

Building Social Enterprises from the Ground Up

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ABSTRACT

The EU-funded Enhancing Social Innovation in Rural Areas (ESIRA) project aims to develop initiatives within the social economy to better include vulnerable groups in rural communities. In Norway, social enterprises are uncommon, and there is no established legal framework for this type of business organization. This situation, combined with high expectations of a traditionally strong welfare state, presents unique challenges for the ESIRA project's goal of establishing and developing social enterprises and the local social economy. This short article will explore this dilemma based on experiences from the ESIRA project with the aim to offer a nuanced perspective on the interplay between social enterprises and the welfare state.

RÉSUMÉ

Le projet Enhancing Social Innovation in Rural Areas (ESIRA), financé par l'UE, vise à développer des initiatives au sein de l'économie sociale afin de mieux inclure les groupes vulnérables dans les communautés rurales. En Norvège, les entreprises sociales sont rares et il n'existe pas de cadre juridique établi pour ce type d'organisation commerciale. Cette situation, combinée aux attentes élevées d'un État-providence traditionnellement fort, présente des défis uniques pour l'objectif du projet ESIRA d'établir et de développer des entreprises sociales et l'économie sociale locale. Ce court article explorera ce dilemme en se basant sur les expériences du projet ESIRA, dans le but d'offrir une perspective nuancée sur l'interaction entre les entreprises sociales et l'État-providence.

Keywords / Mots clés : ESIRA, social innovation, Norway, social enterprise / ESIRA, innovation sociale, Norvège, entreprise sociale

INTRODUCTION

In the 1970s, rising unemployment and economic decline in Europe led to the emergence of social enterprises, which were established to respond to deficiencies in social service provisions (O'Byrne, Lean, Moizer, Walsh, Dell'Aquila, & Friedrich, 2014). Currently, social enterprises can be considered vehicles of local development and citizen engagement across Europe as they deal with a range of issues such as social exclusion and poverty. Although these types of businesses are common in Europe, their organization and legal formation show diversity across countries, meaning some are registered as private companies limited by guarantee, others are mutuals, and many are nonprofits, such as associations, charities, or foundations (European Commission).

Norway offers an interesting country of study regarding how social enterprises are built and operate as there is no established legal framework for this type of organization. Furthermore, the Norwegian welfare state's large public sector that emphasizes equal income distribution and gender equality (Enjolras, Loga, Kobro, & Hauge, 2021) makes the involvement of commercial actors as welfare service providers confusing. In Norway, voluntarism and nonprofit organizations have broad political support, yet confusion around social enterprises persist given that social enterprises pursue both social and nonprofit objectives, and there is a prevailing uncertainty around these establishments (Kobro, 2019). Furthermore, there are concerns that social economy initiatives might compete with public services or allow the government to step back from duties it should normally carry out.

This short article draws on experiences from the EU-funded ESIRA project, which aims to develop initiatives within the social economy to better include vulnerable groups in rural communities. Based on a case study conducted in the Kongsvinger region, the authors discuss how the Norwegian case offers a nuanced perspective on the interplay between social enterprises and the welfare state.

SOCIAL ENTERPRISES: CONCEPTUAL UNCERTAINTY

Despite the widespread use of the term, social enterprises are understood in significantly different ways by national legislations, policy strategies, academics, and social entrepreneurs (Borzaga, Galera, Franchini, Chiomento, Nogales, & Carini, 2020). While in some countries social enterprises are conceived regarding the way they are organized, in other countries their definition is closely connected to their sector-specific activities (Borzaga et al., 2020). In 2022, the European Commission launched the Social Business Initiative (SBI), which generated concrete measures to create a favourable environment for the development of social enterprises. In doing so, the SBI also introduced a definition of social enterprises that encompassed three key dimensions: entrepreneurial, social, and inclusive ownership-governance. Accordingly, the interaction among these three dimensions decides whether an organization may or may not qualify as a social enterprise (see also Borzaga et al., 2020, pp. 28–29).

As mentioned, Norway offers an interesting case to study social enterprises as the rise of social enterprises in Norway has origins in both the voluntary and business sectors (Kobro, 2019). In Norway, social enterprises have grown from strong community traditions and grassroots efforts. Due to the strong welfare tradition, it is argued that social enterprises in Norway are pressured to function as public institutions and expected to conform their standards (see also, Enjolras, Lundgaard, Andersen, & Loga, 2021, p. 312). The following describes and discusses the interplay between social enterprises and the welfare state in Kongsvinger, Norway.

SOCIAL INNOVATION IN KONGSVINGER, NORWAY: NOTES FROM THE ESIRA PROJECT

As part of the ESIRA project, the authors conducted a case study in Kongsvinger. Located in southern Innlandet county, Kongsvinger faces a demographic imbalance, with declining shares of children and working-age adults (20–66) and a growing elderly population (67+). Additionally, household earnings in the region are lower than both the national and Innlandet averages (Statistics Norway, 2023). In this regard, the region has offered us the possibility of exploring the role and potential of social enterprises in promoting local development and social inclusion.

A central element of the ESIRA project is how the work of innovation is carried out using a multi-actor platform including representatives from different organizations for people with different disabilities, academics, private and public sector workers. They all live, and most of them work, in the Kongsvinger region, anchoring their work in the local context. This group of around 20 people is working together brainstorming and developing projects within the social economy aimed at increasing the inclusion of people with disabilities. Currently two concepts are moving toward implementation while a further two are still in the idea phase.

The mix of belonging to a common regional context and the involvement of people from the targeted group has allowed discussions and concept development to include perspectives on local challenges and resources in combination with real-life experience and expertise from people living with disabilities. This gives a solid foundation when it comes to defining the social purpose of social economy initiatives. However, lacking policy framework for supporting social enterprise in Norway, particularly when it comes to initial financing and set-up costs, remains a barrier for their development.

Given the relative novelty of social enterprises in the Norwegian context, it has at times been challenging for members of the multi-actor platform to move away from traditional concepts of advocacy or activism. The importance of advocacy and activist campaigning on behalf of people with disabilities should not be underestimated, therefore the goal of the ESIRA program is to establish initiatives that can be ongoing and self-sustaining, continuously providing its social benefits not creating a moment of change and then disappearing.

Critical voices have raised concerns that social economy initiatives compete with public services, or that they end up freeing the public sector from its responsibilities by providing what the government normally should be responsible for. Either way, social economy becomes something that potentially undermines the welfare state weakening its public and political support. This is then used as an argument for caution when it comes to creating mechanisms that support social enterprises in general. It has also been raised in response to the ESIRA project.

This issue can be mitigated in two ways. First, given the large local variability in services available in rural areas and the ongoing cycle of decline in many rural places, it is difficult to find fault with citizens improving quality of life for themselves and their fellow citizens and creating a more inclusive and potentially more prosperous community. Building on local knowledge and local resources to find ways to meet the ongoing economic and demographic challenges that many rural regions have been facing could also shift focus away from growth as the most important measurement of success and instead focus on quality of life for local populations.

Second, the authors' experience of the ESIRA multi-actor platform has shown that, while discussions often revolve around the types of services and offers typically associated with the traditional welfare state, the actual projects selected for development do not compete with state or municipal services.

In fact, the social economy initiatives currently being developed as part of the ESIRA project in Kongsvinger can be said to have a complementary role to municipal services. Therefore, this article concludes that social enterprises offer a flexible and community-oriented solution by mobilizing social resources and engaging citizens.

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