in those activities is to fulfil social interest²

Table 2 — Social enterprise sector

	United Kingdom	Spain
Statistics of the sector in 2004	<ul style="list-style-type: none"> Around 55 000 social enterprises Estimated turnover of £27 billion (HK\$400 billion) Accounting for 2.8% of GDP Accounting for 2.5% of all private sector employment 	<ul style="list-style-type: none"> Around 48 000 social economy enterprises Estimated turnover of €87 billion (HK\$889 billion) Accounting for over 7% of GDP Accounting for 25% of total working population
Types	<ul style="list-style-type: none"> Charity trading arms Community businesses Co-operatives Community development finance institutions Social firms 	<ul style="list-style-type: none"> Co-operatives Labour societies (employee-owned companies) Mutual societies Social insertion companies³ Sheltered employment centres

¹ *Social Enterprise: A Strategy for Success* (2002), p.13.

² *Summary of the Report on the Social Economy in Spain in the Year 2000*, p.17.

³ Enterprises that provide jobs for those who are disadvantaged in the labour market e.g. long-term unemployed.

Table 2 — Social enterprise sector (cont'd)

	United Kingdom	Spain
Fields of activities	<ul style="list-style-type: none"> 92% of production and trading activities of social enterprises in 2004 were in the service sectors and the rest were in other economic sectors 	<ul style="list-style-type: none"> In the 4th quarter of 2006, the proportion of production and trading activities of social economy enterprises in the service, industrial, construction and agricultural sectors was 53.6%, 22.6%, 13.5% and 10.3% respectively
Size of social enterprises	<ul style="list-style-type: none"> Over 80% are micro (less than 10 employees) and small (11 to 49 employees) enterprises 	<ul style="list-style-type: none"> 96% of the co-operatives are micro and small enterprises Mondragón Corporacion Cooperativa (MCC) (one of the world's largest co-operatives) had a workforce of 70 884 in 2004
Problems faced by the sector	<ul style="list-style-type: none"> Poor understanding of the sector by various segments of the society Lacking a specific regulatory framework for social enterprises Difficulties in fund-raising for business purposes Insufficient business support for the sector 	<ul style="list-style-type: none"> Insufficient understanding of social economy enterprises Lacking a specific regulatory framework for social insertion companies Difficulties in fund-raising for starting a business Insufficient business support for the sector
Organization representing the sector	<ul style="list-style-type: none"> Social Enterprise Coalition 	<ul style="list-style-type: none"> Spanish Business Confederation of the Social Economy

Table 3 — Social enterprise policies and measures

	United Kingdom	Spain
Responsible ministry	<ul style="list-style-type: none"> Office of the Third Sector under the Cabinet Office 	<ul style="list-style-type: none"> Ministry of Labour and Social Affairs
Relevant policy papers	<ul style="list-style-type: none"> <i>Social Enterprise: A Strategy for Success</i> (2002) <i>Social Enterprise Action Plan: Scaling New Heights</i> (2006) 	<ul style="list-style-type: none"> <i>Convergence and Employment: The Spanish National Reform Program</i> (2005) <i>National Report on Strategies for Social Protection and Social Inclusion of the Kingdom of Spain 2006-2008</i> <i>Labour and Social Affairs Guide 2006</i>
Policy objective	<ul style="list-style-type: none"> Tackling social exclusion⁴ and creating a strong, sustainable and socially inclusive economy 	<ul style="list-style-type: none"> Promoting access to employment and fighting against poverty and social exclusion
Legal framework	<ul style="list-style-type: none"> Social enterprises are established under a range of legal forms e.g. companies and co-operatives Community interest companies (a legal form specifically designed for social enterprises introduced in 2004) 	<ul style="list-style-type: none"> Social economy enterprises are established under a range of legal forms e.g. companies and co-operatives No specifically designed legal form for social economy enterprises
Policies and measures to promote social enterprises	<ul style="list-style-type: none"> Creating an enabling environment for social enterprises <ol style="list-style-type: none"> Implementing a comprehensive social enterprise strategy Establishing a specific regulatory framework for social enterprises i.e. community interest companies Involving social enterprises in public service delivery 	<ul style="list-style-type: none"> Encouraging the unemployed to form self-employed social economy enterprises <ol style="list-style-type: none"> Allowing one-off collection of unemployment benefits by the eligible unemployed in order to start a self-employed social economy enterprise Subsidy for feasibility study of a business project Subsidy to obtain loans for investment

⁴ The Social Exclusion Unit of the Cabinet Office explains that "social exclusion happens when people or places suffer from a series of problems such as unemployment, discrimination, poor skills, low income, poor housing, high crime, ill health and family breakdown".

Table 3 — Social enterprise policies and measures (cont'd)

	United Kingdom	Spain
Policies and measures to promote social enterprises (cont'd)	<ul style="list-style-type: none"> • Making social enterprises better businesses <ul style="list-style-type: none"> (a) Social enterprises access to finance through community development finance institutions (b) Business support and training for social enterprises • Establishing the value of social enterprises <ul style="list-style-type: none"> (a) Building the knowledge base on social enterprises (b) Raising public awareness of the social enterprise sector 	<ul style="list-style-type: none"> • Encouraging social economy enterprises to incorporate the disadvantaged labour force into workplace through tax incentives • Encouraging the unemployed and disadvantaged labour force to create and sustain social economy enterprises through subsidies <ul style="list-style-type: none"> (a) Allowing one-off collection of unemployment benefits by the eligible unemployed in order to join or start a social economy enterprise (b) Subsidy for social economy enterprises to invest in fixed assets for start-up, consolidation or improvement of their competitiveness (c) Subsidy for social economy enterprises to buy business support services • Subsidy for approved organizations to conduct training, promotion and dissemination of social economy activities
Forthcoming policies and measures	<ul style="list-style-type: none"> • Involvement of younger generations in the social enterprise sector • Attracting more private investment in social enterprises • Increasing the involvement of social enterprises in the delivery of public services 	<ul style="list-style-type: none"> • Enacting laws to regulate social insertion companies • Enacting laws to ensure the right of dependent people (e.g. the elderly) to access to social services instead of depending on the care of family members - social economy enterprises will be benefited from the creation of the estimated 300 000 new jobs

References

1. Alter, K. (2006) *Social Enterprise Typology*. Available from: <http://www.virtueventures.com/setypology.pdf> [Accessed 5 February 2007].
2. CEPES (Spanish Business Confederation of the Social Economy). (2005) *Social Economy Yearbook 2004*. Available from: http://www.cepes.es/docs/ANUARIO_CEPES_2004_Esp_Ing.pdf [Accessed 9 February 2007].
3. CEPES (Spanish Business Confederation of the Social Economy). (2007) *Social Economy Yearbook 2005*. Available from: http://www.cepes.es/docs/ANUARIO_DE_CEPES_2005_ESPAÑOL_INGLES.pdf [Accessed 26 February 2007].
4. CIRIEC-España (International Centre for the Investigation and Information on the Public, Social and Cooperative Economy — Spain). (2002) *Summary of the Report on the Social Economy in Spain in the Year 2000*. Available from: http://www.ciriec.es/ES_2000_eng.pdf [Accessed 7 February 2007].
5. *Convergence and Employment: The Spanish National Reform Program*. (2005) Available from: <http://www.la-moncloa.es/NR/rdonlyres/2E85E75E-E2D9-4148-B1DF-950B06696A6C/74196/NUEVOPROGRANACIONALDEREFORMASversi%C3%B3nningl%C3%A9sdefini.pdf> [Accessed 15 February 2007].
6. Dees, J. Gregory. (2001) *The Meaning of "Social Entrepreneurship"*. Available from: http://www.fuqua.duke.edu/centers/case/documents/dees_sedef.pdf [Accessed 12 February 2007].
7. Defourny, Jacques. (2001) From Third Sector to Social Enterprise. In: Borzaga, Carlo (ed). *Emergence of Social Enterprise*. London, Routledge.
8. Defourny, Jacques and Marthe Nyssens. (2006) Defining Social Enterprise. In: Nyssens, Marthe (ed). *Social Enterprise at the Crossroads of Market, Public policies and Civil Society*. London, Routledge.
9. Ministerio de Trabajo y Asuntos Sociales (Ministry of Labour and Social Affairs). *National Report on Strategies for Social Protection and Social Inclusion of the Kingdom of Spain 2006-2008*. (2006) Available from: http://ec.europa.eu/employment_social/social_inclusion/docs/2006/nap/spain_en.pdf [Accessed 15 February 2007].
10. *Ministerio de Trabajo y Asuntos Sociales* (Ministry of Labour and Social Affairs). (2007) Available from: <http://www.mtas.es/index-uk.htm> [Accessed February 2007].

11. Ministerio de Trabajo y Asuntos Sociales (Ministry of Labour and Social Affairs). (2007) *Labour and Social Affairs Guide 2006*. Available from: <http://www.mtas.es/Guiaingles2006/texto/index.htm> [Accessed 3 February 2007].
12. *Office of the Third Sector*. (2007) Available from: http://www.cabinetoffice.gov.uk/third_sector/ [Accessed February 2007].
13. *Presidente del Gobierno* (Presidency of the Government). (2007) Available from: <http://www.la-moncloa.es/default?idioma=en-GB> [Accessed February 2007].
14. Small Business Service. (2005) *A Survey of Social Enterprises Across the UK*. Available from: http://www.sbs.gov.uk/SBS_Gov_files/researchandstats/Social-Enterprise-Survey-2005.pdf [Accessed 2 February 2007].
15. *Social Economy Enterprises*. (2005) Available from: <http://ec.europa.eu/enterprise/entrepreneurship/coop/> [Accessed February 2007].
16. *Social Enterprise Action Plan: Scaling New Heights*. (2006) Available from: http://www.cabinetoffice.gov.uk/third_sector/documents/social_enterprise/se_action_plan_%202006.pdf [Accessed 2 February 2007].
17. *Social Enterprise Coalition*. (2007) Available from: <http://www.socialenterprise.org.uk/Default.aspx> [Accessed February 2007].
18. Social Enterprise Edinburgh. (2006) *Definitions of the Different Types of Social Enterprises*. Available from: http://www.go4see.info/social_enterprise/socialenterprisetypes.pdf [Accessed 12 February 2007].
19. *Social Enterprise: A Strategy for Success*. (2002) Available from: http://www.sbs.gov.uk/SBS_Gov_files/speeches/SPE_documenta.pdf [Accessed 2 February 2007].
20. *Spain National Reform Program: 2006 Progress Report*. (2006) Available from: <http://www.la-moncloa.es/PROGRAMAS/PNR/PNREnglish/2006ProgresssReport.htm> [Accessed 22 February 2007].

Prepared by Simon LI
2 March 2007
Tel: 2869 9343

Information notes are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Information notes are subject to copyright owned by the Legislative Council Commission (the Commission). The Commission permits accurate reproduction of the information notes for non-commercial use in a manner not adversely affecting the Legislative Council, provided that acknowledgement is made stating the Research and Library Services Division of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library.