

# Comparative Case Study Report on the State of the Social Economy

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## 1. Introduction

There is some debate about the organisational forms that might be best suited for social innovations to emerge. While it is clear that social innovations can emerge from all sectors, some sectors, and some of the organisational forms in that sector, might be better placed to innovate because of their specific features and/or characteristics. In the following passages we argue that the social economy should be seen as a fertile ground for social innovation and a major contributor to solving social needs. The concept of the 'social economy' can be regarded as a highly prominent topic in academic and political discourses. However, there are many definitions and conceptions of the term. One of the reasons for this diversity of meanings is the heterogeneity of the social economy's constituent organisations as they can be, for example, grouped by different roles and models.

The social economy has a key role in solving social problems. Indeed, the “social economy plays a growing role in OECD countries in tackling the problems of socio-economic inclusion and poverty, and in fostering active citizenship and solidarity together with democratic participation.”<sup>1</sup> One key dimension of social economy organisations is their democratic and participatory nature. Democratic processes are considered important for the potential to solve social problems. This matches the characteristics associated with social enterprises. For example, the EMES definition of social enterprises is open to many different organisations and particularly stresses the democratic governance features that we argue are important for social innovations to emerge. According to Defourny<sup>2</sup>, the following criteria are essential. The economic and entrepreneurial dimensions of social enterprises are: (1) continuous activity producing goods and/or selling services, (2) a high degree of autonomy, (3) a significant level of economic risk, (4) a minimum amount of paid work. The social dimensions are: (5) an explicit aim to benefit the community, (6) an initiative launched by a group of citizens, (7) decision-making power not based on capital ownership, (8) a participatory nature, which involves the people affected by the activity, and (9) limited profit distribution.

Another definition for social economy organisations is introduced by Borzoga and Tortia. They argue that social economy organisations display the following four characteristics<sup>3</sup>:

- They are founded as a response to an emerging need in society;
- Allocation principles are based on solidarity and reciprocity;
- Models for participation and democratic decision-making processes are included within the organisational structure;
- They use a plurality of resources.

Now, turning to the definition of social innovations, most authors describe these as something new that addresses social needs or social problems in a better way than previous solutions. Specifically, we define social innovations as "new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new

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<sup>1</sup> A, Noya, E, Clarence, *'The Social Economy. Building Inclusive Economies'*, OECD, Local Economic and Employment Development (LEED), 2007, 4

<sup>2</sup> J, Defourny, *'Introduction'*, C Borzoga, J Defourny (Eds.): *'The Emergence of Social Enterprise'*, New York: Routledge, 2004

<sup>3</sup> Borzoga/Tortia 2007: 34ff.

or improved capabilities and relationships and/or better use of assets and resources. In other words, social innovations are both good for society and enhance society's capacity to act."

We consider this notion of being social in both ends and means as a qualifier for social innovation. The newness of an innovation has nothing to do with being good.<sup>4</sup> Social innovations are oriented towards socially valued goods.<sup>5</sup> Indeed, "an innovation does not become an innovation until there is a social impact and this may involve both positive and negative effects."<sup>6</sup> Social innovations should, as expressed in most definitions, bring about improvements to society as a whole. As a result, social innovation is connected to positive social change.<sup>7</sup> But what is often missing in these definitions is a mention of how the judgement about the goodness of a social innovation is made: "[T]here is no inherent goodness in social innovation"<sup>8</sup>. This is why it is necessary to have discursive processes that allow for the qualification of an innovation as social.<sup>9</sup> These arising legitimacy questions call for a need to limit social innovations to those solutions and changes that bring about improvements for a majority of people, or at least do not cause significant harm to others.

To sum up, we stress three main dimensions of social innovations. First, social innovations are addressing a social problem or social need; they are social in their ends. Second, social innovations are 'produced' using 'social' means, i.e. within the production process social and ecological standards are also taken into consideration. And third, legitimacy is generated from democratic and participatory processes and structures which ensure that the new solution has the widest possible benefit. Looking at the criteria for social economy organisations and the criteria for social innovation, we see some overlap between these two concepts.

**Table 1-1 – Matching criteria: social economy organisations and dimensions**

Social Economy Organisations Criteria	Social Innovation Dimensions
<i>Founded as a response to an emerging need in society</i>	Social end orientation
<i>Presence of allocation principles based on solidarity and reciprocity</i>	Social means orientation
<i>Inclusion of participation modes and democratic decision-making processes within organisational structure</i>	Legitimacy dimension
<i>Using a plurality of resources</i>	Legitimacy dimension, social means dimension

What is more, social economy organisations can also perform an advocacy role, which can have an indirect influence on the emergence of social innovations in other sectors.<sup>10</sup> However, social

<sup>4</sup> J, Howaldt, M, Schwarz, 'Soziale Innovation- Konzepte, Forschungsfelder und – perspektiven', J, Howaldt, H, Jacobsen (Eds.), VS Verlag für Sozialwissenschaften, Wiesbaden, 2010

<sup>5</sup> K, Gillwald, 'Konzepte sozialer Innovation', WZB paper, Querschnittsgruppe Arbeit und Ökologie, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin, 2000, retrieved 6 August 2012, <<http://bibliothek.wzb.eu/pdf/2000/p00-519.pdf>>

<sup>6</sup> SH, Salen, 'Preface', CG Heden, A, King (Eds.), Pergamon, Oxford etc., 1984 pp. v-vii

<sup>7</sup> SH, Salen, 'Preface', CG Heden, A, King (Eds.), Pergamon, Oxford etc., 1984 pp. v-vii

<sup>8</sup> E; Lindhult, 'Are partnerships innovative?', L; Svensson, B, Nilsson (Eds.), Santérus Förlag, Stockholm, 2008, 43f.

<sup>9</sup> J, Howaldt, M, Schwarz, 'Soziale Innovation- Konzepte, Forschungsfelder und – perspektiven', J, Howaldt, H, Jacobsen (Eds.), VS Verlag für Sozialwissenschaften, Wiesbaden, 2010

<sup>10</sup> RM, Kramer, 'Voluntary Agencies in the Welfare State', University of California Press, Berkley, Los Angeles, London, 1981

innovations can cut across and occur in all sectors and they frequently move between sectors as they develop. Furthermore, often social innovations occur at the interfaces between the different sectors and involve actors working together from across sectors (for example, businesses and third sector organisations or the state and social enterprises). But social economy organisations display some important features; they have specific features which enable legitimised social innovations to emerge. This is why we see the social economy and social enterprises in particular as very important contributors to social innovations.

When stressing that social economy organisations have particular features which make them particularly well suited to developing social innovations, we are not arguing that other organisations, especially for-profits, are not developing social innovations. But for-profits are per definition operating under conditions that lay certain constraints on their potential to produce social innovations.

When starting with existing approaches to measuring the social economy, we have to take into consideration the Johns Hopkins Comparative Nonprofit Sector Project (JHCNP). The scope of the JHCNP reveals some differences between the concept of the social economy in Europe and the concept of the non-profit sector in the US. Organisations that restrict profit distribution are included in the European definition of the social economy, thereby including mutuals and cooperatives.<sup>11</sup> In Europe, the term social economy is not focused on the non-profit distribution constraint which is the backbone of the American definition of the non-profit sector. Rather, the term stresses modes of action within organisations like participation, democracy, and centrality of members' needs.<sup>12</sup> Furthermore, new forms of hybrid organisations have emerged during the last two decades such as forms of social enterprise and social business. In some instances, new organisational forms have been developed. Where this is the case, they have not been included in the definition of the JHCNP. Therefore, a new review of the whole social economy is necessary.

The relationship between the social economy and the non-profit sector is twofold. On the one hand, there are commonalities between both concepts; on the other hand, clear differences can be identified. The organisations in the non-profit sector are categorised by several features: they have to be (1) formally structured, (2) organisationally independent of the state, (3) independently managed, they must be (4) supported by a certain degree of voluntary contributions, and (5) membership has to be on a voluntary basis. Non-profit organisations, like social enterprises, are mostly present in leisure, cultural, or social services.<sup>13</sup> While these areas of activity can be regarded as a shared space, a demarcation line can be drawn, when an emphasis is put on the non-profit criterion, meaning that NPOs must not make profit that can be distributed to their proprietors.<sup>14</sup> In the social economy, however, the profit distribution constraint is not always present, for example co-operatives and mutual societies distribute a portion of their revenue surpluses to their

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LM, Salamon, LC, Hems, K, Chinnock, 'The Nonprofit Sector – For What and for Whom?', Working Papers of the John Hopkins Comparative Nonprofit Sector Project, no. 37, The John Hopkins Center for Civil Society Studies, Baltimore, 2000

<sup>11</sup> A, Noya, E, Clarence, 'The Social Economy. Building Inclusive Economies', OECD, Local Economic and Employment Development (LEED), 2007

<sup>12</sup> A, Evers, JL, Laville, 'Defining the third sector in Europe', A, Evers, JL; Laville (Eds.), Edward Elgar, Cheltenham, Northampton, 2004

<sup>13</sup> A, Zimmer, E. Priller (Eds.), 'Gemeinnützige Organisationen im gesellschaftlichen Wandel, Ergebnisse der Dritte-Sektor-Forschung', VS Verlag für Sozialwissenschaften, Wiesbaden, 2007, 15

<sup>14</sup> HK Anheier, E, Priller, W, Seibel, A, Zimmer, 'Einführung', HK, Anheier, E, Priller, W, Seibel, A, Zimmer (Eds.), Rainer Bohn Verlag, Berlin, 1997, 15

members.<sup>15</sup> The non-profit sector and the social economy have a set of shared legal organisational forms: associations, cooperatives, foundations and non-profit limited liability companies.<sup>16</sup> But, depending on the concrete definition of the social economy, for-profit legal forms like the regular limited liability company (GmbH) can also be part of the social economy. An example is “GEPA – The Fair Trade Company”. It is Europe's largest fair trade company, highly active in the provision of fair-trade goods whilst promoting environmental responsibility.<sup>17</sup> Although GEPA has a clear social mission, its legal form is for-profit. This is because German law does not allow for a trading company to gain a tax-exempted legal non-profit form. Thus, this company would be excluded from the non-profit sector if using the rigid definition in the Handbook on Non-Profit-Institutions in the System of National Accounts, but by adopting the more flexible social economy concept, it can be included.<sup>18</sup>

Beyond these theoretical and legal issues, there is a disappointing lack of accessible quantitative data concerning the social economy.<sup>19</sup> A satisfactory quantitative analysis of the size and the structure of the non-profit sector and the social economy is quite difficult, but major efforts are nevertheless identifiable within the academic arena. Various studies, such as the Johns Hopkins Comparative Non-Profit Project (JHCNP), which assesses the non-profit sector, or the Project CIRIEC (Centre International de Recherches et d' Information sur l' Economie Publique, Sociale et Coopérative), which focuses on the social economy in distinction and as a counterpart to the Johns Hopkins Project, have tried to show the size, relevance and importance of both concepts, namely the non-profit sector and the social economy. Although the two studies made a great contribution to the empirical understanding of these concepts, both were conducted during the 1990s. As such, their data could be regarded as outdated. Since then, compared to the size and scope of CIRIEC and Johns Hopkins, only minor efforts have been made to get a comprehensive understanding of the non-profit sector and the social economy from a comparative perspective.

As the Johns Hopkins Comparative Nonprofit Sector Project<sup>20</sup> is a very well recognised initiative which led to the “Handbook of Non-Profit Institutions in the System of National Accounts”<sup>21</sup> published by the United Nations, we used this as a starting point. This framework includes the well-known non-profit legal forms which constitute the non-profit sector. Examples of these are associations, foundations or church related organisations.<sup>22</sup> However, it could be argued that these legal forms do not necessarily operate on the basis of an economic rationale, i.e. they do not operate in the market. There are some questions about whether NPOs are part of the social economy, because their degree of market participation can be very low. For pragmatic reasons we decided to include them, even if some of them have shown no economic activity at all.

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<sup>15</sup> Europäischer Wirtschafts- und Sozialausschuss, *Die Sozialwirtschaft der Europäischen Union*, 2007, 12- 13, retrieved 4 July 2012, <[http://www.socialeconomy.eu.org/IMG/pdf/DE\\_web.pdf](http://www.socialeconomy.eu.org/IMG/pdf/DE_web.pdf)>.

<sup>16</sup> A, Zimmer, E. Priller (Eds.), ‘Gemeinnützige Organisationen im gesellschaftlichen Wandel, Ergebnisse der Dritte-Sektor- Forschung’, VS Verlag für Sozialwissenschaften, Wiesbaden, 2007, 15

<sup>17</sup> <http://www.gepa.de/p/index.php/mID/1/lan/de> Accessed: 11.07.12

<sup>18</sup> An example for the blurring boundaries between for-profit and non-profit can be found in the area of work integration as organisations active in this field exist in both legal forms.

<sup>19</sup> K, Birkhölzer, L., Kramer, ‘Grundstrukturen und Erfolgsbedingungen innovativer Arbeits- und Unternehmensformen in Sozialen Unternehmungen’, K, Birkhölzer, E, Kistler, G, Mutz, (Eds.), VS Verlag für Sozialwissenschaften, Wiesbaden, 2004, 105

<sup>20</sup> For further information see <http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector> Accessed: 02.07.12

<sup>21</sup> UN, ‘Handbook of Non-Profit Institutions in the System of National Accounts’, 2003, retrieved 2 July 2012, <[http://unstats.un.org/unsd/publication/seriesf/seriesf\\_91e.pdf](http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf)>.

<sup>22</sup> UN, ‘Handbook of Non-Profit Institutions in the System of National Accounts’, 2003, retrieved 2 July 2012, <[http://unstats.un.org/unsd/publication/seriesf/seriesf\\_91e.pdf](http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf)>



We have identified four types of organisations:

- 1) The criterion of tax exemption is often taken as a starting point for social economy organisations as tax-exemption status is connected to specific preconditions, such as fields of operation. In Germany, these purposes are precisely defined by 25 fields of activity within the Abgabenordnung<sup>23</sup> which allow an organisation to be classified as charitable. Examples of charitable purposes are the promotion of science, sports, education, arts, culture, equal treatment, and the support of disadvantaged groups.<sup>24</sup> It should be noted that often there is no legal form reserved for charitable purposes – instead attribution is granted by the tax authorities. Thus, the detection of organisations that have a tax-exempted status is difficult in some countries.
- 2) We start from the assumption that there are legal forms which do not inherently focus solely on profit maximization. This is because although they can distribute profit to their members, these types of organisations work towards a collective or mutual goal instead of focussing on individual profit maximization. In our view this makes these organisations potential social innovators due to their inherent legal characteristics in terms of, for example, their democratic structures. Based on Evers and Laville, this leads to an inclusion of co-operatives and mutual aid societies<sup>25</sup>.
- 3) In recent years, the emergence and growing importance of social enterprise, social business and other mission-related hybrid forms of organisation, has led to the implementation of new legal forms which prevent the full distribution of profits in some countries. These organisational forms make social enterprises distinguishable from charities, associations and other third sector organisations. One example is the Community Interest Company (CIC) in the UK.<sup>26</sup> Companies that register as a CIC retain their traditional form (as co-ops, or companies limited by guarantees or ordinary limited companies). They have an “asset lock” to prevent the assets and profits being distributed and they have to file a report every year to demonstrate their impact on the relevant ‘community of interest’. Another example is the ‘Social Purpose Company’ created in Belgium in 1995. This status explicitly stipulates that the organisation’s mission is to create social profit and not the accumulation of wealth by its associates. Other examples include the French “Collective Interest Co-operative Society”, the Portuguese “Social Solidarity Co-operative” and the Spanish “Social Initiative Co-operative”. These organisations are perceived as mission driven, even though they operate in the market, and therefore belong to the social economy. But the emergence of such legal forms is not detectable in every country in Europe. As such, the detection of these legal forms is patchy.
- 4) Finally, there are for-profit organisations that have a clear social mission, i.e. social businesses. Often these organisations have participatory and democratic governance structures that go far beyond the minimum requirements set by legislation. Often legislation does not allow for these organisations to be tax-exempted or to use a legal form as described in (2) or (3). A prominent example is the aforementioned fair-trade company

<sup>23</sup> ‘Abgabenordnung §52 lit. 2.’, retrieved 3 July 2012, <[http://www.gesetze-im-internet.de/ao\\_1977/\\_52.html](http://www.gesetze-im-internet.de/ao_1977/_52.html)>

<sup>24</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, ‘Zivilgesellschaft in Zahlen, Abschlussbericht, Modul 1’, 2011, retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>

<sup>25</sup> A, Evers, JL, Laville, ‘Defining the third sector in Europe’, A. Evers, JL, Laville (Eds.), Edward Elgar, Cheltenham, Northampton, 2004, 11–42

<sup>26</sup> CICs and social enterprises are not synonymous. That is, even though all CICs are social enterprises, not all social enterprises are CICs.

GEPA. More examples could be identified but there is no database available to detect all relevant cases for macro-level analysis. Only a case-by-case analysis would make clear which organisations should be included in the social economy. This constraint means leaving these organisations out of this report.

These four types of organisation are our starting point for the analysis of social economy organisations in the six selected European countries. The following diagram sums up the four types.

**Figure 1-1 – The scope of the social economy – the range of mission-driven organisations**

Mission-Driven Organisations				
Type	Tax-exempted status	Mission driven legal forms	Inherent legal characteristics	For-Profit Social Goal Organisations
Description	Organisation is proven to be mission driven due to the tax-exempted status which is given for organizations fulfilling or aiming at a social and/or ecological purpose	Organisation is proven to be mission driven due a legal form that is only accessible for organisations fulfilling or aiming at a social and/or ecological purpose	Organisation is proven to be mission driven due a legal form that shows characteristics that either give hints to mission driven operations or democratic governance	Organisation has a for-profit legal status, but is strongly committed to a social mission. Often a tax-exempted status is not possible due to legal constraints
Example	Non-Profit Organisation, Charity	CIC, L3C	Co-operatives	GEPA
Data access	Easy or less difficult	Easy	Easy to less difficult depending on national data	Only accessible on a case to case analysis

Based on this organisational framework, the TEPsIE consortium has developed case studies that give a statistical insight into the state of the social economy in Denmark, Germany, Greece, Poland, Portugal and the United Kingdom. However, to interpret the findings, it is helpful to have an overview of the historical developments within each country and the national legal forms that are relevant for the social economy.<sup>27</sup>

In the next chapter, we will shed some light on the historical developments within the respective countries. One needs to understand the connection between the state and welfare production, i.e. the engagement of the state in the production of social goods. It is legitimate to assume that a state's welfare system has a strong influence on the social economy, and therefore the ability and

<sup>27</sup> A case-by-case analysis for each country would be necessary in order to clarify if church organisations are included to the social economies' data. In Denmark, the main Christian denomination is part of the state and therefore not included into the social economy concept.

the imperative to be innovative. Innovation can occur because of monetary scarcity and the need to find ways to deal with obstacles with limited resources or because of monetary abundance and investment which allows experimentation.

The interpretation of data on the social economy also requires an understanding of the relevant legal forms which will be discussed in the subsequent chapter. Although we have created a template defining which requirements have to be met in order to include an organisational form in the social economy, this question has to be answered separately for each country due to different systems of tax exemption and unique legal forms.

These chapters are followed by a chapter comparing the statistical findings in each country. It is heavily built on the case studies delivered by the partners of the TPESIE consortium. Finally, there is a summary of the central findings and the possible connections between the social economy and social innovation. The template and the case studies can be found in the Appendix.<sup>28</sup>

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<sup>28</sup> Note on the citation of national case studies in appendix: For the comparison of the national social economies we are using the following abbreviations: CD for case study Denmark, CG for case study Germany, CGr for case study Greece, CP for case study Poland, CPor for case study Portugal and CUK for case study UK.

## 2. Comparing the TEPsIE countries' social economies

### 2.1. Comparison of historical developments

To understand the composition of the social economies of the countries under investigation we must shed some light on the historical developments that have taken place in these countries. Obviously, some developments within the last century have affected the whole European continent, such as World War II, but these are experienced differently at the national level. Therefore the following chapter focuses on national developments.

The following descriptions are summaries, mostly based on the case studies produced by the TEPsIE consortium members. The full case studies are included in the appendix.

#### Denmark

Denmark is a typical example of a country where the state plays a significant role in the provision of services which guarantee the well-being of the citizen, i.e. social welfare services.

A significant early catalyst for the increase in the number of associations was the emergence of democratic tendencies which limited the power of the monarchy in the middle of the 19<sup>th</sup> century. Around the same time there was a rise in the importance of co-operatives as a social economy actor. Two different co-operative movements can be found in the Danish context: the farmer movement and the consumer movement. Whilst the former aims to secure the economic interests of farmers, the latter is more community oriented with activities including the provision of affordable products and work integration.<sup>29</sup> But besides these goals, the co-operative movement's functions were primarily political and economic.<sup>30</sup>

Following the 1933 Kanslergade Agreement, the public sector assumed primary responsibility for the welfare of Danish citizens whilst independent charities provided services that it was difficult for mainstream public services to deliver. From the 1930s onwards, and particularly during the 1960s and 1970s, the social field became increasingly regulated and professionalised while the public sector started to finance practically all operating expenditures.

However, a reconfiguration of the state's role in the provision of welfare took place during the 1980s, partly driven by an economic recession, but also influenced by moves towards decentralisation. Eventually, the division of activity between the public sector and the non-profit sector led to greater cross-sector cooperation, particularly between the municipal councils and voluntary social organisations.<sup>31</sup>

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<sup>29</sup> S, Bengtsson, L, Hulgard, 'Denmark: co-operative activity and community development', C, Borzage, J, Defourny (Eds.), Routledge, London, 2004, 65-81

<sup>30</sup> S, Bengtsson, L, Hulgard, 'Denmark: co-operative activity and community development', C, Borzage, J, Defourny (Eds.), Routledge, London, 2004, 65-81

<sup>31</sup> S, Bengtsson, L, Hulgard, 'Denmark: co-operative activity and community development', C, Borzage, J, Defourny (Eds.), Routledge, London, 2004, 65-81

## Germany

Germany has a corporatist welfare regime with a long tradition of a close partnership between non-profit organisations (as an important part of the social economy) and the state<sup>32</sup>. This configuration led to a well developed social economy in the areas of health and social services supported by high government expenditure on both these areas<sup>33</sup>.

The genesis of the social economy can be traced back to the 19<sup>th</sup> century when associations and co-operatives started to appear. In the middle of the 19<sup>th</sup> century, the co-operative movement was dominated by craftsmen and farmers but the more recent establishment of co-operatives for credit, purchasing, and marketing was very successful. This movement expanded under the Weimar Republic, outlived the Third Reich and still exists today<sup>34</sup>.

Another type of social economy organisation that started to spread in the 19<sup>th</sup> century was the association. The first half of the 19<sup>th</sup> century was characterised by associations that had to suffer oppression from the state but this development was accompanied by another one, the diversification of their fields of activity with an intensified focus on the economic and professional arenas. Examples are the Deutsche Handels- und Gewerbeverein (German Trade and Industry Association) or the Verein deutscher Naturforscher und Ärzte (Association of German Natural Scientists and Physicians).<sup>35</sup>

A further notable development took place against the background of industrialisation. Philanthropists, clerics and activists of the middle and upper classes created numerous voluntary organisations to help the poor and disadvantaged<sup>36</sup>. This eventually led to the formation of the six free welfare associations between the second half of the 19<sup>th</sup> century and the first quarter of the 20<sup>th</sup> century. At the same time, the principle of subsidiarity was established in Germany. The principle means that higher units should adopt only duties and responsibilities which minor units cannot fulfil. This implies that the state only should act when no other actor can satisfy the need for social and ecological goods<sup>37</sup>.

The six free welfare associations became the epitome of the principle of subsidiarity<sup>38</sup> enjoying a privileged position in regard to co-operation with public organisations, i.e. they were treated as equals in the areas of social service and health care provision. Therefore, they were legally protected from private commercial competition.<sup>39</sup> The six associations are: the Welfare Services of

<sup>32</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 462

<sup>33</sup> S, Toepler, HK, Anheier, 'Theorien zur Existenz von Nonprofit- Organisationen', KJ, Hopt, T, v, Hippel, WR, Watz (eds.), Mohr Siebeck, Tübingen, 2005, 53

<sup>34</sup> I, Bode, A, Evers, 'From institutional fixation to entrepreneurial mobility? The German third sector and its contemporary challenges', A, Evers, JL, Laville (eds.), Edward Elgar, Cheltenham, Northampton, 2004, 105

<sup>35</sup> HK, Anheier, W, Seibel, 'The nonprofit sector in Germany. Between State, economy and society', Manchester University Press, Manchester, New York, 2001, 40

<sup>36</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 472, 473

<sup>37</sup> KH, Boeßenecker, 'Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände', Juventa Verlag, Weinheim, München, 2005, 25

<sup>38</sup> HK, Anheier, W, Seibel, 'The nonprofit sector in Germany. Between State, economy and society', Manchester University Press, Manchester, New York, 2001, 97

<sup>39</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474- 475

the Protestant Church in Germany (Diakonie/ Diaconia/ protestant), the German Caritas Association (Caritas/ catholic), the Association of Non- Affiliated Charities (Parity), the Central Welfare Agency of Jews in Germany, the Workers Welfare Service (AWO/ social- democratic) and the German Red Cross (Red Cross)<sup>40</sup>. In the 1950s and 1960s, these free welfare associations achieved the peak of their prominence<sup>41</sup>. However, because of this privileged position they faced repeated criticism in the late 1970s. They were accused of being too closely connected to the state, bureaucratic and inflexible.<sup>42</sup>

They also had to face a severe reconfiguration of their financing possibilities. In the mid- 1990s, the implementation of nursing insurance (Pflegeversicherung) led to reduced collaboration between the state and the free welfare associations. The late 1990s were characterised by further amendments to the law, causing the welfare associations to lose their privileged position.<sup>43</sup>

The reunification of Germany in the 1990s led to a strong revitalisation of the social economy<sup>44</sup>, however, the concept of the social economy is not yet institutionalised in Germany.

### Greece

In contrast to Denmark, the public sector in Greece acts as a residual agent, filling in the gaps in welfare provision, which are left by the family.<sup>45</sup>The early development of the social economy can be traced back to the late 19<sup>th</sup> century, when the first co-operatives were established. Co-operatives were given a legal basis in 1915 and before 1930 several civil and agricultural co-operatives were formed. After the Second World War, the social economy became more heterogeneous with the establishment of voluntary organisations, mutual assistance funds and new forms of co-operatives.

A military junta was in charge between 1967 and 1974 in Greece. This phase of dictatorship marked a decline of the social economy and it was not until the implementation of the new constitution in 1975 that the social economy obtained a new legal framework and with it the possibility to become anchored in Greek society. Consequently there was a revitalisation of the social economy during the 1980s and 1990s.

Although the government tried to promote democratic decision making in co-operatives in the 1980s, this effort led to the politicisation of the movement. This created a negative image of the co-operative movement that still persists. Nevertheless, during the late 1990s there was an increase in the number of voluntary associations, non-profit organisations and civil society associations. This trend was fostered by EU subsidies and public NGO funding. However, the NGO

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<sup>40</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474

<sup>41</sup> HK, Anheier, W, Seibel, 'The nonprofit sector in Germany. Between State, economy and society', Manchester University Press, Manchester, New York, 2001, 96- 97

<sup>42</sup> A, Zimmer, 'Corporatism revisited: the legacy of history and the German nonprofit sector', HK, Anheier, J, Kendall (eds.), Routledge, London, New York, 2001, 120f.

<sup>43</sup> KH, Boeßenecker, 'Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände', Juventa Verlag, Weinheim, München, 2005, 20

<sup>44</sup> T, Gensicke, T, Olk, D, Reim, J, Schmithals, HL, Diemel, 'Entwicklung der Zivilgesellschaft in Ostdeutschland. Quantitative und qualitative Befunde', 2009, 17, retrieved 6 August 2012,

<[http://www.aktive-buergerschaft.de/fp\\_files/StudienBerichte/bg\\_zivilgesellschaft\\_in\\_ostdeutschland\\_2009.pdf](http://www.aktive-buergerschaft.de/fp_files/StudienBerichte/bg_zivilgesellschaft_in_ostdeutschland_2009.pdf)>

<sup>45</sup> D, Ziomas, M, Ketszopoulou, N, Bouzas, 'Social enterprises responding to welfare needs', C, Borzage, J, Defourny (Eds.), Routledge, London, 2004, 65-81

sector was negatively criticised for carrying out for-profit activities and the existence of civic corruption.

In summary, the social economy is not a very prominent concept in Greece. However, notable attempts have been made to change this including the introduction of a new law in September 2011 which introduced Social Co-operative Enterprises and a social economy general register.

### **Poland**

The emergence of the social economy in Poland is marked by the rapid development of co-operatives and mutuals in the second half of the 19<sup>th</sup> century.

In 1918, when Poland gained sovereignty, the legal basis for the work of associations and foundations was established but the development of the social economy was severely disrupted by World War II and the subsequent era of the socialist regime of the Polish People's Republic. The year 1947 led to the dissolution or privatisation of independent social institutions. In 1952, foundations were closed down and their property was transferred to the state. A limited revival of the social economy occurred between 1984 and 1989 when new laws were adopted which led to the foundation of 300 associations and foundations.

The breakdown of the Communist Party in 1989 enabled the resurrection of the social economy. Since then five phases of development can be identified:

- First Phase (1989-1993): Creation of a space for the third sector through the introduction of legal regulations.
- Second Phase (1993-1997): Stagnation of third sector development.
- Third Phase (1997-2001): Third sector organisations remain unnoticed as potential partners in the area of health and social services.
- Fourth Phase (2001-2005): Cross sectoral co-operation is fostered during the process of Polish accession to the EU. NGOs given opportunity to receive funding from the state.
- Fifth Phase (2005-2007): Partnership working between the state and NGOs is strengthened.

Around 50 years of authoritarian rule has had a significant impact on the development of the social economy in Poland. However, the intensified co-operation between the state and social economy gives the impression that an institutionalisation process is taking place, i.e. that specific organisations are developing roots within the social economy.

### **Portugal**

The end of the first quarter of the 19<sup>th</sup> century brought with it a new legal industrial framework in Portugal which led to major developments in the social sphere as new forms of citizens' and workers' associations formed, new movements and political ideas were created and new social classes emerged. This eventually led to the rise of associations and other forms of movement based upon the idea of mutuality.

Workers' associations tried to secure workers' rights but failed to ensure their visibility due to a lack of resources, state support and helpful legal framework. The decline of the middle classes' purchasing power led to the establishment of mutual associations. They were mainly focused on the areas of health, education and culture (mostly based on neighbourhood solidarity), the fight against natural disasters and risks, mutual insurance and credit, and solidarity among farmers.

Simultaneously business associations emerged which sought to protect the interests of capitalists and business leaders.

Besides mutuals and associations, a co-operative movement appeared around 1840, receiving a legal framework in 1867. However it remained fragile until the creation of the Republic in 1910. The first Republic was instable and in 1926 a military coup took place which led to the establishment of an authoritarian regime. Co-operatives were heavily monitored and exploited as tools for economic regulation. Also, the establishment of new federations and associations was not permitted. Civic movements were regarded as contrary to the national interest. In a nutshell, a vivid civil society did not exist.

It was not until 1974, when the authoritarian regime was abolished, that civil society was able to recover. Associations emerged in different areas of social life such as the preservation of employment, improvement of housing conditions, and services to help children and parent associations. In 1976, when the Constitution of the Republic was passed into law, specific sectors of civil society were favoured in the form of Private Welfare Associations (today, Private Institutions of Social Solidarity or IPSS). In 1979, these IPSS organisations gained their own statute making them dominant in the field of social services. In 1983, the areas of professional training, housing, education and health were added to their fields of activity. However, the development of mutual associations between 1967 and 1998 was mixed. On one hand, the number of entities declined (from 179 in 1967 to 122 in 1990), on the other hand, the number of members expanded (from 565,997 in 1967 to 700,000 in 1998).

Another central influence on the development of the social economy in Portugal was the accession of the European Economic Community in 1986. One development involved the state taking responsibility for areas once handled by the social economy through the use of income from the EU. Another development was the growth of associations due to the fact that some EU funds were only available to associations.

Today, gaps that are not filled by the state or classic for-profit organisations become filled by the family and neighbours. The existing IPSS organisations are dependent on financial support from the state.

### **United Kingdom**

For most of the 19th and 20th centuries, the most important forms of voluntary action in the UK were charities and mutual aid associations, such as trade unions, friendly societies and some forms of co-operatives. By 1914 the number of friendly societies had increased by around three to four times. This can be interpreted as a consequence of the lack of offers from the market economy in regard to pensions, health and social insurance protection and mortgage lending.

The turn of the century brought a new perception of the state's role. While the voluntary sector functioned as a gatekeeper limiting the growth of public provision during the 19<sup>th</sup> century, the level of co-operation increased during the 20<sup>th</sup> century. Although there were debates about the role of the voluntary sector in the first half of the 20<sup>th</sup> century, i.e. whether it was replacing or supplementing public provision, one can identify an overall increase in the voluntary sector welfare provision.

The phase between 1945 and 1979 was characterised by the marginalisation of voluntary organisations in many areas of public service provision. There were three drivers for this process. First, the creation of a welfare state reduced the demand for services offered by voluntary



organisations. Second, numerous voluntary hospitals were absorbed into the National Health System in the course of its creation. Third, services formerly offered by organisations like mutual aid societies or co-operatives became included in the national health insurance scheme. Many of these developments can be ascribed to the Labour Party's efforts to establish a comprehensive and professional welfare system. Nevertheless, an expansion of the voluntary sector took place between the 1960s and 1970s. But the organisations predominantly played a campaigning and advocacy role on behalf of specific groups of beneficiaries.

In the 1980s and 1990s successive Conservative Governments aimed to limit the state's role in welfare service provision while simultaneously strengthening the role of the private and voluntary sectors. This was mainly achieved by contracting out, a policy also adopted by the Labour Party between 1997 and 2010 but with the purpose of expanding the framework of public welfare provision.


The end of the 20<sup>th</sup> century was characterised by increasing collaboration between public bodies and the voluntary sector, regulated by a legal compact, which was later renewed in 2010. Among other things, the compact safeguards the voluntary sector's independence.


The following diagram shows the development of SE in the six states.


**Figure 2-1 – The development of the social economy in the TEPsie countries**



**Legend:**

 High potential for development

 Limited potential for development, e.g. marginalisation, high level of regulation or general scepticism towards SE

 Very limited potential for development, e.g. country is not a democracy

## **2.2. Description of legal forms**

The social economy in any country is highly influenced by the legal forms which constitute it. Legal requirements can restrict the way that the organisations are structured and their founding purpose.

The following section gives a schematic overview of the legal forms that are relevant in the six countries under investigation.

Unfortunately not all the legal forms presented below are covered in the statistical section. Statistical information with regard to the legal forms is fragmented and a comprehensive information system has not yet been developed. Therefore this should be understood as a pool of legal forms, which should be taken into account when developing a framework for a social economy information system.

### 2.2.1. Denmark

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Forening ( <i>association</i> )	- Tax-exemption (revenues must be used for public utility / charity)	To become a legal body it is necessary: - to create and publish a constitution - to elect a governing body - register with the tax authorities (if the forening is economically active)	- Executive board as leading institution with day to day management functions - General assembly as deciding institution with decision making powers	- Continuous pursuit of a social mission with easily exchangeable members	- No
Fond / Stiftelse ( <i>foundation</i> ) Almennyttige Fonde (Public utility funds / charitable foundations)	- Tax-exemption (revenues must be used for public utility / charity)	- Foundations have to register with the local foundation authority and tax authority within 3 months of establishment - Foundations with non-profit maximising goals need a starting capital of DKK250,000 (ca. €33,600) (though the ministry of justice can lower this limit if it assumes that the foundation's purpose can be achieved with a lower starting capital)	- The foundation is independent from the founder / public authorities - Funds are managed by an independent board of directors	- Allocation of money while pursuing a social goal	- No

Erhvervsdrivende Fond ( <i>commercial foundation</i> )	- Tax-exemption (revenues must be used for public utility / charity)	- DKK300,000 starting capital (approx. €40,000) - Entry into commercial register - A constitution outlining the foundation's purpose, administration, administrator, and the distribution of earning to the beneficiaries	- Regulated by Lov om erhvervsdrivende fonde (commercial foundation law)	- Running a business	- No
Selvejende Institutioner ( <i>independent self-governing institutions</i> )	- Tax-exemption (revenues must be used for public utility / charity)	- Self-governing institution established by law - Regulated by civil law - Must be able to make decisions about its own closure	- The institution is a legal institution in its own right - Independent board of directors	- Providing services while pursuing a social goal	- No

## 2.2.2. Germany

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Gemeinnützige Aktiengesellschaft (gAG) ( <i>charitable joint stock corporation</i> )	- Tax-exemption (prohibited from pay dividends)	- € 50,000 starting capital - Founding process has to be checked by executive board and board of directors - Commercial registry entry - Charitable status granted by tax authority	- Executive board as leading institution - General assembly as deciding institution (influence calculated by capital share) - Board of directors as controlling institution (as they determine the membership of the general assembly)	- Areas of charitable activities which are heavily exposed to market competition - Large circle of proprietors	- No

Gemeinnützige Gesellschaft mit beschränkter Haftung (gGmbH) ( <i>charitably limited liability company</i> )	- Tax-exemption (prohibited from distribute earnings)	- €25,000 starting capital - Commercial registry entry - Registration at tax authority and trade office	- Proprietors are decision-makers	- Circle of proprietors is small and stable - Organisation's purpose can be changed by proprietors	- No
Stiftungen ( <i>foundations</i> )	- Tax-exemption	Donor(s) have to: - Manifest their will to establish a foundation with a certain purpose - Equip it with the necessary means - Equip it with an adequate board - Endowment capital between €100,000 and €300,000 (although not defined by law)	- Foundations are self administered - Goals are defined by founder's will - Pursuit of these goals is administered by foundation supervisory authority	- Specific purpose which will be pursued over a long period of time	- No
Genossenschaften (eG) ( <i>co-operatives</i> )	- Inherent legal characteristics	- At least three members - Entry in the co-operative register - Constitution with statutorily defined content	- One member one vote - One becomes a member by purchasing shares	- Self-help idea of members working towards defined goal and participating in the market	- No (although the co-operative law was revised in 2006 to add social and cultural goals)
Eingetragener Verein (e.V.) ( <i>registered association</i> )	- Inherent legal characteristics	- Entry in the register of associations - Cannot participate in the market by selling goods and services - At least 7 members	- Member assembly as decision making body - Executive board representing the association and leading the association as defined by the constitution (executive body)	- Suitable if a large number of members is expected and / or if a frequent change of members is expected	- No

Versicherungsvereine auf Gegenseitigkeit (VVaG) ( <i>mutual aid society</i> )	- Inherent legal characteristics	- At least 2 founding members - Enactment of a constitution - Introduction of executive board and board of directors - Bundesaufsichtsamt für das Versicherungswesen has to allow the foundation of the business (federal controlling agency for the insurance industry) - Entry in commercial register	- Member representative assembly as highest institution	- Suitable if the organisation's mission is the insurance of the members	- No
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### 2.2.3. Greece

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Cooperative	- Inherent legal characteristics - More specifically, 65% of the co-operative's surplus which is dedicated to the formation of a reserve fund and to the co-operative's activities and scope including job	- Registration at local Magistrates' court - The statute of respective co-operatives must be written - Statutes must also be executed/ signed by at least 15 persons/ 100 in case of a consumer co-operative. - In order to become a member you need to have one co-operative share (the amount of the respective share is indicated within the co-operative's	- Supreme governing body is the General Assembly of members - Management conducted by a board of directors of 7 regular people and 7 substitutes which are selected by the respective General Assembly. - Their members have the right to participate in the	Self-help idea of members working towards defined goal and participating in the market.	- No

	creation is exempt from taxation. The other 35% which is distributed to its employees has specific tax treatment.	statute). Apart from this obligatory share you have the right to receive up to five optional co-operative shares without having the right for more votes. This is not the same for consumer cooperatives or bank cooperatives, etc.	decisions taken by the different General Assemblies conducted with 1 vote per member.		
Association/ Union (Σωματεία)	- Tax-exemption (prohibited to distribute any economic surplus - abide by law 1264/82)	- 20 members are needed, all of whom sign the founding statute. This statute is presented to the local county court. Once approved, an official registration is made in a daily newspaper and a notification is sent to the Fund of Lawyers	- The General Assembly, where all members participate, is the governing body -Board of Directors usually consists of between seven or fifteen members, elected by the General Assembly	- Suitable if a high number of members is expected - Flexible in pursuing a stable goal while satisfying horizontal goal-specific needs meaning that it can provide simultaneously several services in order to satisfy its needs which are strongly connected to the achievement of its stable goal	- No
Charitable Foundations (Κοινωνικά Ιδρύματα)	- Tax-exemption (Abide by law 2039/39)	- Disposition of assets for the pursuit of a specific purpose. No fixed amount is required, but the competent state authority will not approve the formation deed if it indicates a lack of adequate assets for the statutory purposes - Founding act in the form of a notarised deed or will where the purpose, assets, statute and	- Foundations do not have members and are managed by a Board of Directors	- Pursuing a specific goal for a long time of period	- No

		<p>organisational structure will be specified</p> <ul style="list-style-type: none"> <li>- Competent authority introduces the establishment by presidential decree which has to be published in the government gazette.</li> <li>- Operates under the supervision of the Minister of Finance</li> </ul>			
<p>Fundraising Committees (Ερανικές Επιτροπές)</p>	<ul style="list-style-type: none"> <li>- Tax-exemption</li> </ul>	<ul style="list-style-type: none"> <li>- At least 5 people</li> <li>- A founding act which constitutes the written agreement of the 5 founding members of the committee</li> <li>- The issue of a presidential decree stating the members of the committee, their activities, and timing of these activities</li> </ul>	<ul style="list-style-type: none"> <li>- The national Ministry of Health requires the issue of the presidential decree since fundraising committees have a philanthropic character</li> </ul>	<ul style="list-style-type: none"> <li>- Pursuing a specific goal related to common good</li> </ul>	<ul style="list-style-type: none"> <li>- No</li> </ul>
<p>Civil non-profit companies (Αστικές μη κερδοσκοπικές εταιρείες)</p>	<ul style="list-style-type: none"> <li>- Tax-exemption (Prohibited to distribute any economic surplus)</li> </ul>	<ul style="list-style-type: none"> <li>- Civil non-profit companies are governed by GCC Art.741 which concerns the creation of companies</li> <li>- Two or more individuals or legal persons are needed</li> <li>- The provisions that apply to all companies are the same for the civil non-profit companies</li> <li>- A key feature is the non-distribution of profits to partners at the end of the year. Profits must be reinvested in the company in order to promote its objectives, which are set out in the statute</li> </ul>	<ul style="list-style-type: none"> <li>- Management is conducted by the partners</li> <li>- Decisions are taken by all partners or by majority vote (depending on the partnership agreement)</li> </ul>	<ul style="list-style-type: none"> <li>- Suitable for someone who wants to establish a company in order to undertake social activities</li> <li>- Civil non-profit companies have the same obligations and privileges as for profit companies. The basic difference is that they cannot distribute any economic surplus to their members and they have the benefit of tax</li> </ul>	<ul style="list-style-type: none"> <li>- No</li> </ul>



				exemption in some cases.	
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#### 2.2.4. Poland

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Stowarzyszen zwykle ( <i>non-registered association</i> )	- Tax-exemption	- At least three founding persons - The association can start its activities when there has been no protest within 30 days of informing the local authority - Income only via member fees - Does not participate in economic activities	- Founding members decide organisational questions like location of headquarters, name of association, field and (geographic) area of activity - Establish business rules (similar to statute) - Elect a representative	- Easy to establish and members can be changed easily	- No
Stowarzyszenia zaerjestrowane ( <i>registered association</i> )	- Tax-exemption	- At least 15 members - Entry into register by competent court (after application for entry and submitted constitution) - Market activities are allowed but surplus has to be reinvested into the association's goal	- Association's activities are based on the members' work - Employees can be hired for the association's operations	- Suitable if a large number of members is expected and / or if a frequent change of members is expected	- No
Fundacja	- Tax-exemption	- Starting capital PLN1,000 (ca. € 245)	- Based on the	- Pursuing a stable goal	- No

<i>(Stiftung)</i>		(PLN2,000 if commercially active) - A constitution describing the social or commercial purpose and the means planned to pursue the purpose - Entry at competent court if active within a single federal state. If active outside a single federal state entry at commercial court in Warsaw - Foundation may perform economic activities to pursue its aim but these activities may not be the purpose itself	foundation's field of activity there are different public institutions responsible for monitoring (e.g. Ministry of Health). - Supervisory institutions may request the foundation's liquidation at court	for a long time without help from members	
Social Cooperative	- Inherent legal characteristics	- Organisation has to combine business activity with professional / social integration of its members (e.g. long-term unemployed, ex-prisoners...) - Must have between 5-15 members - Profits may be used for investment and resources fund and the pursuit of the organisation's purpose - All members must be employed via employment contract	- The cooperative's activities are based on the members' work	- Social and work integration via market participation	- Yes (2006)
Social Integration Centre	- Inherent legal characteristics	- Can be established by either a mayor or an NGO (separate organisational unit) - Acknowledged through governor - Clients "receive" a free meal and a small loan - Goal must be professional and social reintegration through mediation of		- Social and work integration via training	- Yes (2003)

		skills and knowledge			
Facilities of professional activities	- Inherent legal characteristics	<ul style="list-style-type: none"> <li>- May participate in economic activities although some products are prohibited (alcohol, tobacco...)</li> <li>- At least 70% of employees must be disabled</li> <li>- Employer must offer rehabilitation activities (no less than 60 minutes a day)</li> <li>- Activity status granted by governor (following further steps like funding request at PFRON)</li> </ul>		- Social and work integration via production and rehabilitation	-Yes (1997, issued 2007)
Occupational Therapy Workshops	- Inherent legal characteristics	<ul style="list-style-type: none"> <li>- May be established by foundations, associations or other entities as an organisationally and financially autonomous facility</li> <li>- Goal must be to give people with disabilities unable to work the possibility of social and vocational rehabilitation for the acquisition or restoration of the skills necessary for employment</li> <li>- Revenues are used to cover expenses</li> </ul>		- Professional and social rehabilitation of disabled people	- Yes (1997 and 2004)

## 2.2.5. Portugal

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Associações (Associations)	<p>- Inherent legal characteristics (article 157 of the Civil Code: associations are non profit organisations, that is, organisations which don't serve the individual benefit of one or some of its members or of some other individual, but some common interest of the members or of the society at large)</p> <p>- Tax exemption: associations are subject to corporate income tax income, except on the part of their income</p>	<p>- Preparation of the statutes and choice of denomination of the association by the "installation commission"</p> <p>- Denomination of the association accepted and registered at the National Registry of Collective Persons</p> <p>- Registration of the statutes by the "installation commission"</p> <p>- Publication of the main elements of the statutes in the Official Journal of the Portuguese Republic (<i>Diário da República</i>)</p> <p>- First General Assembly of the members organised to elect the governing bodies of the associations (Board of Directors, The Board of Auditors and The Board of the General Assembly of the members).</p> <p>- Social Solidarity Associations which are associations providing social services also have to be registered at Ministry of Social Solidarity and</p>	<p>Associations are governed by three boards:</p> <ul style="list-style-type: none"> <li>- The Board of Directors (<i>Direcção</i>);</li> <li>- The Board of Auditors (<i>Conselho Fiscal</i>);</li> <li>- The Board of the General Assembly of the members (<i>Mesa da Assembleia Geral</i>).</li> </ul> <p>The specific powers and rules for each of these bodies (including voting rights in the General Assembly) are defined in the statutes and vary across association. As a general rule, the Board of the General Assembly holds the highest level of decision making power. The Board of Directors implements the decisions taken by the General Assembly. The Board of Auditors is</p>	<p>- The legislation regulating the associations allows for many possible purposes and decision making processes. Also the requirements to establish an association are not very demanding. So, we find this kind of legal status in a very wide spectrum of activities and with a very wide spectrum of internal structure, as long as the main purpose of the organisation is not to engage in profit making economic activities. As a general rule, they are appropriate for providing public or</p>	- No

	corresponding to the membership fees, donations and subsidies received for pursuing the non profit making activities of the association	they are considered <i>IPSS - Instituições Particulares de Solidariedade Social</i> (private social solidarity institutions). This makes them eligible for public financial support for the provision of some social services	supervises the financial and administrative acts of the Board of Directors. The general rule for voting is the democratic principle (one person, one vote), but there are many cases where the voting rights are weighted by some factor related to the “relative importance” of each member.	private goods for the members and/or to the society, but not with a profit making purpose	
Fundações (Foundations)	<p>- Inherent legal characteristics (article 157 of the Civil Code and article 3 of the Law of Foundations – Law 24/2012: foundations are non profit organisations establish to manage a stock of assets devoted to respond to some social needs)</p> <p>- Tax exemption: foundations are subject to corporate</p>	<p>- Preparation of the statutes and choice of denomination of the association. This can be done by an act “<i>inter vivos</i>” if the promoters of the foundation are living persons. It can be a “<i>mortis causa</i>” act if the establishment of the foundation is determined by the will of a deceased person</p> <p>- Submission of application for the admissibility of the denomination to the National Registry of Collective Persons</p> <p>- Submission of the application for official recognition of the foundation to the public authorities (Ministry of Social Solidarity, in the case of the</p>	<p>They should be governed by at least two boards, at least:</p> <ul style="list-style-type: none"> <li>- The Board of Directors (<i>Conselho de Administração</i>);</li> <li>- The Board of Auditors (<i>Conselho Fiscal</i>).</li> </ul> <p>The statutes may establish additional bodies such as a council of founding members.</p> <p>The modes of nomination, composition, decision making powers and duration of the mandate of these bodies are determined by the statutes. The Board of Directors is</p>	This legal form is appropriate for cases where someone wants their wealth to be devoted to responding to social needs and this wealth is enough to ensure the economic sustainability of the foundation established for this purpose	- No

	<p>tax income, except on the part of their income corresponding to donations and subsidies received for pursuing the non profit making activities of the foundation</p>	<p>Social Solidarity Foundations; Ministry of Education, in the case of the foundations with educational purposes; Prime Minister's Office in the other cases.</p> <p>To award this official recognition the public authorities verify if the foundation complies with the following requirements:</p> <ul style="list-style-type: none"> <li>- social nature of the purposes of the foundation</li> <li>- adequate assets to fulfil the purposes of the foundation, but not less than €250,000, except if the foundation can prove that it is possible to meet its goals with less than that</li> <li>- registration of the foundation at the National Registry of Collective Persons after the denomination is considered admissible and the foundation has been officially recognised</li> <li>- Foundations in the areas of social solidarity, health and education have to also register respectively at the Ministries of Social Solidarity, Education and Health.</li> </ul> <p>Social Solidarity Foundations have the special legal status of <i>IPSS - Instituições Particulares de</i></p>	<p>responsible for managing the foundation according to its statutes.</p> <p>The Board of Auditors is supposed to supervise the financial and administrative acts of the Board of Directors</p>		
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		<i>Solidariedade Social</i> (private social solidarity institutions). This makes them eligible for public financial support for the provision of some social services.			
Cooperativas (Cooperatives)	<ul style="list-style-type: none"> <li>- Inherent legal characteristics (articles 2 and 3 of the Cooperative Code – Law 51/96: the purpose of cooperatives is to respond to the social, cultural and economic needs of their members according to the cooperative principles namely voluntary membership, democratic and self governance)</li> <li>- Tax exemption: agricultural cooperatives, housing cooperatives and social solidarity cooperatives are</li> </ul>	<ul style="list-style-type: none"> <li>- At least 5 founding members</li> <li>- Preparation of the statutes and choice of denomination of the association by the founding members</li> <li>- Denomination of the association accepted and registered at the National Registry of Collective Persons</li> <li>- Assembly of Founding Members (“Assembleia the Fundadores”) to the approve the statutes and to elect the governing bodies of the associations (Board of Directors, The Board of Auditors and The Board of the General Assembly of the members)</li> <li>- Registration of the statutes at a notary</li> <li>- Publication of the main elements of the statutes in the Official Journal of the Portuguese Republic (<i>Diário da República</i>)</li> <li>- Registration of the cooperative at the Commercial Registry (<i>Registo Comercial</i>).</li> </ul>	<p>Cooperatives are governed by three boards:</p> <ul style="list-style-type: none"> <li>- The Board of Directors (<i>Direcção</i>);</li> <li>- The Board of Auditors (<i>Conselho Fiscal</i>);</li> <li>- The Board of the General Assembly of the members (<i>Mesa da Assembleia Geral</i>).</li> </ul> <p>The specific powers and rules for each of these bodies are defined in the statutes and vary across cooperatives. As a general rule, the General Assembly holds the highest level of decision making power. The Board of Directors implements the decisions taken by the General Assembly. The Board of Auditors supervises the financial and administrative acts of the Board of Directors. In the General Assembly the voting rights</p>	<p>- This legal form is appropriate for the cases where a group of people wants to engage and share economic resources in joint productive or commercial activities with the possibility for profit to be shared among them according to rules that have to be decided by democratic principles</p>	- No

	exempt from corporate income tax	The statutes of a cooperative define, among other things, its sector of economic activity (agriculture, housing, credit, social services, etc.). Social Solidarity cooperatives have to be registered at the Ministry of Social Solidarity. If they meet the requirements to be registered at the Ministry of Social Solidarity to provide social services, they are considered as <i>IPSS – Instituições Particulares de Solidariedade Social</i> (private social solidarity institutions). This allows makes them eligible for public financial support for the provision of some social services.	are allocated according to the democratic principle of one person, one vote.		
Baldios (Commons)	- Inherent legal characteristics (articles 1 and 5 of the Law of the “Baldios” – Law 68/93: “baldios” are land areas owned and managed in common on a equal basis by the inhabitants of the community where it is located)	- Some 'baldios' are managed by the Forest Services. Others are managed by the local town councils. According to the Law of 1993, the local population has to organise itself into an assembly ( <i>Assembleia de Compartes</i> ) governed by the democratic principle of one person, one vote. This assembly elects for two years and supervises the work of a Directive Council ( <i>Conselho Directivo</i> ) responsible for the management of the “baldio”.	If the management of “baldios” is in the hands of the local population, or the commoners ( <i>compartes</i> ), they are governed by three bodies: - The Assembly of the Commoners ( <i>Assembleia de Compartes</i> ); - The Directive Council ( <i>Conselho Directivo</i> ) elected for two years by the Assembly of Commoners; - The Board of Audits	When the “baldios” emerged, they were intended to ensure the survival of the largest possible number of persons who could be supported by the natural resources available in the “baldio” by putting it under a common ownership regime. This type of regime prevented the exclusion	- No



		The assembly also elects for two years a Board of Auditors ( <i>Comissão de Fiscalização</i> ) supposed to supervise the economic and administrative acts of the Directive Council	( <i>Comissão de Fiscalização</i> ) also elected for two years by the Assembly of Commoners to supervise the economic and administrative acts of the Directive Council	inherent to private ownership and the overuse of the natural resources inherent to an open access regime. Nowadays “baldios” can be a very important source of income to support common infrastructure contributing to the wellbeing of those populations in rural areas.	
Organizações canonicamente erectas (organisations under Catholic Canon Law)	Inherent legal characteristics: - organisations under Catholic Canon Law such as Social Parochial Centers, “Misericórdias” or Social Services units owned by religious institutes are erected Church authorities (Pope, national conferences of bishops, diocesan bishops) to respond	The process for erecting a public association of Christian faithful Canon Law depends on its geographical scope: (Canon 312): - Holy See for international organisations; - conference of bishops for national organisations; - Diocesan bishops for organisations with a diocesan or parochial scope. A similar rule applies to religious institutes. Social Parochial Centres fit into the category of “autonomous foundations” of the Canon Law (canon 115). Because of their	- The decision making process is formally structured according to the hierarchical nature of the Catholic Church. The Presidents of the Social Parochial Centres are the parish priests nominated by the diocesan bishop. In the case of “Misericórdias”, even though they are governed by three bodies of a similar nature as in the other social economy organisations - the General Assembly of the “brothers” which elects the	- These are organisations set up by the Catholic Church to respond to social needs and to provide religious services to its members	- No

	<p>to social needs by means of common property assets which are owned collectively by communities of parishioners, public associations of Christian faithful or members of religious orders;</p> <p>- organisations such as parishes, dioceses, sanctuaries, chapels or centres for spiritual activities are also established by Church authorities on the basis of assets collectively owned by communities of Christian faithful to provide religious services to those communities</p>	<p>geographical scope they are erected by the diocesan bishop who is responsible for approving its statutes and nominating the priest presiding to the centre.</p> <p>“Misericórdias” are public associations of the Christian faith (Canon 312.-320) whose origins in Portugal date back to 1498. They own a joint stock of assets donated by clergy to respond to social needs and provide religious services. They are erected by the diocesan bishop. These and other organisations under Canon Law once erected by the Catholic authorities also have legal personality under Portuguese Civil Law, according to the “Concordata” regulating the relationships between the State and the Catholic Church. More precisely, in the case of the Social Parochial Centres and the “Misericórdias”, they have the legal status similar to the one of the foundations. They also have the special legal status of “private institutions of social solidarity” (<i>IPSS – Instituições Particulares de Segurança Social</i>): As IPSS organisations they have to be registered at the Ministry of</p>	<p>Board of Directors (<i>Mesa Administrativa</i>) and the Board of Audits (<i>Definitório</i>) – the diocesan bishop can have a say in the governance of the organisation if he wants. However, this is rarely the case which gives a lot of leeway to the Board of Directors</p>		
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		Social Solidarity. They can benefit from public support from this ministry for the provision of social services, like other IPSS, but they are also under the supervision of the ministry for this kind of activity			
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#### 2.2.6. United Kingdom:

	Why part of the SE?	Requirements for establishment?	Decision-making process?	Legal form appropriate for which purposes?	Legal form created within last 15 years?
Charitable trust	- Tax-exemption	- Declaring a trust over assets - Appointing trustees	- Trustees as decision-makers	- Mostly used by grant-making trusts - Used by small charities to run specific projects	- No
Charitable association	- Tax-exemption	- Register with the Charity Commission if income above £5,000 per year <sup>46</sup> - Demonstrate establishment for charitable purposes	- Governing committee / Board of Trustees with decision making rights in regard to funds and organisations - Thus committee is elected by the	- Commonly used by small and medium sized organisations	- No

<sup>46</sup> In Scotland, charities must register the Office of the Scottish Charity Regulator (OCSR). Beyond 2013 all charities in Northern Ireland will have to register with the Charity Commission for Northern Ireland (CCNI). There is no minimum turnover threshold for registration.

		- Pass 'public benefit' test	associations' members - Further, the members agree upon a shared constitution		
Charitable Company	- Tax-exemption (no payments to trustees)	- Register with Companies House and the Charity Commission <sup>47</sup> - Demonstrate establishment for charitable purposes - Pass 'public benefit' test	- If the company is charitable, the directors are the trustees - In most cases directors/Trustees are the members - If membership is wider, the members elect board of directors/members - Company regulated by Companies House and Charity Commission	- Commonly used among large service providers	- No
Charitable Incorporated Organisations (CIO)	- Tax-exemption (profits and assets only for charitable purposes)	- Registered at Charity Commission	- Regulated by Charity Commission	- Expected to be used by small and medium sized charities	- Yes (2006 in England & Wales) <sup>48</sup>
Community Benefit Society (BenCom)	- Tax-exemption (profits reinvested to the 'community of benefits')	A BenCom becomes charitable by: - Exclusively pursuing charitable goals	- Charitable BenComs have to report to the Financial Services Authority (FSA)	- Used by businesses operating for the benefit of their community where it is	- No

<sup>47</sup> In Scotland, charities must register the Office of the Scottish Charity Regulator (OCSR). Beyond 2013 all charities in Northern Ireland will have to register with the Charity Commission for Northern Ireland (CCNI). There is no minimum turnover threshold for registration.

<sup>48</sup> The CIO was set out by the 2006 Charities Act in England & Wales but is not yet available. An equivalent legal form (the Scottish Charitable Incorporated Organisation) was made available from 1 April 2011 in Scotland. Provisions for a similar type of body to be established in Northern Ireland are contained in the Charities (Northern Ireland) Act 2008.

		<ul style="list-style-type: none"> <li>- Pass public benefit requirement</li> <li>- Have an asset lock</li> </ul>	<ul style="list-style-type: none"> <li>- Membership is open for people supporting the objective</li> <li>- Managed by members</li> </ul>	desirable for members to be decision makers	
Community Interest Company (CIC)	- Mission-Driven legal form	CIC needs: <ul style="list-style-type: none"> <li>- Asset lock</li> <li>- Cap on the maximum dividend / interest payable</li> <li>- A form comprising a community interest statement for the Companies House</li> </ul>	<ul style="list-style-type: none"> <li>- Regulated by the Office of the Regulator of Community Interest Companies</li> </ul>	- Suitable if one is willing to risk his capital for social returns	- Yes (2004)
Co-operative Societies	- Inherent legal characteristics	- Register with Financial Services Authority (FSA)	<ul style="list-style-type: none"> <li>- Business owned and controlled by its' members usually through a committee of officers</li> <li>- regulated by the Financial Services Authority (FSA)</li> </ul>	- Self-help idea of members working towards defined goal and participating in the market	- No
Limited Liability Partnership (LLP)	- Tax-exemption	- LLP becomes a Social Enterprise when a majority proportion of profits is dedicated to a social purpose	<ul style="list-style-type: none"> <li>- Partners as decision-makers (equivalent of directors of a company)</li> <li>- Governed by a partnership agreement which can be tailored to reflect a social purpose</li> </ul>	- Suitable if Social Enterprises seek to work in partnerships with other organisations / investors or adopt a mutual model of ownership and control	- Yes (2001)

### 2.2.7. Summary

International similarities can be identified between associations, foundations and cooperatives but these three legal forms represent different types of decision making and different types of economic participation:

Associations are organised in a relatively democratic manner as the members are the main decision makers. However, the ordinary association does not participate in economic activities to a significant degree. Although foundations do have a management board, their decision-making capabilities are highly limited due to the fact that a foundation's purpose is fixed when it is established. Most of the foundations' budget derives from the endowment capital. However, as a foundation is only allowed to work with capital that is generated by the interests from the endowment capital and is forbidden to spend the endowment capital directly, it cannot become bankrupt (leaving aside a possible endowment capital marginalisation due to inflation). Therefore they are not dependent on market participation.

Co-operatives are characterised by strong democratic traditions and the notion of mutual help. Decision-making is usually exercised through the principle of one member one vote. This legal form can be perceived as a market participant – prominent examples might be housing co-operatives and consumer co-operatives. These legal forms are not new inventions and, as such, they can be perceived as strong pillars of the social economy.

Amongst the TEPSIE consortium member states, the most significant changes in regard to the legal forms associated with the social economy can be identified in Poland and the United Kingdom. The UK has introduced changes primarily aimed at addressing the ability of social economy organisations to perform in the market, e.g. by attracting capital from investors by promoting the organisation's social purpose. The changes in Poland seem to be focussed on the (re-)integration of groups of people who run the risk of being excluded from the labour market.

## 3. Comparison of statistical findings

### 3.1. Methodological notes

Before we present the statistical findings of the social economies of the six countries participating in the study, we must note that a simple comparison of structural and monetary variables is not possible. The interpretation of the data must consider the specifics of the national social economies and the data collection process.

First, the variety of legal forms across the six countries has to be put into a comparable form. This process unfortunately introduces the possibility of information loss, for example the exclusion of a relevant legal form. Second, the methodological procedures by which data is gathered is not standardised across the countries. In some countries data is collected by comprehensive national statistics (e.g. in Denmark), in some countries data is only offered by fragmented official and non-official statistical sources covering specific legal forms (e.g. Germany), and in other countries data is only available by estimation (e.g. Greece).

If data represents a point in time before 2000 it has to be interpreted with caution as in most cases it derives from the JHCNP and therefore is restricted to their conception of the non-profit sector. As such, trends can be identified but like for like comparisons with contemporary figures are not possible. For the data that covers the period after 2000, we refer to data representing the social economy. But, it should be noted that the figures do represent different sets of organisations due to the patchy and inconsistent national data sources. Table 1 highlights which figures refer to which legal forms.

These limitations mean that not every statistical variable is available for each country and therefore in some tables not all countries can be included. Below we highlight similarities and differences within the countries in structural and monetary terms and isolate trends by giving examples – keeping in mind that the statistical findings should only be interpreted as rough guidelines.

### 3.2. Key statistical findings

As mentioned above a direct comparison of financial importance, size and structure of the social economies is not possible. However, we can identify several trends within the social economies in the six countries.

Table 1 provides an overview of the key statistical findings. The remarks, added in the footnotes, try to consider the limitations and specifics of the data sources and provide necessary information to avoid misinterpretations. In the next section the statistical data for each variable is presented in detail, and where possible organised by legal form and ICNPO grouping.

To better understand the organisational landscape covered by the data, it is important to note that the number of entities of the social economy in table 1 refers to an organisational population that is very close to the social economy concept as among others cooperatives and mutuals are included in the data (except the data of the social economy in Denmark where data for cooperatives are not available). In contrast the data in the field of monetary terms is, offered by the national statistical

sources, related to a smaller organisational population and therefore closer to a non-profit sector concept (e.g. excluding big parts of the cooperative sector). Given this fact, the figures according to the monetary variables would increase if data for the social economy concept is available for each country.

Looking at the structural variables, it is noteworthy that the number of entities in the social economy related to the population size is very high in Denmark. Poland has a much lower organisation density. When interpreting the number of entities we have to be aware that informal organisations generally are not included in the dataset. But it could be argued that some of these informal organisations (e.g. estimated 600,000 informal organisations in the UK) should be included in the social economy. The highest amount within the number of employees in social economy organisations can be identified in the UK, followed by Portugal and Germany.

Regarding the number of members per organisation, the figures for the UK and Denmark are high. The data on the number of members in Germany represents the period before 2000 and therefore cannot be compared with the other countries. With regard to the number of volunteers, the UK again has a higher figure compared to the other countries.

Looking at the monetary variables, we can conclude that Denmark and Poland have a roughly comparable organisational population but Denmark has a much larger budget per social economy organisation. The UK has a particularly large budget per organisation (282,000 Euro per entity), compared to around 130,000 Euro in Denmark and around 43,000 Euro in Poland.

Data related to expenditure in Germany reveals a large budget, but in relation to the number of entities the German budget is lower than the one in the UK and Portugal, and higher than the one in Denmark. The calculated share of the expenditure in terms of GDP reflects the significance of the social economy in Denmark with 7.9 %, followed by Germany (3.7 %), Portugal (3.5 %) and the UK (2.5 %). The share in Poland is only 0.5 %.



**Table 3-1 – The social economy in selected European countries, key statistical information**

Variable	Denmark (2003)	Germany (2007-2011)	Greece (2012)	Poland (2008)	Portugal (2006)	UK (2009/2010)
<b>Structural variables</b>						
<b>Entities total</b>	100,200 <sup>1)</sup>	620,944 <sup>1)</sup>	57,937 <sup>1)</sup>	82,600 <sup>1)</sup>	50,288 <sup>1)</sup>	300,000 <sup>1)</sup>
Organisation density (one organisation covers ... inhabitants, population 2009)	55	132	195	462	211	203
<b>Employees total</b> (headcount)	200,342 <sup>1)</sup>	2,203,428 <sup>2)</sup>	.	.	194,207 <sup>2)</sup>	2,041,000 <sup>1)</sup>
Employees (headcount) per entity (average)	2	4	.	.	4	7
<b>Employees total</b> (FTE)	140,620 <sup>1)</sup>	.	.	96,500 <sup>1)</sup>	159,950 <sup>3)</sup>	.
Employees (FTE) per entity (average)	1	.	.	1	3	.
<b>Members total</b>	15,088,000 <sup>2)</sup>	41,200,000 <sup>3)</sup>	.	9,950,000 <sup>2)</sup>	.	91,163,355 <sup>1)3)</sup>
Members per entity (average)	151	66	.	120	.	304
<b>Volunteers total</b> (headcount)	1,477,000 <sup>1)</sup>	25,761,000 <sup>4)</sup>	.	.	.	20,000,000 <sup>4)</sup>
Volunteers per entity (average)	15	41	.	.	.	67
<b>Monetary variables</b>						
<b>Income total</b> in €	12,960,000,000 <sup>1)</sup>	.	.	3,130,000,000 <sup>3)</sup>	.	46,200,000,000 <sup>2)</sup>
Income per entity in € (average)	129,341	.	.	42,877 <sup>3)</sup>	.	282,115 <sup>2)</sup>
<b>Expenditure total</b> in €	12,490,000,000 <sup>1)</sup>	89,170,000,000 <sup>5)</sup>	.	2,900,000,000 <sup>3)4)</sup>	7,300,000,000 <sup>2)</sup>	45,700,000,000 <sup>2)</sup>
Expenditure per entity in € (average)	124,651	143,604 <sup>5)6)</sup>	.	40,960 <sup>3)</sup>	160,288 <sup>2)</sup>	279,062 <sup>2)</sup>
Share of expenditure in GDP (GDP in 2010 at current prices and current PPPs), inflation-adjusted	7.9%	3.7%	.	0.5%	3.5%	2.5%
	<sup>1)</sup> data refers to associations, independent (self-governing) institutions and public utility funds/charitable foundations; data based on the Johns Hopkins Study 2006 (not all organisations of the social economy are included; e.g. cooperatives) <sup>2)</sup> 2004	<sup>1)</sup> data refers to associations, foundations, gGmbH, cooperatives, mutuals <sup>2)</sup> without associations, gAG, VVaG; estimated number of foundations <sup>3)</sup> data from 1997 <sup>4)</sup> estimation <sup>5)</sup> contribution to gross value added by Third Sector (not all social economy organisations included) <sup>6)</sup> calculated by social economy entities (underestimated value)	<sup>1)</sup> estimation; data refers to associations, foundations, cooperatives and mutuals	<sup>1)</sup> data refers to associations, foundations, other social organisations and religious institutions, cooperatives (number of employees does not consider cooperatives) <sup>2)</sup> some studies show a higher number of members <sup>3)</sup> data refers to associations and similar community organisations and foundations <sup>4)</sup> in terms of costs	<sup>1)</sup> estimation; refers to foundations, associations, cooperatives, baldios, organisations under Catholic Canon Law, religious organisations with legal personality, ZIFs <sup>2)</sup> calculation excludes cooperatives and mutuals (except social solidarity and housing cooperatives since they can't distribute earnings) <sup>3)</sup> data from 2002; refers to associations, mutuals foundations, cooperatives, LDOs, Holy Houses of Mercy, museums, development NGO, religious worship	<sup>1)</sup> data based on the civil society concept (some organisations within this concept do not fit our understanding of "mission-driven"); 600,000 informal, unregistered organisations are not included in the data <sup>2)</sup> data based on the voluntary sector (not all social economy organisations are included) <sup>3)</sup> estimation <sup>4)</sup> estimation 2010

### 3.3. Monetary variables<sup>49</sup>

Variable 1: Total average budget

**Table 3-2 – GDP and total average budget of social economy organisations**

	Denmark	Germany	Greece	Poland	Portugal	UK
GDP (2010 at current prices and current PPPs) <sup>50</sup>	€180.7 bn	€2,480.8 bn	€260.7 bln.	€616.3 bn	€219.4 bn	€1,801.2 bn
Total income of the social economy (based on different points of time after 2000) <sup>51</sup>	€12.96 bn	.	.	€3.13 bn	.	€46.2 bn
Total expenditure of the social economy (based on different points of time after 2000) <sup>52</sup>	€12.49 bn	€89.17 bn	.	€2.9 bn	€7.3 bn	€45.7 bn
Share of expenditure in GDP, inflation-adjusted (GDP in 2010 at current prices and current PPPs) <sup>53</sup>	7.9%	3.7%	.	0.5%	3.5%	2.5%

With regard to monetary variables, the budget in Germany is the largest in absolute figures; larger than Denmark and Poland relative to the number of social economy organisations but lower than Portugal. The share of the expenditure of the social economy in terms of GDP reflects the high economic importance of the social economy in Denmark with 7.9 %, followed by Germany (3.7 %) and Portugal (3.5 %) and the UK (2.5 %). The share in Poland (0.5 %) is the lowest amongst the selected countries.

<sup>49</sup> Figures initially quoted in other currencies were converted to Euros using this website:

<http://de.finance.yahoo.com/waehrungen/waehrungsrechner/#from=EUR;to=USD;amt=1> Accessed: 10.07.12

<sup>50</sup> Economics: Key tables from OECD: [http://www.oecd-ilibrary.org/economics/economics-key-tables-from-oecd\\_2074384x](http://www.oecd-ilibrary.org/economics/economics-key-tables-from-oecd_2074384x)

Accessed: 06.08.12

<sup>51</sup> Denmark: Data for 2003, refers to associations, independent institutions and public utility funds/charitable foundations; Poland: Data for 2008, refers to active associations, similar social organisations and foundations; UK: Data for 2009/2010, data based on voluntary sector

<sup>52</sup> Denmark: Data for 2003, refers to associations, independent institutions and public utility funds/charitable foundations; Germany: Contribution to gross value added, data bases on the non-profit concept (not all organisations of the social economy are included); Poland: In terms of costs, data for 2008, refers to active associations, similar social organisations and foundations; Portugal: Excluding cooperatives and mutuals (except social solidarity and housing cooperatives since they can't distribute their earnings); UK: data based on voluntary sector

<sup>53</sup> The shares of the expenditures in GDP in Table 2 are figures based on our own calculations using the values for expenditures presented in the national sources. Some of the calculations are slightly lower than equivalent data provided by national statistical sources. Two points could explain this difference. First, the different points of time used for figures concerning the GDP or concerning the expenditures. Second, differences with regard to the concepts under investigation and thereby inclusion criteria i.e. third sector versus social economy.

**Table 3-3 – Comparison of the total average budget of social economy organisations by voluntary sector and civil society in the UK (2009/2010)**

	UK Voluntary Sector <sup>54</sup>	UK Civil Society <sup>55</sup>
Number of entities total	163,763	300,000
Income total in €	46,200,000,000	217,500,000,000
Expenditure total in €	45,700,000,000	210,000,000,000
Share of expenditures in GDP (GDP in 2010 at current prices and current PPPs)	2.5 %	11.7 %

Table 3 illustrates the huge impact of the studied organisational population with regard to the figures, given the example of income and expenditure of the social economy in the UK in 2009/2010. Looking at the share of expenditures by the social economy in GDP, the share is calculated to be only 2.5 % using the voluntary sector concept and thus varies significantly from the share of the expenditures of the civil society in GDP with 11.7 %. On one hand, in the voluntary sector not all social economy organisations are included; on the other hand, the more widely used civil society concept contains some organisations which do not fit our understanding of “mission-driven”. We can assume that the share of the social economy, using the criteria of this report, lies somewhere between these two figures.

Regarding the UK civil society, the total revenue of civil society was approximately €65.6 bln. in 1995<sup>56</sup> compared to the income of the social economy of approximately €217.5 bln. in 2009/2010. These two figures are not easily comparable because different organisational populations have been used – the figure for 2009/2010 represents a wider organisational framework (CUK 30 f.). But generally, the figures indicate a trend towards an increase in the economic importance of the social economy.

#### Variable 1.1: Budget by legal form

There are several gaps in the data related to the budget by legal form. Furthermore, within the available data, different variables are offered for different legal forms (e.g. turnover for cooperatives, assets for foundations).

Here we discuss the German case as it shows a less patchy data situation with regard to this variable. The value of assets of German foundations in 2007 was estimated to be €70 bln. which corresponds to average assets of €4.6 Mln. per foundation. But the latter figure does not reflect that a large proportion of the assets are concentrated amongst a small number of big foundations. The turnover of cooperatives in 2011, estimated to be €163 bln. (primarily attributable to the

<sup>54</sup> The NCVO applies a 'general charities' definition for the UK voluntary sector. This definition which was developed by the Office for National Statistics, excludes organisations that: are inactive or are duplicates or subsidiaries of other organisations; belong elsewhere in civil society such as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations; have charitable status, but are not independent of government such as NHS charities and quasi-non governmental organisations such as the British Council

<sup>55</sup> Data includes some organisations that might not be considered mission driven in the way that we define it (e.g. universities)

<sup>56</sup> This data includes trade and professional associations, charitable organisations, organisations involved in religious worship, NGOs, higher educations institutions, hospitals, organised social movements

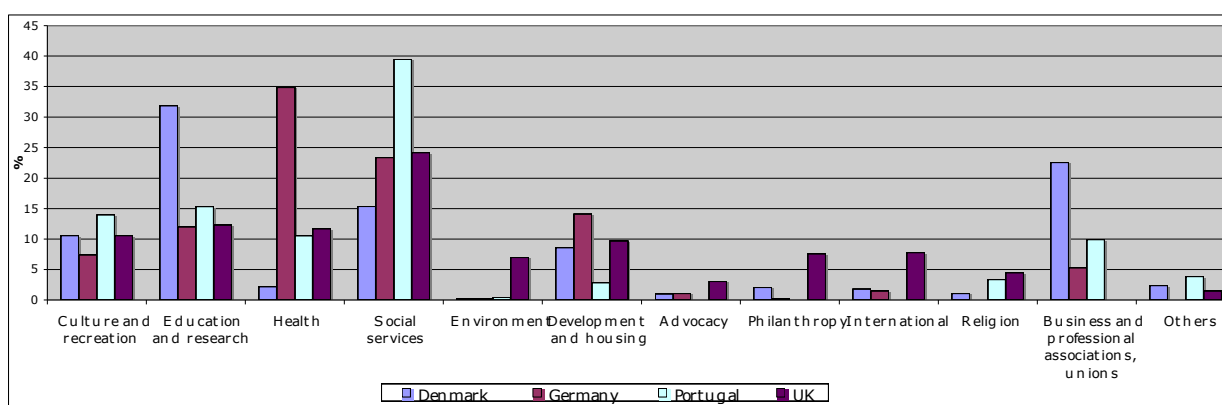
turnover of commercial goods and service cooperatives), indicates the monetary importance of the cooperative sector (CG 11, 29). Although we are convinced that cooperatives are a significant part of the social economy, it is conceivable that a cooperative's contribution to social innovation will differ considerably depending on its field of activity. While consumer and housing cooperatives seem to have a stable portfolio, changes are identifiable in the area of energy provision where citizens are finding solutions to sustainable energy provision. The budget of gGmbH of €108.4 bln. in 2010 shows that this type of organisation is another highly significant legal form in monetary terms within the German social economy. The mutuals in Germany represented a market share of 15.9 % in 2009 of the total insurance market which corresponds to approximately €27 bln. (measured in terms of gross direct primary insurance premiums) and indicates a decrease by 4 % between 1990 and 2009. In contrast, the market share of joint stock companies increased by 12.6 % between 1990 and 2009. This could lead to the assumption that the insurance sector is becoming dominated by classical for-profit tendencies (CG 11 f.).

In the UK, the highest share of the total income of the social economy is held by general charities (21, 5 %), followed by employee owned businesses (17.6 %), universities (15.7 %) and cooperatives (14.2 %) (CUK 28 f.).<sup>57</sup> The turnover of cooperatives in 2011 was primarily contributed by consumer cooperatives, followed by employee owned businesses.

#### Variable 1.2: Budget by ICNPO

This section outlines the monetary importance of the social economy with regard to different fields of operation.

**Figure 3-1 – Budget of social economy organisations in Denmark (2003), Germany (1990), Portugal (2006) and UK (2009/2010) by field of operation (in %)**<sup>58</sup>



<sup>57</sup> Data based on the civil society concept, some organisations don't fit to our definition of social economy

<sup>58</sup> Data for Denmark, Germany and Portugal refers to expenditure; data for the UK refers to income and is based on the 'voluntary sector' concept (not all social economy organisations are considered); data for Germany is based on the non-profit concept (not all social economy organisations are considered)

**Table 3-4 – Budget of social economy organisations in Denmark (2003), Germany (1990), Portugal (2006) and UK (2009/2010) by field of operation in Euro (absolute figures)**<sup>59</sup>

ICNPO	Denmark (2003)	Germany (1990)	Portugal (2006)	UK (2009/2010)
Total	12,474,537,000	47,700,000,000	7,297,372,000	46,408,348,006
Culture and recreation	1,322,455,000	3,500,000,000	1,020,467,000	4,921,639,371
Education and research	3,979,713,000	5,700,000,000	1,121,145,000	5,702,502,541
Health	269,377,000	16,700,000,000	771,870,000	5,425,303,707
Social services	1,919,459,000	11,100,000,000	2,883,130,000	11,237,623,039
Environment	34,494,000	100,000,000	34,278,000	3,268,820,761
Development and housing	1,077,908,000	6,700,000,000	209,842,000	4,488,445,026
Advocacy	120,260,000	500,000,000	.	1,431,413,790
Philanthropy	264,142,000	100,000,000	.	3,542,603,635
International	224,011,000	700,000,000	.	3,612,061,490
Religion	137,037,000	.	247,708,000	2,097,526,005
Business and professional associations, unions	2,822,347,000	2,600,000,000	726,239,000	.
Others	303,334,000	.	282,693,000	680,408,641

In Portugal and the UK, “Social Services” have the highest share of the budget.<sup>60</sup> In contrast, figures from 1995 for the UK, using the civil society concept, showed by far the highest share in “Education and Research” (CUK 32).<sup>61</sup> Within the total expenditure in Denmark, the biggest share is “Education and Research” (most of all private schools, folk high schools, adult education associations), followed by “Business and professional associations, unions” and “Social Services” (e.g. associations targeted at young people) (CD 3 f.). The data for Germany is from 1990 and therefore is not easily comparable with the data for the other countries, but a tendency towards “Health” and “Social Services” is apparent. This finding is supported by more recent data from 2007 (that doesn’t fit the ICNPO), showing that almost 60 % of the budget in terms of gross value added is covered by the health, veterinary and social sectors, 17.3 % by advocacy, church and others associations, and 14.5 % by education and research.<sup>62</sup>

By taking a closer look at the distribution of budget by entity (see table 6) we can get an idea of the average size of the organisations in respective ICNPO fields. In Germany, we find the organisations with the largest budgets in “Health” and “Development and Housing”. In Denmark, the largest organisations by budget are active in “Education and Research”. In the UK, the biggest organisations by budget are active in “Health” as well as in “Environment”. The average budget of €600,555 for “Environment” is significantly higher than the average budgets in the other countries. In Portugal, the biggest organisations by budget are active in “Health”.

<sup>59</sup> Data for Denmark, Germany and Portugal refers to expenditure; data for the UK refers to income and is based on the 'voluntary sector' concept (not all social economy organisations are considered); data for Germany is based on the non-profit concept (not all social economy organisations are considered)

<sup>60</sup> It has to be kept in mind that the figures for the UK are based on the voluntary sector concept (some organisations of the social economy are not included)

<sup>61</sup> The latter figure even seems to be more representative according to the social economy concept

<sup>62</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, *„Zivilgesellschaft in Zahlen. Abschlussbericht. Modul 1“*. 2011, 74 retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>

The average budget can be interpreted as a sign of maturity as well as an indicator of the diversity of the respective ICNPO fields. And it also gives us a signal of the areas in which the social economy is most important.

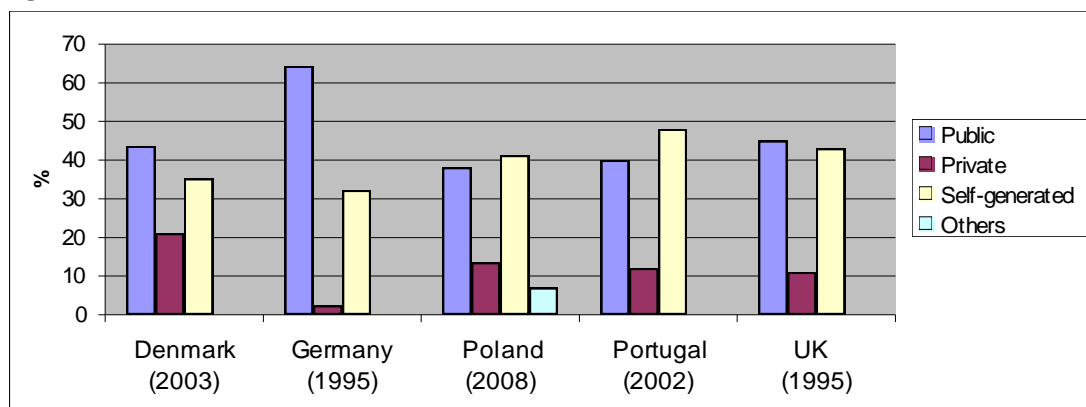
**Table 3-5 – Average budget per social economy entity by ICNPO in Euro<sup>63</sup>**

ICNPO	Denmark (2003)	Germany (1995)	Portugal (2006)	UK (2009/2010)
Culture and recreation	35,927	21,861	44,568	217,003
Education and research	1,009,055	570,000	545,039	175,727
Health	148,254	4,638,889	1,213,632	834,021
Social services	220,273	85,385	460,932	298,325
Environment	49,632	3,333	44,344	600,555
Development and housing	74,022	4,466,667	117,559	193,776
Advocacy	25,355	12,500	.	366,372
Philanthropy	41,762	16,667	.	295,119
International	202,909	1,750,000	.	708,386
Religion	166,915	.	34,879	154,788
Business and professional associations, unions	279,081	520,000	331,767	.
Others	26,060	.	.	528,678

<sup>63</sup> Data for Denmark, Germany and Portugal refers to expenditure, data for UK refers to income by voluntary concept; the calculation for Germany bases on entities for 1995

Variable 2: Total average composition of budget

**Figure 3-2 – Composition of budget (total income) of social economy organisations<sup>64</sup>**



It should be noted that the figures for Germany and the UK refer to 1995 and as such are not easily comparable with the other countries. However, data for the UK organised by ICNPO group is available and hence is interpreted in V2.2.

In all of the countries, private sector support contributes the lowest share of the income of social economy organisations. In Denmark, Germany and the UK, public sector support contributes the highest share of income, with a particular high share in Germany of 60 %. In contrast, self-generated income is the most important income source in Poland and Portugal. This suggests that these two countries have a social economy that is more oriented towards offering goods and services on the market.

To achieve a better understanding, we can look at OECD data on private and public social spending (see table 8). Private voluntary spending in the UK, as a percentage of GDP, significantly exceeds that of other countries. Denmark has the second highest share of private voluntary spending. The largest absolute number for social expenditure by government is recorded in Germany, followed by Denmark, although Denmark has the highest figure as a share of GDP. These findings are not surprising as Denmark and Germany are typical representatives of social democratic (Denmark) and corporatist countries (Germany).

<sup>64</sup> Polish data: We classified "market incomes" to "Self-generated", "public sources" to "Public" and "non-public sources (e.g. donations)" to "Private"; German data: We classified „Donations“ to "Private" and "Private fees and charges" to "self-generated"; UK data: We classified "Philanthropy" to "Private", "Fees (internally generated)" to "Self-generated"; Portugues data: We classified "government" to "Public", "Philanthropy" to "Private" and "Fees" to "Self-generated" (RC, Franco, SW, Sokolowski, EMH, Salamon, LM, 'The Portuguese Nonprofit Sector in Comparative Perspective', John Hopkins University, Universidade Católica Portuguesa, Faculdade de Economia e Gestão, 2005, 18, retrieved 6 August 2012, <[http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal\\_NationalReport\\_2005.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal_NationalReport_2005.pdf)>); German data bases on the Non-Profit concept

**Table 3-6 –Social spending<sup>65</sup>**

	Denmark	Germany	Greece	Poland	Portugal	UK
Private social expenditure as a percentage of GDP (2007, private voluntary social spending)	2.3	1.8	1.5	0.0	1.5	5.0
Total public social expenditure as a percentage of GDP (2007)	26.1	25.2	21.3	20.0	22.5	20.5
Total public social expenditure per head, at current prices and PPPs (2007, Euro)	7,204	7,263	4,905	2,711	4,383	6,045

#### Variable 2.1: Composition of budget by legal form

The data availability for the composition of budget by legal form is insufficient, only figures for some legal forms are available.

German foundations receive a smaller share of revenue through public support than Polish foundations. However, in both countries, foundations generate the largest share of revenue through self-generated income. Within the self-generated income for German foundations, asset management (approx. 45 % of the total revenue), followed by special purpose companies represent the largest sizes (CG 13).

In Poland additional data for the composition of budget in associations is offered: Public support and self-generated income have almost equal proportions (more than 40 %). The Polish cooperatives receive their revenues primarily from market activities. Therefore they are similar to ordinary business companies (CP 12). But an emphasis has to be put on the specific Polish form of a social cooperative that is predominantly an integration company or work integration social enterprise (WISE).

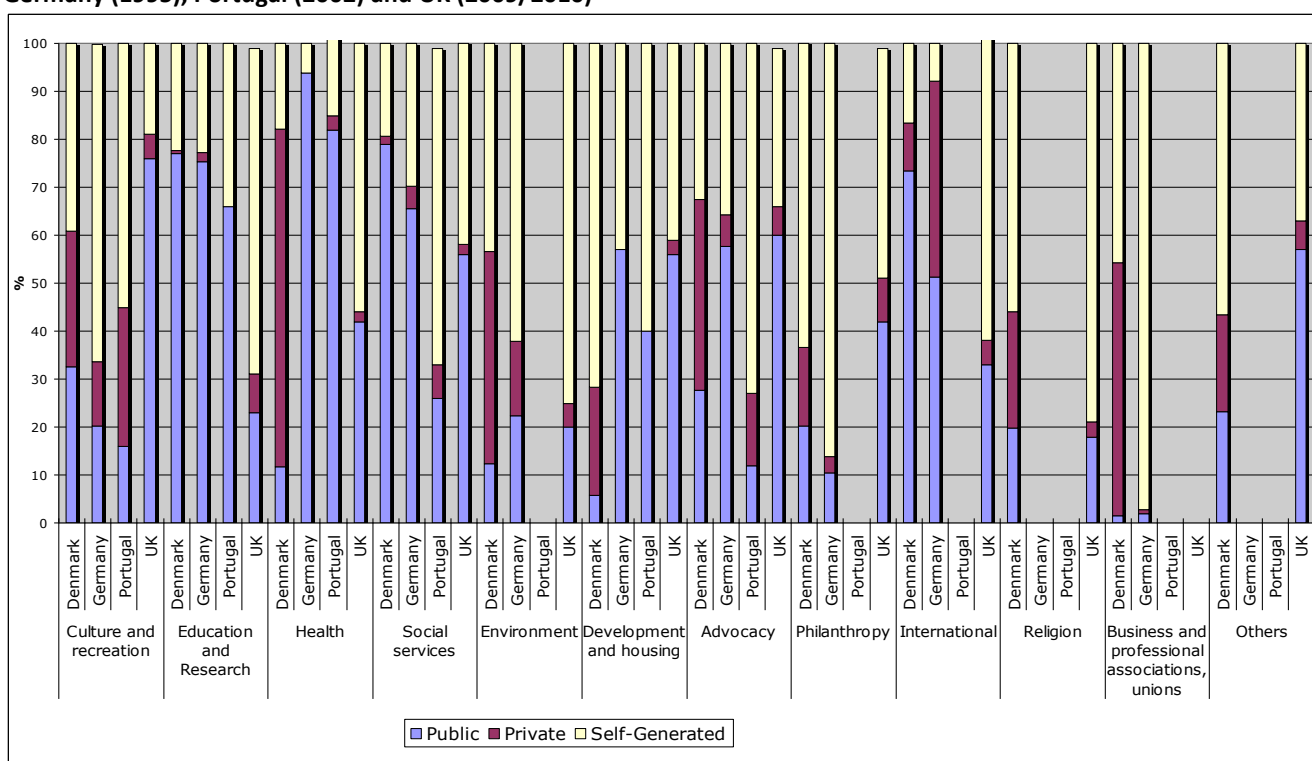
For the UK only data covering England is available: in 2008 the public funding was the most important source in 34 % of the incorporated charities, in 31 % of the Community Interest Companies and in 18 % of the companies limited by guarantee. If we look at the distribution of the public funding generally, we can assume that 62 % of the incorporated charities receive public funding, 31 % of the unincorporated charities, 40 % of the companies limited by guarantee, 57 % of the Community Interest Companies and 29 % of the industrial and provident societies (CUK 31 f.).

<sup>65</sup> Social expenditure: Aggregated data, OECD Social Expenditure Statistics (database) <http://www.oecd.org/statistics/> Accessed: 06.08.12



Variable 2.2: Composition of budget by ICNPO

**Figure 3-3 – Composition of budget of social economy organisations by ICNPO in Denmark (2003), Germany (1995), Portugal (2002) and UK (2009/2010)<sup>66</sup>**



If we look at the composition of budget by legal form, the data available is relatively sufficient. The data according to the income „source by ICNPO is available for Denmark, Portugal and the UK for the point later than 2000. For Germany, only data for 1995 is available.

With regard to the composition of budget by ICNPO, the following points are worth noting. The proportion of public support is remarkable in the field “Culture and Recreation” in the UK as same as its proportion in “Health” in Germany and its proportion in “Education and Research”, “Social Services” and “International Activities” in Denmark and in “Health” and “Education and Research” in Portugal. In Germany (1995) public support shows a remarkable share of almost 94 % in the ICNPO group “Health”. But also in “Education and Research”, “Social Services”, “Development and Housing” and “International Activity” the public support represents more than 50 %. In those ICNPO categories the German corporatist welfare regime according to division of labour between state and welfare organisations (CG 14 f.) becomes evident.

<sup>66</sup> German data: We classified „Public Sector“ to „Public“, „Donations“ to „Private“, „Private fees and charges“ to „Self-generated“; Danish data: We classified “Revenue from basic activities” and “Income from investment and unrelated operational income” to “Self-generated”; Portuguese Data: RC, Franco, SW, Sokolowski, EMH, Salamon, LM, ‘The Portuguese Nonprofit Sector in Comparative Perspective’, John Hopkins University, Universidade Católica Portuguesa, Faculdade de Economia e Gestão, 2005, 19, retrieved 6 August 2012, <[http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal\\_NationalReport\\_2005.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal_NationalReport_2005.pdf)>

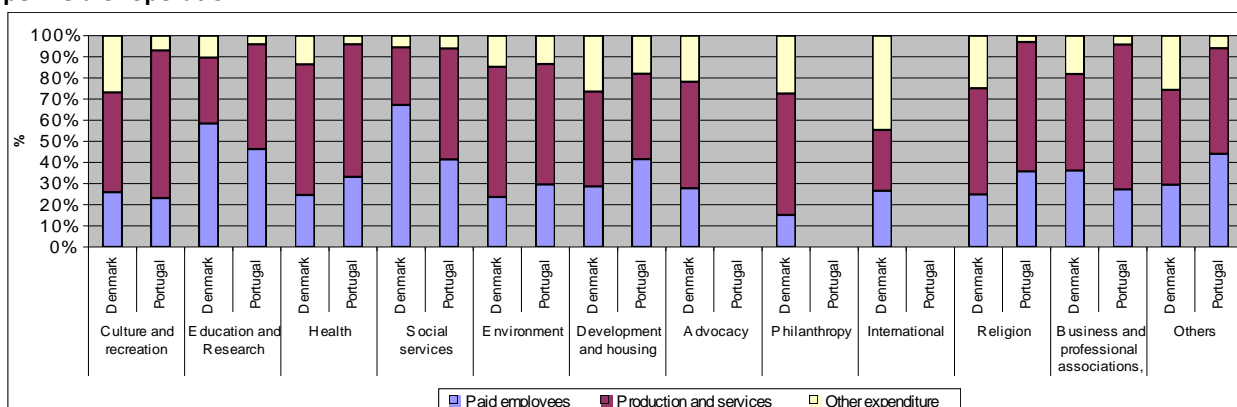
Private support generally shows the smallest proportion, especially in the UK. One exception is the high share of private support in Denmark for the category “Health” and “Business and professional associations, unions”. High shares of self-generated income are for instance located in “Advocacy” and “Social Services” in Portugal and in “Business and professional associations, unions” and “Philanthropy” in Germany and in “Environment” in the UK.

Taking a closer look at the composition of budget in the UK in comparison between 1995 and 2009/2010, we can state that in 1995 public funding was predominant in “Education and Research”, “Social Services”, “Development and Housing” and “International activities”. In “Culture and Recreation” the self-generated income source ranks among the top at 84 %. Hence, a different picture emerges for the points of reference because in 2009/2010 for instance in “Culture and Recreation” the support is predominantly public and in “Education and Research” the self-generated income has the highest share. This may be because different organisational populations are considered by the two points of reference (CUK 32 ff.).

Although no data is available for the composition in Greece, we can state that most social economy organisations receive financial support from government funding (CGr 6).

Table 10 shows that in Denmark within the ICNPO category “Education and Research” and “Social Services” the most of the expenditure is used for salaries. These two categories represent the largest number of employees (FTE) in Denmark, too (see table 15). In the other ICNPO categories the expenditures on production and services are highest. In Portugal the expenditure on salaries is between 40 % and 50 % in “Education and Research”, “Social Services” and “Development and Housing”. In “Culture and Recreation” and “Business and professional associations, unions” the expenditure on production and service are quite high. In Portugal, more than 50 % of the employees in the Non-Profit Sector are located in “Social Services” (Table 15). Furthermore, the field of “Social Services” is the field that shows by far the highest absolute figures within the expenditures (€2.9 bln.) in Portugal. The expenditure of the whole Non-Profit Sector, as a benchmark, is €7.3 bln.

**Figure 3-4 – Expenditures by social economy organisations in Denmark (2003) and Portugal (2006) per field of operation<sup>67</sup>**



<sup>67</sup> Portuguese data: We classified "Social transfers" and "Investment" to "Production and Services"

### Variable 3: Imputed value of volunteer employment<sup>68</sup>

In 2004 approx. 1,477,000 Danish persons were working as volunteers with an estimated total value of approx. €4.7 bln. (CD 9 f.). In the report of the Danish Ministry of Social Affairs of 2010, the number of persons working as volunteers is estimated to be 1,900,000.

In the UK the value of volunteering was €17.9 bln. in 1995 and €29.5 bln. in 2010 (CUK 34). The 2010 value in UK is just little lower than the imputed value of volunteer employment in Germany in 2007 of €35 bln. But we have to consider that these estimations, based on hours that have been worked voluntarily, vary widely. The voluntary work in associations, foundations and other organisations in 2009 in Germany is estimated at approx. 36 % of the German inhabitants (approx. 25,800,000 persons) (CG 24).

In Greece, although there is no reliable official data on volunteering, 1,500-2,000 voluntary organisations (only 200-300 of them active) were counted by a study of the National Centre for Social Research in 2002 (CGr 5 f.). In Poland we also lack reliable data. However, in 2010 more than 50 % of NGOs were supported by volunteers (CP 9). The social work done by volunteers and members represents a share of 26 % of the work of the Non-Profit Sector in Poland (CP 11).

## 3.4. Structural variables

### Variable 5: Entities, number

In table 11 we see the total number of entities of the social economy in the countries studied. A detailed analysis by legal form is provided in Variable 5.1.

Since the different countries consider different legal forms within their total number of entities, we need to be clear which legal forms are included in the data. The comparison of the total numerical size of the social economy entities is only possible by keeping awareness of the specific composition of the national data:

- The data of Greece exclusively concentrates on the legal forms cooperatives, associations, foundations and mutuals
- The Danish data includes associations, foundations and independent institutions,
- The Polish data includes associations, foundations, other social organisations and religious institutions and cooperatives,
- The Portuguese data includes associations, foundations, cooperatives, baldios, other religious organisations and ZIFs (Forest Intervention Zones)
- The German data includes associations, foundations, cooperatives, gAG, gGmbH and mutuals.

According to the data of the UK, it should be noted that the distribution by types of social economy organisations in the UK does not fit to our classification of legal forms because several types of organisations in the UK do not completely fit to exactly one legal form type used within our study. Thus in table 12 potential misleading values for UK are left out to avoid misinterpretation. Furthermore, we used a figure representing a set of civil society organisations as a starting point. To ensure comparability within the countries included in this study, we decided to remove 600,000

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<sup>68</sup> The value of volunteer working is usually calculated by the imputed value of volunteer time, multiplied with monetary terms relatively paid wages

unregistered informal organisations that were taken into regard in the original figure. Hence, we have to be aware that the total social economy in the UK might be bigger than the calculated 300,000 organisations, but in most countries informal organisations are also not considered within the statistics.

**Table 3-7 – Entities of the social economy, based on different points after 2000**

	Denmark	Germany	Greece	Poland	Portugal	UK
Entities total <sup>69</sup>	100,200	620,944	57,937	82,600	50,288	300,000
Population 2009 <sup>70</sup>	5,519,000	81,902,000	11,283,000	38,153,000	10,632,000	60,930,000

The number of entities of the social economy, looked at in relation to the population size in 2009, can be classified as high in Denmark: one social economy organisation theoretically has to serve 55 Danish inhabitants. The lowest density we find in Poland where one organisation covers 462 inhabitants. In Greece, Portugal and UK one organisation covers about 200 inhabitants, in Germany we find 132 inhabitants per organisation.

#### Variable 5.1: Entities by legal form

**Table 3-8 – Number of entities of the social economy, based on different points after 2000**

	Denmark (2003)	Germany (2007-2011)	Greece (2012) <sup>71</sup>	Poland (2008)	Portugal (2006)	UK (2009/2010)
Entities total <sup>72</sup>	100,200	620,944	57,937	82,600	50,288	300,000
Associations	86,000	580,298	50,000	64,900	37,329	.
Foundations	6,200	15,449	600	5,900	282	.
Cooperatives <sup>73</sup>	.	7,619	7,329	9,600	3,109	5,450
Social	.	17,310	.	.	.	68,000

<sup>69</sup> Denmark: Data bases on the register-based survey and refers to associations, independent (self-governing) institutions and public utility funds/charitable foundations; Germany: Data without gAG; Greece: Estimation, data refers to associations, foundations, cooperatives and mutuals; Poland: Data refers to associations, foundations, other social organisations, religious institutions, cooperatives; Portugal: Estimation by combining information coming from different sources; UK: We decided to use the figure of the civil society in the UK and remove the number of 600,000 unregistered informal (“below the radar”) organisations, data bases on the civil society concept

<sup>70</sup> OECD Factbook 2011, Economic, Environmental and Social Statistics, 2011, retrieved 6 August 2012,

<<http://www.oecd-ilibrary.org/sites/factbook-2011-en/02/01/01/index.html?contentType=&itemId=/content/chapter/factbook-2011-9-en&containerItemId=/content/serial/18147364&accessItemIds=&mimeType=text/html>>

<sup>71</sup> Estimation

<sup>72</sup> Denmark: Data bases on the register-based survey and refers to associations, independent (self-governing) institutions and public utility funds/charitable foundations; Germany: Data without gAG; Greece: Estimation, data refers to associations, foundations, cooperatives and mutuals; Poland: Data refers to associations, foundations, other social organisations, religious institutions, cooperatives; Portugal: Estimation by combining information coming from different sources; UK: We decided to use the figure of the civil society and removed the number of 600,000 unregistered informal (“below the radar”) organisations; the number of entities total in the UK is not the sum of the entities of the different legal forms below because we did not conduct an allocation to the legal forms because the distribution by types of social economy organisations in the UK does not fit to our classification of legal forms

<sup>73</sup> Poland: Estimation; UK: Data for 2011

enterprises <sup>74</sup>						
Mutuals	.	268	8	.	97	.
Others <sup>75</sup>	8,000	.	.	2,200	9,471	.

Looking more closely at the number of entities by legal form, the selected countries share the characteristic that associations make up the social economies' largest share. In the UK, where we can find a different classification of legal forms, the large number of social enterprises is certainly notable. The number of 68,000 UK social enterprises might be an underestimate (for example, Delta Economics has suggested a higher number of 232,000 social enterprises) (CUK 45). In the UK, more than 50 % of social enterprises are Companies limited by guarantee, followed by 26 % which are registered charities 24 % which are Industrial and Provident Societies (CUK 37). The number of cooperatives in the TEPsIE countries ranges between 3,000 and 10,000 with the largest number found in Poland.

If we look at the development between the periods before and after 2000, we see that for instance in the Polish and German social economy, there is a high increase - from 27,400 entities 1997 to 71,000 in 2008 in Poland (CP 5)<sup>76</sup>. This percentage increase of almost 160 % by far exceeds the increase in Germany of only approx. 50 % (from 416,000 organisations in 1995<sup>77</sup> to 620,944 in the period after 2000).<sup>78</sup> A possible explanation for this significant expansion of the Polish social economy is the significant limitations during the communist regime. This phase between 1947 and 1989 hindered all ambitions to foster an independent civil society. Now that the authoritarian regime has been abolished, the actors within the civil society, to that date held back, are free to use their abilities to organise themselves within the social economy (CP 1 f.).

In Poland the last decade of the 20<sup>th</sup> century has seen an increase in the number of associations: in 1989 there was an annual growth of 500 associations and in 2000 an annual growth of 6,000. Since 2007 the annual growth has reached around 4,000 associations. The annual growth within Polish foundations shows a decrease after 1992, going from 1,000 foundations annually to 200 in the next ten years. However, in recent years there is an annual growth by about 800 entities per year (CP 6).

Looking at the development by legal form in Germany, the number of incorporated foundations in civil law has trebled from the early 1990s<sup>79</sup> to 2007. This increase can be partly explained by historical developments. 1) the figure from the early 90s does not include foundations in the former German Democratic Republic and 2) after the breakdown of the authoritarian regime favourable legal requirements for the establishment of independent foundations were existent. The high increase in associations from 286,000 in 1990 to 580,000 in 2011 has to be interpreted with caution as different data sources have been used and more than half of the associations obviously had their origins in the time before 1980, implying that the first figure failed to cover all

<sup>74</sup> Germany: Data refers to gGmbH; UK: Data for 2010, the number of social enterprises in the UK might be underestimated because other surveys has suggested a higher number

<sup>75</sup> Denmark: Data refers to independent (self-governing) institutions; Poland: We aggregated "Social religious entities" to "Others". This classification has to be interpreted with caution as also social services are included to the definition; Portugal: Data includes baldios (commons and under catholic canon law), other religious organisations with legal personality and ZIFs

<sup>76</sup> Data refers to associations, foundations and social religious entities

<sup>77</sup> Data bases on the non-profit concept (thus some social economy organisations are missing)

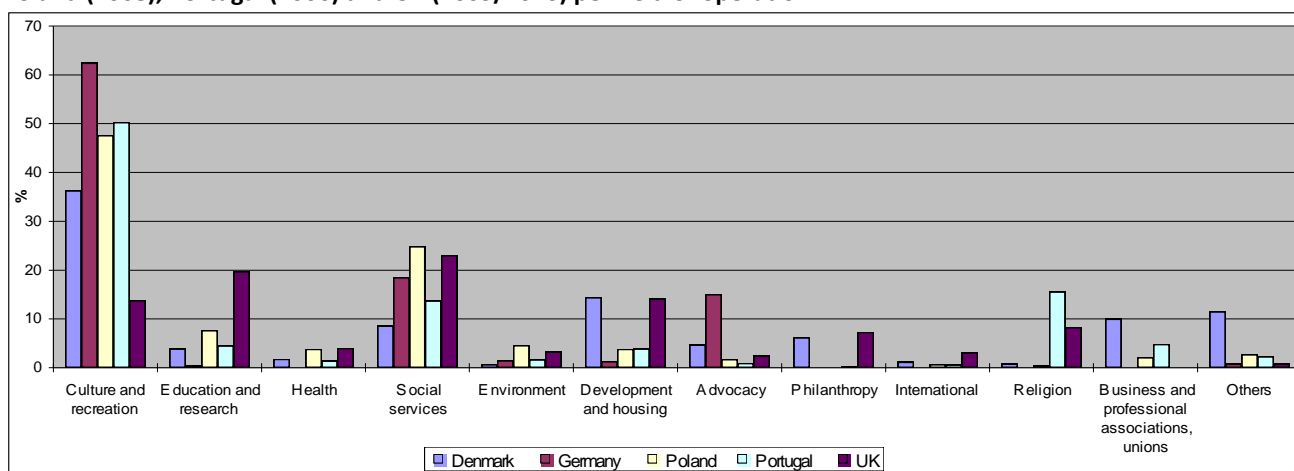
<sup>78</sup> The latter figure bases on the social economy concept and hence, includes some more entities. That is why the increase by almost 200,000 entities has to interpreted with caution, but however we can assume that the sector shows a growth

<sup>79</sup> Data refers to Western Germany

existing associations.<sup>80</sup> Contrary to that, the number of cooperatives and mutuals declined; in many cases this can be explained by fusions between organisations and bankruptcy of organisations due to increasing economic tensions.

Variable 5.2: Entities by ICNPO

**Figure 3-5 – Number of entities of the social economy in Denmark (2003), Germany (2007-2011), Poland (2008), Portugal (2006) and UK (2009/2010) per field of operation<sup>81</sup>**



Looking at the distribution of entities by ICNPO the category “Culture and Recreation” ranks among the top field of operation in Denmark, Germany, Poland and Portugal. The large number of entities in “Culture and Recreation” in Germany can be attributed to the numerically predominant legal form of associations, as within the number of associations in 2011 65 % of them were located in “Culture and Recreation”. In contrast, looking at the German foundations 2007, “Social Service” is the mostly covered field (CG 29 f.). To give a further example, in Denmark sport clubs have the biggest size within associations (CD 9), and the second most frequently covered category in Denmark is the ICNPO “Development and Housing” that amongst others consists of housing associations and homeowner associations (CD 9). In Portugal beside the field of “Culture and Recreation” the ICNPO groups of “Religion” and “Social Services” represent shares with more than 10 %. Compared to the other countries, the ICNPO category “Religion” seems to be more strongly represented.

A different picture emerges for the UK, basing on data by the voluntary concept: “Social Services” and “Education and Research” are the most common categories. The focus on these two categories is not attributable to the legal form of social enterprises, because the social enterprises address a wide range of the ICNPO grouping in a balanced rate and don’t focus on special fields (CUK 38).

<sup>80</sup> Priller et al., ‘Dritte-Sektor-Organisationen heute: Eigene Ansprüche und ökonomische Herausforderungen. Ergebnisse einer Organisationsbefragung’, 2012: 15.

<sup>81</sup> Germany: Data refers exclusively to associations, foundations and cooperatives, for procedure of aggregations see case study of Germany p. 27, footnote 112; Poland: We classified „Sports, tourism, recreation, hobby“ and “Arts and culture” to ICNPO „Culture and Recreation“, “support for institutions, NGOs and civil initiatives” to ICNPO “Others”, “Job market, professional activation” and “Professional, employment and industry issues” to ICNPO “Business and professional associations, unions”; Portugal: Data without cooperatives and mutuals (except social solidarity and housing cooperatives since they can’t distribute earnings); UK: Data bases on the voluntary concept (some social economy organisations are not included)

In summary it can be said that “Culture and Recreation” is the numerically most important ICNPO classification according to the entities of the social economy organisations in most countries included in this study. One exception is the UK where the highest share is “Social Services”. The high number of entities working in the field of “Culture and Recreation” should not obscure the fact that the field is not a very important one with regard to the number of employees and the size of expenditures. This issue will be discussed more detailed in V6.2.

#### Variable 6: Composition of “human resources”

**Table 3-9 – Human resources of social economy organisations, based on different points of time after 2000**

	Denmark <sup>82</sup>	Germany	Greece	Poland	Portugal	UK
Employees (headcount) <sup>83</sup>	200,342	2,203,428	.	.	194,207	2,041,000
Employees (FTE) <sup>84</sup>	140,620	.	.	96,500	159,950	.
Volunteers (headcount) <sup>85</sup>	1,477,081	25,761,000	.	.	.	20,000,000
Volunteers (FTE) <sup>86</sup>	110,041	.	.	.	67,342	1,664,003

The highest average of paid employees in one social economy organisation is found in the UK, followed by Portugal and Germany. The largest absolute size of employment is recorded in Germany and the UK. Poland shows the lowest employee levels within the countries where figures were available (see table 1) which suggests that there is still a significant amount of free space for the social economy to become a major force in the labour market.

The development between periods in time before and after 2000 can be seen for instance for the UK. In the UK in 1995 the number of paid employees (FTE) was 1,473,443. For 2009/2010 the

<sup>82</sup> Data for 2003, refers to associations, independent (self-governing) institutions and public utility funds/charitable foundations

<sup>83</sup> Germany: Data according to associations, gAG and VVaG is missing, data according to foundations bases on estimations; Portugal: Data for 2006, data according to the term „number of jobs“, data without mutuals and cooperatives (except social solidarity and housing cooperatives since they can’t distribute their earnings); UK: Data for 2009/2010, bases on the civil society concept, but the 600,000 informal, unregistered („below the radar“) organisations are not included to the data; data including estimates of missing values

<sup>84</sup> Poland: Data for 2008, refers to associations, foundations, other social organisations and religious institutions; Portugal: Data for 2002, refers to associations, foundations, mutuals, cooperatives, LDOs, Holy Houses of Mercy, Museums, NGOs for development, religious worship organisations (RC, Franco, SW, Sokolowski, EMH, Salamon, LM, ‘*The Portuguese Nonprofit Sector in Comparative Perspective*’, John Hopkins University, Universidade Católica Portuguesa, Faculdade de Economia e Gestão, 2005, 11, retrieved 6 August 2012, <[http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal\\_NationalReport\\_2005.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal_NationalReport_2005.pdf)>)

<sup>85</sup> Germany: Data for 2009, estimation; UK: Data for 2010, based on voluntary concept, estimation

<sup>86</sup> Portugal: Data for 2002, (RC, Franco, SW, Sokolowski, EMH, Salamon, LM, ‘*The Portuguese Nonprofit Sector in Comparative Perspective*’, John Hopkins University, Universidade Católica Portuguesa, Faculdade de Economia e Gestão, 2005, 11, retrieved 6 August 2012, <[http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal\\_NationalReport\\_2005.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal_NationalReport_2005.pdf)>); UK: Data for 1995

number of employees (headcount) is available with 2,041,000 persons. This could be interpreted as slight growth, but one can not compare the headcount with the FTE number.

Furthermore, in 1995 14,357,000 volunteers (headcount) were counted. The number of volunteers (FTE) was 1,664,003. According to estimation, in 2010 approx. 20,000,000 adults volunteered at least once a year and approx. 13,000,000 at least once a month (CUK 40). The volunteer work (according to the figure that considers the voluntary working at least once a year) shows a growth of almost 6,000,000 persons.

The UK data shows high rates of volunteers (see table 1). The analogue figures of volunteers, measured in FTE equivalents, is extremely low (e.g. 110,000 in Denmark, 67,000 in Portugal and 1,700,000 in the UK) in comparison to the volunteers measured by headcount, but in comparison to the number of paid employees in the social economy, volunteering represents a relatively large number which underlines the importance of volunteer working within the social economy.

#### Variable 6.1: Composition of “human resources” by legal form

To give an example of the employment by legal forms, in Poland we can identify a slight decrease within the total employment in the social economy from 1997 to 2008, because the increase that occurred in foundations, was not able to compensate for the decrease that occurred in associations and social religious entities. In 2008 almost 60,000 employees (FTE) were counted in associations and approx. 24,000 employees (FTE) in foundations. The highest share (approx. 87 %) of employment is located in cooperatives (CP 7 f.). But due to the patchy data situation it is not possible to quantify the cooperatives’ compensation performance. In Germany the biggest share within the total employment is recorded by the employees in gGmbH (1,190,928 employees headcount) in 2010, but cooperatives also show big shares with 862,500 employees (headcount) in 2010 (CG 30), most of all concerning the employment in commercial cooperatives. If we look at the distribution of employment within the cooperative sector in the UK with a total of 159,000 employees (headcount) in 2009/2010, the highest share (76,476 persons) of these by far are employee owned businesses that have no more than 30 entities. The second highest share is located in agriculture cooperatives with 7,950 employees<sup>87</sup> (CUK 42).

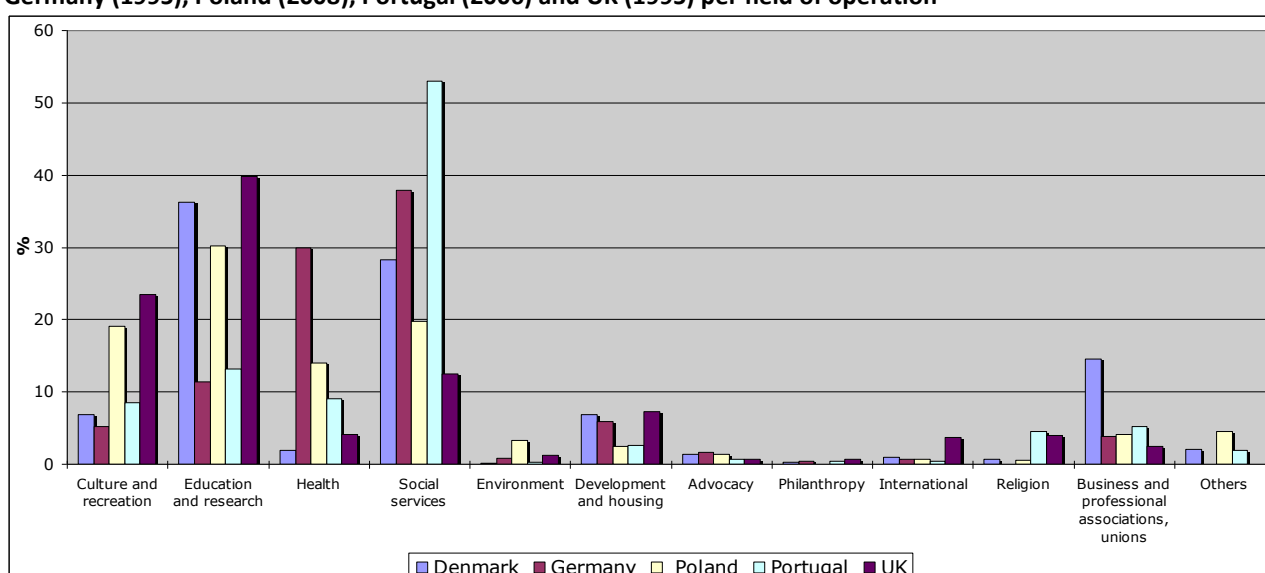
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<sup>87</sup> Data includes full-time and part-time employment



Variable 6.2: Composition of “human resources” by ICNPO

**Figure 3-6 – Number of employees (FTE) in social economy organisations in Denmark (2003), Germany (1995), Poland (2008), Portugal (2006) and UK (1995) per field of operation**



Although the field “Culture and Recreation” is the most common one according to the entities of establishments (except the UK), we can state that, looking at the employment situation (FTE), in Denmark, Poland and the UK the most important field is “Education and Research”. In Germany and Portugal “Social Services” is the field with the highest share of employees. An explanation for this situation in Germany is that the free welfare organisations that have a significant share of the services offered within the social economy are highly active in the fields “Social Services” and “Health” eventually leading to jobs in these areas.

Furthermore in Denmark the second most common category is “Social Services” although it is fifth according to the percentage of entities of the Danish social economy. A high number of employees in Denmark is given by “Business and professional unions and associations” due to its’ high union density, the number of volunteers by far is mostly represented in the field of “Culture and Recreation” (CD 9 f.). In Germany the second most common field “Health” according to the number of employees is notable because of the small number of organisations in this field (in 1995 and later than 2000). As many organisations in this ICNPO are hospitals it is easy to reason that we are dealing with an organisational type that necessarily has many employees per entity. Furthermore it is surprising that “Culture and Recreation” represents such a big part in the UK if we look at the percentage according to the entities in UK 2009/2010 as “Culture and Recreation” shows not even 15 %. It seems that in UK organisations in this field tend to have rather more employees.

**Table 3-10 – Average employees (FTE) in social economy organisations per entity<sup>88</sup>**

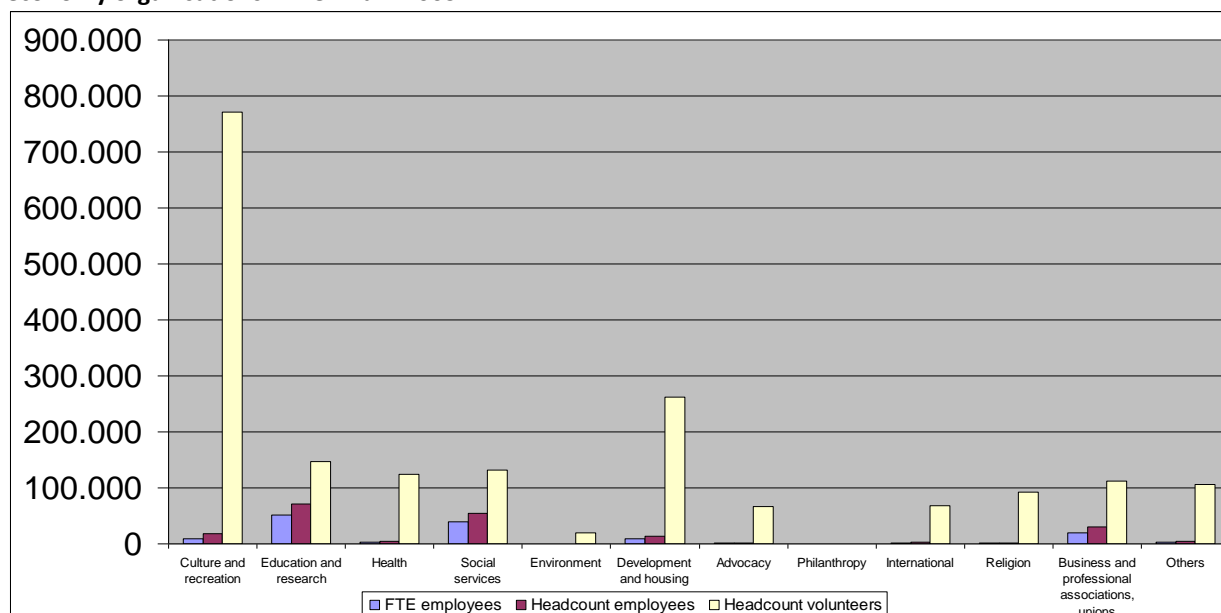
ICNPO	Denmark (2003)	Germany (1995)	Poland (2008)	Portugal (2006)	UK (1995)
Culture and recreation	0.3	0.5	0.3	0.7	15.3

<sup>88</sup> UK: The number of employees per entity is calculated by the number of social economy entities in 2009/2010 because no data for 1995 is available

Education and research	12.9	16.8	3.2	12.5	18.1
Health	1.4	122.5	3.0	27.9	9.2
Social services	4.6	4.3	0.7	16.5	4.9
Environment	0.3	0.4	0.6	0.8	3.3
Development and housing	0.7	58.6	0.5	2.9	4.7
Advocacy	0.4	0.6	0.7	2.9	2.6
Philanthropy	0.1	0.9	.	7.5	0.8
International	1.2	24.4	0.8	3.0	10.6
Religion	1.1	0.0	1.0	1.2	4.3
Business and professional associations, unions	2.0	11.2	1.6	4.6	.
Others	0.2	.	1.4	3.6	.

The average number of employees per entity shows an interesting distribution. The largest organisations from this perspective are in “Health” and “Development and Housing” in Germany. The organisations in “Education and Research” are very big in Denmark and “Health” and social services organisations are big in Portugal. A value above average in comparison to the other countries are the organisations in “Culture and Recreation” in the UK. This distribution indicates which parts of the social economy have obviously mature organisations in place which can provide solutions to the social problems in the respective area.

**Figure 3-7 – Number of employees (FTE), employees (headcount), volunteers (headcount) of social economy organisations in Denmark 2003**



In table 17 we can see that in Denmark the field “Culture and Recreation” shows by far the largest number of volunteers. The organisations allocated to this field seems to be very dependent on volunteer working, most of all if we look at the small number of paid employees and the low expenditures spent in the field in comparison to some other fields such as “Social Services”. The second highest share of volunteers is represented in the field “Development and Housing”. The two

categories with the highest share of paid employees are “Social Services” and “Education and Research”.

#### Variable 7: Members, number

The data on the number of members of social economy organisations contains no specification about which legal forms are considered within the number and if multiple memberships are included to the data. To give an example, in foundations the term ‘membership’ refers to committee members and thus differs from the more common use of the term membership in associations. Furthermore, looking at the degree of participation by a member, we should note that a formal membership is does not necessarily equate to an active participation in the organisation (CP 9).

According to the number of members in social economy organisations (see table 1 and table 18), we can identify large numbers of members in the UK (91 mln.) and, in relation to the number of organisations and the population size, a larger number in Denmark (15 mln.). The social economy in Poland shows a total number of members of almost 10 million persons in 2008. Another study assumes a number of 17 million members in 2005. That would indicate a decrease of social economy membership in Poland (CP 11). The number of members in Germany (41 mln.) in 1997 is most likely an underestimate as a survey in the 1980s showed that associations in Western Germany alone already had about 30,000,000 members (CG 24).

**Table 3-11 – Members total in social economy organisations**

	Denmark (2004)	Germany (1997)	Greece	Poland (2008)	Portugal	UK (2009/10)
Members	15,088,000	41,200,000	.	9,950,000	.	91,163,355 <sup>89</sup>

#### Variable 7.1: Members by legal form and ICNPO

The data availability according to the number of members by legal form and ICNPO is very incomplete.

According to the size of membership in Poland we can conclude that half of the associations have no more than 35 members and in contrast to this 10 % of the largest associations can count over 160 members (CP 9). In summary 99% of the members belong to associations (CP 11).

As we already mentioned above, the number of members in Germany in 1997 with approx. 40,000,000 is not representative, as in cooperatives (2010) have been counted already approx. 21,000,000 members and in foundations (2007) 17,000 persons. In the end of the 1980 a survey was conducted for Western Germany that showed the result of approx. 30,000,000 members in associations but these data do not represent the actual number of members. Within the number of members in cooperatives in Germany approx. 80 % are recorded by cooperative banks. From 1990 to 2010 the total number of members in cooperatives increased by approx. 5,000,000 members. In all types of cooperatives an increase within the membership occurred, only in rural and commercial cooperative we can observe a decline.

Looking at the distribution by ICNPO, we find the highest number of membership in Germany in “Culture and Recreation” (CG 25). Furthermore, the high density of members in “Business and professional associations, unions” is evident.

In the UK the highest proportion of people with a formal membership to a civil society organisation in 2009/2010 is recorded by Sports Clubs (30 %), followed by Building societies (27 %) and cooperatives (11 %). Taking a closer look at the proportion of members in cooperatives by far the consumer cooperatives ranks among the top with approx. 9,500,000 members. The second highest share is recorded by agriculture cooperatives which show a number of only approx. 154,000 members (CUK 44).

In Denmark the high share of members in “Business and professional associations, unions” is associated with the high union density, the second most frequently covered field is “Culture and Recreation” and is, as in Germany, linked to memberships e.g. in sport clubs (CD 11).

<sup>89</sup> Data by civil society concept, estimation

### 3.5. Summary

What are the major conclusions that can be drawn from the qualitative and quantitative information we have presented so far?

Since its genesis in the 19th century the social economy has shown a tumultuous development in most of the selected countries. While the social economies in Germany and the UK only faced comparably minor challenges (such as marginalisation as the state assumed primary responsibility for the satisfaction of social needs, or burdensome regulation from public bodies), countries such as Portugal, Greece, Poland and the former German Democratic Republic all endured phases of authoritarian rule where the free development of the social economy was impossible. However, in these countries, social economy organisations have been able to flourish since the transition to democracy.

Looking at the economic data, it seems that the social economy is a significant economic force in most of the TEPsIE member countries. Exceptions are Greece (where the relevant data is missing) and Poland, where the social economy accounts for roughly 0.5% of GDP.

Based on budgets of social economy organisations, it seems that most of them work in the areas of “Culture and Recreation”, “Education and Research”, “Health” and “Social Services”. Based on the assumption that the ICNPO Classification can be seen as a scheme representing areas that are potential fields of social innovation, one can assume that the mentioned groups seem to be particularly suited for social innovation, at least in monetary terms. Two limitations have to be mentioned when putting forth such a hypothesis. First, even if the social economy is a potential incubator for social innovation it does not necessarily mean that much social innovation is actually taking place. There are several reasons for this. For example, budgets may already be pre-assigned for a designated use therefore restricting the space for innovative concepts and approaches. Second, the appearance of social innovation is not determined by a sufficient budget as a general shortage or a scarcity of funds can also be a driving force behind the need to be more innovative. That is, organisations might try to develop an innovation in order to continue to meet their social mission while their budget is decreasing.

When interpreting the structural variables, i.e. the number of entities and employees, we identified clusters in two of the aforementioned groups, namely “Culture and recreation” and “Social Services”. This finding supports the hypothesis that at least these two groups can be expected to be socially innovative as they are equipped with a comparably large budget and a plurality of actors.<sup>90</sup> But when drawing such a conclusion one must not forget that it is an inherent characteristic of innovation to create something new.

Another promising line of enquiry is the composition of the budget of the social economy. We can identify the state as the major source of income for the social economy in Germany and Denmark. However, this finding is not particularly surprising as Germany is a corporatist welfare regime and Denmark is a social democratic regime where the state is highly involved in the financing of social services (in a broader sense). At the other end of the spectrum are Poland and Portugal where self-generated income plays a slightly more important role than public funding. The UK sits in between

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<sup>90</sup> This is based upon the assumption that employees in social economy organisations have increased experiences in tackling social problems and that many employees in one field raise the likelihood of new collaborations and knowledge transfer, eventually increasing the potential for social innovations.

these two groups because public income and self-generated income contribute almost the same share of the budget. This could serve as a suitable starting point for further analysis, particularly in relation to the question of which type of funding is most conducive to social innovation.

However, it is important to stress the fact that it is only possible to provide an overview of the TEPSIE countries' social economies using existing statistical data. The top-down view presented in this work needs to be enriched by field research in the form of surveys undertaken by the various TEPSIE partner institutions. When breaking down this estimation with regard to social innovation the core message stays untouched. A valid and reliable assessment of social innovation (and the same is true for the social economy) is highly dependent on two requirements that are influencing each other. An internationally shared perception and understanding of social innovation has to be developed and deriving from this, an internationally comparable statistical information system has to be established. If one shares our view that the social economy is a crucial variable for the promotion of social innovation, a first module of this information system should aim to create a reliable basis for the international comparison of the social economies of the EU member states.

We close this report with the following hypotheses about the link between the social economy and social innovation. Our basic assumption is that societies' potential to be socially innovative is highly influenced by the state of the social economy. This in turn is determined by financial and structural dimensions. From a monetary point of view two ideal types can be identified:

A "Social Innovation Security" setting which is characterised by social economy organisations that have a stable and sufficient budget via public subsidies, a high share of volunteering or a high share of private philanthropy.

A "Social Innovation Pressure" setting in which the organisations have to suffer budget cuts and high demand from the public.

However, we argue that a blend of both states is the most fertile ground for social innovation. An extreme "Social Innovation Security" setting would lead to increasing inertia as the organisations do not see a necessity to adapt social innovations. An emphasis on the "Social Innovation Pressure" setting, especially if occurring abruptly, would lead to action with decreased sustainability. Last but not least, from a structural point of view, another hypothesis is that a high number of social economy organisations leads to greater market competition which in turn can foster the quantity of innovations. It is also important to see the link between both hypotheses as an extreme "Social Innovation Security" setting would ease the need for market advantage.

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*Additional Sources:*

- <http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector> Accessed: 02.07.12
- <http://data.ncvo-vol.org.uk/almanac/databank/scope/> Accessed: 06.08.12
- <http://data.ncvo-vol.org.uk/almanac/databank/scope/> Accessed: 06.08.12
- <http://data.ncvo-vol.org.uk/almanac/civil-society/how-many-people-work-in-civil-society/> Accessed: 06.08.12
- <http://de.finance.yahoo.com/waehrungen/waehrungsrechner/#from=EUR;to=USD;amt=1>  
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- <http://www.gepa.de/p/index.php/mID/1/lan/de> Accessed: 11.07.12
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- <http://www.oecd.org/statistics/> Accessed: 06.08.12

## 5. Appendix

### 5.1. Case study template

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## Work package 2 – Case Studies

### 5.1.1. Introduction

#### Aim and design of the case studies

The template aims to deliver a profound insight into the state and development of selected member states social economies. To achieve a comprehensive understanding, the case studies (not shorter than 10 pages please) will show the following design:

Introduction including a brief summary of the historical development of the social economy including and leading to an explanation of the national characteristics.

The main part covering the later on mentioned monetary and structural variables as well as some other questions e.g. concerning changes in the legal forms, legislation and environmental requirements. Two points of time are focused within this part. One dated before the year 2000 and one dated afterwards (the most actual date possible). This approach allows to get a first understanding of the development and furthermore to get a snapshot of the present constitution.

The final part will summarise the findings that have been made so far and will offer an outlook on possible future developments and highlight the potential social economies role for social innovation.

#### Following steps

We ask you to create a case study for your country following the design mentioned afore, covering the variables and contents specified later on.

After we received your case studies and did the proofreading together with YF, we will send a consolidated version to you.

#### Timeline:

Phase	Period of time	Description	Partners	Status
I	16.04.12 – 30.04.12	Reviewing the template / data assessment	All	Done
II	02.05.12 – 09.05.12	Finalising the template	UHEI	Done
III	14.05.12 – 09.07.12	Working on case studies	All	In progress
IV	09.07.12 – 01.08.12	Proofreading / editorial work	UHEI / YF	Next step

### 5.1.2. Template

The following template is divided into three blocks. Within the first one, we define the organisations that are part of the social economy. The second one will give you a brief overview over the variables that should be covered within the case studies. The third block contains other relevant questions, that cannot be answered solely by referring to figures and therefore require running text.

#### **Notes in regard to the data sources that should be used**

To be able to identify any tendencies within the social economy of a specific nation, we ask you to fill out the following variables twice. Once, the information should focus the time before 2000 and once, it should build upon the most up-to-date data available. In addition, we ask you to give a brief description of the data used, containing information concerning the currentness of data, the executive organisation that collected the data and last but not least your quality assessment.

These points have to be understood as an orientation. If the data, that is available for your case study, is more fine grained, please do not aggregate the data. This means for example, if the data is available as a time series, please do not break it down to two points of time. The same is true for the case that you have access to extensive data on organisational level (although the template focuses a country level perspective). If you encounter any data or publication, which might be relevant for us and is not in English or German, we would be very grateful if you could translate the main statements in one of the mentioned languages.

### 5.1.3. Block 1: Defining the organisations

We propose to take all organisations into respect for which it can be assumed, that they are mission driven. By using the term mission driven we mean, that their raison d'être is to serve a wide range of social needs (see ICNPO activity classification within Block 1) and not to generate profit, distributing the surplus to their owners. First and foremost and reasonable from a pragmatic standpoint, mission driven activities have to be assumed within those organisational legal forms with a tax-exempted status. In these cases the respective nation states have set those activities that qualify a mission driven status.

This includes all organisations that fit the Non-Profit Organisation (NPO) definition proposed in the "Handbook on Non-Profit-Institutions in the System of National Accounts":

- “(i) Organizations, that is, institutionalized to some extent;
  - (ii) Private, that is, institutionally separate from government;
  - (iii) Non-profit-distributing, that is, not returning profits generated to their owners or directors;
  - (iv) Self-governing, that is, able to control their own activities;
  - (v) Voluntary, that is, non-compulsory and involving some meaningful degree of voluntary participation.”
- (UN 2003: 16)

Typical legal and organisational NPO forms, fitting this definition in a bigger part, are associations (legal form), foundations (legal form), non-profit organizations (legal form) or Non Governmental Organisations (NGO) (organisational form).

Furthermore our approach includes, and thus expands the UN approach, by including mutual aid societies and cooperatives. This is because although they can distribute profit to their members, these types of organisations rather work towards a collective or mutual goal instead of focussing on individual profit maximization (see Evers / Laville 2004: 12f.).

Our approach is heavily dependent from the national legal framework to identify and include all relevant organisational forms. While several organisational forms, for which we assume that they are predominantly mission driven (NGO, NPO, association...), exist similarly shaped across the EU, national legal forms like the Community Interest Companies (CIC) in the UK, Social Solidarity Co-Operatives in Portugal, the Social Co-Operatives with limited liability in Greece or the charitable limited liability company in Germany do exist, too. To cover these highly relevant national types adequately, we rely on your expert's opinion.

As it will not be possible to conduct a single case analysis for the WP 2 case studies, which would be necessary to get a precise picture of the social economy, the foregoing approach should assist you in the assessment of which existing and accessible data could be used for your national case study.

However we encourage you to check the Center for Civil Society Studies – Johns Hopkins University (<http://ccss.jhu.edu/>) whether there is data for your country that can be used for the case study. They offer a broad database of elaborated publications, based on the UN Handbook definition, focussed on a national level. We recommend you their work for two reasons: Firstly, we think that their rich database can be a fair starting point for your case studies. Secondly, we believe that the non-profit sector can be regarded as a main incubator for social innovation. This is because it lacks a strictly profit-maximizing logic which makes it a protected environment for new approaches beyond market pressures. New and therefore innovative concepts, techniques etc. can be implemented / conducted in pilot tests, without bearing the burden of generating profit.

We are aware, that the definition introduced so far is bought dearly by not being able to assess the for-profit sectors contribution to the social economy. An example for this case related to Germany is "GEPA – The Fair Trade Company". It is Europe's largest fair trade Company, promoting the obvious fair trade idea and environmental friendly acting. Although the organisations mission is strictly social respectively environmental, its legal form is for-profit. This is because German law does not allow for a trading company to gain a tax-exempted legal non-profit form. Another example for the blurring boundaries between for-profit and non-profit can be found in the area of work integration as organisations active in this field exist in both legal forms. This means that we are aware that the for-profit sector can be and actually is a producer of social innovation. This has to be kept in mind when working on organisational cases or on a theoretical level. However, to conduct our case studies with the given resources we have to choose a pragmatic approach. Including the for-profit sector would require, as already mentioned, a single case analysis (in form of a survey or examination of the homepage) for every business of a given population, e.g. every business which has at

least €17,500 business volume p.a. or at least one employee who is subject to social insurance contribution. For the German case this would lead to approx. 3.6 million organisations for the year 2007. However, in case you have access to data flagging for-profit organisations in your country mission driven or not please include this information in your case study.

### Grouping of the social economies organisations

To get a sharper picture of the national social economy, we recommend using the “International Classification of Non-Profit Organizations”. This classification scheme differentiates NPOs into 12 groups, according to their main field of activity.

ICNPO	Field(s) of activity
1. Culture and recreation	Culture and arts Sports Other recreation and social clubs  Example: Zoos, football clubs, associations for the conservation of ancient monuments
2. Education and research	Primary and secondary education Higher education Other education Research  Example: Schools with a religious organising institution, research organisations like the German “Max-Planck-Gesellschaft”
3. Health	Hospital and rehabilitation Nursing homes Mental health and crisis intervention Other health services  Example: Hospitals belonging to welfare associations
4. Social services	Social services Emergency and relief Income support and maintenance  Example: Homehelp organisations, battered women’s shelter, rescue services
5. Environment	Environment Animal Protection  Example: Animal clinics, environmental organisations like “Robin Wood”
6. Development and housing	Economic, social and community development Housing Employment and training  Example: Neighbourhood organisations which aim to improve the quality of life in a specific region, tenant associations, non-profit organisations in the field of career counseling

7. Law, advocacy and politics	<p>Civic and advocacy organizations Law and legal services Political organizations</p> <p>Example: Citizens' initiatives, victim protection organisations, legal advice organisations, consumer protection, political foundations</p>
8. Philanthropic intermediaries and voluntarism promotion	<p>Grant-making Foundations [operational foundations shall be assigned to their field of action according to the responding ICNPO Group] Other philanthropic intermediaries and voluntarism promotion</p> <p>Example: Company foundations, community foundations, volunteer pools</p>
9. International	<p>International activities</p> <p>Example: Organisations in the fields development assistance, international understanding, peace keeping</p>
10. Religion	<p>Religious congregations and associations</p> <p>Example: Churches, monasteries, synagogues, mosques, temples</p>
11. Business and professional associations, unions	<p>Business associations Professional associations Labour unions</p> <p>Example: Trade associations, unions</p>

#### 5.1.4. Block 2: Variables

The following variables are generally based upon the framework described in the UN “Handbook on Non-Profit-Institutions in the System of National Accounts” although they have been reduced in their amount. We distinguish between monetary and structural variables. The data you use should once cover the point in time before 2000 and once a point in time later than 2000. If your data is referring to another currency than €, we will convert it to € once you delivered your case study to us.

<b>Monetary Variables</b>	
<b>Variable</b>	<b>Description</b>
<b>V1</b> Total average budget of the non-profit sector	Total budget (including revenues, grants, donations...) of all organisations, that fit the proposed definition, in €.
<b>V1.1</b> Budget of non-profit sector by legal form	Average total budget classified by legal form in € and in percent.
<b>V1.2</b> Budget of non-profit sector by ICNPO	Average total budget classified by ICNPO group in € and in percent.
<b>V2</b> Total average Composition of budget	Average composition (state support,

	private support, revenue from basic activity, investment and unrelated operational income, other) of the non-profit sector organisations budget in € and in percent.
<b>V2.1</b> Composition of budget by legal form	Average composition (state support, private support, revenue from basic activity, income earned from intellectual property, investment and unrelated operational income, other) of the non-profit sector organisations budget by legal form in € and in percent.
<b>V2.2</b> Composition of budget by ICNPO	Average composition (state support, private support, revenue from basic activity, income earned from intellectual property, investment and unrelated operational income, other) of the non-profit sector organisations budget by ICNPO in € and in percent.
<b>V3</b> Imputed value of volunteer employment	Imputed value in €. The estimation procedure recommended is valuing volunteer time by the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged.
<b>V4</b> Capital (re-)investment	Amount of capital in €, that has been (re-)invested. Non-profit organisations do not distribute their earnings to the owners. Instead, the gains have to be (re-)invested to maintain, improve and expand the service capability. Thus, (re-)investments can be seen as a way to measure earnings in the third sector.

<b>Structural Variables</b>	
<b>Variable</b>	<b>Description</b>
<b>V5</b> Entities, number	Total number of non-profit organisations in absolut figures.  Example: 1 mn non-profit organisations
<b>V5.1</b> Entities by legal form	Number of non-profit organisations by legal form in absolut figures and percent.  Example: 12.940 Foundations; 554.401 Associations, cooperatives, associations (like NGOs) and other non-profit organisations according to your national

	law
<b>V5.2</b> Entities by ICNPO	Number of non-profit organisations by ICNPO in absolut figures and percent.
<b>V6</b> Composition of “human resources”	Composition of “human resources” (paid employees, contract-based employees, volunteers) of the non-profit sector in headcount and full-time equivalent (FTE).  Example: 2,1 mn employees (headcount), 1,4 mn employees (FTE), 1 mn volunteers (FTE)...
<b>V6.1</b> Composition of “human resources” by legal form	Composition of “human resources” (paid employees, contract-based employees, volunteers) by legal form in headcount and FTE.
<b>V6.2</b> Composition of “human resources” by ICNPO	Composition of “human resources” (paid employees, contract-based employees, volunteers) by ICNPO in headcount and FTE.  Example: ICNPO 1: 64.346 employees (FTE), 2.834.418 volunteers (headcount), 411.306 (FTE), ICNPO 2: 131.451 employees (FTE)...
<b>V7</b> Members, number	Total amount of people owning a formal membership to a non-profit organisation.
<b>V7.1</b> Members by legal form	Amount of people owning a formal membership to a non-profit organisations by legal form in absolut figures and percent.
<b>V7.2</b> Members by ICNPO	Amount of people owning a formal membership to a non-profit organisations by ICNPO in absolut figures and percent.

#### 5.1.5. Block 3: Other questions

The following questions should be answered in running text.

**Question 1:** Which legal reforms took place since 1990, that affect non-profit organisations in their responsibilities and options of action. Of particular importance are changes in the field of legal forms and tied to this the taxation regulations.

**Question 2:** Independent from the legal form, which environmental specifications have to be complied with to establish and operate an organisation in your country?

**Question 3:** Are there any labels in your country, which are given away from public organisations, that flag for- or non-profit organisations as social enterprises?



**Question 4:** Are there any fundraising certificates / charity seals in your country, which are given away from public organisations, that certify a trustworthy handling of donations.

**Question 5:** Have there been any events that have had an influence on the financing structure of the social economy (e.g. governmental cost cuttings, social innovation bonds, founding of new big foundations etc.)?

#### 5.1.6. Bibliography

Evers, Adalbert and Jean-Louis Laville. 2004. "Defining the third sector in Europe." Pp. 11–42 in *The third sector in Europe*, edited by A. Evers, and J.-L. Laville. Cheltenham, UK ; Northampton, MA: Edward Elgar.

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## 5.2. Case Study: Denmark

*Written by Karsten Frøhlich Hougaard, Danish Technological Institute*

### 5.2.1. Introduction

This paper presents a short insight into the state and development of the social economy in Denmark. The first part gives a short summary of the historical development of the social economy in Denmark. The main section of the paper provides an overview of the size and structure of the social economy including all organisations that fit the Non-Profit Organisation (NPO) definition proposed in the “Handbook on Non-Profit-Institutions in the System of National Accounts”. It should be noted, however, that the Danish social economy also includes mutual aid associations and cooperatives. Finally, the last section provides an outlook on possible future developments.

### 5.2.2. The historical development of the Social Economy

Denmark has a long history of social movements coupled with the assumption that the state plays a key role as both a provider and funder of social welfare services. In particular, the adoption of the 1849 Danish Constitutional Act - and with that the switchover from absolute monarchy to democracy - served as a catalyst for the formation of many new associations. The 1933 Kanslergade Agreement set in motion the reforms that would establish the Scandinavian welfare model for state welfare services in Denmark. The public sector was given a central role and responsibility in relation to safeguarding the welfare of all citizens.

The fact that the public sector would be responsible for guaranteeing citizens’ welfare, however, did not imply the disappearance of voluntary social organisations or independent charities. While the public sector assumed primary responsibility for the welfare of Danish citizens, the idea was to make voluntary organisations or private charities provide services that would have been difficult for mainstream public services to provide.

From the 1930s onwards, and in particular during the 1960s and 1970s, the system of public social welfare services expanded gradually. The social field became increasingly regulated and professionalised to ensure that citizens throughout the country could obtain uniform public services. This became particularly evident with the introduction of the Danish Social Assistance Act of 1976, which subjected voluntary social organisations and institutions to extensive government regulation while the public sector undertook the financing of practically all operating expenditures.

However, during the 1980s there was an increasing desire to find alternative solutions to the problems facing society and the notion that the state should bear the sole responsibility for citizens’ welfare. This development can partly be explained by the economic recession going on at the time. However, it was also driven by calls for decentralisation.

In 1998, the Danish Consolidation Act on Social Services was passed, which has since been amended several times. Section 18 of the Consolidation Act states that (1) the municipal council shall cooperate with voluntary social organisations and associations, and (2) the municipal council shall allocate an amount to the support of voluntary social work every year.<sup>91</sup> Consequently, the

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<sup>91</sup> Ministry of Social Affairs and integration  
[http://english.sm.dk/MinistryOfSocialWelfare/legislation/social\\_affairs/social\\_service\\_act/Sider/Start.aspx](http://english.sm.dk/MinistryOfSocialWelfare/legislation/social_affairs/social_service_act/Sider/Start.aspx)

relationship between the public sector and voluntary social organisations has been formalised, and several Danish municipalities have started working more strategically with voluntary social organisations to solve social problems.

### 5.2.3. The Social Economy: size, structure & economic contribution

Data on the size and structure of the social economy in Denmark is rather limited. Before 2000, no studies have systematically tried to analyse the social economy. According to Statistics Denmark, it is currently not possible to isolate the contributions from the social economy from the annual national accounts. However, in 2006 the Danish National Centre for Social research published a study on the voluntary sector in Denmark. The study was part of “The Johns Hopkins Comparative Non-profit Sector Project” and was based on (1) a study of the Danish population's participation in voluntary work; (2) a survey of organisations in the voluntary sector, their organisational structure, objectives and financial situation; 3) a survey of the voluntary sector's impact on the economy and employment in Denmark. In addition, Statistics Denmark contributed to the study with register-based data. All the information obtained in the three surveys and from Statistics Denmark stems from 2003 and 2004. Thus, the 2006-study is the best proxy to assess the social economy in Denmark.

#### **Defining the organisations**

The “International Classification of Non-Profit Organisations” is used for defining the group of organisations that constitute the non-profit sector. In a Danish context, the organisations fitting this definition can be divided into three main types or legal forms:

- Associations (“Foreninger”)
- Independent (self-governing) institutions (“Selvejende institutioner”)
- Charitable foundations (“Almennyttige fonde”)

Using the NPO definition, a range of organisations fall within a “grey zone”; meaning that their characteristics are in the borders between the voluntary and public sectors or between the voluntary and private-economic sectors. These organisations are:

- free schools;
- free boarding schools;
- co-operatives;
- the Evangelical Lutheran Church in Denmark (Danish state church);
- common housing organisations;
- co-operative housing organisations;
- unemployment funds;
- the Home Guard;
- public funds and self-governing institutions; and
- self-help groups.<sup>92</sup>

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<sup>92</sup> Ibsen, B.; Habermann, U, ‘Defining the Nonprofit Sector: Denmark.’ Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, No. 44. Baltimore: The Johns Hopkins Center for Civil Society Studies, 2005.

In the study conducted by the Danish National Centre for Social Research, The State church, the Home Guard, the unemployment funds, the co-operative housing organisations and the public funds do not fit the NPO definition, since, in principle, the state or local authorities carry the final responsibility for them – and they are not, therefore, independent of the state. In addition, the co-operatives do not fit the NPO definition, as the vast majority of co-operatives share their profits among their members and, thus, do not full-fill the non-profit criteria in the NPO definition. Hence, in the data presented below, the contributions to the social economy from these organisations are not included; even though, most of them carry out a broad range of social and cultural activities.

A total registration of all non-profit organisations has not been made in Denmark so far. In the study mentioned above, two different approaches were used to create an overview of the number of entities and other structural variables. The first method is based on a large survey of non-profit organisations conducted in a single county. Afterwards, the results were scaled to include the whole country. Using this method, the total number of non-profit organisations in Denmark is approximately 65,500 associations, 6,800 independent, self-governing institutions, and 6,600 public utility funds. In addition, approximately 3,000 nationwide organisations should be added – making a total of roughly 82,000 organisations<sup>93</sup>.

However, by using a register-based methodology, Statistics Denmark came to a total number of organisations that is 20% higher, that is, approximately 100,200 organisations. While the number of self-governing institutions and charitable foundations are almost similar using the two methodologies, the number of associations increased considerably by using the register. The difference must be found within the 'non-financial, non-profit corporations' and 'non-profit institutions with a service targeted at households'.<sup>94</sup> Both types are subcategories of associations and are included in the methodology used by Statistics Denmark.

In the data presented below, we use the data from the register-based methodology as this best fits the NPO definition in the present study.

### **Monetary variables**

#### **Variable 1 Total average budget of the non-profit sector**

Total income: DKK96,486 million

Total expenditure: DKK92,962 million

*Source: Statistics Denmark, 2003*

#### **Variable 1.1 Budget of non-profit sector by legal form**

Currently, there are no data specifying the contribution to the total budget from each of the three legal forms

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#### **Variable 1.2 Budget of non-profit sector by ICNPO**

The table below shows the average total budget for the non-profit sector classified by ICNPO group in DKK and in per cent

<sup>93</sup> Boje, TP; Ibsen; B, 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006. The survey was conducted in the former county of Funen (Fyns Amt).

<sup>94</sup> TP, Boje, B, Ibsen, 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI). 2006, 17

**Table 5-1 – Budget by ICNPO<sup>95</sup>**

ICNPO	Total Income		Total expenditure	
	DKK 1,000	%	DKK 1,000	%
1. Culture and recreation	9,111,000	9.4	9,853,000	10.6
2. Education and research	30,935,000	32.1	29,651,000	31.9
3. Health	2,024,000	2.1	2,007,000	2.2
4. Social services	14,401,000	14.9	14,301,000	15.4
5. Environment	252,000	0.3	257,000	0.3
6. Development and housing	7,659,000	7.9	8,031,000	8,6
7. Law, advocacy and politics	873,000	0.9	896,000	1
8. Philanthropic intermediaries and voluntarism promotion	3,305,000	3.4	1,968,000	2.1
9. International	1,837,000	1.9	1,669,000	1.8
10. Religion	1,048,000	1.1	1,021,000	1.1
11. Business and professional associations, unions	23,156,000	24	21,028,000	22.6
Other	1,885,000	2	2,260,000	2.4
<b>Total</b>	<b>96,486,000</b>	<b>100</b>	<b>92,962,000</b>	<b>100</b>

The non-profit sector in Denmark is dominated by three major fields of activity, namely, education and research, social services and business, and professional associations. Education and research is dominated by private schools, folk high schools and adult education associations. The ICNPO category number 11 is dominated by unions and business associations, while ICNPO 4 (social services) includes a large number of associations targeted at young people, the DaneAge Association as well as independent social institutions (e.g. nursing homes). A fourth large ICNPO is culture and recreation including all sports clubs.

**Variable 2 Total average Composition of budget**

The two tables below show the total average composition of the budget in per cent and in DKK.

<sup>95</sup> TP, Boje, B, Ibsen, 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

**Table 5-2 –Composition of budget<sup>96</sup>**

Income	Public support	Private support	Revenue from basic activities	Income from investment and unrelated operational income	Total
in%	43.7	21.1	28.5	6.7	100
In DKK 1000	42,164,000	20,359,000	27,499,000	6,465,000	96,486,000

Expenditure	Paid employees	Production and services	Other expenditure	Total
in%	45.1	38.7	16.2	100
In DKK 1000	41,926,000	35,976,000	15,060,000	92,962,000

The non-profit sector in Denmark is very dependent on public support as almost 44% of its total income can be ascribed to this income category. Looking at the expenditure, it is worth noting that 45% of the sector's expenditure is salaries for paid employees. Hence, the term "voluntary sector" is not an adequate description for the Danish non-profit sector.

**Variable 2.1 Composition of the budget by legal form**

Currently, we have no data specifying the composition of the budget from each of the three legal forms.

**Variable 2.2 Composition of the budget by ICNPO**

The four tables below show the composition of the budget by ICNPO in per cent and in DKK.

**Table 5-3 – Composition of income by ICNPO (in %)<sup>97</sup>**

Income in%	Public support	Private support	Revenue from basic activities	Income from investment and unrelated operational income	Total
1. Culture and recreation	32.5	28.4	33.7	5.4	100
2. Education and research	77.1	0.5	21.2	1.2	100
3. Health	11.6	70.6	12.2	5.6	100
4. Social services	79	1.6	17.6	1.8	100
5. Environment	12.3	44.4	21	22.3	100
6. Development and housing	5.8	22.5	54.5	17.2	100
7. Law, advocacy and politics	27.6	39,9	20.3	12.2	100
8. Philanthropic intermediaries and voluntarism	20.2	16.4	15.6	47.8	100

<sup>96</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 and own calculations (Statistics Denmark 2003)

<sup>97</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

promotion					
9. International	73.5	10	10.7	5.8	100
10. Religion	19.8	24.2	21.3	34.7	100
11. Business and professional associations, unions	1.4	52,9	37,9	7.8	100
Other	23.1	20.4	50.8	5.7	100
<b>Total</b>	<b>43.7</b>	<b>21.1</b>	<b>28.5</b>	<b>6.7</b>	<b>100</b>

**Table 5-4 –Composition of income by ICNPO (in DKK)<sup>98</sup>**

Income in (1000) DKK	Public support	Private support	Revenue from basic activities	Income from investment and unrelated operational income	Total
1. Culture and recreation	2,961,075	2,587,524	3,070,407	491,994	9,111,000
2. Education and research	23,850,885	154,675	6,558,220	371,220	30,935,000
3. Health	234,784	1,428,944	246,928	113,344	2,024,000
4. Social services	11,376,790	230,416	2,534,576	259,218	14,401,000
5. Environment	30,996	111,888	52,920	56,196	252,000
6. Development and housing	444,222	1,723,275	4,174,155	1,317,348	7,659,000
7. Law, advocacy and politics	240,948	348,327	177,219	106,506	873,000
8. Philanthropic intermediaries and voluntarism promotion	667,610	542,020	515,580	1,579,790	3,305,000
9. International	1,350,195	183,700	196,559	106,546	1,837,000
10. Religion	207,504	253,616	223,224	363,656	1,048,000
11. Business and professional associations, unions	324,184	12,249,524	8,776,124	1,806,168	23,156,000
Other	435,435	384,540	957,580	107,445	1,885,000
<b>Total</b>	<b>42,164,382</b>	<b>20,358,546</b>	<b>27,498,510</b>	<b>6,464,562</b>	<b>96,486,000</b>

**Table 5-5 – Composition of expenditure by ICNPO (in %)<sup>99</sup>**

Expenditure in %	Paid employees	Production and services	Other expenditure	Total
1. Culture and recreation	25.9	47.2	26.9	100

<sup>98</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 and own calculations (Statistics Denmark 2003)

<sup>99</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 and own calculations (Statistics Denmark 2003)

2. Education and research	58.4	31.2	10.4	100
3. Health	24.6	61.9	13.5	100
4. Social services	67.3	27.2	5.5	100
5. Environment	23.7	61.5	14.8	100
6. Development and housing	28.7	44.9	26.4	100
7. Law, advocacy and politics	27.7	50.4	21.9	100
8. Philanthropic intermediaries and voluntarism promotion	15.1	57.5	27.4	100
9. International	26.5	28.9	44.5	100
10. Religion	24.9	50.2	24.9	100
11. Business and professional associations, unions	36.2	45.6	18.2	100
Other	29.8	45.2	25.9	100
<b>Total</b>	<b>45.1</b>	<b>38.7</b>	<b>16.2</b>	<b>100</b>

**Table 5-6 – Composition of expenditure by ICNPO (in DKK)<sup>100</sup>**

<b>Expenditure in DKK 1000</b>	<b>Paid employees</b>	<b>Production and services</b>	<b>Other expenditure</b>	<b>Total</b>
1. Culture and recreation	2,551,927	4,650,616	2,650,457	9,853,000
2. Education and research	17,316,184	9,251,112	3,083,704	29,651,000
3. Health	493,722	1,242,333	270,945	2,007,000
4. Social services	9,624,573	3,889,872	786,555	14,301,000
5. Environment	60,909	158,055	38,036	257,000
6. Development and housing	2,304,897	3,605,919	2,120,184	8,031,000
7. Law, advocacy and politics	248,192	451,584	196,224	896,000
8. Philanthropic intermediaries and voluntarism promotion	297,168	1,131,600	539,232	1,968,000
9. International	442,285	482,341	742,705	1,669,000
10. Religion	254,229	512,542	254,229	1,021,000
11. Business and professional	7,612,136	9,588,768	3,827,096	21,028,000

<sup>100</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 and own calculations (Statistics Denmark 2003)



associations, unions				
Other	673,480	1,021,520	585,340	2,260,000
<b>Total</b>	<b>41,925,860</b>	<b>35,976,290</b>	<b>15,059,840</b>	<b>92,962,000</b>

As mentioned above, ICNPO 2 constitutes the largest economic contribution to the non-profit sector. At the same time, ICNPO 2 receives the largest share of total public support for the sector. At the other end of the spectrum, public support for ICNPO 3 (Health) only constitutes 11.6% of the income. The Danish Cancer Society is one of the most dominant organisations in ICNPO 3. Like many similar organisations, it is highly dependent on private donations and fund-raising.

Looking at the expenditure of non-profit organisations, the share of expenditure for paid employees varies considerably between ICNPO groups. Education and research as well as social services are the two fields of activities that are mostly dominated by professionals. As a consequence, these two groups also have a large share of expenditure for paid employees.

### **Variable 3. Imputed value of volunteer employment**

From a 2004 survey of organisations in the voluntary sector, it was concluded that approximately 1.477 million Danes carried out voluntary work in that year.<sup>101</sup> This is equal to 110,000 full time equivalents (FTEs). At the time when the survey was conducted the total value of voluntary work carried out was estimated to be DKK35,309 million (based on a proxy of the wages paid within the different fields of work).

### **Variable 4. Capital (re-)investment**

It has not been possible to estimate the amount of capital that has been re-invested. However, looking at the non-profit sector as a whole, the sector has an estimated surplus of roughly DKK3,524 million (the difference between total income and expenditure). This amount can be seen as a measure of earnings in the sector.

## **Structural variables**

### **Variable 5. Total number of non-profit organisations in Denmark**

As mentioned in Section 1.1., the total number of non-profit organisations in Denmark is approx. 100,200 using a register-based methodology from Statistics Denmark

#### **Variable 5.1 Entities by legal form**

The table below shows the number of non-profit organisations by legal form

**Table 5-7 – Number of entities**<sup>102</sup>

<b>Legal form</b>	<b>%</b>	<b>Number</b>
Associations (local and regional)	83%	83,000
Associations (nation-wide)	3%	3,000
Independent (self-governing) institutions	8%	8,000
The public utility funds/charitable foundations	6%	6,200
<b>Total</b>	<b>100%</b>	<b>100,200</b>

<sup>101</sup> Ibsen, B., 'Frivillighedsundersøgelsen', Center for Forskning i Idræt, Sundhed og Civilsamfund, 2004

<sup>102</sup> TP, Boje, B, Ibsen, B. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 and The Volunteer Centre in Denmark, <http://www.frivillighed.dk/Webnodes/da/Web/Public/Forside>

### **Variable 5.2 Entities by ICNPO**

The table below shows the number of non-profit organisations in Denmark by ICNPO in absolute figures and in per cent.

**Table 5-8 – Number of entities by ICNPO<sup>103</sup>**

ICNPO	Number	%
1. Culture and recreation	36,810	36.3
2. Education and research	3,944	3.9
3. Health	1,817	1.8
4. Social services	8,714	8.6
5. Environment	695	0.7
6. Development and housing	14,562	14.4
7. Law, advocacy and politics	4,743	4.7
8. Philanthropic intermediaries and voluntarism promotion	6,325	6.2
9. International	1,104	1.1
10. Religion	821	0.8
11. Business and professional associations, unions	10,113	10.0
Other	11,640	11.5
<b>Total</b>	<b>101,274</b>	<b>100</b>

The most common types of associations in Denmark are sports clubs. Therefore, not surprisingly ICNPO 1 takes up 36.1% of the total number of non-profit organisations in Denmark. ICNPO 6 counts almost 15 000 entities and takes up the second largest share of all non-profit organisations. This group is mainly constituted by housing associations, homeowners associations and allotment societies.

### **Variable 6 Composition of human resources**

**Table 5-9 – Composition of human resources<sup>104</sup>**

Paid employees		Volunteers	
Number (headcount)	Number (full-time employees)	Number (headcount)	Number (full-time volunteers)
200,342	140,620	1,477,081	110,041

One of the most surprising findings in the study conducted by the Danish National Centre for Social Research was that the number of full-time employees exceeds the number of full-time volunteers. This result calls for a few comments. The driving force for most associations is still volunteers. However, both independent institutions and public utility funds have a large share of paid employees, and this is the main reason for the distribution between employees and volunteers in the table above.

<sup>103</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

<sup>104</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

**Variable 6.1** Composition of human resources by legal form

Currently, we have no data specifying the composition of human resources by legal form.

**Variable 6.2** Composition of human resources by ICNPO

**Table 5-10 –Composition of human resources by ICNPO<sup>105</sup>**

ICNPO	Paid employees		Volunteers	
	Number (headcount)	Number (full-time employees)	Number (headcount)	Number (full-time volunteers)
1. Culture and recreation	17,660	9,675	771,650	53,968
2. Education and research	70,530	50,909	147,303	4,999
3. Health	3,925	2,616	124,329	3,667
4. Social services	54,207	39,748	131,086	8,342
5. Environment	358	213	20,271	1,396
6. Development and housing	13,036	9,743	262,172	6,446
7. Law, advocacy and politics	2,207	1,839	66,218	5,851
8. Philanthropic intermediaries and voluntarism promotion	722	469	-	-
9. International	2,340	1,274	68,921	4,205
10. Religion	1,593	944	91,895	6,489
11. Business and professional associations, unions	29,652	20,370	112,166	6,890
Other	4,112	2,820	106,761	7,810
<b>Total</b>	<b>200,342</b>	<b>140,620</b>	<b>1,477,081</b>	<b>110,041</b>

As mentioned above, the education and research area as well as the social services area have a large number of paid employees. This is linked to the composition of the organisations by legal form for these two ICNPO groups. In Denmark, there is a long tradition of independent institutions playing a key role in the education and research area as well as in the social services area. Keeping in mind that independent institutions mostly employ paid staff this explains the distribution in the table above.

**Variable 7. Members**

According to the 2004 survey conducted among non-profit institutions in Denmark, the average number of memberships per capita in Denmark is 2.8. This means that the total number of memberships in non-profit organisations is roughly 15 million.

<sup>105</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

**Variable 7.1. Members by legal form**

Currently, we have no data specifying the composition of members by legal form. Professor Thomas P. Boje from Roskilde University is currently looking into the data used for the Danish National Centre for Social Research project in 2006

**Variable 7.2. Members by ICNPO**

The table below shows the number of people with a formal membership of a non-profit organisation by ICNPO in absolute figures and in per cent (the share of the total number of memberships in the Danish non-profit sector).

**Table 5-11 –Number of members by ICNPO<sup>106</sup>**

ICNPO	Number	%
1. Culture and recreation	4,868,000	32.2
2. Education and research	291,000	1.9
3. Health	717,000	4.8
4. Social services	961,000	6.4
5. Environment	224,000	1.5
6. Development and housing	1,970,000	13.1
7. Law, advocacy and politics	488,000	3.2
8. Philanthropic intermediaries and voluntarism promotion	-	-
9. International	125,000	0.8
10. Religion	36,000	0.2
11. Business and professional associations, unions	5,239,000	34.7
Other	169,000	1.1
<b>Total</b>	<b>15,088</b>	<b>100</b>

The Danish union density is quite high (approx. 80%), and this explains the large number of members in ICNPO 11. In addition, a large share of the Danish population holds one or several memberships in sports clubs, etc., which are included in ICNPO 1.

**5.2.4. Future outlook**

As mentioned in the introduction, the cooperation between non-profit organisations and the public authorities is formalised through the Danish Consolidation Act on Social Services. The municipalities have the main responsibility for cooperating with non-profit organisations. However, the municipalities have to describe this cooperation in annual reports to the government.

To underpin and strengthen non-profit organisations and support the cooperation between non-profit organisations and public authorities, a number of initiatives have been launched in the last few years. Some of the most important initiatives are:

**Coherent voluntary policies:** In 2010, a committee was set up to look into this subject.

<sup>106</sup> TP, Boje, B, Ibsen,. 'Volunteering and non-profit in Denmark – scope, organisation, economy and employment', Socialforskningsinstituttet (SFI), 2006 (Statistics Denmark 2003)

**The Voluntary Council:** Established in 2008, the Volunteer Council advises the Minister of Social Affairs and the Danish Parliament on the voluntary sector's role and efforts in relation to social challenges.

**Permanent support for volunteer centres:** Since 2009, the support for local volunteer centres in the municipalities has become permanent.

**Centre for Social Entrepreneurship.** The government has supported the Centre for Social Entrepreneurship since 2007. The Centre carries out education, knowledge sharing and research activities in the area of social entrepreneurship, social enterprise, welfare studies and civil society.

**Centre for Social Economics.** Since 2007, the government has supported the Centre for Social Economics. The purpose of the Centre is to support activities within the social economy.

In addition, the Danish government presented a strategy for civil society in 2010 to increase the role of non-profit organisations, citizens and companies in solving social problems.<sup>107</sup>

During the last 10-15 years, legal reforms and government initiatives have increased the influence and responsibilities of non-profit organisations in Denmark. The Danish Consolidation Act on Social Services was a particularly important step in that direction. In addition, it has become more advantageous to support the work of charitable organisations, as from 2012 even small donations have been made tax-deductible.

A 2010 report to the Danish Ministry of Social Affairs concluded that the voluntary social sector is experiencing an overall increase in the number of members and volunteers. However, the organisations are also experiencing an increase in the number of people benefiting from their work. The report estimates that nearly 1.9 million Danes are involved in voluntary work. This is a considerable increase compared to the survey from 2004, when almost 1.5 million Danes were estimated to be involved in voluntary work. The 2010 report also concludes that the municipalities increasingly involve voluntary social organisations in solving social problems; i.e. benefiting from the social organisation's expertise to solve a specific social problem.<sup>108</sup>

2012 has also seen the establishment of the Social Capital Fund. This fund is Denmark's first social venture fund, investing capital and providing support to promising social entrepreneurs to scale their social impact and economic performance.<sup>109</sup> To sum up, volunteering, social enterprises and cooperation between Danish public authorities and non-profit organisations are high on the political agenda. In the last few years, both the number of volunteers, the number of social enterprises and the municipalities' direct involvement in the non-profit organisations in solving social problems has increased.<sup>110</sup>

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<sup>109</sup> <http://www.densocialekapitalfond.dk/english/>

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### 5.3. Case Study: Germany

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#### 5.3.1. Introduction

The concept of the 'social economy' can be regarded as a highly prominent topic in academic and political discourses. However, there are many definitions and conceptions of the term. One of the reasons for this diversity of meanings is the heterogeneity of the social economy's constituent organisations as they can be, for example, grouped by different roles and models. It is essential to know that the relationship between the social economy and the non-profit sector in Germany is splintered, because the concept of the 'Third System' or a third sector is commonly attached to the non-profit sector<sup>111</sup>.

The phenomenon of the social economy is the combination of the desire to fulfil social ends (e.g. fair-trade, promotion of equality within the society...) by using social means (e.g. volunteers, inclusion of disabled people...), including participation in the market (e.g. selling goods and services). Popular examples in Germany which fit this understanding include GEPA and the Regionalwert AG. In determining whether an organisation is a regular for profit business or part of the social economy it is important to put an emphasis on the social or community-related objectives which can be perceived as the organisation's mission. But as we will demonstrate in our discussion of the socio-economic profile of the social economy in Germany, it is hardly possible to identify mission driven organisations without also considering legal forms.

But what is the perception of the concept of the social economy in Germany? In general, media attention for social entrepreneurs in Germany is high. The press extensively and regularly report on these kinds of socially conscious people.<sup>112</sup> In addition to this media coverage, the social economy enjoys popularity in other fields. There are support programs (like Ashoka<sup>113</sup>), research institutions and networks (Centre for Social Investment Heidelberg<sup>114</sup>), conferences (14. Fachmesse und Congress des Sozialmarktes<sup>115</sup>), new forms of financing (KfW: Finanzierung von Sozialunternehmen<sup>116</sup>) and academic chairs (Betriebswirtschaftslehre für Sozialunternehmen<sup>117</sup>). However, the promotion is, in comparison to the UK for example, still in its infancy. Despite political support and the establishment of academic departments, the sector has not gained

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<sup>111</sup> D, Vivet, B, Thiry, B, 'Field of study, quantitative importance and national acceptations', Ciriec (Centre international de recherches et d'information sur l'économie publique, sociale et cooperative), year unknown, 33

<sup>112</sup> T, Leppert, 'Social Entrepreneurs in Deutschland- Ansätze und Besonderheiten einer spezifischen Definition' 2008, 1, retrieved 4 July 2012,

<[http://heldenrat.files.wordpress.com/2010/07/leppert\\_2008\\_social\\_entrepreneurs\\_in\\_deutschland\\_2.pdf](http://heldenrat.files.wordpress.com/2010/07/leppert_2008_social_entrepreneurs_in_deutschland_2.pdf)>.

<sup>113</sup> <http://germany.ashoka.org/> Accessed: 11.07.12

<sup>114</sup> <http://www.csi.uni-heidelberg.de> Accessed: 11.07.12

<sup>115</sup> <http://www.consozial.de/> Accessed: 11.07.12

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[http://www.kfw.de/kfw/de/Inlandsfoerderung/Programmuebersicht/Finanzierung\\_von\\_Sozialunternehmen/index.jsp](http://www.kfw.de/kfw/de/Inlandsfoerderung/Programmuebersicht/Finanzierung_von_Sozialunternehmen/index.jsp) Accessed: 11.07.12

<sup>117</sup> [http://www.evhn.de/fb\\_sw\\_le.html?adr\\_theme\\_id=28](http://www.evhn.de/fb_sw_le.html?adr_theme_id=28) Accessed: 11.07.12

significant popularity as a subject of interest to the majority of the population in Germany over the last twenty years.<sup>118</sup>

Although a more or less shared understanding of the concept of the social economy can be found in the "Charter of the Social Economy of the European Standing Conference of cooperatives, mutual societies, associations and foundations"<sup>119</sup>, one can summarise that there is overall, a low acceptance and a lack of a cross-sectoral understanding of the concept of the social economy in Germany. This is probably because it is not yet widely known, in comparison to the related concepts of the non-profit sector and non-governmental organisations.<sup>120</sup> A conceptual distinction between these and the social economy is often difficult.

A satisfactory quantitative analysis of the size and the structure of the third sector and the social economy is quite difficult, but huge efforts are nevertheless identifiable within the academic arena. Various studies such as the Johns Hopkins Comparative Non-Profit Project (JHCNP), trying to assess the eponymous non-profit sector, or the Project CIRIEC (Centre International de Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative), which focuses on the social economy in distinction to and as a counterpart to the Johns Hopkins Project, have tried to show the size, relevance and importance of both concepts.

Although the two studies make a great contribution to the empirical understanding of these concepts, both were conducted during the 1990s. As such, their data could be regarded as outdated. Since then, compared to the size and scope of CIRIEC and Johns Hopkins, only minor efforts have been made to get a comprehensive understanding of the non-profit sector and the social economy in Germany.

The data which is currently available for making statistical assessments of the social economy and non-profit sector in Germany is highly fragmented as many of the data sources focus on only one legal form. This aspect will come up again in the main part of this case study, when the socio-economic profile of the German social economy is described. A problem, which might hinder efforts to conduct comprehensive studies, is the hybrid forms between the for-profit and third sectors. Thus, it is difficult to sharply define the population, which is required to generate representative samples,<sup>121</sup> an aspect which is especially true for the social economy. It has been pointed out that social enterprises try to accomplish their social or ecological missions by utilising commercial strategies. This makes it possible for them to operate under either for-profit or specific non-profit legal forms. Given the design of the German business register it is very difficult to identify mission driven for-profit organisations. But besides these limitations, one has to understand the interplay between the state and the production of public goods. This connection has a massive impact on the constitution of the social economy. To understand the concepts of the social economy and non-profit sector in Germany it is essential to know that in Esping-Andersen's

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<sup>118</sup> T, Leppert, 'Zur Wahrnehmung eines Phänomens: Förderpolitische Bedingungen für Social Entrepreneurship in Deutschland', P, Jähnke, GB, Christmann, K, Balgar (Eds.), VS Verlag für Sozialwissenschaften, Wiesbaden, 2011, 144

<sup>119</sup> Within this publication the following principles can be identified: the primacy of the individual and the social objective over capital, voluntary membership, democratic decision-making members to reconcile the interests of members / users with the general interest, advocacy and application of the principle of solidarity and responsibility, self-management and independence from state authorities. The gains are largely placed in sustainable development goals and services for members or for the common good (see Europäischer Wirtschafts- und Sozialausschuss 2007: 5, 6)

<sup>120</sup> Europäischer Wirtschafts- und Sozialausschuss, 'Die Sozialwirtschaft der Europäischen Union', 2007, 15-17, retrieved 4 July 2012 <[http://www.socialeconomy.eu.org/IMG/pdf/DE\\_web.pdf](http://www.socialeconomy.eu.org/IMG/pdf/DE_web.pdf)>.

<sup>121</sup> K, Birkhölzer, L, Kramer, 'Grundstrukturen und Erfolgsbedingungen innovativer Arbeits- und Unternehmensformen in Sozialen Unternehmungen', K; Birkhölzer, E, Kistler, G, Mutz (Eds.), VS Verlag für Sozialwissenschaften, Wiesbaden, 2012, 107- 109



well-known analysis, 'The Three Worlds of Welfare Capitalism', Germany has a corporatist regime with a long tradition of a close partnership between non-profit organisations (as an important part of the social economy) and the state.<sup>122</sup> This implies that the non-profit sector in Germany is relatively well developed in comparison to the non-profit sectors in neo-liberal countries and that government expenditure on social services is high.<sup>123</sup> In this context it is often assumed that non-profit organisations are heavily dependent on public funds and therefore closely connected to the state as well as highly bureaucratic.<sup>124</sup> This division of labour, blended with the legal changes we describe later in the following section, leads to a complex system of institutions; there are public and private agencies, non-profit and private sector organisations, social security and local authorities, and statutory and private insurance organisations. Most of the government funding derives from mandatory insurance that employers pay when earning income. In other words, government spending on third sector services does not come from taxes like VAT. As a result, citizens have a legal claim to receive the services of the third sector when they are in need.

Third sector organisations which offer specified services receive a set reimbursement for their services. Both organisational reimbursements as well as insurance payments are highly regulated. The percentage and amounts of insurance contributions are protected by law, and the amount paid for services is regulated and fixed by specific legislation. This increases stability and predictability for third sector organisations; new charges for services would only be introduced through legislation.

The pluralism of institutions differs from neo-liberal and social democratic countries.<sup>125</sup> The German case is also characterised by a dualism of public and non-profit institutions, which has evolved since the Weimar Republic. In this regard the principle of subsidiarity<sup>126</sup> is highly important. Subsidiarity is a social principle and means that higher units should adopt only duties and responsibilities which minor units can not fulfil. Or to formulate it the other way round: the major (public) units have to respect and to foster the minor (non-profit) units' scope of actions. This implies that the state should only act when no other organisation can serve the public duties, meaning the satisfaction of the need for social and ecological goods.<sup>127</sup> The principle of subsidiarity comes along with the prohibition of commercial competition by legitimising the "dual system" of social welfare. This means, that non-profit service organisations, predominantly the six free welfare associations, work exclusively with public organisations as equals in the areas of social service and health care provision. Therefore they are legally guarded from private commercial competition.<sup>128</sup> The six associations are: the Welfare Services of the Protestant Church in Germany (Diakonie/ Diaconia/ protestant), the German Caritas Association (Caritas/ catholic), the Association of Non-Affiliated

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<sup>122</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 462

<sup>123</sup> S, Toepler, HK, Anheier, 'Theorien zur Existenz von Nonprofit- Organisationen', KJ, Hopt, T, v, Hippel, WR, Watz (Eds.), Mohr Siebeck, Tübingen, 2005, 53

<sup>124</sup> HK, Anheier, W, Seibel, 'The nonprofit sector in Germany. Between State, economy and society', Manchester University Press, Manchester, New York, 2001, 106

<sup>125</sup> J, Bödege- Wolf, K, Schellberg, 'Organisationen der Sozialwirtschaft', Nomos Verlagsgesellschaft, Baden- Baden, 2010, 38

<sup>126</sup> A, Zimmer, S, Nährlich, 'Zur volkswirtschaftlichen Bedeutung der Sozialwirtschaft', U, Arnold, B, Maelicke, B. (Eds.), Nomos Verlagsgesellschaft, Baden- Baden, 2003, 66

<sup>127</sup> KH, Boeßenecker, 'Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände', Juventa Verlag, Weinheim, München, 2005, 25

<sup>128</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474- 475

Charities (Parity), the Central Welfare Agency of Jews in Germany, the Workers Welfare Service (AWO/ social-democratic) and the German Red Cross (Red Cross)<sup>129</sup>.

Although this affects the non-profit sector rather than the social economy, it is nonetheless very important to get an understanding of these historical developments to understand the German context. In the late nineteenth century, public-non-profit partnerships arose in the social welfare domain. Against the background of industrialisation, philanthropists, clerics and activists of the middle and upper classes created numerous voluntary organisations to help the poor and disadvantaged. Concurrently, local governments tried to introduce approaches which dealt with the “poverty question” that arose as a side effect of industrialisation.<sup>130</sup> The principle of subsidiarity coheres with the success of the free welfare associations in Germany. This principle was primarily designed to secure individual rights against any abundant intervention from the state.<sup>131</sup>

After the First World War and at the beginning of the Weimar republic there was a strong debate about the priorities for action between public agencies and free welfare providers. In 1924 the autonomy of the free welfare associations was prescribed by law accompanied by the guarantee for the welfare organisations to get priority action.<sup>132</sup> The free welfare associations became the epitome of the principle of subsidiarity.<sup>133</sup> After the Second World War renewed discussion occurred and resulted in the anchoring of the principle of subsidiarity for the benefit of welfare associations.<sup>134</sup> Eventually the six free welfare associations accomplished their present prominence in the 1950s and 1960s. This development was fostered by a societal climate that favoured the development of a buffer zone between citizen and state.<sup>135</sup> This buffer was partly established by the free welfare associations. This led to a situation in which the six welfare associations were given a privileged position as distinguished from voluntary or non-profit organisations in general. The public sector played a role in assisting the free welfare associations to accomplish their objectives as well as reviewing the presence and autonomy of associations.<sup>136</sup>

In the mid- 1990s a change took place following the implementation of the new German Long Term Care Insurance Law (Pflegeversicherung). The relationship between the state and the free welfare associations was modified and thereafter a cooperative collaboration between public bodies and independent institutions emerged. In the late 1990s, this was followed by further amendments to the law, for example, the BSHG (Federal Social Security Act) and the Children and Youth Services

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<sup>129</sup> LS, Henriksen, SR, Smith, A, Zimmer, ‘*At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States*’, *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474- 475: 474

<sup>130</sup> LS, Henriksen, SR, Smith, A, Zimmer, ‘*At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States*’, *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474- 475: 472, 473

<sup>131</sup> LS, Henriksen, SR, Smith, A, Zimmer, ‘*At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States*’, *Voluntas, International Journal of Voluntary and Nonprofit Organizations*, Volume 23, 2012, 474- 475: 474

<sup>132</sup> KH, Boeßenecker, ‘*Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände*’, Juventa Verlag, Weinheim, München, 2005, 25

<sup>133</sup> HK, Anheier, W, Seibel, ‘*The nonprofit sector in Germany. Between State, economy and society*, Manchester University Press, Manchester, New York, 2001, 97

<sup>134</sup> KH, Boeßenecker, ‘*Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände*’, Juventa Verlag, Weinheim, München, 2005, 19- 20

<sup>135</sup> HK, Anheier, W, Seibel, ‘*The nonprofit sector in Germany. Between State, economy and society*, Manchester University Press, Manchester, New York, 2001, 96- 97

<sup>136</sup> HK, Anheier, W, Seibel, ‘*The nonprofit sector in Germany. Between State, economy and society*, Manchester University Press, Manchester, New York, 2001, 96- 97: 97

Act. This led to a loss of the welfare associations' privileged position.<sup>137</sup> In this context the federal government pursued a cost-containment strategy. The state could not cover the financial deficits of social service and health care providers at the end of the fiscal year.<sup>138</sup> Therefore, agreements about services, fees and quality developments became necessary. Furthermore the free welfare associations introduced competitive elements in the promotion of social services and the insistence on a transparent and quality-driven service fulfilment.<sup>139</sup> The elimination of government subsidies worsened the competitive position of charities.<sup>140</sup>

These developments have to be seen in the context of the concept of an activating welfare state, which simultaneously arose in the late-1990s.<sup>141</sup> The ideas of activation and self-responsibility, characteristics of the activating welfare state, were closely connected to social democratic parties such as New Labour in the UK or the German SPD [Sozialdemokratische Partei Deutschlands]<sup>142</sup>. An example of the practice of government favouring the third-way strategy is the 'Schröder- Blair paper' published 2001. The responsibility of the state was diminished and the individual responsibility of the citizens was emphasised. The function of the market as a welfare producer was also considerably re-evaluated.<sup>143</sup> Despite these changes in the German welfare state the free welfare associations still hold an essential position within the corporatist governance arrangement of the social policy area<sup>144</sup> given that they are the largest employers of the social economy in Germany.<sup>145</sup>

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<sup>137</sup> KH, Boeßenecker, 'Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände', Juventa Verlag, Weinheim, München, 2005, 20

<sup>138</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', Voluntas, International Journal of Voluntary and Nonprofit Organizations, Volume 23, 2012, 474

<sup>139</sup> KH, Boeßenecker, 'Spitzenverbände der Freien Wohlfahrtspflege. Eine Einführung in Organisationsstrukturen und Handlungsfelder der deutschen Wohlfahrtsverbände', Juventa Verlag, Weinheim, München, 2005, 21

<sup>140</sup> S, Pabst, 'Privatisierung sozialer Dienstleistungen', U, Arnold, B, Maelicke (Eds.), Nomos Verlagsgesellschaft, Baden- Baden, 2003, 92

<sup>141</sup> RG, Heinze, J, Hilbert, D, Spalink, S, Stöbe- Blossey, 'Einführung: Der aktivierende Staat. Hintergründe und Merkmale eines Leitbildes für öffentliches Handeln', F, Behrens, RG, Heinze, J, Hilbert, S, Stöbe- Blossey (Eds.), edition sigma, 2005, 9

<sup>142</sup> In the debate, the reform strategy of the British sociologist Anthony Giddens, the strategy of the Third Way was integrated, which leads to the reformulation of the foundations of social democratic government policies (HJ Urban, 'ABC zum Neoliberalismus. Von „Agenda 2010“ bis „Zumutbarkeit“', VSA- Verlag, Hamburg, 2006, 16). The objective is a converted and newly-built state. A new definition of responsibility between society and state should lead to an increase of equity, efficiency and social welfare. The government relies on the inherent power of individual and collective social actors. The idea is that the intentions of the citizens to self-help support and solidarity exist but that the state has to activate them (RG Heinze, J, Hilbert, D, Spalink, S, Stöbe- Blossey, S, 'Einführung: Der aktivierende Staat. Hintergründe und Merkmale eines Leitbildes für öffentliches Handeln', F, Behrens, RG, Heinze, J, Hilbert, S, Stöbe- Blossey (Eds.), edition sigma, Berlin, 2005, 12). Giddens suggested promoting responsible citizens, the restructuring of the welfare state and therefore to foster the expansion of democracy (J, Lamla, 'Anthony Giddens', Campus Verlag GmbH, 2003, 117). In this discussion the relationship between state, civil citizenship and the role of the welfare state is very important. From this point of view it is not about welfare cuts, but to establish a entrepreneurial culture, in which the individuals are self-responsible and are able to cope with their own crisis actively (J, Lamla, 'Anthony Giddens', Campus Verlag GmbH, 2003, 140, 141).

<sup>143</sup> HJ, Urban, 'ABC zum Neoliberalismus. Von „Agenda 2010“ bis „Zumutbarkeit“', VSA- Verlag, Hamburg, 2006, 16

<sup>144</sup> LS, Henriksen, SR, Smith, A, Zimmer, 'At the Eve of Convergence? Transformations of Social Service Provision in Denmark, Germany, and the United States', Voluntas, International Journal of Voluntary and Nonprofit Organizations, Volume 23, 2012, 474

<sup>145</sup> A, Zimmer, S, Nährlich, 'Zur volkswirtschaftlichen Bedeutung der Sozialwirtschaft', U, Arnold, B, Maelicke, B. (Eds.), Nomos Verlagsgesellschaft, Baden- Baden, 2003, 74

Taking these significant changes into account, it is highly interesting to identify the contemporary constitution of the Social economy and to compare these findings to data from the 1990s. This comparison will be conducted in the following section.

### 5.3.2. The Social economy in Germany – Approaches and findings

So far we have discussed the meaning of the term social economy in Germany. We also summarised briefly the German welfare regime and the meaning that it has for the non-profit sector as well as the social economy. This section will begin with a discussion of the problems attached to a comprehensive assessment of the social economy in Germany and the decisions we made to deal with these problems. The second subsection will deliver an overview of the legal forms which we think are important for the social economy. After that we will present the data sources which were suitable to deliver the required information. Then we are going to present the socio-economic outlines we were able to identify, including a depiction of the severe data gaps that we identified. The subsequent section will discuss these findings in a broader context, providing an outlook for possible future developments and upcoming publications.

#### **National obstacles and solutions**

The first challenge was that it was not possible to assess for-profit organisations' contribution to the social economy for this case study. This problem derives from the accessible data sources which do not offer any information with regard to the question of whether an organisation is mission driven or solely follows the logic of profit maximisation. The German business register captures every business which has at least €17,500 business volume p.a. or at least one employee who is subject to a social insurance contribution, which would make it a potential starting point for a comprehensive statistical assessment, but this is a total of 3.6 million organisations for the year 2007.<sup>146</sup> An intense single case analysis would need to be conducted to separate mission driven organisations from the typical for profit ones. Given that the resources required for such an effort would necessitate a project in itself, another approach had to be identified.

We used the “Johns Hopkins Comparative Nonprofit Sector Project”<sup>147</sup> framework and the “Handbook of Non-Profit Institutions in the System of National Accounts”<sup>148</sup> published by the United Nations, as a starting point. This framework includes the well-known non-profit legal forms which constitute the non-profit sector. Examples of these are associations, foundations or church related organisations.<sup>149</sup> However, one critique might be that these legal forms do not necessarily utilise commercial strategies in the sense of offering goods and services in the market.

Now that it is clear that we lay an emphasis on mission driven organisations the question arises how we identify this organisational type. There are two approaches to this: the first one focuses on the status of tax exemption, and the second focuses on the legal form. For organisations within the German third sector, tax-exemption is not related to legal status. Rather, an organisation qualifies

<sup>146</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, ‘*Zivilgesellschaft in Zahlen, Abschlussbericht, Modul 1*’, 2011, retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>.

<sup>147</sup> For further information see <http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector> Accessed: 02.07.12

<sup>148</sup> UN, ‘*Handbook of non-profit Institutions in the System of National Accounts*’, 2003, retrieved 2 July 2012, <[http://unstats.un.org/unsd/publication/seriesf/seriesf\\_91e.pdf](http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf)>.

<sup>149</sup> UN, ‘*Handbook of non-profit Institutions in the System of National Accounts*’, 2003, retrieved 2 July 2012, <[http://unstats.un.org/unsd/publication/seriesf/seriesf\\_91e.pdf](http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf)>.

for tax-exemption by fulfilling two basic requirements. First, they are not allowed to distribute potential profits. Second, their activities must contribute to public welfare. The criterion for tax exemption is defined by the “Abgabenordnung” (German “Tax Code”): “A corporate body pursues charitable purposes, if its action is aimed at assisting the general public in material, intellectual or ethical areas”<sup>150</sup> [own translation]. These purposes are defined by 25 fields of activity within the tax code<sup>151</sup> which classify an organisation as charitable. Examples of charitable purposes are the promotion of science, sports, education, arts, culture, equal treatment and the support of disadvantaged groups.<sup>152</sup> It has to be made clear that there is no legal form reserved for charitable purposes –instead attribution is granted by the tax authorities. If charitable status is granted, the organisation is exempted from corporate and business tax. Every three years it is checked whether an organisation is still complying with the requirements for tax exemption. A comprehensive register encompassing all charitable organisations does not exist, yet.

We start from the assumption that there are legal forms which do not inherently focus solely on profit maximization. This is because although they can distribute profits to their members, these types of organisations work towards a collective or mutual goal instead of focussing on individual profit maximization. In our view this makes these organisations potential social innovators. Following Evers and Laville this leads to an inclusion of cooperatives and mutual aid societies<sup>153</sup>.

This line of argument can be transferred to other European countries, too. There are two other ways of identifying mission-driven organisations: one is to look at legal forms equivalent to Community Interest Companies (CICs) in the UK, but there are no such legal forms in Germany yet and therefore we cannot include them in our analysis. The fourth approach would be to check for-profit organisations in relation to their inherent mission and analyse whether their activities are mission-driven or not. For this purpose it would be necessary to analyse each and every organisation on a single case basis, which is not feasible. This is why we focus on the first two approaches mentioned above.

Now that it is clear why certain theoretical assumptions have driven our conception of which organisations should be included, we shall describe which concrete legal forms will be covered within this case study.

### **Description of the relevant legal forms**

Within this sub-chapter, we will differentiate between two legal forms which we think are important for the German social economy. First, we are going to describe the legal forms which come into our focus because they are tax exempted. The second will focus on legal forms for which we assume their legal description implies another focus than solely profit maximisation.

#### **Legal forms by tax exemption:**

**Gemeinnützige Aktiengesellschaft (gAG) (charitable joint stock corporation):** Although the legal form of a corporation is a popular one within the private economy, it can only be rarely identified within the social economy. This is mainly because of its tendency towards a capital market orientation and because of the duty to follow the strict specifications of the German Stock

<sup>150</sup> ‘Abgabenordnung §52 lit. 1.’, retrieved 3 July 2012, <[http://www.gesetze-im-internet.de/ao\\_1977/\\_52.html](http://www.gesetze-im-internet.de/ao_1977/_52.html)>.

<sup>151</sup> ‘Abgabenordnung §52 lit. 2.’, retrieved 3 July 2012, <[http://www.gesetze-im-internet.de/ao\\_1977/\\_52.html](http://www.gesetze-im-internet.de/ao_1977/_52.html)>.

<sup>152</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, ‘Zivilgesellschaft in Zahlen, Abschlussbericht, Modul 1’, 2011, retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>.

<sup>153</sup> A, Evers, JL, Laville, ‘Defining the third sector in Europe’, A. Evers, JL, Laville (Eds.), Edward Elgar, Cheltenham, Northampton, 2004, 11–42

Companies Act (Aktiengesetz)<sup>154</sup>. The requirements are: €50,000 starting capital, the founding process has to be checked by the executive board and the board of directors, commercial registry entry, and charitable status granted by tax authority. The decision-making is organised in the following way: the executive board is the leading institution, the general assembly is the deciding institution (influence calculated by capital share), and the board of directors is the controlling institution. This legal form is suitable for areas of charitable activities which are heavily exposed to market competition and for a large circle of proprietors

An example of this legal form is Zoologischer Garten Berlin AG.

### **Gemeinnützige Gesellschaft mit beschränkter Haftung (gGmbH) (charitable limited liability company):**

The charitable limited liability company (e.g. Stuttgarter Jugendhaus gGmbH) is not a separate legal form. Basically it is a regular GmbH which is tax exempted. Thus, the law according to limited liability companies (“Gesetz betreffend die Gesellschaften mit beschränkter Haftung” (GmbHG)) is the legal basis.<sup>155</sup> To establish a GmbH, a starting capital of at least €25,000 is necessary. Compared to an association the bond between proprietor and company is much stronger as a proprietor (a member in the case of an association) who quits is entitled to claim for compensation. The proprietors are the controlling decision-makers.<sup>156</sup> A GmbH that is able to fulfil the requirements listed in the German “tax code” to be regarded as charitable is exempted from the corporate income tax but therewith is prohibited from distributing its earnings<sup>157</sup>. The GmbH is the legal form of choice if the circle of proprietors is small and stable (compared to an association) and if the founding members want to be able to control the organisation's purpose over a long period of time (compared to a foundation)<sup>158</sup>. We find a high population of gGmbHs in the field of work integration in Germany.

### **Stiftungen (foundations):**

A foundation can be established if a donor or a group of donors formally manifest their will to establish a foundation to (a) realise a certain purpose and to equip this foundation with the (b) necessary means to achieve this purpose and (c) an adequate organisation (board).<sup>159</sup> Although the founding capital for a foundation is not defined by law, the relevant authorities are increasingly requesting starting capital of €100,000 to €300,000, depending on the foundation's purpose.<sup>160</sup>

A charitable foundation may exclusively pursue charitable goals. These charitable goals have to be formulated in form of the founder's will which forms the basis of the foundation's statutes. The founder's will forms the basis of the foundation's actions until the foundation is shut down.<sup>161</sup> To ensure that the founder's will is being fulfilled, the foundation's actions are monitored by the regulatory agency for foundations (Stiftungsaufsicht). This institution is regulated by the law of federal state within which the foundation was established “Landesstiftungsgesetz” (“foundation laws”)<sup>162</sup>.

<sup>154</sup> L, van Randenborgh, ‘Rechtsformwahl’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

<sup>155</sup> L, van Randenborgh, ‘GmbH-Recht (Grundzüge)’, S, Schauhoff, (Ed.), C.H. Beck, München, 2010

<sup>156</sup> L, van Randenborgh, ‘GmbH-Recht (Grundzüge)’, S, Schauhoff, (Ed.), C.H. Beck, München, 2010

<sup>157</sup> KW, Schröder, ‘Die Ertragsbesteuerung der GmbH und ihrer Anteilseigner’, W, Müller, N, Winkeljohann (Eds.), C.H. Beck, München, 2009

<sup>158</sup> L, van Randenborgh, ‘GmbH-Recht (Grundzüge)’, S, Schauhoff, (Ed.), C.H. Beck, München, 2010

<sup>159</sup> S, Schauhoff, ‘Stiftungsrecht’, S, Schauhoff, (Ed.), C.H. Beck, München, 2010

<sup>160</sup> L, van Randenborgh, ‘Rechtsformwahl’, S, Schauhoff, S. (Ed.), C.H. Beck, München, 2010

<sup>161</sup> S, Schauhoff, ‘Stiftungsrecht’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

<sup>162</sup> S, Schauhoff, ‘Stiftungsrecht’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

Most foundations appear as civil law foundations which are regulated by §§ 80 ff. of the “German Civil Code”. They have to be differentiated from the foundations under public law that can be regarded as part of the state administration.<sup>163</sup>

The main difference between a foundation on one hand and associations or GmbHs on the other hand is that the former one has no members or proprietors (in the sense of a group that is able to steer the organisation's purpose) – it is solely an administrative organisation.<sup>164</sup> It is the appropriate legal form if a specific purpose should be pursued over a long period of time.

#### **Legal form by inherent characteristics:**

**Genossenschaft (EG) (cooperative):** The cooperation law defines cooperatives as: “Societies of non-limited number of members whose purpose is to foster the earnings or the commerce of the members or whose social or cultural interests through collaborative business operations, acquire the rights of a “registered cooperative” following the conditions of this law”<sup>165</sup>. So, basically cooperatives can be understood as self-help organisations due to the circumstance that people connect to achieve goals collaboratively instead of pursuing them on an individual basis which at least requires three persons for the founding process.<sup>166</sup> Through the subscription of a cooperative share a member is simultaneously an owner and a business partner. Through this framework possible tensions between owner and customer can be minimised. The decision-making in a cooperative follows the principle: one member one vote. This is a contrast to legal forms like the GmbH or the AG whose decision-making principle is characterised by the principle: the more company share the more influence.<sup>167</sup>

**Eingetragener Verein (e.V.) (registered association):** The “Vereinsgesetz” (VereinsG) (“association law”) defines associations as follows: “An association in the sense of this law is without any consideration of the legal form every association whose members are affiliated voluntarily for a longer period of time for a shared purpose and subordinated themselves to a organised decision-making process”<sup>168</sup> [own translation]. To gain the legal form of a registered association an organisation has to fulfil the criteria defined by the “Bürgerliches Gesetzbuch” (“German Civil Code”): “An association whose objective is not commercial business operations acquires legal personality by entry in the register of associations of the competent local court [Amtsgericht]”.<sup>169</sup> The requirement to pursue an objective other than a commercial one can be interpreted as a mission in a broader sense.

Compared to a GmbH the start-up expenses are rather low, for example no minimum capital is required.<sup>170</sup> Due to the fact that entrance and exit of members can easily be executed this is the

<sup>163</sup> S, Schauhoff, ‘Stiftungsrecht’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

<sup>164</sup> L, van Randenborgh, ‘Rechtsformwahl’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

<sup>165</sup> ‘Genossenschaftsgesetz: §1 lit. 1.’, retrieved 9 July 2012, <[http://www.gesetze-im-internet.de/geng/\\_l.html](http://www.gesetze-im-internet.de/geng/_l.html)>.

<sup>166</sup> M, Steppel, ‘Neugründungen von Genossenschaften in den Jahren 2008 bis 2010’, HH, Münkner, G, Ringle (Eds.), Nomos Verlag, Baden-Baden, 2010, 67-81

<sup>167</sup> DZ BANK (Ed.), ‘Konjunktur und Kapitalmarkt. Eine Research-Publikation der DZ Bank AG. Genossenschaften in Deutschland. Eine Studie aus Anlass des Internationalen Jahres der Genossenschaften’, 2011, retrieved 23 July 2012, <[http://www.google.de/url?sa=t&rc=tj&q=dz%20bank%20konjunktur%20und%20kapitalmarkt&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fwww.raiba-aburg.de%2Fdownload\\_doc.cfm%3Fdoc\\_UUID%3DCCE5A4413048D1B97BC3905EC1C897BA&ei=AhsNULqKEfMPsga-9PTrCA&usq=AFQjCNGeR-W3m-rfHGz2YA1217wZjrIRIA&cad=rja](http://www.google.de/url?sa=t&rc=tj&q=dz%20bank%20konjunktur%20und%20kapitalmarkt&source=web&cd=1&ved=0CE8QFjAA&url=http%3A%2F%2Fwww.raiba-aburg.de%2Fdownload_doc.cfm%3Fdoc_UUID%3DCCE5A4413048D1B97BC3905EC1C897BA&ei=AhsNULqKEfMPsga-9PTrCA&usq=AFQjCNGeR-W3m-rfHGz2YA1217wZjrIRIA&cad=rja)>.

<sup>168</sup> ‘Vereinsgesetz: §2 lit. 1.’, retrieved 9 July 2012, <<http://www.gesetze-im-internet.de/vereinsg/BJNR005930964.html#BJNR005930964BJNG000100326>>.

<sup>169</sup> ‘German Civil Code: §21.’, retrieved 9 July 2012, <[http://www.gesetze-im-internet.de/englisch\\_bgb/englisch\\_bgb.html#p0054](http://www.gesetze-im-internet.de/englisch_bgb/englisch_bgb.html#p0054)>.

<sup>170</sup> L, van Randenborgh, ‘Rechtsformwahl’, S, Schauhoff (Ed.), C.H. Beck, München, 2010

legal form of choice if a high number of members is estimated or a frequent change of members is expected.<sup>171</sup>

**Versicherungsverein auf Gegenseitigkeit (VVaG) (mutual aid society):** The mutual aid society is a private company in the form of an association with legal capacity. It is not part of the register of associations because its activities are economic ones. The VVaG's goal is to offer insurance to its members. But the members have to bear the economic burden.<sup>172</sup> Therefore the VVaG's focus does not lie on the shareholders' profit maximisation but in providing the insurance. Examples of this legal form are Gothaer Versicherungsbank VVaG or Debeka Krankenversicherungsverein a.G. Furthermore a VVaG can be differentiated between a "large VVaG" and the regular VVaG. The latter one enjoys certain tax reliefs while the former one can also offer insurance to non-members.<sup>173</sup>

### 5.3.3. Data sources

The figures we are going to present are not representative of all the data available which could enhance our understanding of the social economy. In contrast to the unclear quantity of publications dealing with the non-profit sector / the social economy (mostly without a shared definition), we decided to focus on sources that can be regarded as highly relevant for the coverage of at least one legal form described earlier and that are revised and published on a regular basis. Two exceptions have been made. First, we included the "Johns Hopkins Comparable Non-Profit Sector Project" data because it is the most comprehensive database with regard to the non-profit sector (and therefore a sample of organisations that also fit our understanding of the social economy) offering a great point of reference for the time before 2000. Second, we decided to include findings from the Project "Zivilgesellschaft in Zahlen" because it represents an effort to use the official and highly valid business register to identify information on tax exempted organisations. Thus, this project highlights some of the potential information that could be gathered if the business register included some questions about which organisations are mission driven.

**"Die deutschen Genossenschaften 2011" ("The German Cooperatives 2011"):** This publication delivers comprehensive statistics for all cooperatives in Germany. It is created on an annual basis by the Deutsche Zentral-Genossenschaftsbank AG (German Central-Cooperative Bank AG). It is mainly based upon the statistics prepared by the members of the different unions (e.g. GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen/Federal Union of the German flat- and property companies). This data base is enriched by adding other sources like the bank statistics of the Deutsche Bundesbank (German Federal Bank), the "Gewerbeanzeigestatistik" ("Business Announcement Statistic") from the Federal Statistical Office or the "Bundesanzeiger" ("German Federal Gazette")<sup>174</sup>. The cooperatives are grouped into 5 categories: "cooperative banks", "rural cooperatives", "commercial cooperatives", "consumer cooperatives" and "housing cooperatives". These five sectors derive from a historical development which is oriented along founding personalities and the national unions. The statistics presented offer data on the entities,

<sup>171</sup> L, van Randenborgh, *'Rechtsformwahl'*, S, Schauhoff (Ed.), C.H. Beck, München, 2010

<sup>172</sup> A, Krafka, U, Kühn, *'Handelsregister'*, A, Krafka, H, Willer, U, Kühn (Eds.), C.H. Beck, München, 2010

<sup>173</sup> A, Krafka, U, Kühn, *'Handelsregister'*, A, Krafka, H, Willer, U, Kühn (Eds.), C.H. Beck, München, 2010

<sup>174</sup> M, Steppel, *'Neugründungen von Genossenschaften in den Jahren 2008 bis 2010'*, HH, Münkner, G, Ringle (Eds.), Nomos Verlag, Baden-Baden, 2010, 67-81



members, employees, turnover and new foundations for the years 1980, 1990, 2000, 2009 and 2010<sup>175</sup>.

**IAB-Betriebspanel (IAB Establishment Panel)**<sup>176</sup>: The “IAB-Betriebspane”l (“IAB Establishment Panel”) is an annual representative employer survey. It is conducted by TNS Infratest with a mandate of the Institut für Arbeitsmarkt- und Berufsforschung (IAB) (Institute for Employment Research). 16,000 companies are surveyed in personal interviews.

The data with regard to the gGmbH will be derived from our own calculations based on the “IAB Establishment Panel”, 15<sup>th</sup> wave 2010. Data access was provided via remote data access at the Research Data Centre (FDZ) of the German Federal Employment Agency (BA) at the Institute for Employment Research (IAB). If the data was used for other legal forms this will be declared. Our calculations include all organisations which are tax exempted and for which the weighting coefficient is not missing. This leads to 1,605 observations as a basis for further descriptive calculations.

It has to be taken into consideration that the weighted value has to be interpreted with caution. The weighting factor was calculated by the IAB for the whole dataset containing 20,338 observations. Thus, while using it for the partial sample one cannot raise a claim for representativeness. However we do think that it is useful to use the weighting variable due to the circumstance that the organisations within the sample show another structure with regard to the legal forms / organisational type than the general population of organisations in Germany. Therefore the picture given by using the weighting variable might be closer to reality.

**“The nonprofit sector in Germany” (“JHCNP” data)**: The approach chosen in this publication is an employment-based one which means that the “[...] nonprofit sector employment was used to estimate expenditures [...]”<sup>177</sup>. The major contours of the non-profit sector have been identified by using data from the “Arbeitsstättenzählung”, a survey conducted by the Federal Statistical Office in 1987. In order to gather information for the year 1990 the date from this source has been extrapolated. For figures relating to the time after 1990 different sources have been used, for example work from Priller and colleagues<sup>178</sup>, a survey conducted in 1992 based on 500 non-profit Organisations located in Western Germany, surveys and other publications from official and other relevant bodies like the Federal Employment Agency or the Federal Statistical Office, German Hospital Association.<sup>179</sup>

**“Vereinsstatistik” (“Association Statistic”)**<sup>180</sup>: The “Vereinsstatistik”, published by the V&M Service GmbH only includes registered associations. It is being revised and republished every two or three years. Its data source is the regional register of associations. On one hand, this source can be

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<sup>175</sup> M, Stappel, ‘Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen’, Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>

<sup>176</sup> IAB, ‘Das IAB-Betriebspanel’, year unknown, retrieved 5 July 2012, <<http://www.iab.de/de/erhebungen/iab-betriebspanel.aspx>>.

<sup>177</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in Germany, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 79

<sup>178</sup> E, Priller, A, Zimmer, HK, Anheier, ‘Der Dritte Sektor in Deutschland. Entwicklungen, Potentiale, Erwartungen’, Aus Politik und Zeitgeschichte, B9, 99, 1999, 12-21

<sup>179</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in Germany, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 71

<sup>180</sup> V&M Service GmbH (Ed.), ‘Vereinsstatistik 2011’, Konstanz, 2011

regarded as highly valid because every association which wants to operate as a registered association has to be recorded within the register. On the other hand the source is highly limited with regard to the information which can be drawn from it as it allows only conclusions on the absolute number of registered associations. The associations are grouped by the publishers into fields of activity which are partially compatible to the Johns Hopkins ICNPO framework and therefore to the template.

**“Verzeichnis Deutscher Stiftungen” („Register of German Foundations“)**<sup>181</sup>: The “Verzeichnis Deutscher Stiftungen. Band 1. Zahlen, Daten, Fakten zum deutschen Stiftungswesen” is published by the Bundesverband Deutscher Stiftungen and revised every 4 years or so. Foundations in Germany can exist in various (legal) forms like civil law foundations, trust foundations, foundations under public law or foundations in the form of associations or societies. The population of all types is not known. Reasons for this situation are the absence of encompassing national registers, comprehensive official statistics or an obligation to publish core variables. But the publication at hand can deliver resilient information with regard to the foundations under civil law having legal capacities, defined by §§ 80-88 BGB<sup>182</sup>. The number of this foundation type can be determined by surveying the regulatory authority for foundations. The statistics presented in the following chapter are based upon 13,546 foundations under civil law having legal capacities (with regard to the year 2007), representing 88% of all foundations of this type.

**“Zivilgesellschaft in Zahlen” (“Civil Society in Figures“)**<sup>183</sup>: “Zivilgesellschaft in Zahlen” is a modularly organised research project which aims to fill the data gaps with regard to civil society organisations in Germany. Module 1, conducted by the federal statistical office and the CSI Heidelberg, had to estimate the number of entities belonging to the third sector, the number of people working in these organisations and the share of the GDP based on the business register.<sup>184</sup> Our framework for further estimations is heavily inspired by the “JHCNP” approach. Though, compared to the figures from the German “JCHP” Case conducted in the 1990s the number of entities is significantly smaller. This is because the business register only contains organisations with at least €17,500 business volume p.a. or at least one employee who is subject to social insurance contribution. On the one hand this means that many of the organisations are excluded that normally would have been part of the “JHCNP” population because of their lack of market participation. But on the other hand this means that only organisations are included with a certain degree of economic contribution (with regard to the GDP) which could be interpreted as a link to the social economy concept as it favours organisations adopting market logics.

#### 5.3.4. Statistical findings

##### Monetary variables

<sup>181</sup> Bundesverband Deutscher Stiftungen (Ed.), ‘*Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen*’, Bundesverband Deutscher Stiftungen, Berlin, 2008

<sup>182</sup> ‘*Bürgerliches Gesetzbuch: §§ 80-88*’, retrieved 5 July 2012, <<http://www.gesetze-im-internet.de/bgb/BJNR001950896.html#BJNR001950896BJNG000802377>>.

<sup>183</sup> <http://www.ziviz.info/home.html> Accessed: 19.07.12

<sup>184</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, ‘*Zivilgesellschaft in Zahlen. Abschlussbericht. Modul 1*’, 2011, retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>.

Where data on budgets was not available we have used the information closest to budgets (e.g. turnover). If a figure conveys information other than the budget, it will be indicated in brackets.

#### Variable 1 Total average budget of the non-profit sector

##### Point in time before 2000

**Table 5-12 – Total expenditures of the non-profit sector 1995<sup>185</sup>**

	Total expenditures 1995	Share of GDP
<b>Non-profit sector</b>	DM135.4bn (this corresponds to about €69.2bn)	3.9%

##### Point in time later than 2000

**Table 13 Total expenditures of the non-profit sector 2007<sup>186</sup>**

	Total expenditures 2007	Share of GDP
<b>Non-profit sector</b>	€89.17bn	4.1%

The total expenditure of the non-profit sector in 1995 was DM135.4bn which corresponds to about €69.2bn. This represented a share of 3.9 % of the gross domestic product (GDP) at that time.<sup>187</sup>

The figure presenting the year 2007 does not take all organisations into account that fit our understanding of the social economy as it is focussed on the non-profit concept. On one hand, this brings the obvious disadvantage that the GDPs' share does underestimate the factual Social Economies' GDP share. On the other hand it is easily comparable to the figure for 1995, indicating increasing non-profit sector expenditures by approx. 0.2 %.

#### Variable 1.1 Budget of non-profit sector by legal form

##### Point in time before 2000

**Table 5-14 – Budget of the non-profit sector by legal forms 1990**

Legal form	Budget 1990
Foundations	
Associations	.
Cooperatives <sup>188</sup> (turnover) (1990 except housing cooperatives)*	DM191.7bn (this corresponds to €98bn)

<sup>185</sup> E, Priller, A, Zimmer, 'Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland', 2001, 16, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>186</sup> S, Fritsch, M, Klose, R, Opfermann, N, Rosenski, N, Schwarz, HK, Anheier, N, Spengler, 'Zivilgesellschaft in Zahlen. Abschlussbericht. Modul 1', 2011, retrieved 2 July 2012, <[http://www.ziviz.info/fileadmin/download/zivilgesellschaft\\_in\\_zahlen\\_abschlussbericht\\_modul\\_1.pdf](http://www.ziviz.info/fileadmin/download/zivilgesellschaft_in_zahlen_abschlussbericht_modul_1.pdf)>.

<sup>187</sup> E, Priller, A, Zimmer, 'Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland', 2001, 16, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

Housing cooperatives <sup>189</sup> (business asset) (1990)*	DM2.4 bn. (this corresponds to €1.2bn)
gGmbH	.
gAG	.
VVaG	.

\*Excluding the former DDR

For the approx. 5,400 incorporated foundations in civil law in West Germany in the early 1990s, total assets between \$14.5 and \$28.8bn have been estimated. This corresponds to approx. €12bn – €23.8bn<sup>190</sup>.

### Point in time later than 2000

**Table 5-15 – Budget of the Social economy by legal forms, based on different points of time later than 2000**

Legal form	Budget (different points in time)
Foundations <sup>191</sup> (revenue) (2007)*	€4.4bn
Associations	.
Cooperatives <sup>192</sup> (turnover) (2010 except housing cooperatives)	€159.5bn
Housing cooperatives <sup>193</sup> (business asset) (2010)	€3.5bn
gGmbH <sup>194</sup> (2010)	€108.4bn
gAG	.
VVaG	.

\* information given by 4.356 incorporated foundations in civil law

It is remarkable that the turnover from cooperatives in the year 1990 is higher than the non-profit sector sum of all expenditures for the year 1995 (see table 30). This leads to the assumption that the inclusion of the legal forms, as we described in the previous chapter, highly increases the volume of the social economy – at least in monetary terms (for a more detailed composition of the turnover of cooperatives see table 57).

<sup>188</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>189</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 51, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>190</sup> HK, Anheier, W, Seibel, 'The nonprofit sector in Germany, Between State, economy and society', Manchester University Press, Manchester, New York, 2001, 129/ Exchange rate (23.07.12): 1 US\$ = 0,826 €

<sup>191</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 31

<sup>192</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>193</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 51, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>194</sup> Own computation based on IAB Establishment Panel 2010

Although we do not have data for VVaGs with regard to budgets, revenue or turnover, it is nevertheless possible to identify a tendency, given the fact that this legal form had a market share of 19.9 % (measured in terms of insurance premiums) in 1990 compared to 15.9 % in 2009 of the total insurance industry. This indicates a decrease of 4 %. By contrast, the market share of the joint stock companies increased by 12.6 % in the same period.<sup>195</sup> This could lead to the careful assumption that the insurance market is becoming increasingly dominated by typical for-profit companies.

### Variable 1.2 Budget of non-profit sector by ICNPO

#### Point in time before 2000

**Table 5-16 – Total expenditures of non-profit sector by ICNPO 1990** <sup>196</sup>

ICNPO	1990 – absolute figures	1990 – percentage
<b>Total expenditure</b>	DM93.4bn (approx. €47.8bn)	100 %
01 Culture and recreation	DM6.9bn (approx. €3.5bn)	7.40 %
02 Education and research	DM11.2bn (approx. €5.7bn)	11.98 %
03 Health	DM32.6bn (approx. €16.7bn)	34.85 %
04 Social services	DM21.8bn (approx. €11,1bn)	23.35 %
05 Environment	DM0.2bn (approx. €0.1bn)	0.26 %
06 Development and housing	DM13.1bn (approx. €6.7bn)	14.06 %
07 Advocacy	DM1bn (approx. €0.5bn)	1.11 %
08 Philanthropy	DM0.2bn (approx. €0.1bn)	0.17 %
09 International	DM1.4bn (approx. €0.7bn)	1.49 %
10 Others (e.g. Religion)	.	.
11 Business and professional associations, unions	DM5bn (approx. €2.6bn)	5.33 %

#### After 2000

-

After a closer look at the composition of the budget by ICNPO in 1990 we can confirm that the largest portion of expenditures is in the “Health” group, followed by “Social Services” and “Development and Housing”. For the period after 2000 we were not able to identify data that can

<sup>195</sup> Gesamtverband der Deutschen Versicherungswirtschaft e.V., ‘*Statistisches Taschenbuch der Versicherungswirtschaft*’, 2011, table 6, retrieved 26 July 2012, <[http://www.gdv.de/wp-content/uploads/2011/11/Statistisches\\_TB\\_GDV\\_2011.pdf](http://www.gdv.de/wp-content/uploads/2011/11/Statistisches_TB_GDV_2011.pdf)>.

<sup>196</sup> HK, Anheier, W, Seibel, ‘*The nonprofit sector in Germany, Between State, economy and society*’, Manchester University Press, Manchester, New York, 2001, 78f.

offer an overview according to the ICNPO grouping. This can be explained by the same issue as identified for V2.1. These ICNPO groups, especially “Health” and “Social Services”, are areas in which the German welfare state is highly active. But due to the corporatist welfare regime the services are offered by the non-profit organisations, while the state acts as financier.

**Variable 2** Total average composition of budget

**Before 2000**

**Table 5-17 – Total average Composition of budget of the non-profit sector 1995** <sup>197</sup>

	Public Sector – percentage	Donations – percentage	Private fees and charges – percentage
<b>non-profit sector</b>	64.3 %	2.4 %	32.3 %

**Point in time later than 2000**

-

No data for after 2000 is available to us. This lack of data can be seen as a severe gap because without these comprehensive figures it is hardly possible to make reliable estimations with regard to the importance of the budget generated by the NPO / Social economy organisation itself.

The composition of the budget of the non-profit sector in 1995 makes clear that the “Public Sector” is the most important financial contributor. But it must be kept in mind that the German principle of subsidiarity has a strong impact on the composition of the budget dependent on the ICNPO group, leading to a high mean variation. In other words, there is a high variation of financing schemes between different ICNPO groups. This will be presented in table 37.

**Variable 2.1** Composition of budget by legal form

Foundations

**Before 2000**

-

**After 2000**

The assets of the incorporated foundations in civil law are estimated to be €70bn. The simple computed average asset of one foundation is therefore €4.6m.<sup>198</sup> But in this context one must also realise that the distribution of financial assets within the German foundation sector is concentrated amongst a small number of foundations (e.g. Volkswagen Stiftung, Landesstiftung Baden-Württemberg, Robert Bosch Stiftung GmbH etc.).<sup>199</sup> The largest contribution to the revenue is provided by asset management followed by special purpose enterprises (see table 36).

<sup>197</sup> HK, Anheier, W, Seibel, *‘The nonprofit sector in Germany, Between State, economy and society’*, Manchester University Press, Manchester, New York, 2001, 102

<sup>198</sup> Bundesverband deutscher Stiftungen, *‘Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen’*, 2008, 30

<sup>199</sup> Bundesverband deutscher Stiftungen, *‘Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen’*, 2008, 25f.

**Table 5-18 – Type of revenue, foundations 2007<sup>200</sup>**

Variable	2007 - absolute figures	2007 - percentage
<b>Total revenue*</b>	€4.4bn	100 %
<b>Type of revenue</b>	€4.4bn	100 %
Asset management	€2bn	44.75 %
Donations	€0.3bn	7.16 %
Special purpose enterprise	€0.9bn	20.46 %
Economic business	€0.3bn	5.57 %
Public funding	€0.6bn	12.82 %
Reserves	€0.03bn	0.64 %
Others	€0.4bn	8.60 %

\* Information given by 4,356 incorporated foundations in civil law

#### Associations

##### **Point in time before 2000**

-

##### **Point in time later than 2000**

-

#### Cooperatives

##### **Point in time before 2000**

-

##### **Point in time later than 2000**

-

#### gGmbH

##### **Point in time before 2000**

-

##### **Point in time later than 2000**

-

#### gAG

##### **Point in time before 2000**

-

##### **Point in time later than 2000**

-

#### VVaG

##### **Point in time before 2000**

-

##### **Point in time later than 2000**

<sup>200</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 31

While at least parts of the variables V1 – V2 can be covered, tremendous gaps are unveiled when it comes to the composition of budget by legal form. This may be because this variable is a very detailed one compared to others which are more aggregated like number of entities. Furthermore the different legal types may have significantly different types of income making it harder to convert them into a comparable form. This is indicated by the variable V1.1 “budget by legal form”. Although the variable is less fine-grained than V2.1 it is nevertheless not possible to make reliable comparisons because some figures may represent the turnover while others refer to the business assets.

Further, the “JHCNP” framework lays an emphasis on the ICNPO framework and not the legal form leading to a lack of data for before 2000. This is basically applicable to every variable focussing on the legal form.

**Variable 2.2** Composition of budget by ICNPO

**Point in time before 2000**

**Table 5-19 – Revenue structure by major source in the non-profit sector by ICNPO 1995<sup>201</sup>**

Revenue structure	Major source	1995 - percentage
01 Culture and recreation	Public Sector	20.2 %
	Donations	13.4 %
	Private fees and charges	66.2 %
02 Education and research	Public Sector	75.4 %
	Donations	1.9 %
	Private fees and charges	22.6 %
03 Health	Public Sector	93.8 %
	Donations	0.1 %
	Private fees and charges	6.1 %
04 Social services	Public Sector	65.5 %
	Donations	4.7 %
	Private fees and charges	29.8 %
05 Environment	Public Sector	22.3 %
	Donations	15.6 %
	Private fees and charges	62.1 %
06 Development and housing	Public Sector	57.0 %
	Donations	0 %
	Private fees and charges	43 %
07 Advocacy	Public Sector	57.6 %
	Donations	6.6 %
	Private fees and charges	35.8 %
08 Philanthropy	Public Sector	10.4 %
	Donations	3.4 %
	Private fees and charges	86.2 %
09 International	Public Sector	51.3 %

<sup>201</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in Germany, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 102



10 Others (e.g. Religion)	Donations	40.9 %
	Private fees and charges	7.8 %
11 Business and professional associations, unions	.	.
	Public Sector	2.0 %
	Donations	0.8 %
	Private fees and charges	97.2 %

**Point in time later than 2000**

-

It is conspicuous that in 1995 in the field of health almost 94% of revenue was provided by the public sector. In the fields of “Education and Research” as well as “Social Services”, “Development and Housing” and “International Activity”, the public sector provided more than half of the total revenue. Private fees and charges are most important in the field of “Business and Professional Associations, Unions”, “Culture and Recreation”, “Philanthropy” and “Environment”.

This high degree of mean variation, an issue we already broached earlier, goes hand in hand with the corporatist model as the division of labour between state and the welfare organisations is developed distinctly in different fields of activity. Therefore it is, based on the corporatist welfare regime in Germany, evident that the state is more integrated into the funding of areas like “Social Services” and “Health” than it is in areas like “Business and Professional Associations, Unions”.

It is difficult to make a comparison with a point in time after 2000 because there is not much available data based upon the ICNPO framework.

**Variable 3** Imputed value of volunteer employment

**Point in time before 2000**

-

**Point in time later than 2000**

**Table 5-20 – Imputed value of volunteering 2007<sup>202</sup>**

Variable	2007 – Amount
Imputed value of volunteering	€35bn

The figure representing the imputed value of volunteering for 2007 has to be perceived critically for two reasons. First, there is no mandatory point of reference for the earnings per hour as there is no legally enforced minimum wage in Germany. Second, different publications come to different estimations with regard to the number of hours that have been worked voluntarily – reasons for this are linked to different samples and methods of collecting data.<sup>203</sup>

<sup>202</sup> Prognos AG / AMB Generali Holding AG, ‘Engagementatlas 2009: Daten. Hintergründe. Volkswirtschaftlicher Nutzen’, Aachen, 2009, 14, retrieved 17 July 2012, <[http://www.wir-tun-was.de/fileadmin/site\\_downloads/highlights/engagementatlas\\_2009.pdf](http://www.wir-tun-was.de/fileadmin/site_downloads/highlights/engagementatlas_2009.pdf)>.

This figure has been computed by assuming a low average wage of 7,50€ per hour for the hours worked voluntarily.

<sup>203</sup> Wissenschaftszentrum Berlin für Sozialforschung, ‘Bericht zur Lage und zu den Perspektiven des bürgerschaftlichen Engagements in Deutschland’, BMFSFJ, Berlin, 2009, retrieved 26 July 2012,

#### Variable 4 Capital re-investment

##### Point in time before 2000

-

##### Point in time later than 2000

**Table 5-21 –Capital re-investment**

Legal form	Amount
Foundations	.
Associations	.
Cooperatives	.
gGmbH <sup>204</sup> (2010)	€6.3bn
gAG	.
VVaG	.

**Table 5-22 – Investment by housing cooperatives 2010<sup>205</sup>**

Variable	2010 – absolute figures	2010 – percentage
<b>Investment by housing cooperatives</b>	€3.8bn	100 %
New construction projects	€0.8bn	20.29 %
Maintenance and repair	€1.6bn	42.58 %
Modernisation	€1.4bn	37.13 %

Looking at the investment made by housing cooperatives (see table 40) the highest share was spent on maintenance and repair. Investing in new construction projects which represents a typical case of social investment represents only 20 % of the total investment by housing cooperatives. Approximately 80 % can be interpreted as money invested to keep up the social investment that has been done so far. Therefore it could be considered as a kind of sustaining expense.

As for most monetary variables huge data gaps can be identified when it comes to the amount of (re-)invested money. But it can be at least carefully assumed that gGmbHs and (housing) cooperatives are able to generate a kind of surplus when they have the monetary resources to invest money which goes beyond ordinary everyday expenditure.

### Structural variables

Data on the structure of the German social economy is generally easier to locate than monetary data. It must be taken into account that some of the calculated data must be interpreted with

<<http://www.bmfsfj.de/RedaktionBMFSFJ/Broschuerenstelle/Pdf-Anlagen/buergerschaftliches-engagement-bericht-wzb-pdf,property=pdf,bereich=bmfsfj,sprache=de,rwb=true.pdf>>.

<sup>204</sup> Own computation based on IAB Establishment Panel 2010

<sup>205</sup> GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V., 'Wohnungswirtschaftliche Daten und Trends 2011/2012. Zahlen und Analysen aus der Jahresstatistik des GdW', Berlin, 2011, 128, retrieved 26 July 2012, <[http://web.gdw.de/uploads/pdf/publikationen/d\\_u\\_t/GdW\\_Daten\\_und\\_Trends\\_2011\\_Kurzfassung.pdf](http://web.gdw.de/uploads/pdf/publikationen/d_u_t/GdW_Daten_und_Trends_2011_Kurzfassung.pdf)>.

caution as in many cases not all of the legal forms within the social economy offer the relevant data.

**Variable 5** Entities, number

**Point in time before 2000**

**Table 5-23 – Entities of the non-profit sector 1995<sup>206</sup>**

Variable	Entities
Entities, number	416,600

**Point in time later than 2000**

**Table 5-24 – Entities of the Social economy, based on different points later than 2000<sup>207</sup>**

Variable	Entities
Entities, number	620,944

The total number of non-profit organisations in 1995 is primarily attributable to the categories “Culture and Recreation” and “Social Services” (see also table 43). The sum of social economy organisations after 2000 increased by approximately 200,000 entities. It has to be kept in mind that both figures are not easily comparable due to the fact that they represent different organisational populations. It is clear that the social economy is – speaking in structural terms – larger than the non-profit sector. But it is easy to come to this conclusion given the fact that our conception of social economy includes the typical non-profit Organisations as well as adding more legal forms like the non tax exempted cooperatives.

**Variable 5.1** Entities by legal form

**Point in time before 2000**

**Table 5-25 – Entities of the non-profit sector by legal form, based on different points before 2000**

Variable	absolute figures	percentage
Entities, number**	300,521	100 %
Entities by legal form **	300,521	100 %
Foundations (early 1990s) <sup>208*</sup>	5,400	1.80 %
Associations (1990) <sup>209</sup>	286,000	95.17 %
Cooperatives (1990) <sup>210*</sup>	8,769	2.92 %

<sup>206</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>207</sup> Aggregated data. Sources in table 15

<sup>208</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in German, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 129

<sup>209</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in Germany, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 74

<sup>210</sup> M, Stappel, ‘Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen’, Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 40, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

gGmbH	.	.
gAG	.	.
VVaG (1990) <sup>211</sup>	352	0.12 %

\*Excluding the former DDR

\*\*Simple calculation without gGmbH, gAG. The sum presented is based on an own computation which draws data from different sources. Therefore aberrations to “JHCNP” data may occur.

### Point in time later than 2000

**Table 5-26 – Entities of Social economy by legal form, based on different points of time after 2000**

Variable	absolute figures	percentage
<b>Entities, number *</b>	620,944	100 %
<b>Entities by legal form*</b>	620,944	100 %
Foundations (2007) <sup>212</sup>	15,449	2.49 %
Associations (2011) <sup>213</sup>	580,298	93.45 %
Cooperatives (2010) <sup>214</sup>	7,619	1.23 %
gGmbH (2010) <sup>215</sup>	17,310	2.79 %
gAG	.	.
VVaG (2009) <sup>216</sup>	268	0.04 %

\*The sum represents different points of time and therefore has to be interpreted with caution.

In order to obtain a better overview regarding the proportion of legal forms within the social economy we have to be aware that data for the legal forms gGmbH and gAG are missing for the period before 2000 (see table 43). The sum of the existing data indicates approx. 300,000 organisations. However, this figure is a rough estimation and has to be interpreted with caution. Looking at the total number of entities of the non-profit sector in table 41 (416,600 entities, data by “The John Hopkins Comparative Non-profit Sector Project”) we can state a difference of about 100,000 entities which might be partially attributed to the missing data for gGmbH.<sup>217</sup> Another factor might be the different dates that the data was collected at. Thus on one hand, table 14 lacks 5 years of growth with regard to the entities. On the other hand, the data partly excludes the organisations located in the former GDR (e.g. cooperatives).

In table 42 the current distribution within the social economy in Germany is presented. It shows a total of 620,944 organisations. Associations make up the largest share of the sector (93%). The

<sup>211</sup> Gesamtverband der Deutschen Versicherungswirtschaft e.V., ‘*Statistisches Taschenbuch der Versicherungswirtschaft 2011*’, 2011, table 3, retrieved 26 July 2012, <[http://www.gdv.de/wp-content/uploads/2011/11/Statistisches\\_TB\\_GDV\\_2011.pdf](http://www.gdv.de/wp-content/uploads/2011/11/Statistisches_TB_GDV_2011.pdf)>.

<sup>212</sup> Bundesverband deutscher Stiftungen, ‘*Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen*’, 2008, 47, 94

<sup>213</sup> V&M Service GmbH, ‘*Vereinsstatistik 2011*’, 2011, 25

<sup>214</sup> M, Stappel, ‘*Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen*’, Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 40, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>215</sup> Own computation based on IAB Establishment Panel 2010

<sup>216</sup> Gesamtverband der Deutschen Versicherungswirtschaft e.V., ‘*Statistisches Taschenbuch der Versicherungswirtschaft 2011*’, 2011, table 3, retrieved 26 July 2012, <[http://www.gdv.de/wp-content/uploads/2011/11/Statistisches\\_TB\\_GDV\\_2011.pdf](http://www.gdv.de/wp-content/uploads/2011/11/Statistisches_TB_GDV_2011.pdf)>.

<sup>217</sup> HK, Anheier, W, Seibel, ‘*The nonprofit sector in Germany, Between State, economy and society*’, Manchester University Press, Manchester, New York, 2001, 25

share is approximately comparable with its share before 2000.<sup>218</sup> For the early 1990s about 5,400 incorporated foundations in civil law were recognised in Western Germany. Looking at the number of organisations in 2007 the number of incorporated foundations in civil law has tripled.

In terms of cooperatives, “rural cooperatives” are the most common type of cooperative but commercial and housing cooperatives are also common. There has been a decrease in the number of entities between the two points of reference. This decrease can mostly be explained by the economic situation, which fosters fusions between “credit cooperatives” as well as fusions and dissolutions in the field of “rural cooperatives”. Although the legal form of the European Cooperative (SCE) does exist, this type plays a negligible role within the German context.<sup>219</sup>

Furthermore, 352 mutual associations were counted in 1990. In contrast to the development of the majority of the other legal forms within the social economy, but parallel to the development in the sector of cooperatives, we can recognise a decrease concerning the number of mutuals in Germany as the number amounts to 268 mutual associations in 2009.<sup>220</sup> Although it is possible to buy data of structural and monetary figures through organisations such as KIVI GmbH, we are still lacking an official data source for mutuals in Germany.

#### Variable 5.2: Entities by ICNPO

##### Point in time before 2000

Table 5-27 – Entities of the non-profit sector by ICNPO 1995<sup>221</sup>

Variable	1995 - absolute figures	1995 - percentage
<b>Entities by ICNPO*</b>		
	416,600	100 %
01 Culture and recreation	160,100	38.43 %
02 Education and research	10,000	2.40 %
03 Health	3,600	0.86 %
04 Social services	130,000	31.20 %
05 Environment	30,000	7.20 %
06 Development and housing	1,500	0.36 %
07 Advocacy	40,000	9.60 %
08 Philanthropy	6,000	1.44 %
09 International	400	0.10 %
10 Others (e.g. Religion)	30,000	7.20 %
11 Business and professional associations, unions	5,000	1.20 %

\*This table derives from “JHCNP”. Thus the sum of entities differs from the sum we compute (based on different sources) when splitting the organisations by legal form.

<sup>218</sup> The first “Vereinsstatistik” was conducted in the year 2001. Contemporarily it is the most reliable source with regard to associations. The huge increase of the entities compared between 2011 and 1990 may be because of different methods of collecting data between the “JHCNP” and the “Vereinsstatistik”.

<sup>219</sup> M, Steppel, ‘Neugründungen von Genossenschaften in den Jahren 2008 bis 2010’, HH, Münkner, G, Ringle (Eds.), Nomos Verlag, Baden-Baden, 2010, 67-81

<sup>220</sup> Gesamtverband der Deutschen Versicherungswirtschaft e.V., ‘Statistisches Taschenbuch der Versicherungswirtschaft 2011’, 2011, table 3, retrieved 26 July 2012, <[http://www.gdv.de/wp-content/uploads/2011/11/Statistisches\\_TB\\_GDV\\_2011.pdf](http://www.gdv.de/wp-content/uploads/2011/11/Statistisches_TB_GDV_2011.pdf)>.

<sup>221</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

**Point in time later than 2000**

**Table 5-28 – Entities of the Social economy by ICNPO, based on different points of time later than 2000<sup>222</sup>**

Variable*	absolute figures	percentage
<b>Entities by ICNPO</b>		
	597,868	100 %
01 Culture and recreation	373,412	62.46 %
02 Education and research	2,793	0.47 %
03 Health	.	.
04 Social services	110,561	18.5 %
05 Environment	8,869	1.48 %
06 Development and housing	7,619	1.27 %
07 Advocacy	89,975	15.05 %
08 Philanthropy	.	.
09 International	.	.
10 Others (e.g. Religion)	4,641	0.78 %
11 Business and professional associations, unions	.	.

\*The figures base upon the legal forms foundation, association and cooperative. An assignment of the legal forms gGmbH, gAG and VVaG to their fields of activity has not been possible.

Table 44 shows aggregated data and only looks at the legal forms of foundations, associations and cooperatives. Data according to the ICNPO by the legal forms gGmbH, gAG and VVaG is not available. We classified data concerning cooperatives as part of the classification “Development and Housing” (see table 58 in appendix).<sup>223</sup> It should also be noted that the data in the field of foundations is weighted – data is given for only 9,955 of the total of 15,449 incorporated foundations in civil law.

Hence, the calculation is only intended to be a rough estimation because different data sources for the foundations, associations and cooperatives used different frameworks for the classification of the fields of activity. Different ICNPO groups were partially merged, which explains the data gaps in table 44.

However, it is noticeable that for the point in time later than 2000 the classification “Culture and Recreation” is responsible for the major share of the social economy, obviously reflecting the big size of associations in this field. Looking at the proportion of the category “Culture and Recreation”, it has increased from almost 40 % in 1995 to approximately 60 % post 2000. As for every comparison between the points in time before and after 2000 it has to be kept in mind that one point of reference is focussed on the non-profit sector, the other is focused on the social economy. Further, the figures for time periods thereafter are based on different sources that did not use the

<sup>222</sup> Aggregated data: Within foundations we classified “arts and culture” as “culture and recreation”, “education” and “research and science” as ICNPO “education and research”, “social donations” as ICNPO “social services” and finally “other charitable donations” and “private-benefit donations” as “others”. Within associations we classified “culture”, “interests”, “sports”, “recreation” as ICNPO “culture and recreation”, “welfare” as ICNPO “social services”, “jobs/economy/politics” as ICNPO “advocacy”. For further information and sources according to the classification by legal forms see table 29-31 in appendix

<sup>223</sup> This classification has to be regarded with caution as the legal form of cooperative of course includes establishments that could be classified into other fields (e.g. Greenpeace Energy eG actually belongs to the field of environment)

ICNPO scheme. Therefore the organisations covered by these sources had to be regrouped by hand which leads to a blurring and therefore decreases the comparability.

We can state an on-going increase of the number of associations: From 286,000 registered associations in 1990 to 580,000 in 2011 which means a doubling of the whole field.<sup>224</sup> Besides growth as an explanation for this enormous increase one has to keep in mind, that the figures represent different data sources which decreases the comparability and that the figure for 1990 does not include the associations from the former GDR.

With an amount of almost 65% in 2011 most associations are located in the field of “Culture and Recreation”. Within this category the most important sub-category is recreation. But the numerically greatest increase in the past three years was recorded in the social segments (+ 6,715). Concerning increases in percentage terms, the field of “environment and animal assistance” ranks on the top (+ almost 9 %).<sup>225</sup> Within foundations the field of social services ranks among the top.<sup>226</sup>

**Table 5-29 – Establishments by "Freie Wohlfahrtspflege" 2008<sup>227</sup>**

Variable	2008 - absolute figures	2008- percentage
<b>Establishments of the "Freie Wohlfahrtspflege"</b>	102,393	100 %
Health	8,462	8.26 %
Youth	38,092	37.20 %
Family	7,201	7.03 %
Care of the aged	16,524	16.14 %
Disability	15,365	15.01 %
Care of people in special social situations	7,782	7.60 %
Other care	7,329	7.16 %
Further occupational training	1,638	1.60 %

The database published by the “Freie Wohlfahrtspflege” (“voluntary welfare”, see table 47) can be seen as an additional source as there is an overlap with data provided by the statistics published by the legal forms within the social economy. The largest number of organisations and services are aimed at young people, followed by establishments providing care for elderly people and care for people with disabilities.

As lots of the organisations listed by “Freie Wohlfahrtspflege” offer social services it could be concluded that there is overlap between the total number of organisations in table 47 and the number of entities in the social economy after 2000 in the category “Social Services” (see table 46).

#### **Variable 6** Composition of human resources

##### **Point in time before 2000**

<sup>224</sup> V&M Service GmbH, ‘Vereinsstatistik 2011’, Konstanz, 2011, 25

<sup>225</sup> V&M Service GmbH, ‘Vereinsstatistik 2011’, Konstanz, 2011, 2

<sup>226</sup> Bundesverband deutscher Stiftungen, ‘Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen’, 2008, 47, 94

<sup>227</sup> Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V., ‘Einrichtungen der Freien Wohlfahrtspflege. Gesamtstatistik 2008’, 2008, 14, retrieved 26 July 2012, <[http://www.bagfw.de/uploads/media/GS\\_BAGFW\\_091221\\_web\\_01.pdf](http://www.bagfw.de/uploads/media/GS_BAGFW_091221_web_01.pdf)>.

**Table 5-30 – Employees in the non-profit sector, based on different points before 2000<sup>228</sup>**

	1995 – headcount	1995 – FTE	1996 – volunteer
<b>Employees total</b>	2,100,000	1,440,350*	16,678,000**

\* Employees in non-profit sector, basis full-time equivalent

\*\*No FTE for 1996 volunteer available

#### Point in time later than 2000

**Table 5-31 – Employees in the Social economy, based on different points of time after 2000<sup>229</sup>**

	headcount	FTE	volunteer
<b>Employees total</b>	2,203,428*	.	.

\*data from associations, gAG and VVaG are missing

The insufficient data makes it difficult to give an overview about the number of employees in the German social economy after 2000. Hence, the calculated amount of 2,203,428 employees is underestimated.

Additional data is offered by the statistics of the “Freie Wohlfahrtspflege”. In organisations within the German “Freie Wohlfahrtspflege” an employment total of 1,541,829 was reported for the year 2008. The employment data consists of 708,523 persons in full-time employment and 833,306 persons in part-time employment.<sup>230</sup>

#### Variable 6.1 Composition of human resources by legal form

##### Point in time before 2000

**Table 5-32 – Employees in the non-profit sector, based on different points before 2000**

Variable	absolute figures	percentage
<b>Employees total (headcount) (1995)<sup>231</sup></b>	2,100,000	.
<b>Employees by legal form (headcount) (1995)</b>	2,100,000	.
Foundations	.	.
Associations	.	.
Cooperatives (1990) <sup>232</sup>	278,265*	.

<sup>228</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 17, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>229</sup> Sources are listed in table 22

<sup>230</sup> Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V., ‘Einrichtungen der Freien Wohlfahrtspflege. Gesamtstatistik 2008’, 2008, 14 ff., retrieved 26 July 2012, <[http://www.bagfw.de/uploads/media/GS\\_BAGFW\\_091221\\_web\\_01.pdf](http://www.bagfw.de/uploads/media/GS_BAGFW_091221_web_01.pdf)>.

<sup>231</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 17, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>232</sup> M, Stappel, ‘Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen’, Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012,



gGmbH	.	.
gAG	.	.
VVaG	.	.

\*without commercial and housing cooperatives

The composition of employees by legal forms before 2000 is only available for cooperatives. Furthermore, data according to the employees in commercial and housing cooperatives are missing for the year 1990.

### Point in time later than 2000

**Table 5-33 – Employees in the Social economy, based on different points later than 2000**

Variable	absolute figures	percentage
<b>Employees total</b>	2,203,428	100 %
<b>Employees by legal form</b>	2,203,428	100 %
Foundations (2007, headcount) <sup>233</sup>	150,000*	6.81 %
Associations	.	.
Cooperatives (2010) <sup>234</sup>	862,500	39.14 %
gGmbH (2010, headcount) <sup>235</sup>	1,190,928	54.05 %
gAG	.	.
VVaG	.	.

\*estimation

As mentioned above the total number of employees later than 2000 is underestimated and a comparison between time before and later than 2000 is not yet possible as data by the legal forms VVaG, gAG and associations are missing.

Looking at the existing data after 2000 the largest proportion is provided by gGmbH, followed by cooperatives. The cooperatives in the financial sector – Volksbanken, Raiffeisenbanken and the genossenschaftlicher Finanzverbund (cooperative financial network) – account for a total of about 160,000 employees in 13,350 branches.<sup>236</sup> The number of employees in the housing sector is constituted of 23,400 persons in part-time or marginal employment, workers, craftsmen, caretakers and apprentices and almost 5,000 persons in executive boards (see table 60, 61 and 62 in appendix).<sup>237</sup> According to the estimated number of 150,000 employees in foundations we

<[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>233</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 38

<sup>234</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012,

<[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>235</sup> Own computation based on IAB Establishment Panel 2010

<sup>236</sup> DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V., 'Zahlen und Fakten 2012 der genossenschaftlichen Banken, Waren- und Dienstleistungsgenossenschaften', 2012, 8

<sup>237</sup> GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V., 'Wohnungswirtschaftliche Daten und Trends 2011/2012. Zahlen und Analysen aus der Jahresstatistik des GdW', Berlin, 2011, 121, retrieved 26 July 2012,

<[http://web.gdw.de/uploads/pdf/publikationen/d\\_u\\_t/GdW\\_Daten\\_und\\_Trends\\_2011\\_Kurzfassung.pdf](http://web.gdw.de/uploads/pdf/publikationen/d_u_t/GdW_Daten_und_Trends_2011_Kurzfassung.pdf)>.

should note that obviously more persons are employed by operative foundations than in grant making foundations.<sup>238</sup>

**Variable 6.2** Composition of human resources by ICNPO

**Point in time before 2000**

**Table 5-34 – Human resources by ICNPO 1995<sup>239</sup>**

Variable	1995 - absolute figures (FTE)	1995 – percentage
<b>Composition of employees by ICNPO</b>	1,440,350**	100 %
01 Culture and recreation	77,350	5.37 %
02 Education and research	168,000	11.66 %
03 Health	441,000	30.62 %
04 Social services	559,500	38.84 %
05 Environment	12,000	0.83 %
06 Development	87,850	6.10 %
07 Advocacy	23,700	1.65 %
08 Philanthropy	5,400	0.37 %
09 International	9,750	0.68 %
10 Others (e.g. Religion)	.	.
11 Business and professional associations, unions	55,800	3.87 %

\*\* Employees in non-profit sector, basis full-time equivalent

Before 2000 the greatest number of employees could be found within the categories “Social Services” and “Health”. Employment in the non-profit sector for 1995 (only Western Germany) amounts to 1,430,000 persons (based on headcount). By comparison there were 4,225,000 employees in the Public Sector and 22,754,000 in the for-profit Sector.<sup>240</sup>

**Point in time later than 2000**

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**Variable 7** Number of members

**Point in time before 2000**

**Table 5-35 – Members of the non-profit sector 1997<sup>241</sup>**

1997 – absolute figures
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<sup>238</sup> Bundesverband deutscher Stiftungen, ‘Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen’, 2008, 38

<sup>239</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 39, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>240</sup> HK, Anheier, W, Seibel, ‘The nonprofit sector in Germany, Between State, economy and society’, Manchester University Press, Manchester, New York, 2001, 93

<sup>241</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<b>Members total</b>	41.2m
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**Point in time later than 2000**

No data available

**Variable 7.1 Members by legal form**

**Point in time before 2000**

**Table 5-36 – Members of the non-profit sector, based on different points before 2000**

Variable	absolute figures	percentage
<b>Members total (1997)</b> <sup>242</sup>	41,200,000	.
<b>Members by legal form (1997)</b>	41,200,000	.
Foundations	.	.
Associations	.	.
Cooperatives (1990) <sup>243</sup>	15,207,000	.
gGmbH	.	.
gAG	.	.
VVaG	.	.

**Point in time later than 2000**

**Table 5-37 – Members of the social economy, based on different points later than 2000**

Variable	absolute figures	percentage
<b>Employees total</b>	.	.
<b>Employees by legal form</b>	.	.
Foundations (committee members 2007) <sup>244</sup>	16,999*	.
Associations	.	.
Cooperatives (2010) <sup>245</sup>	20,744,000	.
gGmbH	.	.
gAG	.	.
VVaG	.	.

\* information given by 10.495 foundations (multiple responses allowed). The figure represents committee members.

<sup>242</sup> E, Priller, A, Zimmer, 'Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland', 2001, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

<sup>243</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>244</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 90

<sup>245</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 40, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

Unfortunately there is no reliable data on the number of members of associations. According to the publishers of the “Vereinsstatistik” at the end of 1980 (in Western Germany) a survey was carried out by the former Deutsche Gesellschaft für Freizeit (German Society for Recreation) which found that there were roughly 30m members of associations. This figure does not include members of the motorsport association ADAC, which itself has 18m members.<sup>246</sup> Citizens’ voluntary involvement (which is distinct from the term ‘member’ because it does not require formal membership) in associations, foundations as well as other initiatives and organisations, in Germany 2009 was estimated to be approximately 36% of the total population.<sup>247</sup> This corresponds to approximately 25.8m people who were working voluntarily. Looking at the number of committee members of foundations the biggest proportion (almost 56%) is represented by members of the Executive Board, followed by members of the Curatorship and the Foundation Boards.<sup>248</sup>

Member data in cooperatives is given for the year 1990 and 2010. The biggest amount is represented by members of “cooperative banks”, followed by “housing cooperatives”. While there is an increase in the number of members of co-operatives overall, there has been a decrease in the number of members of “rural and consumer cooperatives”.

## Variable 7.2 Members by ICNPO

### Point in time before 2000

**Table 5-38 – Members of the non-profit sector by ICNPO1997<sup>249</sup>**

Variable	1997 - absolute figures	1997 - percentage
<b>Members by ICNPO</b>		
	41,240,000	100 %
01 Culture and recreation	15,729,000	38.14 %
02 Education and research	661,000	1.60 %
03 Health	2,974,000	7.21 %
04 Social services	1,586,000	3.85 %
05 Environment	2,710,000	6.57 %
06 Development and housing	264,000	0.64 %
07 Advocacy	1,190,000	2.89 %
08 Philanthropy	132,000	0.32 %
09 International	264,000	0.64 %
10 Others (e.g. religion)	3,767,000	9.13 %
11 Business and professional associations, unions	11,963,000	29.01 %

<sup>246</sup> Homepage of ADAC, [http://www.adac.de/infotestrat/adac-im-einsatz/motorwelt/18\\_Millionen.aspx](http://www.adac.de/infotestrat/adac-im-einsatz/motorwelt/18_Millionen.aspx) Accessed: 19.07.12

<sup>247</sup> Bundesministerium für Familie, Senioren, Frauen und Jugend, ‘Hauptbericht des Freiwilligensurveys 2009. Zivilgesellschaft, soziales Kapital und freiwilliges Engagement in Deutschland, 1999, 2004, 2009’, München, 2010, retrieved 26 July 2012,

<<http://www.bmfsfj.de/RedaktionBMFSFJ/Broschuerenstelle/Pdf-Anlagen/3.Freiwilligensurvey-Zusammenfassung.property=pdf,bereich=bmfsfj,sprache=de,rwb=true.pdf>>.

<sup>248</sup> Bundesverband deutscher Stiftungen, ‘Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen’, 2008, 90

<sup>249</sup> E, Priller, A, Zimmer, ‘Der Dritte Sektor: Wachstum und Wandel. Konzepte Stiftungen 2. Aktuelle deutsche Trends. Johns Hopkins Comparative Nonprofit Sector Project, Teilstudie Deutschland’, 2001, 20, retrieved 26 July 2012, <[http://www.bertelsmann-stiftung.de/bst/de/media/xcms\\_bst\\_dms\\_17300\\_17301\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/de/media/xcms_bst_dms_17300_17301_2.pdf)>.

The list of members of non-profit organisations in 1997 was dominated by the members in the category “Culture and Recreation” with an amount of almost 40%. This might be explained by the big number of members of associations.

#### Point in time later than 2000

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#### 5.3.5. Summary

Now, before we begin with a comprehensive summary building on the data we have presented so far, let us first cast a glance at the relevant legal forms.

**Foundations:** Given the data gaps we have identified so far, it is only possible to compare the variation in foundation entities over time. We can identify a tendency towards growth. Only a little is known about the employees. The estimation of employment within foundations only relates to 2007, therefore we lack reference points. In monetary terms no information exists concerning the revenue structure of foundations after 2000 therefore making comparisons over time problematic. Furthermore the data that is available only represents foundations under civil law. Therefore the figures illustrate an important part of the landscape of foundations but not the whole sector. This fragmented data situation can partly be traced back to the German legal regulations – the term foundation is not protected which means that other legal forms are able to call themselves foundations. Another aspect which makes it harder to capture foundations statistically is that different legal forms are not registered by a single all-encompassing public agency.

**Associations:** Given that, of the legal forms we have looked at, associations are the largest group in terms of numbers, the severe data gaps that have been identified are surprising. Only two dimensions are covered by the available data. The number of entities is known for both points in time. So, as with foundations, we have identified a tendency towards growth. When it comes to the fields in which associations are active, the data situation is less clear. Although the “Vereinsstatistik” does offer information with regard to the fields of activity, the possibility of comparing this information with the data delivered by “JHCNP” is limited. This is because the grouping procedure of the “Vereinsstatistik” is oriented towards the ICNPO framework without being congruent with it.

Keeping in mind that members can be regarded as one of the most important human resources of an association it is surprising that there are no valid and up-to-date statistics in this area. However, while there are at least estimates concerning the quantity of association members, no statistical information could be identified for the monetary variables. Probably most of these gaps can be explained by the development of the association register. It is the only official point of reference for this legal form. Unfortunately the information delivered by this register is highly limited. Only the name, location, board, statutes and the day of registration are logged.

**Cooperatives:** Some of the best data coverage is linked to this legal form. Information is available with regard to the entities, the members, the employees and the turnover. The fact that the data before and after 2000 comes from the same single source means that the figures are easily comparable. This enables us to say that there has been a decrease with regard to the entities, whilst the other dimensions show an increase.

**gGmbH:** In the German context not too much is known with regard to this legal form when it comes to questions concerning the social economy. There are two main reasons for this. The first is linked to the legal form. The gGmbH is not its own legal form but a tax exempted ordinary GmbH; an organisational type usually perceived as a profit generating company. Therefore, based on our estimation, not too much attention has been shed on this organisational type, yet. Furthermore, the lack of academic publications and articles focussing on the gGmbH is most likely connected to the second aspect to mention. It is difficult to identify them within the official statistics like the business register because it is not possible to differentiate between tax exempted and non tax exempted organisations. This is why we decided to conduct our own calculations based on the “IAB Establishment Panel” due to the fact that this data allows such differentiations. The results produced by this approach show limitations with regard to their representativeness so they should only be regarded as a rough estimation. The small number of observations we made (resulting from the sample we compiled on the basis of the “IAB Establishment Panel”) using the computation of the descriptive statistics led to the point that only three figures could be used within this case study. Thus, only the vague shape of the entities, the employees and the budget can be presented.

**gAG:** Given the attention this legal form enjoys within academic publications it has a standing even worse than the gGmbH. Besides the aspects that are shared with the gGmbH (traditionally being a for-profit legal form plus being hard to detect in official statistics as a tax exempted form) it seems that the gAG is in structural terms only a minor part of the social economy. This finding is indicated by our “IAB Establishment Panel” computation which led to very few observations when selecting gAGs from the part sample. However this assumption does not allow us to draw any conclusions with regard to the monetary role that this organisational type plays.

**VVaG:** Besides the gAG, the VVaG is the legal form with the most data gaps.<sup>250</sup> Only structural information covering the number of entities is available, suggesting a decrease in numbers overall. Nevertheless one should not underestimate the importance of this organisational type when talking about the monetary dimension. In 2008 the whole insurance sector in Germany had a turnover of €195.9bn with VVaGs having a market share of 15.1% and even 43.2% in the field of health insurance.<sup>251</sup>

What can we summarise with regard to the data situation in a broader context? While it is possible to summarise that the non-profit sector seems to be increasing in structural as well as monetary terms, it's not that easy to make a similar conclusion for the social economy. This is because on the one hand, we were not able to identify a point of reference in a historically comparative perspective for every relevant legal form (nor have we been able to identify the relevant contemporary data for the single legal forms). On the other hand some of the social economy's legal forms show an increase with regard to their number of entities (e.g. foundations and associations) while others (like cooperatives and VVaGs) seem to be decreasing simultaneously. However, this does not allow any conclusions about whether the areas in which a decrease is identifiable are dominated by typical for profit legal forms or public organisations. It is also possible that the decrease has been compensated (e.g. in terms of market share) by the VVaGs and

<sup>250</sup> The Kölner Institut für Versicherungsinformation und Wirtschaftsdienste sells data with regard to the monetary and structure dimension. <http://www.kivi-online.de/produkte.html> Accessed: 19.07.12 Though, data access has not been possible, yet.

<sup>251</sup> Gesamtverband der Deutschen Versicherungswirtschaft e.V., ‘*Statistisches Taschenbuch der Versicherungswirtschaft 2011*’, 2011, 6, 22, 40, retrieved 26 July 2012, <[http://www.gdv.de/wp-content/uploads/2011/11/Statistisches\\_TB\\_GDV\\_2011.pdf](http://www.gdv.de/wp-content/uploads/2011/11/Statistisches_TB_GDV_2011.pdf)>.

cooperatives – a decrease with regard to the number of entities because of fusions does not necessarily go hand in hand with a decrease of services offered in the concerning area.

Theoretically it would be possible to attempt a comparison between the “JHCNP” data and the contemporary data we identified due to the overlapping legal forms. However this approach is limited because the “JHCNP” data is focussed on the organisational fields of activity, by grouping them within the ICNPO classification, while the contemporary data can more easily and reliably be grouped by the legal form. Although some publications do group the single legal forms by fields of activity, the framework by which the organisations are grouped is only partially orientated towards the ICNPO framework leading to a lack of comparability. We would be able to draw better conclusions about the situation before and after 2000 if we could get access to the raw data used by the “JHCNP”.

It has to be made perfectly clear that the aspiration for an increased comparability is not an end in itself. It is a necessary step towards more comprehensive analysis which is necessary to establish a link between the social economy as a political and societal topic and the social economy as a statistical phenomenon captured by figures. For example, two points of reference in time are necessary to draw conclusions about whether a changed law, maybe in the area of health or social services, has led to increased privatisation in this area.

But these statements should not detract from the need to foster reliable contemporary data. Although, there are many potential data sources available (e.g. “Verzeichnis Deutscher Stiftungen”, “Vereinsstatistik”, “Die deutschen Genossenschaften 2011”...) and many academic publications do exist (e.g. “Zivilgesellschaft in Zahlen. Abschlussbericht. Modul 1”, “Gemeinnützige Organisationen im gesellschaftlichen Wandel”<sup>252</sup>) there is still the need for a comprehensive information system, published on a regular basis. A huge step towards this would be the inclusion of a question in the official business register, marking an organisation as a non-profit, for profit or mission driven organisation.

Now, what are the main findings with regard to the social economy based on the data we have presented so far? Speaking in monetary terms, the inclusion of the legal forms we have chosen in contrast to the “JHCNP” framework, leads to an enormous increase with regard to the expenditures or in other words, the capital flow. This is indicated by the fact that solely the cooperatives (without housing cooperatives) show a turnover in the region of approx. €160bn for the year 2010. The same is true for the gGmbHs with a budget of approx. €108bn However, this figure is not easily comparable to the non-profit sector’s expenditure as this dimension is different to turnover.

It is notable that the typical non-profit organisations like associations and foundations (in civil law) show a tremendous increase with regard to their number (although the number of active associations might be lower because there might be outdated records of non-active members within the association register) while our newly added legal forms like cooperatives and VVaGs are simultaneously declining. An explanation for this could be linked to the extent of market participation. The legal specifications prevent a foundation from going bankrupt. The typical association does not require too much monetary budget to remain solvent. It is rather dependent on the resources donated by the members on a voluntary basis, like working time. In contrast, the other legal forms like cooperatives and VVaGs are founded to achieve certain goals by economic

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<sup>252</sup> A, Zimmer, E, Priller (Eds.) ‘Gemeinnützige Organisationen im gesellschaftlichen Wandel’, VS Verlag für Sozialwissenschaften, Wiesbaden, 2007

means. Therefore a decline can be traced back to increased market competition leading to dissolutions and mergers.

This distribution of legal forms is surely connected to the activity fields that are occupied by non-profit and social economy organisations. Since the majority of associations within the given population are active in areas like sports and leisure (around 50 %<sup>253</sup>), it becomes clear that the ICNPO group “culture and recreation” is a comparatively important one in the German context. This argument is also applicable to the field of “social services” as the state has an obligation to care for the disabled, poor, elderly and ill, following the historically grown understanding of the welfare state.

This would lead to an assumption that the “health” sector should be comparable to “social services” with regard to the entities but it is not. This is because for example a hospital has another operating procedure than an association active in sports or a home for the elderly. While the latter are characterised by a long term relationship between members/clients and the organisations, contact with clients is usually of a short term nature for hospitals – a setup which requires fewer organisational entities.

But nevertheless the area of health is a much more cost intensive than “culture and recreation”. This can explain the high contribution of the public sector to the “health” budget. It is obvious that the state does also support theatres and indirectly associations via tax exemption, but due to the corporatist welfare regime work division it primarily has to enable that each citizen has access to medical treatment. Medical treatment is, in most cases, too expensive to be affordable for individual citizens. Therefore this sector needs a higher degree of public subsidies while the citizen covers some the expenses by paying the insurance fee.

Unfortunately we don’t have an ICNPO classification for social economy organisations for the present time. We cannot show with certainty how particular ICNPO groups are affected by change. But given the on-going discussions, we assume that there is a shift towards privatisation in areas with a high monetary volume like “health” and “social services”.<sup>254</sup> Especially these areas will have to prove their performance as demographic changes lead to increased costs.

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<sup>253</sup> V&M Service GmbH (Ed.), *Vereinsstatistik 2011*, Konstanz, 2011, 5

<sup>254</sup> Bundesärztekammer, *‘Zunehmende Privatisierung von Krankenhäusern in Deutschland Folgen für die ärztliche Tätigkeit Voraussetzungen, Wirkungen, Konsequenzen und Potenziale aus ärztlicher Sicht’*, Berlin, 2007, retrieved 26 July 2012, <[http://www.bundesaerztekammer.de/downloads/Privatisierung\\_Krankenhaeuser\\_2007.pdf](http://www.bundesaerztekammer.de/downloads/Privatisierung_Krankenhaeuser_2007.pdf)>



### 5.3.6. Appendix

**Table 5-39 – Turnover by type of cooperative 2011<sup>255</sup>**

Variable	2011 - absolute figures	2011 - percentage
<b>Turnover</b>	€163.1bn	100 %
Raiffeisen goods, service and farmer's cooperatives incl. headquarters*	€48.2bn	29.55 %
Commercial goods and service cooperatives incl. headquarters*	€112.9bn	69.22 %
Consumer's and service cooperatives**	€2bn	1.23 %

\* preliminary data

\*\* estimation

**Table 5-40 – Entities of cooperatives 2010<sup>256</sup>**

Variable	2010 – absolute figures	2010 – percentage
<b>Entities</b>		
	7,619	100 %
Cooperative bank	1,157	15.19 %
Rural cooperatives	2,480	32.55 %
Commercial cooperatives	2,018	26.49 %
Consumer cooperative	33	0.43 %
Housing cooperative	1,931	25.34 %

**Table 5-41 – Entities of associations 2011<sup>257</sup>**

Variable	2011 - absolute figures	2011- percentage
<b>Entities, number</b>	580,298	100 %
<b>Entities by ICNPO</b>		
	580,298	100 %
Environment	8,497	1.46 %
Culture	27,019	4.66 %
Welfare	107,373	18.50 %
Interests	50,067	8.63 %
Sports	89,486	15.42 %
Recreation	205,376	35.39 %
Jobs/Economy/Politics	89,975	15.5 %
Others	2,505	0.43 %

<sup>255</sup> DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V., 'Zahlen und Fakten 2012 der genossenschaftlichen Banken, Waren- und Dienstleistungsgenossenschaften', 2012, 6

<sup>256</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 40, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>257</sup> V&M Service GmbH (Ed.), 'Vereinsstatistik 2011', Konstanz, 2011, 25

**Table 5-42 – Entities of foundations 2007<sup>258</sup>**

Variable	2007 - absolute figures	2007 - percentage
<b>Entities, number</b>	15,449 *	100 %
<b>Entities by ICNPO</b>	9,955 **	100 %
Arts and culture	1,464	14.71 %
Education	1,502	15.09 %
Research and science	1,291	12.97 %
Social donations	3,188	32.02 %
Environment	372	3.74 %
Other charitable donations	1,674	16.82 %
Private-benefit donations	462	4.64 %

\* incorporated foundations in civil law

\*\* information given by 9.955 foundations (weighted data)

**Table 5-43 – Employees in cooperatives 1990<sup>259</sup>**

Variable	1990 – absolute figures*
<b>Employees total</b>	.
Cooperative bank	174,560
Rural cooperative	75,705
Commercial cooperative	.
Consumer cooperative	28,000
Housing cooperative	.

\*Excluding the former DDR

**Table 5-44 – Employees in cooperatives 2010<sup>260</sup>**

Variable	2010 – absolute figures	2010 – percentage
<b>Employees total</b>	862,500	100 %
Cooperative bank	186,939	21.67 %
Rural cooperative	85,449	9.91 %
Commercial cooperative	543,272	62.99 %
Consumer cooperative	14,330	1.66 %
Housing cooperative	23,600	2.74 %

<sup>258</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 47, 94

<sup>259</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

<sup>260</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 41, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

**Table 5-45 – Employees in housing cooperatives 2010<sup>261</sup>**

Variable	2010 - absolute figures	2010 - percentage
<b>Employees in housing cooperatives</b>	28,173	100 %
Executive board/Managing Directors	4,773	16.94 %
Persons in part-time or marginal employment; Workers, craftsmen, caretaker; Apprentice	23,400	83.06 %

**Table 5-46 – Committee members of foundations 2007<sup>262</sup>**

Variable	2007 – absolute figures	
<b>Committee members total</b>	16,999*	100 %
Executive Board	9,463	55.67 %
Advisory Board	1,150	6.77 %
Foundation Board	2,095	12.32 %
Curatorship	2,518	14.81 %
Supervisory Board	82	0.48 %
Managing Director	755	4.44 %
General secretary	12	0.07 %
Other bodies	924	5.44 %

\* information given by 10,495 foundations (multiple responses allowed)

**Table 5-47 – Members of cooperatives 1990<sup>263</sup>**

Variable	1990 total*	1990 percentage
<b>Members total</b>	15,207,000	100 %
Cooperative bank	11,421,000	75.10 %
Rural cooperative	1,205,000	7.92 %
Commercial cooperative	257,000	1.69 %
Consumer cooperative	600,000	3.95 %
Housing cooperative	1,724,000	11.34 %

\*Excluding the former DDR

<sup>261</sup> GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V., 'Wohnungswirtschaftliche Daten und Trends 2011/2012. Zahlen und Analysen aus der Jahresstatistik des GdW', Berlin, 2011, 121, retrieved 26 July 2012, <[http://web.gdw.de/uploads/pdf/publikationen/d\\_u\\_t/GdW\\_Daten\\_und\\_Trends\\_2011\\_Kurzfassung.pdf](http://web.gdw.de/uploads/pdf/publikationen/d_u_t/GdW_Daten_und_Trends_2011_Kurzfassung.pdf)>.

<sup>262</sup> Bundesverband deutscher Stiftungen, 'Verzeichnis Deutscher Stiftungen. Band 1: Zahlen, Daten, Fakten zum deutschen Stiftungswesen', 2008, 90

<sup>263</sup> M, Stappel, 'Die deutschen Genossenschaften 2011. Entwicklungen – Meinungen – Zahlen', Deutscher Genossenschafts-Verlag eG, Wiesbaden, 2011, 40, retrieved 17 July 2012, <[http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/\\$FILE/DieDeutschenGenossenschaften\\_Auszug.pdf](http://www.bvr.de/p.nsf/B01610CF9FE48115C1257948003AB97A/$FILE/DieDeutschenGenossenschaften_Auszug.pdf)>.

**Table 5-48 – Members of cooperatives 2010<sup>264</sup>**

Variable	2010 – absolute figures	2010 – percentage
<b>Members total</b>	20,744,000	100 %
Cooperative bank	16,689,000	80.45 %
Rural cooperative	563,000	2.71 %
Commercial cooperative	315,000	1.52 %
Consumer cooperative	355,000	1.71 %
Housing cooperative	2,822,000	13.60 %

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## 5.4. Case Study: Greece

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### 5.4.1. Introduction

This paper aims to present the structure and development of social economy in Greece. The findings of the literature review were compiled together with the outcomes of the interviews conducted with experts from the relevant authorities such as the National Statistical Authority, heads of respective registers, academics and other related experts. These combined findings demonstrated a fragmented situation in terms of structure, institutional framework and monitoring of the Greek social economy.

The lack of statistical data and the limited reliable data sources were key factors in the formation of the Greek case study which thus attempts to describe the general situation, to discuss and communicate the national problems with respect to the institutionalisation of the field and the deficiency in data, and finally to present an outlook on future trends and developments. The case study is structured as follows:

- The first part covers the historical development of the third sector (we use this term synonymously to social economy) whereby emphasis is given to the emergence of cooperatives and non-profit organisations as well as the role of the state in the development of the current situation.
- The second part attempts to provide a definition of the organisations that comprise the Greek social economy and presents a rough estimation of its size given the existing available data.
- The third part focuses on the existence of various registries which complicate the registering and monitoring procedure of respective organisations and account for the lack of relevant, reliable and up to date statistical figures.
- In the fourth part our aim is to highlight all the fundamental reasons for the limited, fragmented and contradictory statistical data coverage associated with the Greek third sector.
- In the last part of this paper we present the main conclusions which relate mainly to the relationship between the enhancement of the sector and the current financial situation in Greece.

### 5.4.2. Historical development of the non-profit sector

'Social economy' as a concept has deep roots in the Greek history. However the late 19<sup>th</sup> century can be regarded as a milestone in the formation of the Greek social economy as the resurgence of cooperatives in western European countries led to the development of several cooperatives in



Greece. The first Greek law on cooperatives was established in 1915. Before 1930 several agricultural and civil cooperatives were developed. During the interwar period and after the Second World War, mutual assistance funds, social volunteering organisations and new forms of cooperatives emerged, enhancing the cooperative movement in Greece.<sup>265</sup> During the Greek dictatorship, the development of the cooperatives stopped and it was only after the restoration of democracy and the adoption of the new constitution in 1975 that several legislative and presidential decrees regarding the social economy were implemented. For example, Article 12 of the Constitution gave Greeks the right to form associations, unions and non-profit associations.<sup>266</sup> During the 1980s and 1990s there was a significant increase in the number of organisations active in the field of Social Economy. Specifically, throughout the 1980s the socialist government implemented a major cooperative reform aiming to promote democratic decision making in cooperatives. Several agricultural cooperatives were created and allocated financial resources. However the state policies led to the politicization of the cooperative movement and the relaxation of supervision over cooperative activities. In the 1990s several efforts were made to reform cooperatives in Greece but no serious overturn of this negative image has been achieved<sup>267</sup>. The latest reform on cooperatives was implemented with the law 4015/2011 on rural cooperatives which attempted to address the deficiencies of the Greek cooperative system<sup>268</sup>.

Many non-profit organisations, voluntary associations and civil society associations have also emerged. Greece has witnessed an “*NGO spring*” since the late 1990s with a large number of NGOs in the form of non-profit associations or civil non-profit companies being established. This can be attributed to the need for volunteers during the Athens Olympic Games in 2004, and also to the flow of EU funds for NGOs and the national policy shift towards public funding of NGOs.<sup>269</sup>

However, the NGO sector was negatively criticised not only for carrying out for-profit activities in favour of the political parties but for undermining the voluntary sector and for its characterisation as a field of civic corruption. Today structural deficiencies regarding the voluntary sector remain because no official recognition framework for volunteers exists<sup>270</sup>.

Moreover, new forms of social entrepreneurship in the field of agro tourism (women agricultural cooperatives) and social inclusion enterprises (Social Cooperatives with Limited Liability- SCLL) were developed. Specifically, Law 2716/1999 established the Social Cooperatives with Limited Liability, which is a form of social enterprise that focuses on the socioeconomic reintegration of persons with mental health problems. SCLLs are forms of civil cooperatives and constitute the first solid form of work integration social enterprise in Greece.

Despite these gradual developments, before 2011 there was no formal regulation in Greece specific to the social economy. Accordingly, no central public or private institution exists in charge of planning, registering, monitoring and evaluating the field. This is indicative of a situation where the social economy is not widely recognised. A turning point towards a decisive institutionalisation of social economy in Greece was that of Law 4019/2011 on social economy and social entrepreneurship, which was set to be implemented in September 2011. It can be regarded as the first serious attempt to provide structure and operational capacity to the fragmented field of social

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<sup>265</sup> National Centre for Social Research, Institute of Social Policy, “Institutional and legal framework of Social Economy”, March 2007.

<sup>266</sup> Even though cooperatives make profits, they fall under the provisions of Article 12, due to their primary aim at serving their members purposes which constitute a collective interest (social economy in Greece p.5)

<sup>267</sup> I, Nasioulas, ‘*Greek social economy revisited*’, Peter Lang, 2012, 68

<sup>268</sup> I, Nasioulas, ‘*Greek social economy revisited*’, Peter Lang, 2012, 71

<sup>269</sup> I, Nasioulas, ‘*Greek Social economy revisited*’, Peter Lang, 2012, 109

<sup>270</sup> I, Nasioulas, ‘*Greek social economy revisited*’, Peter Lang, 2012, 112-113

economy emphasizing and introducing the role of Social Cooperative Enterprises<sup>271</sup>. Another serious attempt of the Law towards the acknowledgment of social economy in Greece was the establishment of the social economy Fund which contributes to the further development of social enterprises registered in the respective social economy general register constructed within this new Law. In this framework, profits of all social economy entities registered in the aforementioned registry will be disposed in this social economy. Fund from which they could later on get the funding they desire for respective future activities<sup>272</sup>. Despite these attempts within the Greek institutional framework, the potential for the development of the third sector remains controversial for reasons that will be analysed in a later stage.

### 5.4.3. Defining the organisations

#### *The structure of the social economy in Greece*

In the Greek context, the social economy includes independent, non compulsory<sup>273</sup>, typically formed<sup>274</sup> organisations, focusing on serving their members along with promoting collective interests. Such organisations may be active in the market as well as in the non-profit sector. In this context, the new law signifies the introduction of the concept of ‘social economy’ in the Greek legislative culture and identifies the social economy as “the sum of economic, entrepreneurial, productive and social activities, undertaken by juridical entities or associations whose statutory goal is the pursuit of collective benefit and the service of wider social interests”.<sup>275</sup> The law identifies the following entities as belonging to the Greek social economy:

- Social Cooperative Enterprises (SCEs)<sup>276</sup>
- Limited Liability Social Enterprises (LLSEs)
- Existing entities which cumulatively abide by specific criteria<sup>277</sup>

With this new law, Social Cooperative Enterprises are established for the first time and are divided into three categories: 'integration SCEs', 'social care SCEs' and 'collective and productive purpose SCEs'.

Although the new law constitutes the first attempt at the establishment of the social economy in Greece, it has been criticised for being misleading as it doesn't include several organisations that traditionally participate in the social economy. A more comprehensive description of the critique on the new law is presented in the next part of the case study.

Below are the organisations that are part of the Greek social economy given the existing legal framework.

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<sup>271</sup> I, Nasioulas, ‘Greek Social Economy at the crossroads, Law 4019/2011 and the institutionalization challenge’, CIRIEC N° 2011/10, 2011, 5

<sup>272</sup> <http://www.taxheaven.gr/laws/law/index/lawnumber/4019%252F2011>

<sup>273</sup> It refers to the free will in establishing a social economy organisation. It is a provision that exists within the Greek legislation.

<sup>274</sup> Refers to organisations having a legal form.

<sup>275</sup> I, Nasioulas, ‘Greek Social Economy at the crossroads, Law 4019/2011 and the institutionalization challenge’, CIRIEC N° 2011/10, 2011, 5

<sup>276</sup> For more information see, I, Nasioulas, ‘Greek social economy revisited, Economy at the crossroads, Law 4019/2011’, 2011., 41-42

<sup>277</sup> For the criteria see I, Nasioulas,, ‘Greek Social Economy at the crossroads. Law 4019/2011 and the institutionalization challenge’, CIRIEC N° 2011/10, 2011, 6

**Table 5-49 – Existing social economy entities**

Associations	Workers unions & councils, Labor unions	Trans-vocational organisations
Athletic associations	Farmers associations	Mutual help associations & clubs
Students associations	Hunting & forest clubs	Civil cooperatives
Charity clubs	Forest cooperatives	Rural cooperatives
European cooperatives & European cooperative enterprises	Housing cooperatives	Credit cooperatives
Women’s agricultural cooperatives	Limited liability social cooperatives	Mutual insurance cooperatives
Private law non-profit foundations	Social cooperative enterprises	Professionals insurance funds
Unions (not juridical entities)	Local youth councils	Fundraising committees
Civil non-profit companies	Parents organisations	S.A. held by social economy organisations: European economic interest groupings

Source: Nasioulas, 2012

Unfortunately the available data regarding the number of the above organisations is limited and in many cases obsolete as there is no official national organisation for the collection of the respective data. Nevertheless, the following table includes estimates from a study by Nasioulas (2011)<sup>278</sup> which gives an indicative picture of the size of the social economy in Greece.

**Table 5-50 – Greek Non-profit sector in figures<sup>279</sup>**

ENTITY	REGISTERED NUMBER
Agricultural Cooperatives	6,376
Agricultural unions	120
Agricultural central unions	19
Electricians cooperatives	23
Plumbers cooperatives	33
Women’s agro tourist cooperatives	130
Pharmacist cooperatives	41
Housing cooperatives	545
Cooperative banks (foundations)	17
Banking cooperatives	8
Banking Foundation (SAs owned by cooperative entities)	1
Social Cooperatives with Limited Liability	16 <sup>280</sup>
Mutual insurance cooperatives	7
Sea mutual insurance cooperative	1

<sup>278</sup> I, Nasioulas, ‘Greek social economy revisited’, Peter Lang, 2012

<sup>279</sup> This is an estimation as presented in I, Nasioulas books and articles (2010, 2011, 2012) whereby numbers are not updated. Data recorded and presented in this report are from 2012.

<sup>280</sup> There is a confusion around the exact number of LLCs in different articles whereby some of them indicate that the overall respective number is 16 whereby others indicate 17. It should thus be noted that there are 16 LLCs whereby one Association of all Greek LLCs has also been created.

Associations in general	50,000
Foundations	600
Civil non-profit companies	n/a

Source: Nasioulas, 2012a, 2012b

#### 5.4.4. Variables

##### *Lack of data regarding the non-profit sector*

There is great difficulty in monitoring and reporting figures regarding the social economy in Greece as there is no general register that includes all entities participating in the third sector of economy. As shown in the following table, it is clear that there is not a unique register for social economy organisations including all respective entities, whether focussed on the legal form or not. Different entities are listed in different registries indicating the confusion that exists within the national governmental system. For example, one registry included in the table below is that of the NGOs which is located in the local Courts of First Instance. Yet this registry is not digitalised and out-dated. Unfortunately, this comes only as an indication of the disintegrated situation in the Greek monitoring system whereby no systematic and holistic recording is available.

**Table 5-51 – Greek social economy register based on existing entities of Law 4019/2011**

<b>Social economy Entities<sup>281</sup></b>	<b>Registry</b>
Associations	First instance courts
Athletic associations	Prefectures Offices of physical education in regional authorities General Secretariat of Sports Respective local federations
Students associations	Local courts of first instance – Higher Education Institutions and Technical Institutions
Workers unions and councils, labor unions	Ministry of Labour Greek General Confederation of Labour
Farmers associations	Local district courts – Agricultural Cooperatives register Local courts of first instance Registry of agricultural cooperative unions and cooperative organisations PA.S.E.G.E.S.
Trans-vocational organisations	Ministry of Rural Development and Food
Hunting and forest clubs	Local courts of first instance
Charity clubs	Local courts of first instance Ministry of Finance
Mutual help associations and clubs	General Commercial Register General Chambers Union Insurance companies register at Ministry of Development
Civil cooperatives	General Chambers Union – Central department of general commercial registry
Rural Cooperatives	Local district courts – Agricultural Cooperatives register Local courts of first instance Registry of agricultural cooperative unions and cooperative organisations (PA.S.E.G.E.S.)
Forest Cooperatives	Local courts of first instance

<sup>281</sup> I, Nasioulas, 'Greek social economy revisited', Peter Lang, 2012, 51

Housing Cooperatives	Ministry of Environment, Energy and Climate Change Local Authorities Local district courts
European cooperatives, European cooperative enterprises	General Chambers Union – Central department of general commercial registry
Women’s agricultural cooperatives	Local district courts – Agricultural cooperatives register in local country courts Registry of agricultural cooperative unions and cooperative organisations “PASEGES”
Limited liability social cooperatives	Ministry of Health and Social Solidarity – Limited Liability Social Cooperatives register
Social Cooperative Enterprises & Limited Liability Social Enterprises	Social Economy Register within the Social Protection Directorate of Ministry of Employment and Social Protection
Credit cooperatives	General Chambers Union – Central department of general commercial registry Central Bank of Greece
Mutual insurance cooperatives	Insurance companies register at Ministry of Development
Private law non-profit foundations	Ministry of Finance
Professionals insurance funds	General Secretariat of Social Security– Ministry of Employment and Social Protection
Unions (not juridical entities)	Local courts of first instance Voluntarism and Accreditation unit of the Ministry of Health and Social Solidarity: National registry of non-profit social care private law legal entities Ministry of Foreign Affairs, NGOs registry active in humanitarian and international activities Registry of voluntary union of “Koinonia Politon” project <sup>282</sup>
Local youth councils	Municipalities
Parents organisations	Ministry of Education & Religious Affairs, Culture & Sports
Fundraising committees	Local courts of first instance Ministry of Finance
Civil non-profit companies	Local courts of first instance Voluntarism and Certification unit of the Ministry of Health and Social Solidarity: National and prefectural registry of non-profit social care private law legal entities Ministry of Foreign Affairs, NGOs registry active in humanitarian and international activities.
European economic interest groupings <sup>283</sup>	General Chambers Union – Central department of general commercial registry

Source: Nasioulas, I, 2010, 2012, Tsobanoglou, G, 2012

Within this framework, there is no official institution monitoring civil society in Greece. The project “Ergo Politon” in 2005 was a significant attempt towards the identification of Greek civil society as it initiated the registration of voluntary initiatives, NGOs and civil society organisations. Unfortunately the project was cut back due to the country’s fiscal default whereby there was a need for firm public sector spending cuts. Today there are three registers for NGOs, one kept by the Ministry of Foreign Affairs for NGOs active in humanitarian and international activities, one in the Ministry of Health and Social Solidarity recording social care private law legal entities and also

<sup>282</sup> This register is incomplete and also not active anymore since the project was interrupted due to a major downsizing of the Greek public sector.

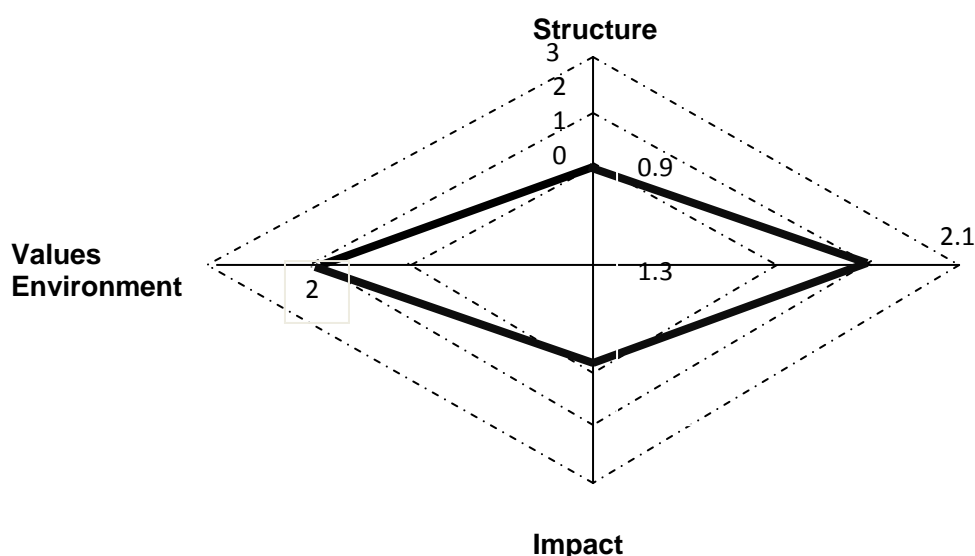
<sup>283</sup> Greek Orthodox Church is considered as a “mixed nature” legal entity and is not included in the Greek social economy.

one kept in the local courts of first instance which, as already mentioned above, is outdated. Generally civil society in Greece is relatively fragmented and presents major variations in terms of structure and impact on society. Regarding its structure, most organisations depend on government funding and there are low levels of social capital and high levels of individualism.<sup>284</sup>

The same difficulties exist concerning the registration of volunteer work in the social economy. There is no official monitoring system recording the number of volunteers, the hours of volunteer work, etc. Thus the real size of voluntarism in Greece still remains unknown.<sup>285</sup> One indication available with regards to the voluntary sector is that of the study of the National Center for Social Research in 2002<sup>286</sup> according to which the number of voluntary organisations in Greece was 1,500-2,000 but just 200-300 were active. It should be noted that 115-200 of them were recorded as active in the field of environmental protection and quality of life.

The fragmented state of civil society in Greece is herewith presented using the Civil Society Index Shortened Assessment Tool and a more specialised standard tool called “Diamond of Civil Society”.

**Figure 5-1 – “Diamond of civil society” in Greece**



Source: Sotiropoulos & Caramagioli, 2006, in Nasioulas, 2010, p. 244.

The structure and operation of the Greek civil society is presented through the correlation of four specific parameters such as *values, structure, environment and impact*. In ideal circumstances where civil society operates under the most favourable conditions, the length of the four beams would be three, thus occupying the maximum space provided. In the Greek context, the dimensions presented in the figure show its weak structure, the limited impact it has on society, the favourable operating environment and the positive values.<sup>287</sup>

<sup>284</sup> I, Nasioulas, 'Greek social economy revisited', Peter Lang, 2012, 108-109

<sup>285</sup> G, Tsobanoglou, 'Barriers to participation in the Social Economy in Greece', Onati Socio-Legal Series, v.2, n.2 (2012) – Cooperatives and Collective Enterprise in the Social Economy, 2012

<sup>286</sup> National Thematic Network on Social Economy, 2006, "Proposal for generating a framework on the institutional, administrative and financial support of initiatives undertaken in the field of Social Economy in Greece", p.14-15.

<sup>287</sup> I, Nasioulas, 'Social Economy of Greece and its Social Capital. An integrated institutional and national- accounting recognition', Orthos Logos Editions, Thessaloniki, 2010, 244.

In terms of foundations, the picture is also complex. According to Greek law, no registration is required hence no public access registry exists, creating substantial statistical difficulties. In 1999 it was estimated that about 500 foundations existed whereas today we don't have an accurate impression of their number, their financial vitality, their activities or their contribution. Despite the intense pressure from the EU to restructure statistical services no serious effort has been made in relation to the social economy.

It should be mentioned that in February 2012, the Ministry of Employment and Social Protection announced, after the implementation of the new Law 4019/2011, the decision to create a General Social Economy Register<sup>288</sup> which will be held at the Social Protection directorate of the Ministry. Entities which will be included within this register are the Social Cooperative Enterprises, Limited Liability Social Enterprises and also existing entities which abide by specific criteria. This register thus mainly focuses on social enterprises working with people who are socially excluded and people with special needs, leaving out many other categories and not specifying its correlation to the General Commercial Register. According to Nasioulas (2011), "by restricting the Social Economy status to the three abovementioned kinds of organisation, Law 4019/2011 conduces to a further disorientation of state institutions in identifying Social Economy as an articulated Third System of the country". Despite the expectations created by the law, it is thought that nothing is going to change in terms of registering and monitoring the Greek social economy as a whole. As a result, the social economy is still not managed as a coherent body in a uniform regulatory environment.

#### 5.4.5. The fragmented third sector

The third sector in Greece does not appear to be particularly developed (Xrysakis et al, 2002 in Papatheodorou & Adam, 2010). According to Papatheodorou and Adam (2010),<sup>289</sup> this finding is more intuitive than the result of systematic empirical research based on the following grounds:

- a) The existing institutional framework is not clear enough to determine all the respective institutions which are included in the social economy. An indicative example of this situation is that of work integration social enterprises. Due to the plethora of legal forms that such an entity can take, the task of recording the field becomes more complicated. The inadequate institutional framework is also apparent through the existing regulations regarding the operation of social economy organisations. The situation is regarded as less developed than in other European countries. It is indicative that there is no official framework for the compliance with specific environmental obligations. Specifically, the organisations of the Greek social economy are not obliged to comply with environmental specifications in order to establish and operate. There are also no special labels which flag for- or non-profit organisations as social enterprises nor any fundraising certificates/ charity seals, which certify a trustworthy handling of donations. However, it should be mentioned that there is a national register for non-profit independent organisations offering social services as well as the standard 1,429 (ELOT) which certifies the project management competence of organisations that receive public funding.
- b) there have been many institutional mapping efforts to capture NGOs (NGOs register of the International Development Cooperation Agency of the Ministry of Foreign Affairs and NGOs register which are active in the field of social protection of the Ministry of Health and Social Solidarity) but these do not fully reflect all the organisations in the field of international, humanitarian and social protection activities. This is because they are targeted at a specific type of

<sup>288</sup> <http://www.wtmnews.gr/policy-07/10486>

<sup>289</sup> C, Papatheodorou, S, Adam, 'Social economy and social exclusion: A critical approach', Study 8, Observatory on Economic and Social Developments, Labour Institute, Greek General Confederation of Labour, INE-GSEE, Athens, 2010

players, which means that the participation of different actors is limited. This means that important players with potentially greater social contributions are missing whereby others, whose main scope is to receive funding, are included.

c) The various scientific studies conducted<sup>290</sup> have a different focus and use non-comparable indicators leaving the mapping of the field still incomplete and obsolete.

d) Some experts suggest that this fragmentation is due to the inefficient functions of the state and the importance attached to the political parties. According to S. Adam (2009) the basic reason is the Greek welfare system, which is characterised by a highly fragmented, inefficient, clientelistic allocation of money transfers and directly affects (and is affected by) the social economy.<sup>291</sup>

In any case, the political system and the state administration in Greece should be understood as the most serious barrier to the development of the social economy. Structural changes are needed in order to create an appropriate environment that will contribute to the flourishing of the social economy in Greece.

#### 5.4.6. Concluding remarks

It is commonly accepted that a developed third sector can contribute significantly to employment rates and economic growth. In Greece, today more than ever, the development of the social economy is essential. The breakdown of the political system and national economy requires policies and actions that will involve the underdeveloped components of the Greek social economy, which can operate as a driving force towards a new era of economic and social development. Furthermore, the high unemployment rates and harsh austerity measures, such as the cuts in wages, pensions and social services, have created the urgent need for the development of the social economy in order to provide alternative solutions and structures for Greek society. Furthermore, it is not accidental that we now observe the emergence of several social innovation initiatives (social stores, fair trade unions, co-ops etc.) in Greece. Traditional entities belonging within the country's social economy do not tend to drive these social innovations. Instead, there are informal citizen networks which, especially during this period of economic recession, are developing social innovations through the establishment of different networks such as the operation of social groceries, social clinics, etc. History has shown that crises are often precursors of change. Specific policies strengthening the Greek social economy and the legal framework could further contribute to the reinforcement and implementation of social innovations from all social economy entities including traditional ones. Maybe now the current economic crisis will lead to a structural change that will foster the social economy in Greece.

In addition to all the above and in order for them to become a reality, it is crucial to escape from the clientelistic system and focus on a more well-structured third sector with solid and coherent monitoring, evaluation and recording of different social economy entities, and with clear cut roles and responsibilities. This could be accomplished through the initiation of a systematic and holistic recording scheme whereby respective data would be unified in one registry, complete, up to date and accurate. According to Nasioulas (2012b), "Law 4,019 does not elaborate on the concept of

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<sup>290</sup> Research conducted in the framework of the VOLMED HELLAS (1996-1997) programme by the Center for Social Policy and Social Morphology of Panteion University aiming in the registration of voluntary organizations in Greece. b) Research conducted during 1997-1999 for voluntary organizations engaged in social care. c) Research conducted for the different participating organizations of the Church of Greece in the provision of respective welfare services (2001). d) Research conducted for NGOs which are active in providing social care services to non-members (Polizoidis, 2006).

<sup>291</sup> S. Adam, 'Social Economy and the Greek welfare state: can Polanyi help us?', 2nd EMES International Conference on Social Enterprise, Trento, 2009



social economy. In fact Greece does not have a law on social economy yet. The utilisation of the term is proved to be superfluous and eventually misleading, since the basic subject of this legislative action is to introduce the SCEs. Second major deficiency of the Law is that it provides for the establishment of a General Social Economy Register which is eventually found not to include any other of the widely accepted institutional forms of Social Economy organisations.”

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## 5.5. Case Study: Poland

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### 5.5.1. Introduction

The Polish social economy has its roots in the second half of the 19<sup>th</sup> century. At that time a rapid development of cooperatives and mutuals was observed (especially in Poznań region – Wielkopolska). The activities of other social organisations were highly related to Poland's particular history (Poland at that time was not an independent state). They were focused on developing their activities in three areas.<sup>292</sup>

- Philanthropic and educational area - the activity of charitable and educational associations.
- Independence area - patriotic societies and clubs, whose goal was to restore independence and to encourage social reforms.
- Economic area - self-help organisations, such as cooperative associations, with an educational function and role in building national prosperity.

After Poland regained sovereignty in 1918, the Polish government issued legislation which was the basis for action of foundations and associations. Between the First and Second World Wars in Poland, the activity of foundations was regulated by the decree of 7 February 1919 on the foundations and approval of donations and legacies.<sup>293</sup> The official statistics in 1932 showed that there were 3,094 foundations in operation.<sup>294</sup> The legal status of associations was initially regulated by the decree of 3 January 1919 on associations<sup>295</sup> and later by the 1932 'Law on Associations'.<sup>296</sup> By the late 1930s there were more than 10,000 associations registered in Poland.<sup>297</sup>

World War II and then the period of Polish People's Republic led to the inhibited development of civil society institutions. According to the communist government regulations in Poland initiated in 1947, all independent social institutions were liquidated or deprived of autonomy and controlled by political authorities.<sup>298</sup> The decree of 24 April 1952 on the abolition of foundations<sup>299</sup> ordered that all the foundations established in the territory of Poland be closed down and their property taken over by the government. The re-establishment of legislation related to foundations and associations occurred with the adoption of the Act on Foundations by 6 April 1984.<sup>300</sup> In the years 1984-1989, only 300 organisations of this type were founded.<sup>301</sup>

<sup>292</sup> J, Lustig, P, Masłowski, M, Sobańska, *'Organizacje Pozarządowe w Polsce'*, skrypt napisany dla studentów Studium Podyplomowego 'Zarządzanie Organizacją Pozarządową w Unii Europejskiej, Uniwersytet Śląski 2009, 3-4

<sup>293</sup> J, Lustig, P, Masłowski, M, Sobańska, *'Organizacje Pozarządowe w Polsce'*, skrypt napisany dla studentów Studium Podyplomowego 'Zarządzanie Organizacją Pozarządową w Unii Europejskiej, Uniwersytet Śląski 2009, 4

<sup>294</sup> B, Cwierz, *Fundacje dawniej i dziś, 'Polityka Społeczna'*, nr 5/6, 1984, 8

<sup>295</sup> Dz. P. P. Nr 3, poz. 88.

<sup>296</sup> Dz. U. Nr 94, poz. 808 z późn. zm.

<sup>297</sup> E, Leś, *'Zarys historii dobroczynności i filantropii w Polsce'*, Prószyński i S – ka, Warszawa 2001, 83- 84.

<sup>298</sup> E, Leś, *'Zarys historii dobroczynności i filantropii w Polsce'*, Prószyński i S – ka, Warszawa 2001, 129-136

<sup>299</sup> Dz. U. Nr 25, poz. 72

<sup>300</sup> Tekst jedn. z 1991 r., Dz. U. Nr 46, poz. 203 z późn. zm.

<sup>301</sup> E, Leś, *'Zarys historii dobroczynności i filantropii w Polsce'*, Prószyński i S – ka, Warszawa 2001, 204

The rebuilding of Polish civil society began after the social movements in 1980, when the first independent trade union SOLIDARNOŚĆ (*Solidarity*) was founded in Gdansk and after 1989 when Polish society became the first in the Eastern and Central Europe communist bloc to overthrow the communist party and begin transformation towards a democratic and market oriented nation. It is important to note that revolutionary changes were possible due to the very strong Christian traditions and historical independence ethos of Poles. Particularly important in these social changes was the role played by Catholic Church which was sometimes the only institution supporting true social movements.

However, the real development of the social economy (SE) in Poland has been initiated several years ago, especially due to the EQUAL Community Initiative<sup>302</sup>. We can speak about both an 'old' and a 'new' social economy in Poland. The old social economy consisted primarily of cooperatives (e.g. consumers' cooperatives "Społem", the Agricultural Cooperatives "Samopomoc Chłopska", dairy cooperatives, gardening and bee-keeping cooperatives, agricultural cooperatives, cooperative banks, housing associations, Blind and Disabled Cooperatives, Crafts Cooperatives "Cepelia"). The estimated number of cooperatives in 2005 was around 9,600.

The new social economy consists mainly of hybrid forms of organisation focused on the professional integration of persons threatened with exclusion from the labour market. Their hybridity relies heavily on attempting to connect different spheres, namely commercial and public, or commercial and non-governmental. Among them we can distinguish mainly social cooperatives, such as Therapy Workshops (Warsztaty Terapii Zajęciowej, WTZ), Labour Activity Centers (Zakłady Aktywizacji Zawodowej, ZAZ), and Centres for Social Integration (Central Integracji Społecznej, CSI). These organisations are currently not that numerous, but this sector is developing relatively quickly, although it is still far from being a mass movement. In a study published in 2009 there were only 45 social cooperatives but just one year later it was estimated that there were about 250 social cooperatives. In 2009 there were 35 Labour Activity Centers (ZAZ), 35 Centres for Social Integration (CIS) and 90 Social Integration Clubs (KIS).<sup>303</sup>

Marek Rymsza lists five phases in the creation of legal conditions for the functioning of NGOs and the creation of a model of cooperation between the public administration sector and civil sector after 1989:<sup>304</sup>

- First phase (1989-1993) – a period of creating space for civil initiatives in which there was a dynamic third sector infrastructure development. During this period the government established regulations for associations, foundations and church organisations, including tax regulations, which reduced the cost of their activities.
- Second phase (1993-1997) - a period of stagnation and slowdown in the dynamics of the third sector infrastructure development. This period was characterised by a lack of a coherent state policy towards NGOs, focused on developing cross-sectoral cooperation at the central level.
- Third phase (1997 - 2001) – a period of missed opportunities concerning NGOs during the time of political reform. The reform of social security, health, public administration and

<sup>302</sup> The EQUAL Community Initiative is a programme implemented since 2001 in 25 countries of the European Union, funded by the European Social Fund and directly from the budgets of the countries participating in the initiative

<sup>303</sup> P, Frączak, *Ekonomia społeczna w Polsce AD 2010*, [http://www.fundacja-nadzieja.org.pl/es/pdf/fraczak\\_artikul.pdf](http://www.fundacja-nadzieja.org.pl/es/pdf/fraczak_artikul.pdf)

<sup>304</sup> M, Rymsza, *'Polityka państwa wobec sektora obywatelskiego w Polsce w latach 1989 – 2007'*, M, Rymszy, G, Makowskiego, M, Dudkiewicz (red.), Instytut Spraw Publicznych, Warszawa 2007, 23 – 42.

education did not include non-governmental organisations as potential partners in public administration.

- Fourth phase (2001 - 2005) - building a model of inter-sectoral cooperation during the finalisation of the Polish accession to the European Union. The most important events of this period were the adoption of the Act of 24 April 2003 on public benefit activity and volunteerism<sup>305</sup>, and the Polish accession to the European Union, which has enabled NGOs to raise funds from structural funds. In addition, Resolution No. 193/2004 of the Council of Ministers of 11 August 2004 on establishing a multiannual programme under the name "Governmental Program - Civic Initiatives Fund", made it possible for non-governmental organisations to raise money from the state budget. This programme was established for the period from 1 January 2005 to 31 December 2007.
- Fifth phase (2005 - 2007) - between cooperation and control. This period didn't bring a breakthrough in government policy towards the third sector. It continued the policy of the previous period but with a noticeable hardening of the government's position on building partnerships between state administration and non-governmental organisations.

After 2007, the ruling political parties decided to continue the programme of the Civic Initiatives Fund. Two very important legislative acts were issued. The first was the Council of Ministers of 11 March 2008 on expenditure in the state budget in 2008, coming from funds from the special reserve - Civic Initiatives Fund<sup>306</sup>, and the second was Resolution No. 238/2008 the Council of Ministers of 4 November 2008 adopting the national Operational Programme for Civil Initiatives Fund for the years 2009 - 2013. Strengthening the potential of the third sector was the main goal of the Resolution No. 240/2008 of Council of Ministers of 4 November 2008 on the adoption of the Strategy for the Development of Civil Society for the years 2009 - 2015.

### 5.5.2. The dynamics of social economy in Poland - Monetary and structural variables

Exploring the dynamics of the social economy in Poland, the following study was prepared for two time periods (years): 1997 and 2008. The most important issue in being able to compare these two periods is to define the entities we are discussing.

In 1997, in the research "Global Civil Society: Dimensions of the Nonprofit Sector" prepared by Johns Hopkins University for Poland<sup>307</sup> the researchers described several types of non-profit organisations and institutions. These legal entities are first of all foundations and associations, and other types include social organisations, political parties, trade unions and professional organisations, and church-based non-profits.

Associations were enacted in 1989 and amended in 1990, and according to Polish law defined as voluntary, self-governing, non-profit, permanent unions of individuals aimed at fostering active participation in public life, actualising individual interests, and expressing different opinions. An association may exist in three legal forms: unincorporated associations, incorporated associations, and unions of associations.<sup>308</sup>

<sup>305</sup>Dz. U. Nr 96, poz. 873 z późn. zm.

<sup>306</sup>Dz. U. Nr 49, poz. 290.

<sup>307</sup>E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000

<sup>308</sup>E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 13

- Unincorporated associations – established by a minimum of three people. These people must notify local supervisory authorities of the intention to establish an unincorporated association. They are not allowed to form local affiliates or become members of a federation of associations. Unincorporated associations are also forbidden from carrying out economic activities and may receive funds only from membership fees.<sup>309</sup>
- Incorporated associations - established by 15 or more people. Under the Law on Associations of 1989, an incorporated association must register in a court, but unlike an unincorporated association, it does not need the permission of administrative authorities to register. The organisation must declare articles and bylaws, elect a founding committee, report on internal elections, and have a provisional address<sup>310</sup>.
- Unions of associations – established by a union of associations, at least three registered associations.<sup>311</sup>

The second type of non-profit organisation in Poland are foundations which are registered by the District Court of Warsaw. Registration is free of charge. A foundation may be established by either a physical or a legal person. The major features of foundations are<sup>312</sup>: legal personality, non-profit-making purpose, declaration of aims stated in the founding act.

The function of foundations is to fulfil socially or economically useful purposes, which includes health care, the development of economy and science, education, culture and fine arts, welfare, environmental protection and the protection of historical monuments.

In Poland a foundation can participate in economic activities when it helps the foundation to reach its aims (economic activities cannot be the main aim of a foundation). Economic activities should be clearly defined in the foundation's statutes. Every foundation has a designated supervisory public institution according to the field of its activity. These supervisory institutions (e.g. Ministry of Education, Ministry of Health) should monitor foundations' activities.<sup>313</sup>

### **Political parties, religious entities and social organisations**

A political party can gain legal personality after it is registered in Warsaw's District Court. The legal act regulating the activities of political parties is the Law on Political Parties of 1990. Political parties focus on public participation, especially within state politics.

Other non-profit organisations operating within the contemporary Polish legal system include churches and their entities such as church-run schools, universities, hospitals, and nursing homes

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<sup>309</sup> E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 13

<sup>310</sup> E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 13

<sup>311</sup> E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 14

<sup>312</sup> E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 14

<sup>313</sup> E, Leś, S, Nałęcz, J, Wygnański, 'Defining the Nonprofit Sector: Poland', Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 15

as well as Caritas, the Catholic relief, development and social service organisation. In this research, we use the term ‘religious entities’ to cover all those types in general.

The legal status of the Roman Catholic Church is regulated by the Act on the Relationship between the State and the Roman Catholic Church of 1989. This act indicates the following organisations: the Polish Episcopate’s Conference, territorial organisational units of the Catholic Church, institutes of consecrated life, seminaries, other organisational units of the Catholic Church, and universities and higher education institutions that are based on ecclesiastical law.<sup>314</sup>

The legal status of other churches and their non-religious institutions is regulated by the Act on Guarantees of Freedom of Conscience and Freedom of Religious Persuasion of 1989. A church or religious union may obtain legal personality after submitting a declaration of the group’s statutes to the Office of the Council of Ministers and entering into the register.

The term “social organisation” presently refers to a wider spectrum of organisations. The Law on Associations does not apply to social organisations such as the Polish Red Cross, the Polish Allotments Union, or the Polish Hunting Union. These organisations are regulated by specific legal acts: respectively, the Law on the Polish Red Cross, the Law on the Polish Allotments Union and the Law on the Polish Hunting Union. In addition, there are other social organisations that are hardly regulated by any of the existing laws. Regardless of whether they are regulated, if such organisations as committees or councils of parents, self-governing organisations of pupils existing in schools as independent bodies, or committees building local infrastructure are registered, they are included in the nonprofit sector as social organisations. These groups are important citizens’ initiatives. School-based environmental protection clubs, charitable committees of parishes, and self-help groups are examples<sup>315</sup>.

### **Trade unions, professional organisations and unions of employers**

In order to obtain legal personality, a trade union should register either in a District Court (for company and inter-company trade unions) or in the District Court of Warsaw (for nationwide trade unions, federations of trade unions and inter-union organisations). Trade unions together with organisations of employers and public authorities negotiate the welfare system changes and employee-employer relation regulations.<sup>316</sup>

### **Number of entities**

In the year 2010 the Polish Central Statistical Office published data for the year 2008, where non-profit organisations were categorised into three groups:

- Foundations
- Associations and similar community organisations
- Social religious entities

<sup>314</sup> E, Leś, S, Nałęcz, J, Wygnański, ‘*Defining the Nonprofit Sector: Poland*’, Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 16

<sup>315</sup> E, Leś, S, Nałęcz, J, Wygnański, ‘*Defining the Nonprofit Sector: Poland*’, Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 16

<sup>316</sup> E, Leś, S, Nałęcz, J, Wygnański, ‘*Defining the Nonprofit Sector: Poland*’, Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 36. Baltimore, The Johns Hopkins Center for Civil Society Studies, 2000, 15

We will use these categories for the sake of comparability because data for 1997 uses the same categorisation.

Analysing the two periods mentioned above, the years 1997 and 2008, it is important to note the increase in the number of entities belonging to non-profit sector. The number of non-profit organisations in 1997 was 27,400<sup>317</sup>, and in 2008 it was 71,000<sup>318</sup> (an increase of almost 260%). The table below presents the number of entities divided into 3 types: foundations, associations and other social organisations, and religious institutions in the two analysed periods.

**Table 5-52 – Number of entities in two analysed periods (years): 1997 and 2008**

Year	Number of entities		
	Foundations	Associations and similar community organisations	Social religious entities
1997	3,400	23,000	1,000
2008	5,900	64,900	2,200

Source: K. Goś-Wójcicka, A. Knapp, S. Nałęcz, *Podstawowe dane o stowarzyszeniach, fundacjach i społecznych podmiotach wyznaniowych działających w 2008 r.*, Departament Badań Społecznych, Główny Urząd Statystyczny, Warszawa 2010

Analysing the number of non-profit organisations in Poland according to the ICNPO in 2008, it is worth noting that 60% of them are functioning in the area of sport, tourism, recreation, hobbies, social assistance and social services (table 2).

**Table 5-53 – Number of entities according to ICNPO in 2008**

	Areas of activity (the activity on which the organisation spent the largest amount of money)	The number of entities (in thousands)
1	sport, tourism, recreation, hobbies	26.6
2	social assistance and social services, including emergency	17.5
3	arts and culture	6.9
4	education	5.4
5	environmental protection	3.2
6	health	2.7
7	local development	2.7
8	support for institutions, NGOs and civil initiatives	1.4

<sup>317</sup> S, Nałęcz, 'Sektor Non-Profit w Polsce', Wybrane wyniki badań statystycznych zrealizowanych przez GUS na formularzach SOF, Główny Urząd Statystyczny, Departament Badań Społecznych, Warszawa 2009

<sup>318</sup> K, Goś-Wójcicka, A, Knapp, S, Nałęcz, 'Podstawowe dane o stowarzyszeniach, fundacjach i społecznych podmiotach wyznaniowych działających' w 2008 r., Departament Badań Społecznych, Główny Urząd Statystyczny, Warszawa 2010

9	law and its protection, human rights	1.2
10	job market, professional activation	0.8
11	professional, employment and industry issues	0.7
12	international activities	0.5
13	religion	0.3
14	other activities	0.5

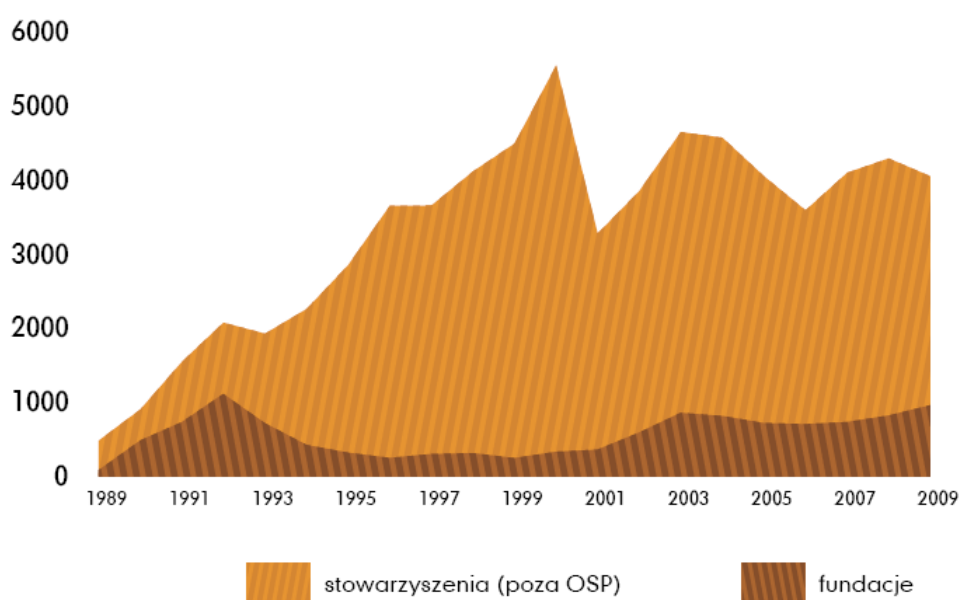
Source: K. Goś-Wójcicka, S. Nałęcz, Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r., Studia i Analizy Statystyczne, GUS Departament Badań Społecznych, Warszawa 2010, p. 91

There were 12,000 foundations and 71,000 associations in Poland in 2010. As we see in the figure below, quick annual growth of associations was observed in the last decade of the 20<sup>th</sup> century (from 500 in 1989 to almost 6,000 in 2,000 annually). In recent years we observe stabilisation of the creation of new associations at the level of 4,000 associations annually.

The creation of foundations increased rapidly between 1989 and 1992, but thereafter the rate of increase dropped from 1,000 foundations per annum to around 200 per annum in the next 10 years.<sup>319</sup>

**Figure 5-2 – Annual rate of increase in the number of new foundations and associations**

### Roczne tempo przyrostu liczby nowych stowarzyszeń i fundacji



Źródło: REGON

Source: Register of National Economy (REGON)

<sup>319</sup> *Polskie organizacje pozarządowe 2010*, <http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaraneczowka2010.pdf>



The core of the Polish NGO sector is associations involved in such activities as sport, tourism, or hobbies. Organisations involved in arts and culture, and education are more than two times less numerous, and those focused on social services and social assistance are five times less numerous (see figure below).<sup>320</sup>

**Figure 5-3 – Percentage of organisations indicating the area of operation as the most important**



Source: Polskie organizacje pozarządowe 2010, <http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

#### Translation

Sport, tourism, recreation, hobby	36%
Education	15%
Arts and culture	14%
Local development	5%
Health care	7%
Social services and social help	7%
Others	16%

#### Composition of “human resources”

The activity of Polish organisations is based largely on the social work of its members. In 2010 half of them used the help of volunteers, one fourth employed permanent staff, and one fifth employed non-permanent staff.<sup>321</sup> This applies to both full-time employment, and contract-based employees. In 2008, only 13% of active associations, similar social organisations and foundations had any full-

<sup>320</sup> *Polskie organizacje pozarządowe 2010*, <http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

<sup>321</sup> *Polskie organizacje pozarządowe 2010*, <http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

time staff. In 2008, nearly one third of workers in associations and similar community organisations and foundations were employed part time. Therefore, the number of FTEs<sup>322</sup> in 2008 was significantly lower than the number of employed persons and was 58,500 FTEs. The contract based employees converted into FTE is lower (almost 38,000). At the end of 2008, 70,800 people were employed on full-time basis in associations, similar social organisations, and foundations, and there were a further 364,000 contract-based employees (in FTEs).

**Table 5-54 – Composition of “human resources” by ICNPO in 2008**

		The number (in thousands) of paid employees per year	
	Areas of activity	Full time employees	Contract-based employees (FTE conversion)
1	Sport, tourism, recreation, hobbies	8.5	9.2
2	Social assistance and social services, including emergency	11.5	4.2
3	Arts and culture	2.6	4.2
4	Education	17.5	9.9
5	Environmental protection	1.9	1.1
6	Health	8.1	2.5
7	Local development	1.4	0.9
8	Support for institutions, NGOs and civil initiatives	1.6	1.4
9	Law and its protection, human rights	0.8	0.5
10	Job market, professional activation	1.7	1
11	Professional, employment and industry issues	0.7	0.5
12	International activities	0.4	0.4
13	Religion	0.3	1.6
14	Other activities	1	0.5

Source: K. Goś-Wójcicka, S. Nałęcz, Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r., *Studia i Analizy Statystyczne*, GUS Departament Badań Społecznych, Warszawa 2010, p. 91

When we compare it to the year 1997, when the number of full time employees was 65,100 and the number of contract-based employees was 37,900 (in FTE conversion), it is easy to see the decline in employment in non-profit sector. The decrease of employees is nearly 6.5%.<sup>323</sup>

When we analyse the composition of “human resources” by legal form in 1997 and 2008 we also see that the increase of FTE is only seen in foundations and it is not enough to cover the declines in associations and similar community organisations, and social religious entities.

**Table 5-55 – Paid employees by legal form in 1997 and 2008**

<sup>322</sup> FTEs – Full Time Employees

<sup>323</sup> K. Goś-Wójcicka, A. Knapp, S. Nałęcz, *Podstawowe dane o stowarzyszeniach, fundacjach i społecznych podmiotach wyznaniowych działających* w 2008 r., Departament Badań Społecznych, Główny Urząd Statystyczny, Warszawa, 2010, 9

Year	The number (in thousands) of paid employees per year		
	Foundations	Associations and similar community organisations	Social religious entities
1997	16.6	65.2	18
2008	24.1	57.9	14.5

Source: Sławomir Nałęcz, Sektor Non-Profit w Polsce. Wybrane wyniki badań statystycznych zrealizowanych przez GUS na formularzach SOF, Główny Urząd Statystyczny, Departament Badań Społecznych, Warszawa 2009, p. 6 and K. Goś-Wójcicka, A. Knapp, S. Nałęcz, Podstawowe dane o stowarzyszeniach, fundacjach i społecznych podmiotach wyznaniowych działających w 2008 r., Departament Badań Społecznych, Główny Urząd Statystyczny, Warszawa 2010, p. 9

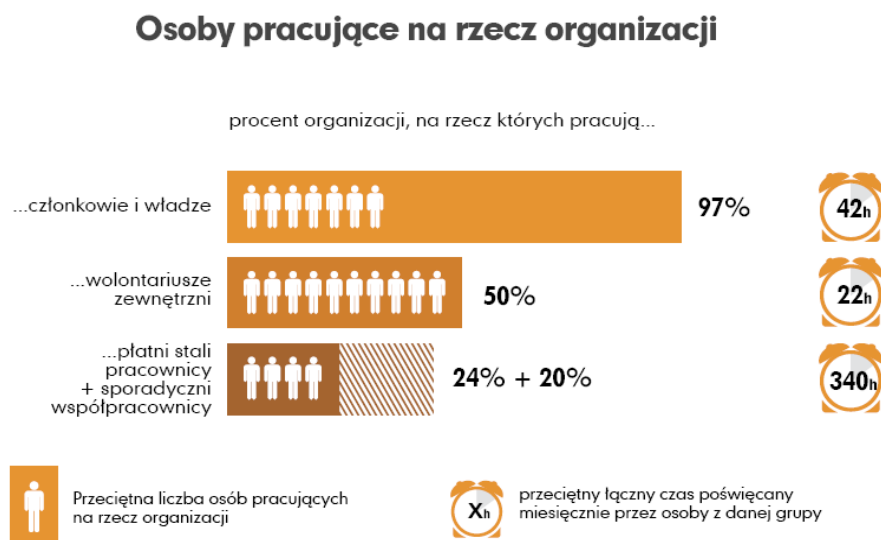
Although one in eight Poles declare themselves to be members of an organisation, membership is often only on paper. On average more than one third are 'virtual' members, despite formal membership. They do not appear at meetings, do not pay premiums and have virtually no contact with the organisation. The size of the membership base in the NGO sector is diversified. Half of the associations have no more than 35 members, but 10% of the largest organisations have more than 160 members.

The work of NGOs in Poland is increasingly supported by volunteers: in 2004 roughly 40% of NGOs were supported by volunteers, in 2008 it was 44%, and in 2010 more than 50% of organisations used help of volunteers. In the average organisation supported by volunteers, around 10 volunteers are involved, 50% are internal volunteers, 50% are external, and activity of one in ten such organisations is supported by 50 or more volunteers.

As seen in the figure below, 97% of NGOs members work 42 hours in a month for that organisation, 50% of external volunteers work 22 hours per month, and employed paid staff work 340 hours monthly.<sup>324</sup>

<sup>324</sup>*Polskie organizacje pozarządowe 2010*,  
<http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

Figure 5-4 – Composition of “human resources” in NGOs



Source: Polskie organizacje pozarządowe 2010,  
<http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

#### Translation

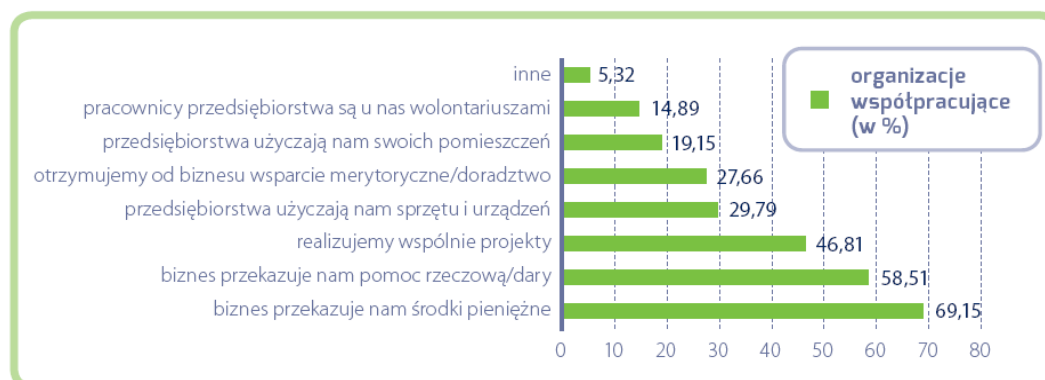
Composition of “human resources” in NGOs	
Members and authorities	97%
External volunteers	50%
Permanent paid staff and occasional collaborators	24% + 20%

Cooperation between business and NGOs (see Figure below) is based mainly in the form of financial support (almost 70% of organisations report this) and also in the form of physical (material) donations (almost 60% of NGOs report this). But other forms of cooperation are also frequently reported, e.g. joint projects (47%) or volunteer engagement of business firm employees (15%).<sup>325</sup>

<sup>325</sup>After: ‘Wokół ekonomii społecznej’ (M, Fraczk, J, Hausner, S, Mazur (eds), ‘Uniwersytet Ekonomiczny w Krakowie i Małopolska Szkoła Administracji Publicznej’, 2012, 136)

**Figure 5-5 – Existing forms of community involvement of businesses in collaboration with NGOs**

**Rysunek 4. Istniejące formy zaangażowania społecznego przedsiębiorstw we współpracy z organizacjami pozarządowymi**



Źródło: [Rudnicka 2010, s. 116].

Source: After: 'Wokół ekonomii społecznej' (Maciej Fraczk, Jerzy Hausner, Stanisław Mazur, eds), Uniwersytet Ekonomiczny w Krakowie i Małopolska Szkoła Administracji Publicznej, 2012, p. 136)

**Translation**

Business gives us the resources	69.15%
Business gives us in kind assistance / donations	58.51%
We realise projects together	46.81%
Companies lend us equipment and devices	29.79%
Receive substantial support from the business / consulting	27.66%
Companies lend us their premises	19.15%
Employees of the company volunteer with us	14.89%
Other	5.32%

Social work (including work done by volunteers and members) and paid work in organisations in FTE is a very important factor of the non-profit sector as in 2008 26% of work in this sector was done by volunteers and members.

**Table 5-56 – The sum of work in non-profit sector in 2008**

<b>The sum of work in the non-profit sector in FTE (thousands)</b>	
Paid work	
Full time employment	58.5
Part time employment	37.9
Social work	
Members	26.8
Volunteers	6.4

Source: K. Goś-Wójcicka, S. Nałęcz, *Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r.*, *Studia i Analizy Statystyczne*, GUS Departament Badań Społecznych, Warszawa 2010, p. 104

### Members of non-profit organisations

Third sector organisations in Poland tend to be urban rather than rural. Research from 2007 indicates that 40% of organisations were registered in villages and towns with a population smaller than 50,000, while the share of the inhabitants of these villages and small towns in the total Polish population was 50%. In towns with more than 50,000 inhabitants, there were 60% of all third sector organisations (these are towns in which 50% of Polish residents live). Over 10% of all Polish third sector organisations were registered in the capital, Warsaw.

Research for the year 2008 showed that all non-profit organisations in Poland have 10 mln members in total (note that one person can be a member of more than one organisation).<sup>326</sup> Interestingly, a study prepared for the year 2005 showed 17 mln non-profit organisation members, which indicates a significant decrease.<sup>327</sup>

Analysing the number of members in non-profit organisations by legal form, more than 99% of the 10 mln people are members of an association. Among these 80% are members of a non-registered association or similar community organisation.

<sup>326</sup>K, Goś-Wójcicka, A, Knapp, S, Nałęcz, *'Podstawowe dane o stowarzyszeniach, fundacjach i społecznych podmiotach wyznaniowych działających'* w 2008 r., Departament Badań Społecznych, Główny Urząd Statystyczny, Warszawa, 2010, 3

<sup>327</sup>S, Nałęcz, *'Sektor Non-Profit w Polsce'*, Wybrane wyniki badań statystycznych zrealizowanych przez GUS na formularzach SOF, Główny Urząd Statystyczny, Departament Badań Społecznych, Warszawa, 2009, 6

**Table 5-57 – Members of non-profit organisations by legal form in 2008**

		Members of non-profit organisations (in mln)
Foundations		0.05
Associations and similar community organisations	Typical associations and similar community organisations	7.9
	Association of physical culture, sports associations	1.5
	Voluntary Fire Brigades	0.4
	Hunting circles	0.1

Source: K. Goś-Wójcicka, S. Nałęcz, Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r., Studia i Analizy Statystyczne, GUS Departament Badań Społecznych, Warszawa 2010, p. 123

### The budget of non-profit sector

What we have termed the 'old' social economy derives its revenues primarily from the market. Many cooperatives do not differ from normal business practice, and often they migrate in the direction of becoming an ordinary company.

Non-governmental organisations derive their resources primarily from grants and public generosity. Any economic activity they engage in is intended to be additional and supportive.

The new social economy should (to a large extent it is still an emerging part of the social economy) be based in large part on public procurement (in different forms) by using, as befits a hybrid, market mechanisms and subsidies.

Over one fifth of Polish NGOs describe their financial situation as bad or very bad, and nearly two thirds of them report severe problems in obtaining funds or equipment in the last year. The Polish non-governmental sector is extremely diversified in the funds available. The budget of 11% of organisations does not exceed 100 PLN, while the richest 5% have annual revenues over one million PLN. The average annual budget of Polish organisations is around 20,000 PLN.

Differences in budget within NGOs relate mainly to the place of operation and 'age' of the organisation. In rural areas, half of the associations and foundations have an annual budget smaller than eight thousand PLN, in provincial cities (except in Warsaw) the budget exceeds 25,000 PLN, while in the capital, half of organisations have at least 45,000 PLN (it is important to keep in mind that many organisations operating on a national scale have their headquarters placed in Warsaw and therefore they tend to have the biggest budgets). The older organisations have a wider spectrum of funds available to choose from than the younger ones. Size of budgets also depends on the scale of activity: the median income for local organisations is roughly 10,000 PLN, while that of those acting nationwide is 30,000 PLN.

The sources of these funds are also diversified. It turns out that 40% of Polish NGOs do not benefit from public funds, 51% of organisations are financially supported by local government and 23% receive funding from the state budget. Only 37% of organisations receive donations solely from individuals, almost the same number is supported by institutions and companies; 49% of

organisations use individual and/or firms financial support. It is worth noting that six years earlier, more organisations benefited from donations – it is not clear to what extent this much reduced role for donations in financing these organisations is due to the stronger binding of NGOs to the public administration (especially local government), and to what extent it is caused by reduced willingness of Poles to donate. The latter possibility may be associated with the opportunity to transfer 1% personal income tax to NGO organisations. This mechanism was introduced in 2004; in the first year only 80,000 of Poles took up this opportunity, but in the following years we observe steady growth: in 2005 the figure was almost 700,000, and in 2009 - more than 7 million people transferred 1% of their tax to NGOs. Between 2005 and 2009 the percentage of organisations using this source of funding has increased nearly threefold.

**Figure 5-6 – Segments of the NGO sector according to sources of funding**



Source: Polskie organizacje pozarządowe 2010,  
<http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

**Translation**

Based on public funds	43%
Based on donations and 1% of taxes	17%
Based on membership contribution	17%
Based on earned income and charges	7%
Practically no resources	11%
Based on the support of other organisations or branches	3%



Since the beginning of Polish membership of the European Union, NGOs have expressed strong interest in the possibility of applying for EU funds: in 2004, up to 70% said they planned to apply for them. But these intentions did not translate into action: in early 2008 only 20% of organisations confirmed that they had applied for EU funds. This was due to many factors: limited knowledge about the funds, a lack of necessary competences and expertise to conduct the projects, and the specificity of EU fund requirements (frequently EU procedures are almost impossible for most NGOs to fulfil). The situation is now slightly better. In 2009 and 2010 more than a quarter of organisations applied for EU funds and over half of them (55%) with success. The greatest interest was in the Operational Programme Human Capital (OP HC). 54% of organisations applied for this programme and of these 54% received the funds.

Only 19% of the organisations involved in sport, tourism, recreation or hobbies sought EU funds compared to 29% of organisations focused on art and culture, 39% of educational establishments, and up to 48% of organisations involved in local development. The greatest interest in EU funds, however, is observed in the group of organisations active in the labour market and employment – more than two thirds of them applied for funds from these sources in 2009-2010. But it should be noted that two thirds of Polish NGOs say that their knowledge of EU funds is insufficient.<sup>328</sup>

The total income of all active associations, similar social organisations, and foundations in 2008 was 12.7 billion PLN and their expenditure was 11.7 billion PLN. This figure represents 0.9% of Polish GDP.

Looking at the budget of non-profit organisations by legal form in 2008, 67% of income was generated by associations and similar community organisations, which are the biggest beneficiaries.

**Table 5-58 – Budget of non-profit organisations by legal form in 2008**

	<b>Foundations</b>	<b>Associations and similar community organisations</b>
Income in 2008 (in billions PLN)	4.2 (33%)	8.5 (67%)
Costs in 2008 (in billions PLN)	4 (34%)	7.8 (66%)

Source: K. Goś-Wójcicka, S. Nałęcz, *Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r.*, *Studia i Analizy Statystyczne*, GUS Departament Badań Społecznych, Warszawa 2010, p. 107

It is important to note that for foundations, 38% of their income comes from market activity and for associations the figure is 40%. In 2005, the figures were 46.3% and 56%. These reductions are due to increased dependence on non-market financing such as public funds. The use of public funds in 2005 was 23.1% for foundations and 28% for associations, whilst in 2008 it was 29% and 40% respectively.<sup>329</sup>

<sup>328</sup> *Polskie organizacje pozarządowe 2010*,

<http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

<sup>329</sup> S. Nałęcz, *'Sektor Non-Profit w Polsce'*, Główny Urząd Statystyczny, Departament Badań Społecznych, Warszawa, 2009, 136

**Table 8. Budget of non-profit organisations by legal form in 2008**

	Foundations		Associations and similar community organisations	
	In billions PLN	In %	In billions PLN	In %
Market incomes	1.596	38	3.400	40
of economic activity	0.840	20	1.615	19
of paid statutory activity	0.420	10	1.445	17
provided under the Act on Public Procurement	0.168	4	0.170	2
interest and dividends	0.168	4	0.085	1
Non-market income	2.100	50	4.165	49
from public sources	1.218	29	3.400	40
from local government	0.168	4	1.360	16
from central government	0.294	7	1.190	14
from foreign sources	0.546	13	0.425	5
from the 1% income tax of individual persons	0.210	5	0.170	2
from non-public sources	0.882	21	0.765	9
donations and other transferred funds	0.840	20	0.680	8
public collections	0.042	1	0.085	1
Membership fees	0.000	0	0.595	7
Other	0.504	12	0.340	4

Source: K. Goś-Wójcicka, S. Nałęcz, Stowarzyszenia, Fundacje i Społeczne Podmioty Wyznaniowe w 2008 r., Studia i Analizy Statystyczne, GUS Departament Badań Społecznych, Warszawa 2010, p. 112

Non-commercial financing, which includes grants, subsidies and donations is currently most widely used by social enterprises (SEs) in Poland. An important role is also played by income tax contribution discussed above, but there is also an increasing role for other instruments: institutional donors, systematic contributions of individuals, sponsorship and profits from business activities. These findings are confirmed by studies conducted in 2010 by the Centre for Evaluation and Analysis of Public Policy at the Jagiellonian University and the Foundation of the Economy and Public Administration. The study included 109 social enterprises from Małopolska. Sources of financing for social enterprises can be sorted in the following order (multiple sources were frequently indicated):<sup>330</sup>

- Income from economic activity - 79 SEs
- Public funds, local and central governments (eg. FP<sup>331</sup>, PFRON<sup>332</sup>, FIO<sup>333</sup>) - 55 SEs

<sup>330</sup> After: 'Wokół ekonomii społecznej' (Maciej Fraczk, Jerzy Hausner, Stanisław Mazur, eds), Uniwersytet Ekonomiczny w Krakowie i Małopolska Szkoła Administracji Publicznej, 2012, pp. 290. 291)

<sup>331</sup> Fundusz Pracy (labour funds)

<sup>332</sup> Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych (State Fund for Rehabilitation of Persons with Disabilities)

- Donations from individuals and businesses - 43 SEs
- Membership fees - 18 SEs
- EU Structural Funds - 18 SEs
- The 1% for the OPP<sup>334</sup> - 9 SEs
- The financial resources of other non-governmental organisations – 4 SEs

An interesting project named TORO is worth a particular mention.<sup>335</sup> The main purpose of the project is to develop new financial instruments for non-governmental organisations. The first step in TORO was the preparation of a report examining the possibility of creating a financial instrument for NGOs' commercial activity. The conclusion was that no bank or other financial institutions offers an efficient way to finance non-governmental organisations. Credits are a rather hard way of financing NGO activities and are not usually a good solution for most organisations. In European projects, funds are often paid in arrears, which causes major disruptions to NGOs activities. It is possible, for example take a loan in PAFPIO (The Polish-American Community Assistance Fund)<sup>336</sup> within two weeks but the procedure is not an easy one.

The aim of TORO is to offer loans for smaller organisations to professionalise and economise their activities. This requires training and organisational changes and success depends on the competence of the persons involved. The TORO report shows that many organisations are afraid to set up a business, because this is seen to go against the image of an organisation operating in the sphere of public benefit. Commercial activity of NGOs can be badly received, but in the social economy, profit is earmarked for statutory activities, so it is not profit made for the sake of profit, but to fulfil social goals. TORO is a mechanism that will help in the development the sphere of public benefits.

There is also a second TORO product, namely a tool for monitoring on-going projects. This tool allows the collection of information on an organisation's financial cooperation with the Capital City of Warsaw and how grants are accounted for. The idea is to have a comprehensive record for all kinds of cooperation between the City of Warsaw and projects which have received funding.

### 5.5.3. Summary

The non-profit sector in Poland has developed rather well in the period 1997-2008 - the number of non-profit organisations has increased by 260%. The number of entities has increased in every legal form. More than 90% of NPOs are associations, and 60% of all NPOs are functioning in the area of sport, tourism, recreation, hobbies, social assistance and social services. When we compare the years 1997 and 2008, we see the decline of employment in non-profit sector. The decrease of employees is nearly 6.5% in FTE. Analysing the composition of "human resources" by legal form in 1997 and 2008, the research shows the increase of FTE only in foundations and this increase is not enough to cover the decline in associations and similar community organisations and social religious entities. In 2008, 26% of work in this sector came from social work from volunteers and members which are an important aspect of this sector.

One important phenomenon observed in recent years is the decreasing number of members of NPOs. This has an economic impact on the budgets of associations with the income from

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<sup>333</sup> Fundusz Inicjatyw Obywatelskich (Citizens' Initiatives Fund)

<sup>334</sup> Organizacje Pożytku Publicznego (Public Benefit Organisations)

<sup>335</sup> See <http://ngo.um.warszawa.pl/ekonomia-spoeczna-i-projekt-toro>

<sup>336</sup> [http://www.pacaf.vel.pl/in\\_english.htm](http://www.pacaf.vel.pl/in_english.htm)

membership fees dropping heavily. Another important observation is the decrease of market activity of NGOs, which is due to increased dependence on non-market financing such as public funds.

## 5.6. Case Study: Portugal

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### 5.6.1. Introduction

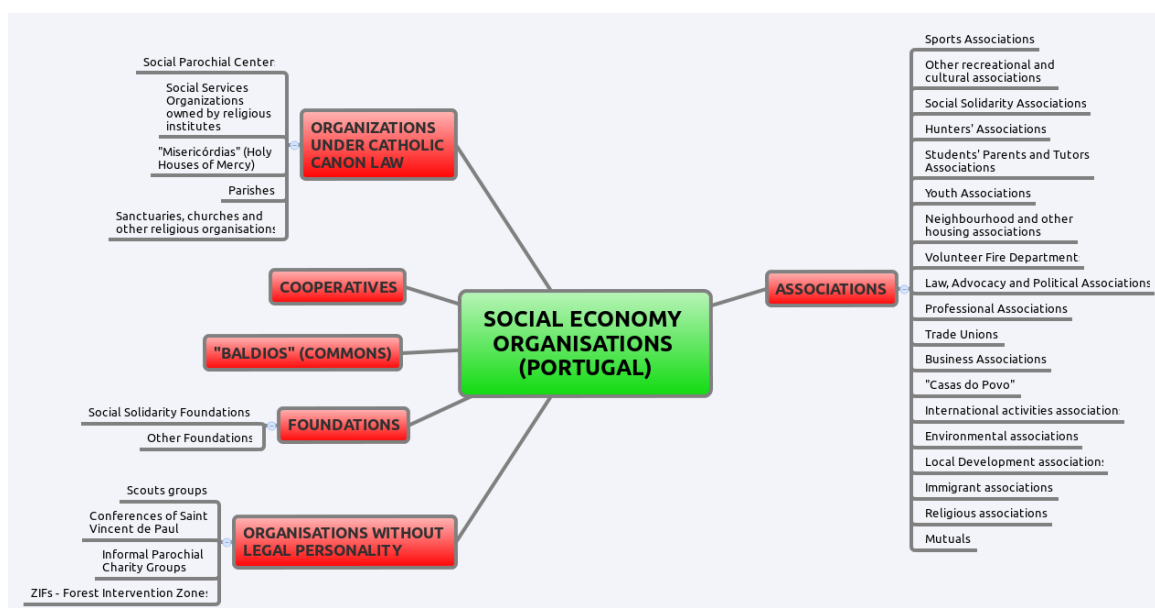
This paper is not an attempt to provide a comprehensive account of the social economy in Portugal, nor does it repeat the data produced by the Johns Hopkins Comparative Nonprofit Sector Project carried out in Portugal by a team of the Portuguese Catholic University in Porto. This data has already been included in earlier parts of this report. The focus here is to provide more recent data on the following parts of the social economy:

- The non-profit organisations, that is, the same kind of organisations as the ones covered in the John Hopkins Comparative Nonprofit Sector Project, but for a more recent year (2006) and with a different source (the **satellite account** published by the National Institute of Statistics)
- The **whole population of social economy organisations** which includes non-profit organisations, but also other organisations beyond that.

### 5.6.2. Types of social economy organisations by legal form

The following picture represents the different categories of social economy organisations in Portugal by legal form.

**Figure 5-7 – Categories of social economy organisations in Portugal**



### 5.6.3. Brief historical account of the social economy organisations in Portugal

#### a) Associations

Associations, which make up most of the social economy in Portugal, are a very heterogeneous group in terms of activities and history. The largest group of associations focus on culture, leisure and sport and amongst these we can find some very old organisations (more than 100 years old) as well as very recent ones. Mutuels also have a longstanding tradition, with some dating back to the 19<sup>th</sup> Century when they were created by workers in a time where there was no public social protection. Volunteer fire departments also have a long history, with many established in the first half of the 20<sup>th</sup> Century when the urbanisation of the country was developing. “Casas do Povo” (Houses of the People) were created during the dictatorship to extend the power of the state into rural areas. Even though they have kept their name, they have changed significantly since 1974. Before 1974, these organisations provided fairly basic social protection services to rural populations and prevented the creation of cultural and recreational associations in the rural areas outside the political control of the State. After the fall of the dictatorial regime many of them remained, but their legal status changed to that of an independent or free association, devoted to the provision of social services, or simply as cultural and recreational associations. The development of most of the other types of associations happened after the fall of the dictatorship in 1974. In a democracy the constraints to free association and the authoritarian political control of civil society organisations were removed which facilitated the creation of many associations, in a large variety of domains not only where they had been forbidden, or strongly restricted before (e.g. trade unions), but also in other areas.

This expansion of the associative part of the social economy after 1974 is not due only to the change in the political regime. It was also driven by social and economic changes which generated new demands for new forms of collective action. This includes, for example:

- “Social solidarity associations” for responding to the increasing demand for welfare services (child care, care for the elderly, and care for those with disabilities);
- Neighbourhood associations for responding to housing needs in expanding urban areas due to the rural-urban migration;
- Immigrant associations which developed when Portugal changed from being a country of emigrants to a country of immigrants coming from the former colonies, Eastern Europe and Brazil;
- Students’ Parents and Tutors’ associations which developed when significant progress was made in expanding primary and secondary education;
- Environmental associations developed when environmental awareness improved among the Portuguese population;
- Local development associations which appeared when the problem of rural migration and increasing regional disparities got worse in the 80s and 90s.

Social solidarity associations and other forms of private social welfare organisations received support from the state with legislation approved in 1992, which meant that these organisations could expect financial support from the state to help cover their operating costs on a regular, contractual basis. More precisely this has been done since then under the umbrella of “cooperation agreements” negotiated periodically by the national federations representing these organisations and the government. These agreements determine the amount per capita (per child or elderly person) these organisations will receive from the state. No other group of social economy organisations has this kind of contractual and regular regime for access to state funds.

#### **b) Cooperatives**

Cooperatives existed in Portugal during the dictatorship, namely in the agricultural sector, but as with associations, they developed mostly after the change in the political regime in 1974. The dictatorship made efforts to prevent the emergence of free forms of collective organisation in all domains. In the case of the agricultural sector, it created a network of state controlled organisations (“Grémios da Lavoura”) for different activities such as the supply of agricultural inputs (fertilisers, seeds, etc.) and the collection and marketing of some agricultural products (e.g. milk). These state controlled agricultural organisations were apparently like associations because they were run by persons elected by the farmers, but the elections were rarely free.

After the fall of the dictatorship, these organisations were eliminated, but not the facilities and other assets they owned. Most of this infrastructure was taken over by agricultural cooperatives. So, the expansion of the co-operative sector after 1974 was enabled by that initial infrastructure. The expansion was also made possible by Portugal’s accession to the EU and the accompanying social funds that were used to improve the agricultural sector. Many agricultural cooperatives have made good use of these new possibilities and increased their operations through mergers with other cooperatives and are operating successfully today, even though they are mostly focused on the domestic market. Those with poor management have since disappeared, or are in bad shape.

One remarkable case of success in the agricultural cooperative movement is agricultural credit cooperatives. Through mergers of local credit cooperatives, while keeping their regional characteristics and autonomy, wiping out bad managers and recruiting good ones, they are now one of the most solid financial groups in the country, in spite of the stress affecting the other banks.

Housing cooperatives and consumer co-operatives are other kinds of cooperatives which developed after the fall of the dictatorship. Both face significant challenges today. The expansion of supermarkets was almost fatal for consumer cooperatives. Housing cooperatives suffer from the macroeconomic problems which are affecting this country.

### **c) Foundations**

Some important foundations such as the Fundação Calouste Gulbenkian were created well before the fall of the dictatorship and managed to have an influential role despite the political conditions of the times. In the case of the Fundação Calouste Gulbenkian it was, for many years, a sort of Ministry of Culture, financing and providing other kinds of support to cultural activities in a scale and in domains where the state was doing very little. After the revolution, a series of nationalised industries were privatised, many of which set up charitable foundations (e.g. Fundação EDP). Today, these are some of the key players in Portugal's non-profit landscape.

### **d) Organisations under Catholic Canon Law**

Organisations which fall under Catholic Canon Law have been less subject, although not totally free from changes in the political regime because of their legal status. Together with associations created by Church affiliated people, they represent the major part of private social welfare organisations in the country. One of these groups, the "Misericórdias" (Holy Houses of Mercy), dates back to the 15<sup>th</sup> Century and is the oldest form of private social welfare in the country. The other major form of Church affiliated social welfare organisation, the Social Parochial Centres, are mostly from the second half of the 20th century when the demand for childcare and eldercare started to increase, even though some started more as an infrastructure for religious activities (rooms for teaching catechism, or for meetings of church groups). Many were initially funded by donations of local communities, but as their activities in the provision of social welfare services developed they became more dependent on public funding like other social welfare organisations. The quality of their management and the services delivered varies a lot, but there is a tendency to make good progress in terms of the qualification of the personnel. The same applies to the social welfare organisations run by religious institutes.

### **e) "Baldios"**

"Baldios" are forests and shrub lands owned in common by local communities. Their origins date far back in time. They are what remains today from the "commons" which existed in a much larger extent in Portuguese rural areas, like in the rural areas of other countries. These "commons" were subject to private appropriation especially in the 19th century, in spite of the resistance of the local communities which relied on them for their survival as free sources of firewood and pasture for their livestock. The appropriation of these lands became common in the 19th century and the early part of the 20th century, and was then adopted on a much larger scale during the dictatorship from 1926 onwards. Some of these "baldios" became part of a plan for afforestation, under the management of the State Forest Services. The state maintained the collective private ownership of these lands, but took over their management. This situation remains today for some of the "baldios". Other "baldios" are managed by local city councils. The third type of situation is where there is still a sufficiently active local community interested and capable of organising an assembly of the users of the "baldio" to elect and supervise a "Directive Council" to represent their interests and manage the "baldio" on their behalf.



After 1974, several pieces of legislation were passed and consolidated in a new law approved in 1993. The aim of this law was to restore and protect the rights of local communities over their “baldios” and restore common private ownership, thereby transferring ownership away from the Forest Services. That legislation still regulates the organisation of the self-governance of the “baldios” (assembly of commoners, directive council). It also puts heavy restrictions in the sale of these commonly owned lands.

#### 5.6.4. Data on the non-profit sector by ICNPO Categories for 2006

The tables below come from the first edition of the Satellite Account for the Portuguese social economy published by the National Institute of Statistics in 2011 (INE, 2011). The data refers to 2006. The tables are presented with all the detail that is included in the INE publication.

This edition of the Satellite Account is for the non-profit sector according to the UN definition. So, cooperatives and mutuels are not included, except “social solidarity cooperatives” (cooperatives providing social services) and housing cooperatives since these two kinds of cooperatives cannot distribute their earnings.

Unfortunately the National Institute of Statistics did not publish data on the budget of the non-profit sector by legal form, the composition of the budget by legal form, the value of volunteer employment, the number of non-profit organisations by legal form, the composition of human resources by legal form and the number of people with a formal membership of a non-profit organisation. There is no study available which could be used as a sound basis to estimate these figures.

This situation may improve with the next edition of the Satellite Account on which the National Institute of Statistics is working right now and is due to be published next year. It is expected that data on voluntary work will be available.

**Table 5-59 – Number of non profit organisations and paid employees in 2006**

ICNPO	Number of	Employees (number of jobs)
Culture and Recreation	22,897	16,566
Education and Research	2,057	25,719
Health	636	17,731
Social Services	6,255	103,012
Environment	773	615
Development and Housing	1,785	5,156
Law, Advocacy and Politics	433	1,272
Philanthropic Intermediaries and Voluntarism Promotion	95	717
International	285	853
Religion	7,102	8,767
Business and Professional Associations, Unions	2,189	10,114
Not elsewhere classified	1,036	3,685
<b>Total Economy</b>	-	<b>4,437,563</b>

Source: INE (2011)

**Table 5-60 – Resources of the non profit sector in 2006 (€ thousands)**

ICNPO	Gross Value Added	Transfers and subsidies	Earnings on owned assets	Other resources	Total
Culture and Recreation	303,299	450,387	10,957	68,772	833,415
Education and Research	459,971	252,532	44,317	52,562	809,382
Health	282,887	601,394	6,058	27,694	918,033
Social Services	1,379,477	1,002,378	68,840	337,282	2,787,977
Environment	12,317	23,852	595	906	37,670
Development and Housing	88,814	112,868	3,708	26,930	232,320
Religion	114,236	83,968	2,907	13,460	214,571
Business and Professional Associations, Unions	274,942	203,610	14,276	46,406	539,234
Not elsewhere classified	138,866	50,861	299,607	16,788	506,122
<b>Total Non profit</b>	<b>3,054,809</b>	<b>2,781,850</b>	<b>451,265</b>	<b>590,800</b>	<b>6,878,724</b>
<b>Total economy</b>	<b>137,827,720</b>				

Source: INE (2011)

**Table 5-61 – Expenditures of the non profit in 2006 (€ thousands)**

ICNPO	Social transfers	Salaries paid	Investment	Other expenditures	Total
Culture and Recreation	492,595	236,453	219,729	71,690	1,020,467
Education and Research	459,117	519,135	97,410	45,483	1,121,145
Health	423,365	255,889	61,326	31,290	771,870
Social Services	1,172,734	1,195,962	340,588	173,846	2,883,130
Environment	14,977	10,139	4,562	4,600	34,278
Development and Housing	73,032	87,265	11,773	37,772	209,842
Religion	112,719	88,660	38,858	7,471	247,708
Business and Professional Associations, Unions	422,612	198,189	75,121	30,317	726,239
Not elsewhere classified	111,856	124,480	29,484	16,873	282,693
<b>Total Non profit</b>	<b>3,283,007</b>	<b>2,716,172</b>	<b>878,851</b>	<b>419,342</b>	<b>7,297,372</b>
<b>Total economy</b>	<b>79,639,521</b>				

Source: INE (2011)

### 5.6.5. Data on the social economy by legal form

The only comprehensive data that can be put together for the social economy in terms of legal forms is the number of entities estimated by combining information coming from different sources. Before we present this estimate, it is necessary to mention an official source which publishes annual data on this variable, but which we are not going to use here. This source is the the National Registry of Collective Persons which records the following numbers of social economy organisations by legal status for the 31 of December 2011<sup>337</sup>:

- associations: 57,298;
- foundations: 835
- cooperatives: 5,283;
- religious collective persons<sup>338</sup> (organisations under Catholic Canon Law and of other denominations): 9,146.

The numbers listed here are much higher than in the table that we are going to present. The main reason for this gap and for not using this data is because the National Registry of Collective Persons keeps records of many organisations which are no longer active. When a new organisation is established it has to be recorded in this Registry, but when it becomes inactive very often this situation is not communicated to the Registry. The following table presents our estimate of the number of social economy organisations for the entire social economy (non profit organisations, cooperatives and mutuals).

**Table 5-62 – Estimate of the number of entities in the social economy by legal form in 2006-12<sup>339</sup>**

<b>Types of legal status</b>	
<b>Associations</b>	<b>37,426</b>
Sports Associations	12,671
Other recreational and cultural associations	10,226
Social Solidarity Associations	3,270
Business and Professional Associations and Trade Unions	2,189
Hunters' Associations	2,000
Students' Parents and Tutors Associations	1,761
Registered Youth Associations (student unions and others)	1,217
Housing associations	1,188
Volunteer Fire Departments	436
Law, Advocacy and Political Associations	433
"Casas do Povo" (Houses of the People)	315
International activities associations	280
Environmental associations	155
Registered Immigrant Associations	109
Mutuals	97
Local Development Associations	79

<sup>337</sup>

[http://www.siej.dgpj.mj.pt/webeis/index.jsp?username=Publico&pgmWindowName=pgmWindow\\_634817930867187500](http://www.siej.dgpj.mj.pt/webeis/index.jsp?username=Publico&pgmWindowName=pgmWindow_634817930867187500)

<sup>338</sup> The term „persons“ is the term used in the Portuguese law

<sup>339</sup> See descriptions of data sources below for precise dates

Not elsewhere classified	1,000
<b>Foundations</b>	<b>282</b>
Social Services	140
Not elsewhere classified	142
<b>Cooperatives</b>	<b>3,109</b>
Agriculture	870
Housing	518
Services (except social services)	513
Culture	302
Social Services	209
Consumer cooperatives	169
Education	139
Credit	100
Not elsewhere classified	289
<b>“Baldios” (Commons)</b>	<b>130</b>
<b>Organisations under Catholic Canon Law</b>	<b>7,145</b>
Social Parochial Centres	1,325
Social Services owned by Religious Institutes	370
“Misericórdias” (Holy Houses of Mercy)	387
Parishes	4,375
Dioceses	20
Religious Orders and other religious institutes and associations	241
Sanctuaries and Chapels	372
Centres for spiritual activities	55
<b>Other religious organisations with legal personality</b>	<b>2,039</b>
<b>Organisations without legal personality</b>	<b>More than 2,116</b>
Active groups of Scouts	959
Conferences of Saint Vincent de Paul	More than 800
Informal Parochial Charity Groups	More than 200
“ZIFs-Zonas de Intervenção Florestal” (Forest Intervention Zones)	157
<b>Total</b>	<b>More than 52,247</b>

#### 5.6.6. Concepts, sources and methods of estimation

##### Sports associations

This is the total number of sports clubs reported for 2006 found on the website of the Portuguese Institute of Sports.<sup>340</sup>

##### Other recreational and cultural associations

<sup>340</sup>[http://www.idesporto.pt/ficheiros/file/PROCAFD%20RT/clubes\\_act2010\(1\).xls](http://www.idesporto.pt/ficheiros/file/PROCAFD%20RT/clubes_act2010(1).xls)

This is the difference between the total number of entities in the ICNPO category “Culture and Recreation” in the 2006 Satellite Account for the Non Profit Sector (INE, 2011) and the total number of sports clubs in 2006.

#### Social Solidarity Associations

The sources for the number in the table are the data on the website of the Social Security Services<sup>341</sup> combined with our own data for the islands of the Azores and Madeira collected for the Directory of the Portuguese Social Economy (“Directório da Economia Social”) project in progress at the Portuguese Catholic University in Porto).

#### Business and Professional Associations and Trade Unions

This is the number of the entities reported in this ICNPO category in the 2006 Satellite Account for the Non Profit Sector (INE, 2011).

#### Hunters’ Associations

This is an estimate of the total number of this kind of organisation according to data available on the website of the Forest Services for the hunting areas in Continental Portugal.<sup>342</sup>

#### Students’ Parents and Tutors Associations

This is the current total number of members of the major national confederation of this kind of organisation (CONFAP) in February 2012, as reported on its website.<sup>343</sup>

#### Registered Youth Associations

This is the total number of associations (informal youth groups excluded) in the National Register of Youth Associations for Continental Portugal for 2010, as reported on the governmental website for youth affairs<sup>344</sup>, and in the similar register for the Azores<sup>345</sup>, in this case for 2011. These two numbers were combined with an estimate for the number of youth associations in Madeira.

#### Housing Associations

This is the number of entities reported in the ICNPO category “Housing and Development” in the 2006 Satellite Account for the Non Profit Sector (INE, 2011) subtracted by the number of local development associations and the number of housing cooperatives in 2006 reported on the website of CASES – Cooperativa António Sérgio para a Economia Social.<sup>346</sup> These housing associations probably include mostly neighbourhood associations (“Associações de Moradores”) and associations of people living in the same apartment building for the purposes of managing this kind of condominium.

#### Volunteer Fire Departments

<sup>341</sup>[http://www2.seg-social.pt/preview\\_documentos.asp?r=37325&m=PDF](http://www2.seg-social.pt/preview_documentos.asp?r=37325&m=PDF)

<sup>342</sup><http://www.icnf.pt/florestas/caca/zonas-de-caca-em-atividade>

<sup>343</sup><http://www.confap.pt/confap.php?pagina=associados>

<sup>344</sup><http://juventude.gov.pt/Associativismo/RNAJ/ConheceRNAJ/Documents/Lista%20RNAJ%202010.xls>

<sup>345</sup><http://www.associativismo.drj.azores.gov.pt/associativismo-juvenil/registo-acoriano/>

<sup>346</sup><http://www.cases.pt>

This is the current number of Volunteer Fire Departments in Continental Portugal and in Madeira according to our own data collection done for the Directory of the Portuguese Social Economy (“Directório da Economia Social”) a project currently in progress at the Portuguese Catholic University in Porto.

#### Law, Advocacy and Political Associations

This is the number of entities reported in this ICNPO category in the 2006 Satellite Accounts for the Non Profit Sector (INE, 2011).

#### “Casas do Povo” (Houses of the People)

These associations were initially set up under the authoritarian regime of Salazar, by a decree of 1933, to “represent” the farmers and agricultural workers and to provide some social security services to this rural population. After the revolution in 1974, the legal status of these organisations was changed to that of an independent association, focused on the provision of cultural, recreational and social services. The number in the table is the current number of 'Casas do Povo' in Continental Portugal, the Azores and Madeira. It is based on the data from the website of the Social Security Services<sup>347</sup> for Continental Portugal combined with our own data collection for the islands of the Azores and Madeira done for the Directory of the Portuguese Social Economy (“Directório da Economia Social”) a project currently in progress at the Portuguese Catholic University in Porto.

#### International activities associations

This is the number of entities reported in this ICNPO category in the 2006 Satellite Account for the Non Profit Sector (INE, 2011).

#### Environmental associations

The figure in the table includes organisations in the official register of environmental NGOs for Continental Portugal,<sup>348</sup> and others which are affiliated with the national confederation of this kind of organisation – the CPADA.<sup>349</sup> Forest owners’ associations and local development associations were excluded to avoid double counting.

#### Registered Immigrant Associations

This is the number of associations, in March 2012, which are active and are recognised as representing the immigrant population by the official agency in charge of these affairs (ACIDI), as reported on their website.<sup>350</sup>

#### Mutuals

The number in the table refers to the number of mutual associations registered at the Social Security Services on the 31 of December 2011.<sup>351</sup>

<sup>347</sup> [http://www2.seg-social.pt/preview\\_documentos.asp?r=37329&m=PDF](http://www2.seg-social.pt/preview_documentos.asp?r=37329&m=PDF)

<sup>348</sup> [http://www.apambiente.pt/\\_cms/view/page\\_doc.php?id=637](http://www.apambiente.pt/_cms/view/page_doc.php?id=637)

<sup>349</sup> [http://www.cpada.pt/index.php?option=com\\_content&view=article&id=49&Itemid=30](http://www.cpada.pt/index.php?option=com_content&view=article&id=49&Itemid=30)

<sup>350</sup> <http://www.acidi.gov.pt/es-imigrante/informacao/associacoes-de-imigrantes-em-portugal>

### Local Development Associations

This is the current number of associations affiliated with the two national federations of this kind of organisation: ANIMAR<sup>352</sup> and “Minha Terra”<sup>353</sup>. These include associations which have been involved in the management of LEADER projects and other kinds of local development initiatives.

### Foundations

This is based on a recent governmental report on foundations (Secretário de Estado da Administração Pública, 2012) and the data refers to the first semester of 2012. The number of foundations considered here refers only to those which are entirely private, i.e. owned by private individuals and under private law. The data refers to the entire country (Continental Portugal, the Azores and Madeira). The report states that there are 99 foundations that are owned by public entities under private law, 20 that are under a mixed private and public regime and 100 under Catholic Canon Law. The report also states that there are about 200 other foundations which are inactive.

### Cooperatives

This is based on the website of CASES – Cooperativa António Sérgio para a Economia Social<sup>354</sup>, a cooperative umbrella body comprising the national confederations representing some of the segments of the Portuguese social economy (agricultural and non agricultural cooperatives, mutuals, social solidarity organisations and local development organisations). This data refers to the 31 of December 2010 and to the entire country (Continental Portugal, the Azores and Madeira).

### “Baldios”

These are forest and grazing lands which are collectively owned by local communities (i.e. they are lands owned in common) which have been in existence for centuries. They are recognised by article 82.º of the Portuguese Constitution as part of the “cooperative and social sector” of the economy. The data in the table refers to “Units of “baldios”” which are under the management of the Forest Services, the local town council or the assembly of commoners (“Assembleias de Compartes”). According to the Forest Services there is a total of 801 of these units in Continental Portugal (Madeira and the Azores are not included). This corresponds to the number of units for which the Services determined the preparation of forest management plans. The table refers only to those 801 units which are not only under private collective ownership, but also under private collective management, that is, the ones for which an organised assembly of commoners exists and has an elected directory council (“Conselho Directivo”) responsible for managing the commons.

### Organisations under Catholic Canon Law

According to the “Concordata” which regulates the relationship between the Catholic Church and the State in Portugal, the entities which the Church entrusts with canonic personality according to Canon Law are recognised by the State as also having legal personality according to Portuguese law. This is also the case for parishes. The number in the table is the total number of parishes

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<sup>351</sup><http://www2.seg-social.pt/left.asp?01.03.06>

<sup>352</sup><http://www.animar-dl.pt/index/oquee/associados>

<sup>353</sup><http://www.minhaterra.pt/spip.php?rubrique3>

<sup>354</sup><http://www.cases.pt>

according to the website of “Anuário Católico”.<sup>355</sup> It is also the case for three very important kinds of organisation which represent a great deal of the private supply of social services:

- The Social Parochial Centres (“Centros Sociais Paroquiais”) created by parishes and normally presided by the priest in charge of the parish;
- Social Services organisations owned by religious orders, or by other kinds of religious institutes (e.g. Cáritas);
- “Misericórdias” (Holy Houses of Mercy), whose origins date back to 1498 when the first one was created by the initiative of the Queen of Portugal, Eleanor of Lancaster.

The source for the number of Social Parochial Centres and Social Services organisations owned by religious institutes is the website of the Social Security Services<sup>356</sup> for Continental Portugal and our own data for the islands of the Azores and Madeira collected for the Directory of the Portuguese Social Economy (“Directório da Economia Social”) a project currently in progress at the Portuguese Catholic University in Porto. The number of “Misericórdias” refers to 2011 and its source is a publication issued by the national federation of these organisations (União das Misericórdias Portuguesas, 2011). The source for the number of dioceses, religious orders and other religious institutes and associations, sanctuaries and chapels and centres for spiritual activities is the website of “Anuário Católico”.<sup>357</sup>

#### Other religious organisations with legal personality

The number reported in the table is the difference between the total number of entities in the ICNPO category “Religion” in the 2006 Satellite Account of the Non Profit Sector (INE, 2011) and the total number of organisations counted here under Catholic Canon Law. Included in this number there are probably organisations with different types of legal status such as other organisations under Catholic Canon Law, organisations belonging to other religions, associations under civil law with religious purposes, etc.

#### Organisations without legal personality

These kinds of organisation are included because they fulfill all the criteria for being social economy organisations, as long as the existence of legal personality is not required. Three types of organisations were considered because of their relatively large numbers and relevance in terms of the services they provide.

One corresponds to the scouts groups. They are, the largest body of youth organisations in the country. At the national level they have a legal personality, but it is not the case for each local scout group. The number in the table corresponds to the groups that were active in 2006 belonging to the Catholic branch of scouts, that is those belonging to CNE – Corpo Nacional de Escutas-Ecutismo Católico Português. The source is a CNE publication with the results of a census run in 2006 (CNE, 2007).

The Conferences of Saint Vincent de Paul are the most numerous and widespread charity movement of the Catholic Church. The number in the table refers to Continental Portugal, the Azores and Madeira. Its source is our own data collection done for the Directory of the Portuguese Social Economy.

<sup>355</sup><http://http://www.ecclesia.pt/anuario/>

<sup>356</sup>[http://www2.seg-social.pt/preview\\_documentos.asp?r=37325&m=PDF](http://www2.seg-social.pt/preview_documentos.asp?r=37325&m=PDF)

<sup>357</sup><http://http://www.ecclesia.pt/anuario/>



The number of informal Parochial Charity Groups is an estimate based on our own data collection also carried out for the Directory of the Portuguese Social Economy.

The Zonas de Intervenção Florestal (ZIFs) are areas of contiguous forest land with possibly some agricultural land in between where the majority of the landowners (in terms of percentage of land area) agree to abide by a common forest management plan. This form of forest group is regulated by legislation approved in 2005, following two years (2003 and 2005) with very large and damaging forest fires. Even though the ZIFs are regulated by law, these groups don't have a legal personality as such. The legal persons here continue to be the individual forest owners linked by some sort of contract which is approved and regulated by special legislation.

#### 5.6.7. Bibliography

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## 5.7. Case Study: United Kingdom

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### 5.7.1. Introduction

In this paper, we define the social economy as mission driven organisations which aim to meet a social need. This includes not for profit organisations (as described by the United Nations' International Classification of Non-Profit Organisations and Handbook on Non-Profit Institutions in the System of National Accounts<sup>358</sup>) as well as mutual aid societies, co-operatives and other social enterprises. As such, the social economy in the UK includes a vast range of organisations – from charitable companies, trusts and foundations to social enterprises such as co-operatives to housing associations, universities and professional associations – working in areas as diverse as care for the elderly, energy and the environment, research, education and health.

The term 'social economy' is not widely used in the United Kingdom (UK). Rather, terms such as 'third sector', 'civil society', 'voluntary sector' and more recently 'social enterprise sector' are far more common to describe mission driven organisations. However, these terms are themselves contested and there is much debate and discussion about the definitions and parameters of these sectors. For example, the social enterprise sector overlaps with the third sector because, in the UK, social enterprises can also be not for profit organisations. Civil society is far broader than the social economy as it includes a range of informal associations and community groups as well as organisations which are not independent of government.

In what follows, we describe the social economy in the UK. We define and clarify the various terms used and legal forms associated with the organisations that constitute the social economy in the UK. We outline its historical development, highlight recent trends and point to possible future developments.

### 5.7.2. Definitions

In the UK, the terms 'third sector', 'civil society sector', 'voluntary sector', 'non-profit sector' and more recently, 'social enterprise sector' are used far more widely than the term 'social economy' to describe mission driven organisations, and the work they undertake to address social needs. In the UK, the social economy broadly maps out to what it called the 'third sector' or 'voluntary sector' and 'social enterprise sector' combined.

It is important to note, however, that none of these terms have universally accepted definitions. As Pete Alcock explains, "There is debate and disagreement because there are different perspectives being brought to bear, including the perspectives of policymakers, practitioners and academics;

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<sup>358</sup> United Nations, *Handbook on Non-Profit Institutions in the System of National Accounts*, New York, United Nations, 2003

and more broadly in international debate there are distinct cultural and political legacies arising in different national settings.”<sup>359</sup>

In a review of the voluntary sector of the UK, Peter Halfpenny and Margaret Reid describe the diversity of the sector and argue that “there is a temptation to impose definitions to create a more homogeneous and discrete sector for research and analysis than really exists. To some extent, recent definitional work has favoured the larger and more structured voluntary organisations at the expense of more informal voluntaristic activities.”<sup>360</sup>

Jürgen Grotz went a step further and rejected the idea of a homogenous third sector, arguing that the sector has largely been defined in terms of what it is not – rather than what it is.<sup>361</sup> So, for example, non-governmental organisations are defined in contradistinction to public sector bodies, while not-for-profit organisations are defined in contradistinction to for-profit organisations. As Alcock explains, this (negative) approach “leads to attempts to define the sector in terms of its relationship with other sectors of social organisation, in particular the state and the market, although these too are of course subject to definitional debate and challenge.”<sup>362</sup> Nevertheless, and in spite of these challenges we attempt to define and delineate these terms in order to clarify what could be meant by the term ‘social economy’ in the UK.

‘Civil society’ is the broadest term used in this context and generally refers to all groups, associations and organisations which do not belong to the market or the state. According to the National Council for Voluntary Organisations (NCVO) there were 900,000 civil society organisations in 2010 with a collective turnover of £170 billion and 2 million paid employees.<sup>363</sup> These civil society organisations include some 600,000 unregistered informal groups, quasi-non governmental organisations such as the British Council, organisations which have charitable status but are not independent of government, such as NHS charities, as well as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations.<sup>364</sup>

There has been much debate about what constitutes civil society.<sup>365</sup> Adalbert Evers, for example, argues that it is complex and controversial to equate civil society with the third sector.<sup>366</sup> According to Alcock, civil society “is most often associated with social action and social values, rather than particular organisational forms – as the sum of social relations that make up the good society rather than any particular organisational expression of these.”<sup>367</sup> Interestingly, the NCVO, which is the national body for community and voluntary groups collects data on civil society organisations (and describe the voluntary sector as a sub-sector of the civil society sector).

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<sup>359</sup> P Alcock, 'A strategic unity: defining the third sector in the UK', *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

<sup>360</sup> P Halfpenny & M Reid, 'Research on the voluntary sector: an overview', *Policy & Politics*, vol. 30:4, pp.533–50, 2002

<sup>361</sup> J Grotz, *The sector needs to sort itself out: a plea for voluntary action in context*, Paper presented to the NCVO/VSSN Annual Research Conference, Warwick University, 2009

<sup>362</sup> P Alcock, 'A strategic unity: defining the third sector in the UK', *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

<sup>363</sup> J Clark, D Kane, K Wilding and P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012, p.11

<sup>364</sup> Viewed 28 June 2012, <http://www.ncvo-vol.org.uk/policy-research/what-voluntary-sector/what-research-tells-us>

<sup>365</sup> See for example, N Deakin, *In search of civil society*, Palgrave Macmillan, Basingstoke, 2001 and V Jochum, B Pratten, & K Wilding, *Civil renewal and active citizenship: A guide to the debate*, NCVO, London, 2005

<sup>366</sup> A Evers, 'Observations on incivility: blind spots in third sector research and policy', *Voluntary Sector Review*, vol. 1:1, pp.113–17, 2010

<sup>367</sup> P Alcock, 'A strategic unity: defining the third sector in the UK', *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

The 'third sector' is also used to describe organisations that do not fall within the private for-profit sector or the public sector. The term was originally coined by Amitai Etzioni in 1973 to describe an alternative sector separate from and balancing the state and the market.<sup>368</sup> Traditionally, however, the Anglo-Saxon conception of the third sector has referred to not-for-profit organisations only (charities, associations and foundations), in contrast to the continental European perception which also includes co-operative and mutual support organisations.<sup>369</sup>

As such, the term 'third sector' has been used interchangeably with the term 'voluntary sector' or 'non-profit sector' in the UK. The NCVO describes the 'voluntary sector' as those organisations which meet the 'general charities' definition. Namely, they are registered charities but are not controlled by government, non-departmental government bodies, independent (fee-paying) schools, faith groups (whose main objective is the promotion of religion), housing associations and trade associations.

This 'voluntary sector' is often referred to as the 'non-profit sector'. According to Lester Salamon and Helmut Anheier, the UK shares with the United States a fairly clear concept of the voluntary/non-profit sector.<sup>370</sup> In their case study of the UK non-profit sector for the Johns Hopkins Comparative Non-profit Sector Project, Jeremy Kendall and Martin Knapp argue that to be classified as belonging to the non-profit (or third) sector in the UK, a body must possess the following characteristics:

- It must be a formal organisation
- It must be self-governing
- It must be independent of government
- It can not distribute profits
- It must be voluntary (i.e. it must benefit from philanthropy or voluntary citizen involvement)<sup>371</sup>

This definition therefore excludes many social enterprises and co-operatives which do generate profits and distribute a proportion of these to their members or owners. Here, Frank Moulaert and Oana Ailenei identify a distinction in Anglo-Saxon terminology between not-for-profit organisations and the non-profit sector.<sup>372</sup> Both are guided by the principle that profits are not the overriding motivation of their activity but in the first case, organisations are prevented from distributing profits and surpluses are reinvested, whereas in the second case, a portion of the profits can be divided among owners or shareholders (such as with co-operatives). The authors also remark that the "Anglo-Saxon literature devotes little attention to the role of market agents (co-operative firms, *mutuelles*,....) which have managed to introduce modes of organisation based on solidarity

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<sup>368</sup> A, Etzioni, 'The Third Sector and Domestic Missions,' *Public Administration Review*, vol. 33:4, pp.314-323, 1973

<sup>369</sup> F Moulaert & O Ailenei, 'Social Economy, Third Sector and Solidarity Relations: A Conceptual Synthesis from History to Present', *Urban Studies*, vol. 42:11, pp.2037–2053, 2005

<sup>370</sup> LM Salamon & HK Anheier, *Caring sector or caring society? Discovering the nonprofit sector cross-nationally*, Working Papers on the Johns Hopkins Comparative Nonprofit Sector Project, Institute for Policy Studies, The Johns Hopkins University, Baltimore, 1994, p.3

<sup>371</sup> J Kendall and M Knapp, 'Defining the Nonprofit Sector: The United Kingdom', *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, No. 5, L.M. Salamon & H.K. Anheier (eds.), The Johns Hopkins Institute for Policy Studies, Baltimore, 1993

<sup>372</sup> F Moulaert & O Ailenei, 'Social Economy, Third Sector and Solidarity Relations: A Conceptual Synthesis from History to Present', *Urban Studies*, vol. 42:11, pp.2037–2053, 2005

and reciprocity, and serving niche markets formed by members or particular target user groups”.<sup>373</sup> Indeed, much of this literature is now covered in the emerging field of social enterprise and social entrepreneurship.

Since the 1990s, one of the most important developments in this field is the emergence of the social enterprise sector. Social enterprises are defined as “businesses with primarily social or environmental objectives, whose surpluses are principally re-invested for that purpose in the business or community, rather than mainly being paid to shareholders and owners”.<sup>374</sup> To be classed as a social enterprise, organisations must generate at least 25% of their turnover from trading and distribute less than 50% of their profits to owners or shareholders.<sup>375</sup> However, this definition is not universally accepted. The NCVO, for example, prefer to view social enterprise as an activity rather than a type of organisation. As such they class charities that trade goods and services (but do not distribute profits) as social enterprises.<sup>376</sup>

In the academic literature there is a wide range of definitions of social enterprise and social entrepreneurship. Dees and Nicholls identify four common themes across this literature: they advance a social mission; they apply innovative processes and technologies; they have a measurable and scalable impact; they often integrate financial sustainability and demonstrate a pronounced, though often nuanced, market orientation.<sup>377</sup> Peattie and Morley add that profits tend to be distributed to stakeholders or for the benefit of the community rather than to individuals.<sup>378</sup> They also point to a number of authors who highlight a difference between social enterprises that are ‘social led’ (more collective and democratic) and others that are ‘enterprise led’ (which employ the logic, structure and methods of traditional for-profit businesses). In addition, they point to a number of authors who challenge the notion that “social enterprises must be collective or democratic in terms of structure and culture”.<sup>379</sup>

The notion of social enterprise in the UK is slightly different from those in the United States and continental Europe. Janelle Kerlin compared American and European definitions and shows how the term has different meanings in both regions: “In Europe, with the exception of the United Kingdom, social enterprise has generally come to mean a social cooperative or association formed to provide employment or specific care services in a participatory framework. In the United States, it generally means any type of non-profit involved in earned income generation activities.”<sup>380</sup> In the UK, social enterprise encompasses both spheres of activity. So for example, Westmill Farm Co-op (a community owned wind farm) would count as a social enterprise, as would Oxfam Unwrapped

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<sup>373</sup> F Moolaert & O Ailenei, 'Social Economy, Third Sector and Solidarity Relations: A Conceptual Synthesis from History to Present', *Urban Studies*, vol. 42:11, pp.2037–2053, 2005

<sup>374</sup> Department of Trade and Industry, *Social Enterprise: A Strategy for Success*, Department of Trade and Industry, London, 2002

<sup>375</sup> Department for Business Innovation and Skills, *Social Enterprise Barometer*, URN 10/1076, IFF Research Ltd, 2010

<sup>376</sup> J Clark, D Kane, K Wilding and P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012

<sup>377</sup> Quoted in R Ataide, 'The ‘porcupine in the room’: socio-religious entrepreneurs and innovators within the framework of social innovation’ in A Nicholls and A Murdock, *Social Innovation: Blurring Boundaries to Reconfigure markets*, Palgrave Macmillan, London, 2012

<sup>378</sup> K Peattie & A Morley, *Social enterprises: Diversity and dynamics, contexts and contributions*, Social Enterprise Coalition and Economic and Social Research Council, London, 2008

<sup>379</sup> K Peattie & A Morley, *Social enterprises: Diversity and dynamics, contexts and contributions*, Social Enterprise Coalition and Economic and Social Research Council, London, 2008

<sup>380</sup> J, Kerlin, 'Social Enterprise in the United States and Europe: Understanding and Learning from the Differences', *Voluntas*, vol. 17:3, pp.246–262, 2006

(Oxfam's online gift shop). Moreover, work insertion social enterprises are often called 'social firms' in the UK.<sup>381</sup>

However, it is important to note that our understanding of these sectors is dynamic; shaped and influenced by discourses in policy, research and practice. As such, our conception of these sectors has changed over time. For example, there has been a noticeable expansion of the meaning of the 'third sector' to include social enterprises, including co-operatives and mutuals in the last decade.<sup>382</sup> Kendall explores how the terms used to describe the sector have moved from 'voluntary sector' to 'voluntary and community sector' to 'third sector' and with each shift, there has been an expansion in the scope and scale of the sector and the policy landscape.<sup>383</sup>

This is reflected in the changing name and role of the government units and offices tasked with supporting and promoting this sector. The Voluntary Services Unit (VSU) which was initially located inside the Home Office was renamed as the Active Communities Unit (ACU) and then the Active Communities Directorate (ACD). In 2006, the ACD was moved to the Cabinet Office and renamed as the Office of the Third Sector (OTS). The OTS took on responsibility for social enterprise and had a much larger budget to administer than previous units/offices. It was also responsible for working with public authorities to reduce barriers to delivery of public services by voluntary and community organisations. In 2010, the OTS was changed to the Office of Civil Society (OCS) which now has responsibility for translating the Big Society agenda into specific policies and delivering some of the Big Society programmes. The OCS works across 5 main areas: Big Society policy and analysis; public services; charities and sector support; social investment and social enterprise; social action. The aim of this government office is to 'deliver radical change in the relationship between citizen and state' and in particular to: make it easier to run a charity, social enterprise or voluntary organisation; get more resources into the sector and strengthen its independence and resilience and; make it easier for sector organisations to work with the state.<sup>384</sup> The OCS have overseen and developed a range of initiatives and programmes – Big Society Capital, the Innovation in Giving Fund, Social Impact Bonds (see below) as well as the Mutuals Pathfinder Programme. With each change there has been a significant increase in the budget available and a broadening of the policy scope to include a wider array of mission driven organisations, associations and groups.

Moreover, there is greater understanding that the organisations which form part of the 'third sector' can be 'hybrid' organisations (namely, display characteristics of both the voluntary and public or private sectors) and that the sectoral boundaries are porous. It is therefore important to recognise that these definitions are not fixed or final; they are the subject of ongoing discussion and debate. In what follows, we explore the various legal forms of the organisations that constitute the social economy.

### 5.7.3. Organisational forms and legal structures

As aforementioned, we define social economy organisations as mission driven organisations which aim to meet a social need. This includes not for profit organisations ('general charities' in the UK

<sup>381</sup> Cabinet Office, *Growing the Social Investment Market: A vision and strategy*, Cabinet Office, London, 2011

<sup>382</sup> P Alcock, 'A strategic unity: defining the third sector in the UK', *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

<sup>383</sup> J Kendall, 'The third sector and the policy process in the UK: ingredients in a hyperactive horizontal policy environment' in J Kendall (ed.) *Handbook of third sector policy in Europe: Multi level processes and organized civil society*, Edward Elgar, Cheltenham, 2009

<sup>384</sup> Viewed on 28 June 2012, <http://www.cabinetoffice.gov.uk/resource-library/office-civil-society-structure-finalised>

context) as well as mutual aid societies, co-operatives and other social enterprises. In the UK, charities and social enterprises can take on a number of legal forms. The legal form of the organisation dictates the regulatory body or bodies responsible and therefore the specifications that the organisation must comply with in order to be established and operate. Here, we discuss the wide variety of legal forms in existence and their characteristics.

## Charities

At the heart of the social economy in the UK are charities. Well known examples include Shelter which provides housing for the homeless, Save the Children which provides emergency relief to children in developing parts of the world, and Cancer Research which undertakes and funds pioneering research to develop new ways to prevent, diagnose and treat cancer. Since the register of charities was launched in the 1960s, the number of charities has grown steadily, with at least 2,500 organisations registered every year.<sup>385</sup> The total number of general charities was 163, 800 in 2010.<sup>386</sup> In England and Wales, charities are regulated by the Charity Commission. In Scotland they are regulated by the Office of the Scottish Charity Regulator (OSCR) and in Northern Ireland by the Charity Commission for Northern Ireland (CCNI).

### *Regulators and charitable purpose*

To be designated as a charity in England and Wales, an organisation must prove that it has been established for charitable purposes and meets a 'public benefit' requirement. Charitable purposes include, for example, the advancement of education, religion, human rights, health or the saving of lives and/or arts and culture or the relief of poverty or the relief of those in need, as a result of age, youth, ill-health, disability and so on.<sup>387</sup> The public benefit test is based on two principles: that "there must be an identifiable benefit or benefits" and that "benefits must be to the public or a section of the public". Benefits might include, for example: giving grants or clothing or food to people in poverty; giving medical care to people who are sick; giving an education; providing housing to people who are homeless; and/or conserving the environment.<sup>388</sup> Benefits must be balanced against any detriment or harm and any private benefit must be incidental.<sup>389</sup> The full details for compliance are listed in The Charities Act 2011<sup>390</sup>, which came into force on the 14th March 2012.<sup>391</sup> In addition, a charity must have an income of more than £5000 a year to register with the Charities Commission.

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<sup>385</sup> J Clark, D Kane, K Wilding and P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012

<sup>386</sup> NCVO applies a 'general charities' definition to produce estimates of the size of the UK voluntary sector. This definition which was developed by the Office for National Statistics, excludes some organisations that are inactive or acting as subsidiaries of other organisations, non-departmental public bodies and quangos (such as the British Council), grant maintained schools, and organisations exempt from registration with the charity commission (housing associations, universities and places of worship) J Clarke, D Kane, K Wilding & P Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

<sup>387</sup> Viewed on 07 June 2012, [http://www.resourcecentre.org.uk/information/charity/info\\_pdf/charityreg.pdf](http://www.resourcecentre.org.uk/information/charity/info_pdf/charityreg.pdf)

<sup>388</sup> Charity Commission, *Charities and public benefit: the charity commission's general guidance on public benefit*, Charity Commission, Liverpool, 2008

<sup>389</sup> Viewed on 07 June 2012, [http://www.resourcecentre.org.uk/information/charity/info\\_pdf/charityreg.pdf](http://www.resourcecentre.org.uk/information/charity/info_pdf/charityreg.pdf)

<sup>390</sup> Viewed on 07 June 2012, <http://www.legislation.gov.uk/ukpga/2011/25/contents/enacted>

<sup>391</sup> For more information and an explanation of the changes brought in by the Act, see [http://www.charitycommission.gov.uk/about\\_us/regulation/charbill.aspx](http://www.charitycommission.gov.uk/about_us/regulation/charbill.aspx), viewed on 07 June 2012. For a guide to the previous Act, largely unchanged, see <http://www.stewardship.org.uk/Charities%20Act%202006%20update%20October%202010.pdf> viewed on 07 June 2012

There is an on-going debate in England and Wales about what should and should not constitute public benefit. For example, there is a longstanding debate around whether fee-paying schools and certain types of professional bodies and associations should qualify as charities. Initially, guidance on what constitutes public benefit stipulated that “where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted... by ability to pay any fees charged”. In addition, the guidance stated that “people in poverty must not be excluded from the opportunity to benefit”.<sup>392</sup> These last two stipulations challenge the assertion that fee-paying schools serve the public benefit. However, after legal proceedings between the Charity Commission and the Independent Schools Council in 2011, the guidance has now been amended, and these two clauses removed. The Charity Commission is now consulting on its revised public benefit guidance.<sup>393</sup>

The Charity Commission for Northern Ireland (CCNI) was established in March 2009 as the new independent regulator of charities in Northern Ireland. The powers contained within the Charities Act (Northern Ireland) 2008 are gradually being rolled out through various Commencement Orders. The Act requires **all organisations** that operate for a charitable purpose to apply for registration with the CCNI, however, charity registration is not expected to begin until late 2013. In order to register as a charity with the CCNI the purposes of an organisation must be purely charitable and its activities must fall under one or more of twelve charitable purposes as outlined by the Act. Unlike in England and Wales, a minimum turnover threshold for registration is not stipulated. In the future, registered charities will have to submit a Trustee Report and an Annual Return to the CCNI as part of their accounting obligations.<sup>394</sup>

In Scotland, the Office of the Scottish Charity Regulator (OSCR) has been operational since 2005. Over 23,000 charities are now registered in Scotland with a combined income of over £10 billion a year.<sup>395</sup> In order to be entered into the Scottish Charity Register an organisation must pass the charity test set out in the Charities and Trustee Investment (Scotland) Act 2005. This requires having only charitable purposes and pursuing activities that provide public benefit in Scotland or elsewhere. An organisation will fail the test if its constitution allows its property to be distributed or applied for non-charitable purposes, if its constitution expressly permits government Ministers to control its activities, or if one of its purposes is to advance a political party.<sup>396</sup> Every registered charity must complete an Annual Return form and provide the OSCR with a set of its accounts on an annual basis. Charities with an annual income over £25,000 must also complete a Supplementary Monitoring Return form. OSCR does not regulate charity fundraising which is governed on a self-regulating basis. However, the Scottish Government is currently drafting new regulations on fundraising and the Institute of Fundraising is developing new codes of practice.<sup>397</sup>

### *Legal forms for charities*

There are five legal structures for charities in the UK: charitable trusts, charitable associations, charitable companies and most recently, Charitable Incorporated Organisations (CIOs) and Community Benefit Societies. In the UK, the organisation is set up first - either as a trust, association or company – and then charitable status is sought from the relevant regulator.

<sup>392</sup> Viewed on 28 June 2012, [http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Charity\\_essentials/Public\\_benefit/public\\_benefit.aspx](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Charity_essentials/Public_benefit/public_benefit.aspx)

<sup>393</sup> Viewed on 28 June 2012, <http://publicbenefitconsultation.blogspot.co.uk/>.

<sup>394</sup> Viewed 19 June 2012, <http://www.charitycommissionni.org.uk/index.aspx>

<sup>395</sup> Viewed 19 June 2012, <http://www.oscr.org.uk/about-oscr/objectives/scotland's-charity-regulator/>

<sup>396</sup> Office of the Scottish Charity Regulator, *Meeting the Charity Test: Guidance for applicants and for existing charities*, OSCR, Dundee, 2008

<sup>397</sup> Viewed 19 June 2012, <http://www.oscr.org.uk/about-oscr/objectives/scotland's-charity-regulator/>



### **Charitable trust**

A charitable trust is usually set up to manage money or assets for a charitable purpose.<sup>398</sup> It is governed by a trust deed, and can be established by declaring a trust over assets (for example a property or sum of money) and appointing trustees. It is not a membership organisation and is run by trustees. These trustees can raise funds as long as these funds are used to further the aims and objectives of the trust. Trusts do not have a legal personality so arrangements are made directly with trustees who are personally liable for any debts accrued by the trust. This structure is mainly used by grant-making trusts although some small charities use this structure to run specific projects.

### **Charitable association**

A charitable association is a group of members who are governed by a set of commonly agreed rules known as a constitution. Members elect a governing committee (often known as the Board of Trustees) who have decision making rights, and make decisions on the management of the organisation and the use of funds. This structure is very commonly used among small and medium sized voluntary organisations. As with trusts, associations are not corporate forms and do not therefore have a legal personality of their own. As such, agreements are made directly with trustees who are personally liable for any debts accrued by the association. There is no limited liability for trustees.

### **Charitable company**

The limited company is a common incorporated legal form with a significant degree of flexibility. Charitable companies are limited companies with clear charitable aims and objectives in their Memorandum and Articles of Association (governance documents), limitations to prevent payments to trustees and/or stipulations that any surplus will be put towards the company's social purpose. Charitable companies tend to be companies limited by guarantee rather than companies limited by shares (as a company limited by shares would normally distribute profits to shareholders). If a company is able to enjoy charitable status, it can be registered with the charity commission. Where this is the case, the directors of the company will also be the trustees of the charity. And, in many cases, these directors/trustees will also be the members of the company. In some cases, charitable companies can have a wider membership – where the members elect the Board of Directors/Trustees.

A charitable company has a legal identity (it is a corporate legal form) which means that directors are agents of the company and not personally liable for any debts. However, charitable companies suffer from additional administrative burdens in that they are regulated by both Companies House (which regulate all company legal forms in the UK) and the Charity Commission. Nevertheless, this legal structure is very common among large service providers.

### **Charitable Incorporated Organisation (CIO)**

The 2006 Charities Act set out a new form of charitable organisation, the Charitable Incorporated Organisation (CIO) to England and Wales. However, as at the time of writing, it has not yet been made available and no specific introduction date has been set.<sup>399</sup> The CIO form is designed to give a charity “the main advantages of a Charitable Company – a legal personality and limited liability –

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<sup>398</sup> Viewed on 06 June 2012, [http://www.resourcecentre.org.uk/information/setting\\_up/info\\_pdf/not4prof.pdf](http://www.resourcecentre.org.uk/information/setting_up/info_pdf/not4prof.pdf)

<sup>399</sup> Department for Business, Innovation and Skills, *A guide to legal forms for business*, Department for Business, Innovation and Skills, London, 2011

but it will be registered with and regulated by the Charity Commission only."<sup>400</sup> According to the Department for Business, Innovation and Skills (BIS), this new legal form is expected to be used primarily by small and medium sized charities.<sup>401</sup> As with other charitable forms, a CIOs profits and assets will be locked in for charitable purposes. An equivalent legal form (the Scottish Charitable Incorporated Organisation) was made available from 1 April 2011 in Scotland.<sup>402</sup> Provisions for a similar type of body to be established in Northern Ireland are contained in the Charities (Northern Ireland) Act 2008.

### **Community Benefit Society**

A Community Benefit Society is one kind of Industrial and Provident Society (IPS) – the other, a Co-operative Society, is discussed below. A Community Benefit Society (BenCom) conducts business for the ‘benefit of the community’ (rather than members of the society, as is the case with Co-operative Societies). BenComs do not distribute profits among members or external shareholders and will return or reinvest any profits to the ‘community of benefit’. BenComs will often apply an asset lock in order to protect their assets for the ‘community of benefit’ over the long term.<sup>403</sup>

Moreover, not all BenComs are charities. To be a charity, BenComs need to have exclusively charitable aims, pass the public benefit requirement and have an asset lock. Once they are charities, they are able to raise capital through public grants and charitable trusts. Charitable BenComs are known as ‘exempt charities’ because they only report to the Financial Services Authority (FSA) and not the Charity Commission.<sup>404</sup> Despite being exempt charities, BenComs enjoy the same status and tax benefits as other charities.

#### *Tax exemptions and benefits of charitable status*

With charitable status, organisations enjoy various tax exemptions, including exemption from capital gains tax and from income tax and corporation tax on all income except for income which is not related to the organisations’ primary purpose. Charities enjoy mandatory relief of 80 per cent from the uniform business rate levied by local authorities, as well as some forms of tax deductibility on planned giving (covenants) and one-off giving.<sup>405</sup> Charities are also exempt from inheritance tax for donors to institutions. In addition, charities are able to receive grants from public sector bodies and grant making charities that only give grants to registered charities.

#### *Recent developments*

The Finance Act 2010 introduced a requirement that the persons managing a charity must pass a ‘fit and proper person’ test in order to receive tax relief. Depending on the income (above £25,000 but below £500,000) and financial structure of the organisation, charities are required to submit regular annual reports and also to retain copies of these for a given period (usually at least 6

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<sup>400</sup> Viewed on 06 June 2012, [http://www.resourcecentre.org.uk/information/setting\\_up/info\\_pdf/not4prof.pdf](http://www.resourcecentre.org.uk/information/setting_up/info_pdf/not4prof.pdf)

<sup>401</sup> Department for Business, Innovation and Skills, *A guide to legal forms for business*, Department for Business, Innovation and Skills, London, 2011

<sup>402</sup> Viewed on 28 June 2012, <http://www.oscr.org.uk/about-scottish-charities/scio/>

<sup>403</sup> Department for Business, Innovation and Skills, *A guide to legal forms for business*, Department for Business, Innovation and Skills, London, 2011

<sup>404</sup> Department for Business, Innovation and Skills, *A guide to legal forms for business*, Department for Business, Innovation and Skills, London, 2011

<sup>405</sup> J Kendall, M Knapp, ‘Defining the Nonprofit Sector: The United Kingdom’, *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, No. 5, LM Salamon, HK Anheier (eds.), The Johns Hopkins Institute for Policy Studies, Baltimore, 1993

years)<sup>406</sup>. In addition, any charity wishing to collect in a public place (for both goods and cash) must now apply to the Charity Commission for a ‘public collections certificate’.<sup>407</sup> The 2006 Charities Act brought in a number of changes to enable charities to administer themselves more efficiently, to improve the regulation of the sector, to provide a clearer definition of charity with an emphasis on public benefit and to modernise the Charity Commission’s functions and powers. The Charities Act of 2011 replaces all of the Recreational Charities Act 1958 and most of the Charities Acts 1992, 1993 and 2006 (except the sections in the Charities Acts about fundraising which have not taken effect yet). It is intended to consolidate enactments that relate to charities but it doesn’t make any changes to the law.<sup>408</sup>

## Social Enterprises

As mentioned above, social enterprises are defined as “businesses with primarily social or environmental objectives, whose surpluses are principally re-invested for that purpose in the business or community, rather than mainly being paid to shareholders and owners”.<sup>409</sup> The term social enterprise does not therefore refer to any specific legal structure.

There are a number of options open to social entrepreneurs when setting up their social enterprise; a social enterprise can be unincorporated or incorporated, and if it is incorporated it can be a limited company, a Community Interest Company, an Industrial and Provident Society (IPS) or a Limited Liability Partnership (LLP).

### Unincorporated forms: sole traders, partnerships and unincorporated associations

In the UK there is a distinction between setting up a business and setting up a company. An individual or group may set up a business without setting up a company. They do this by setting up as a ‘sole trader’, ‘partnership’ or ‘unincorporated association’ which means that they are not subject to company regulation and law. All businesses are required to register with HMRC for VAT if their VAT taxable turnover exceeds the registration threshold, and for PAYE and employer national insurance contributions if they have employees.<sup>410</sup>

### Incorporated forms

Social entrepreneurs can also choose an incorporated form, namely a limited company, a Community Interest Company, an Industrial and Provident Society (IPS) or a Limited Liability Partnership. Organisations with these incorporated legal forms have a legal personality and as a result, its directors will have limited liability. Where organisations are raising large amount of capital or taking on large contracts, incorporation is advisable.

### Limited company

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<sup>406</sup> Viewed on 08 June 2012, [http://www.resourcecentre.org.uk/information/charity/info\\_pdf/charityresp.pdf](http://www.resourcecentre.org.uk/information/charity/info_pdf/charityresp.pdf)

<sup>407</sup> Viewed on 08 June 2012,

[http://webarchive.nationalarchives.gov.uk/20100304041448/http://www.cabinetoffice.gov.uk/media/cabinetoffice/third\\_sector/assets/charities\\_act\\_interactive.pdf](http://webarchive.nationalarchives.gov.uk/20100304041448/http://www.cabinetoffice.gov.uk/media/cabinetoffice/third_sector/assets/charities_act_interactive.pdf)

<sup>408</sup> Viewed on 28 June 2012, <http://www.legislation.gov.uk/ukpga/2011/25>

<sup>409</sup> Department of Trade and Industry, *Social Enterprise: A Strategy for Success*, Department of Trade and Industry, London, 2002

<sup>410</sup> Department for Business, Innovation and Skills, *A guide to legal forms for social enterprises*, Department for Business, Innovation and Skills, London, 2011

As mentioned above, limited companies are formed under the provisions of the Companies Act 1985. They can be limited by shares or by guarantee. Social enterprises as defined above can be limited by shares (provided that there is a cap on the profits distributed to shareholders) or by guarantee.

### **Community Interest Company**

The Community Interest Company (CIC) is a relatively new company form created especially for the social enterprise sector. It was introduced in 2004 and since then has grown in popularity; there are now over 5,500 registered CICs.<sup>411</sup>

Companies that register as CICs retain their traditional form (as co-ops or limited companies) but they are required by law to have an 'asset lock', which restricts the transfer of assets, and a cap on the maximum dividend and interest payments. This ensures the protection of the social mission along with the requirement to file an annual return demonstrating its impact on the 'community of benefit'. The process for setting up a CIC is essentially the same as that for a limited company with the additional submission of a community interest statement. CICs are regulated by the Office of the Regulator of Community Interest Companies rather than Companies House.<sup>412</sup>

Although CICs do not qualify for the tax relief which comes with charitable status, they are less heavily regulated than charities. CICs cannot be charities and vice versa. However, charities can convert to CICs but lose their charitable status (and tax exemptions) if they do. However, charities can own CICs, in which case CICs can pass on assets to the charity. Unlike charities, CICs can issue shares and pay dividends to investors. One of the distinguishing features of a CIC is this ability to raise equity in order to access investment beyond traditional bank loans, grants and donations. The CIC form has been criticised on the grounds that its rates of return do not reflect risk, and that CICs are therefore unattractive to venture capital. But CICs have attracted funds from those willing to risk their capital because of the social returns.

### **Industrial and Provident Society**

There are two forms of Industrial and Provident Society: the Co-operative Society (co-op) and the Community Benefit Society or BenCom (above).

#### *Co-operative Society*

A Co-Operative Society is a business owned and democratically controlled by its members - serving their mutual benefit by trading with them or providing them with goods, services and facilities. Any surplus is usually ploughed back into the organisation, although profits can be distributed to members. The rules governing a Co-operative Society must reflect the values and principles set out by the International Co-operative Alliance. The principle of open membership means that funds can be raised by issuing shares to the public. Members retain democratic control on a 'one member one vote' (OMOV) basis, regardless of the size of respective shareholdings. Co-operative Societies are regulated by the Financial Services Authority (FSA) rather than Companies House.<sup>413</sup>

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<sup>411</sup> Department for Business, Innovation and Skills, *A guide to legal forms for social enterprises*, Department for Business, Innovation and Skills, London, 2011

<sup>412</sup> Department for Business, Innovation and Skills, *A guide to legal forms for social enterprises*, Department for Business, Innovation and Skills, London, 2011

<sup>413</sup> Department for Business, Innovation and Skills, *A guide to legal forms for business*, Department for Business, Innovation and Skills, London, 2011

### *Community Benefit Society*

A Community Benefit Society (BenCom) conducts business for the ‘benefit of the community’ (rather than members of the society, as is the case with Co-operative Societies). BenComs do not distribute profits among members or external shareholders and will return or reinvest any profits to the ‘community of benefit’.

### **Limited Liability Partnership (LLP)**

The Limited Liability Partnership (LLP) came into effect in the UK in 2001 as a separate legal form similar to a company. Members of an LLP enjoy limited liability as the name suggests, but the partnership is essentially transparent for tax purposes: non-corporate partners register for self assessment and pay income tax on their share of the profits, while profits shared by corporate partners will be liable to pay corporation tax on this income. Although not originally designed for the purpose, the LLP form provides a flexible model for social enterprises, particularly where they seek to work in partnership with other organisations or investors, or adopt a mutual model for ownership and control. In order to be a social enterprise an LLP need only decide that, rather than each member taking an equal share of the profits, a majority proportion of the profits will be dedicated to a social purpose.

#### 5.7.4. Historical development of the social economy

Definitions of sectors will inevitably be shaped by the historical, political and cultural contexts in question. So, in order to better understand the social economy in the UK, it is important to explore its development over time. Many of the publications we have read as part of this case study are focused on the ‘third sector’ or ‘voluntary sector’ rather than the ‘social economy’. However, much of this literature includes co-operatives, social enterprises, mutuals and other mission driven organisations that operate in the market and/or provide goods and services. We have stuck to the original terms used by the authors to avoid confusion.

Jane Lewis (1999), Bernard Harris (2010), Jeremy Kendall (2009) and others explore the historical development of the third sector in the UK. All argue that the third sector has been shaped by welfare policies of the state and that the relationship between the two sectors has changed significantly over time. Some argue that the voluntary sector has moved from complementing or supplementing statutory services to providing an alternative to them to working in partnership with the state to deliver services.

However, Jane Lewis argues that the voluntary sector has always been in partnership, in one form or another, with the state.<sup>414</sup> This is explored in greater detail by Bernard Harris, who examines the relationship between the state and voluntary sector over the last two centuries. Harris echoes the work of Geoffrey Finlayson who argued that “there was always what is now often called a ‘mixed economy of welfare’ and, within that mixed economy, the state was only one element – and, arguably, for much of the nineteenth and even the twentieth century – it was not the most important.”<sup>415</sup>

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<sup>414</sup> J Lewis, ‘Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s’, *Voluntas*, vol. 10:3, pp.255–70, 1999

<sup>415</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

For most of the 19<sup>th</sup> and 20<sup>th</sup> centuries, the most important forms of voluntary action were charities and mutual aid associations, such as trade unions, friendly societies and some forms of co-operatives. During the 19<sup>th</sup> century, the most important working class voluntary associations were the friendly societies – mutual aid organisations which offered a range of benefits to members such as sickness insurance, pensions and death benefits. In 1800 there were between 7,200 and 9,600 friendly societies with between 648,000 and 704,000 members, out of a total national population of approximately 8.3 million. By 1914, this had risen dramatically to 29,000 friendly societies and almost 7.5 million members (although this figure hides some double counting as people could be members of more than one friendly society).<sup>416</sup>

Charities also played a significant role in poverty relief, social housing, health (through the establishment of voluntary hospitals, home visits and so on) and education (through voluntary day schools).<sup>417</sup> Jeremy Kendall and Martin Knapp highlight that many of the areas of activity of the voluntary sector over this period remain important today, such as health and care, education and housing.<sup>418</sup>

Some argue that the voluntary sector and the state belonged to different spheres of activity during the 19<sup>th</sup> century. Actually, many late 19th-century political leaders “conceptualised voluntary action as part of the state”.<sup>419</sup> For example, in many cases, voluntary organisations acted as gatekeepers, sifting the ‘undeserving’ poor from the ‘deserving’ poor - as they were referred to at the time - so that the state could deal directly with the latter. Moreover, it was relatively common for charitable donations to supplement poor rates (money given to the poor) and for public funds to be given to charities – especially to those working in the areas of poverty relief and healthcare provision. At this time, voluntary action was highly localised and quite removed from central government interference. As such, welfare pluralism was easily achieved in this context.<sup>420</sup>

Perceptions about the role of the state changed quite significantly from the beginning of the 20<sup>th</sup> century. There was a confluence of factors: demands from the newly formed Labour Party and growing labour movement; a seminal poverty study by Rowntree which showed that poverty was far more prevalent than initially thought; two-thirds of the men who tried to enlist at the beginning of the Second Boer War in 1899 were unfit to join; and the UK was increasingly concerned about the rise of Germany’s industrial and military power which was seen in part as a result of Bismarck’s modernising reforms. These concerns resulted in the Liberal reforms of 1906-1911 which included the introduction of school meals (1906), school medical inspection (1907), old-age pensions (1908) and National Insurance (1911). These reforms affected the relationship between the state and the voluntary sector. Increasingly, the voluntary sector co-operated with public agencies in the delivery of welfare services rather than acting as gatekeepers to limit the growth of public provision. For example, approved Friendly Societies were tasked with administering the national health insurance scheme.

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<sup>416</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

<sup>417</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

<sup>418</sup> J Kendall, M Knapp, ‘Defining the Nonprofit Sector: The United Kingdom’, *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, No. 5, LM Salamon, HK Anheier (eds.), The Johns Hopkins Institute for Policy Studies, Baltimore, 1993, p.2

<sup>419</sup> J Lewis, ‘Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s’, *Voluntas*, vol. 10:3, pp.255–70, 1999

<sup>420</sup> J Lewis, ‘Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s’, *Voluntas*, vol. 10:3, pp.255–70, 1999

The role of voluntary organisations in providing welfare support intensified during the First World War and interwar period. However, during this period, the voluntary sector was increasingly seen as supplementing rather than replacing public sector provision. As Harris explains, “by the end of the 1930s, the state and the voluntary sector had succeeded in forging a new relationship in which many leading voluntary activists accepted the continuing growth of public welfare provision and sought to work with statutory agencies in the delivery of public services.”<sup>421</sup>

However, this did not continue after 1945 when the creation of the welfare state redefined the role and responsibilities of the State and marginalised many voluntary sector organisations. There were a number of reasons why this was the case. First, the creation of the welfare state and the National Health Service (NHS) in particular, reduced the demand for and marginalised many traditional voluntary services. Second, the creation of the National Health Service led to a major reorganisation of hospital provision with many voluntary hospitals being absorbed into the NHS.

At the beginning of the Second World War, co-ops in the UK had 8.5 million members and were the dominant force in retailing<sup>422</sup> whilst building societies provided more than two-thirds of UK institutional mortgage lending.<sup>423</sup> However (and third) the newly introduced national health insurance scheme and the restructuring of the banking system removed some of the main functions of the friendly societies, credit unions, mutuals and some co-operatives, thereby leading to a rapid decline in their numbers. Also, as Robin Murray argues, the co-operative movement was marginalised after 1945 by the forces of mass production: the strict division of labour, the managerial hierarchies, and the scale of the production operations were not easily compatible with the principles and practices of producer co-operatives. As a result co-ops, mutuals and building societies experienced a decline after 1945.<sup>424</sup>

Fourth, “the ideological preferences of the Labour government meant that public agencies were much less inclined to deliver welfare services through voluntary organisations.”<sup>425</sup> This led to a radical shift in the role played by the voluntary sector in the post-war period. Some of these shifts and developments were highlighted by the Wolfenden Report of 1978. These included: attempts by some voluntary organisations, such as Barnardo’s and the Church of England Children’s Society, to differentiate themselves from statutory agencies by offering services not found within the statutory sector; the rapid growth of pressure-group organisations, such as Shelter and the Child Poverty Action Group; the development of mutual-help organisations dealing with a wide range of issues from preschool play groups to drug addiction and lone-parent families; the emergence of new coordinating groups; and an increase in the role played by both local and central authorities in funding voluntary organisations through grant-aid.<sup>426</sup>

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<sup>421</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

<sup>422</sup> GDH Cole, *A Century of Cooperation*, Allen & Unwin for the Co-operative Union, London, 1944

<sup>423</sup> Carnegie UK Trust, *Making Good Society - Final report of the Commission of Inquiry into the Future of Civil Society in the UK and Ireland*, Carnegie UK Trust, Fife, 2010

<sup>424</sup> R Murray, *Co-operation in the Age of Google. A review for Co-operatives UK - draft for comments*, Co-operatives UK, Manchester, 2010

<sup>425</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

<sup>426</sup> J Wolfenden, *The future of voluntary organisations: Report of the Wolfenden Committee*, Croom Helm, London, 1978

Even though the voluntary sector did grow quite significantly during the 1960s and 1970s, its primary role was still seen as supplementing rather than replacing public sector provision.<sup>427</sup> It was widely accepted that the state was responsible for funding and delivering public services and as a result, the voluntary sector was consigned largely to campaigning and advocacy on behalf of specific groups of beneficiaries.

The post-war consensus in the UK (mixed economy, universal public services, full employment etc.) started unravelling in the mid 1970s. Thereafter, successive Conservative Governments during the 1980s and 1990s were concerned with reducing and limiting the role of the state and saw a far greater role for private markets and the voluntary sector in meeting public needs. This began a culture of ‘contracting out’ services to voluntary organisations – a policy which was continued under the Labour governments of 1997-2010. This is where organisations outside the public sector compete to provide goods and services for the public sector and/or beneficiaries of public services. However, as Harris and Lewis argue, New Labour policies can not be seen as a direct continuation of the Conservatives’ policies.<sup>428 429</sup>

The New Labour government emphasised partnership with the sector and in 1998 launched the Compact which provided a framework for relations between public bodies and the community and voluntary sector. The Compact safeguards the sector's independence, including its right to campaign and challenge Government policy and the right to manage its own affairs without undue interference. It states that funding should be allocated on a full cost recovery basis, for three or more years, with proportionate monitoring, a fair balance of risk and three months' notice when funding ends. Standards for government to conduct proper consultations are also included.<sup>430</sup> The Compact was refreshed and renewed in 2010 by the Office for Civil Society, on behalf of the government, and by Compact Voice on behalf of the voluntary and community sector. The new Compact is shorter, more focussed, and updated to take into account current priorities.<sup>431</sup>

This emphasis on ‘partnership’ should be seen as an example of New Labour’s advocacy of a Third Way – distinct from the socialist statism of the 1970s and the free market individualism of the 1980s. Nicholas Deakin describes a more prominent role for the voluntary sector between the state as enabler, funder and regulator and the market as a key device for delivery.<sup>432</sup> In addition, Lewis argues that the addition of the term ‘community’ in ‘community and voluntary sector’ was indicative of Labour’s attraction to communitarian thinking, which was again part of Labour’s construction of a Third Way.<sup>433</sup>

Jeremy Kendall refers to this phase as the ‘mainstreaming’ of the third sector onto the public policy agenda; not only was there greater partnership between the state and the third sector, there was

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<sup>427</sup> G Finlayson, *Citizen, state and social welfare in Britain, 1830-1990*, Clarendon Press, Oxford, 1994

<sup>428</sup> B Harris, ‘Voluntary Action and the state in historical perspective,’ *Voluntary Sector Review*, vol. 1:1, pp.25-40, 2010

<sup>429</sup> J Lewis, ‘Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s’, *Voluntas*, vol. 10:3, pp.255–70, 1999

<sup>430</sup> Viewed on 28 June 2012, <http://www.compactvoice.org.uk/about-compact>

<sup>431</sup> HM Government, *The Compact: The Coalition Government and civil society organisations working effectively in partnership for the benefit of communities and citizens in England*, Cabinet Office, London, 2010

<sup>432</sup> N Deakin, ‘Civil society and civil renewal’, in C Robb (ed.), *Voluntary Action: meeting the challenges of the 21st century*, NCVO, London, 2005

<sup>433</sup> J Lewis, ‘Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s’, *Voluntas*, vol. 10:3, pp.255–70, 1999



also a clearer and more directive policy regime.<sup>434</sup> Kendall argues that the Compact, the Charity Tax Review, and significant investment in the newly named Active Community Unit (previously, the Voluntary and Community Unit and Voluntary Services Unit) were evidence of this mainstreaming in the late 1990s.

At the same time, the term social enterprise was starting to appear in discussions about the third sector. As Alcock explains, social enterprises were developing as a “significant feature of economic and social activity in the UK” in the 1990s and “increasingly supported by government as an alternative both to narrow profit orientation in the market and unresponsive bureaucracy in the state.”<sup>435</sup> Initially, social enterprise was supported by the Social Enterprise Unit (SEU), which sat inside the Department of Trade and Industry (DTI). In 2006, the SEU was merged with the Active Communities Directorate (ACD) inside the new Office of the Third Sector and policy for the community and voluntary sector was combined with social enterprise policy to form a unified third sector policy area.

#### 5.7.5. Recent trends

The main trends we highlight and discuss are: the growth of the social economy; the emergence and growth of the social enterprise sector; the ‘Big Society’ policy agenda; the continued and growing role for social economy organisations in the delivery of public services; and the mutualisation of public sector bodies (where public bodies are spun out as mission driven organisations rather than being privatised). We also discuss recent legislative and other developments which affect the social economy.

##### 1. The growth of social economy organisations

There has been a marked increase in the number of social economy organisations over the past few decades. So much so, that “the voluntary sector is now a significant economic and social force in the UK”<sup>436</sup>. The number of voluntary organisations or ‘general charities’<sup>437</sup> in the UK has increased from 98,000 in 1991 to 153,000 in 2001 and 164,000 in 2009/10.<sup>438</sup> These charities now employ 765,000 people or nearly 3% of the UK workforce. The number of charities has grown by steadily since the Register of Charities was introduced in the 1960s, with at least 2,500 registered every year. Just over half of these ‘general charities’ are micro organisations, with an annual turnover of less than £10,000 and almost a third are ‘small organisations’ with an income of between £10,000 and £100,000. Funding for the voluntary sector has increased quite dramatically; income increased by 77% from £20.7 billion in 2000/2001 to £36.7 billion in 2009/10. Expenditure has increased by 83% in the same period from £19.8 billion in 2000/01 to £36.3 billion in 2009/10.<sup>439</sup>

<sup>434</sup> J Kendall, ‘The mainstreaming of the third sector into public policy in England in the late 1990s’, *Civil Society Working Paper 2*, 2000

<sup>435</sup> P Alcock, ‘A strategic unity: defining the third sector in the UK’, *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

<sup>436</sup> J Clark, J Dobbs, D Kane & K Wilding, *The State and the Voluntary Sector: Recent trends in government funding and public service delivery*, London, NCVO, 2009

<sup>437</sup> This excludes organisations that: are inactive or are duplicates or subsidiaries of other organisations; belong elsewhere in civil society such as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations; have charitable status, but are not independent of government such as NHS charities and quasi-non governmental organisations such as the British Council

<sup>438</sup> J Clark, D Kane, K Wilding & P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012

<sup>439</sup> J Clark, D Kane, K Wilding & P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012, p.31

## 2. The emergence and growth of social enterprises

There has also been a significant rise in the number of social enterprises in the last 20 years or so. In 2005 the number of social enterprises was estimated to be a minimum of 55,000, rising to a minimum of 62,000 in 2009 based on a three year rolling average for 2005-7.<sup>440</sup> According to Social Enterprise UK, there are now 68,000 social enterprises operating in the UK, with a combined turnover of £24 billion. These social enterprises work across a range of areas, including health, education, housing and food. There is a strong consumer focus within the social enterprise sector in the UK. Indeed, the 'State of Social Enterprise Survey 2011' revealed that 37% of social enterprises named consumers as their main source of income whilst 18% named the public sector as their principal trading partner. 7 out of 10 respondents are earning at least 76% of their income through trade.<sup>441</sup>

Similarly, there has been a recent resurgence of interest in co-operative business models and a relatively impressive growth in co-op membership in the last few years. As of 2011, there were 5,450 co-operative businesses in the UK with a combined turnover of £33.2 billion.<sup>442</sup> This included 57 mutual insurers, 48 building societies, 136 co-operative schools, 154 Supporters' Trusts, and 27 energy co-operatives. Between 2008 and 2010, there was an 18% growth in membership of co-operatives with a total of 12.8 million members. The worker co-operative sector, for example, saw its membership more than double over the course of 2010 to reach 5,234 members.<sup>443</sup>

Co-operatives have fared particularly well during the current economic crisis.<sup>444</sup> While the UK economy grew 1.3% in 2010 after its contraction in 2009, the co-operative sector grew by 4.4%.<sup>445</sup> New co-operatives are emerging in the fields of social care, education and sport. For example, since the establishment of the first Co-operative Trust School in 2008, there are now 100 Co-operative Trust Schools in the UK.<sup>446</sup> These have been supported by the Schools Co-operative Society, which is a co-operative dedicated to the transformation of schools into co-operatives. In the May 2010 general election all three major political parties put strong emphasis on co-operatives in their manifestos. The increasing appetite for co-ops can be attributed to a number of factors. Co-operatives and mutuals are seen as providing a way of engaging both service workers and users in

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<sup>440</sup> F Lyon, S Teasdale & R Baldock, *Approaches to measuring the scale of the social enterprise sector in the UK*, TSRC Working Paper 43, Third Sector Research Centre, Birmingham, 2010

<sup>441</sup> This data is based on the State of Social Enterprise Survey 2011. The survey sample was drawn from members of Social Enterprise UK, members of related social enterprise networks and those respondents from the original 2009 survey. Organisations were only included if they defined their organisation as a social enterprise and generated 26% or more of their income from trading activities. A total of 865 responses were gathered from a total potential dataset of 8,111 social enterprises. As a result the survey is only a proxy of the views and position of social enterprises in the UK. *Social Enterprise UK, Fight back Britain: A report on the state of social enterprise survey 2011*, Social Enterprise UK, London 2011

<sup>442</sup> Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>443</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. Co-ops UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-ops UK, Manchester, 2012

<sup>444</sup> Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>445</sup> Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>446</sup> DCSF, *Co-operative Schools - Making a Difference*, Department for Children, Schools and Families, London, 2009

the shaping and delivery of public services. Their diversity and relative autonomy from central control, and hence their capacity for innovation, also carry the promise of ‘more for less’.<sup>447</sup>

The social enterprise sector has been high on policy agenda since the early 2000s. Since 2000 the UK government has invested, more than £700 million directly into social enterprises (excluding contracts) and since 2001 UnLtd has supported more than 3000 social entrepreneurs with projects.<sup>448</sup> The UK now has an estimated £27 billion social enterprise industry.<sup>449</sup> In addition, the group Social Enterprise UK has lobbied very successfully for the sector.<sup>450</sup>

### *Reasons for growth*

There are a number of hypotheses about the reasons for the growth of the social enterprise sector. In particular, the growth of social enterprises can be attributed to:

- The perceived failure of certain markets to develop ethically, environmentally and socially responsible products and services.<sup>451</sup>
- Perceived market failures – especially in terms of serving the needs of specific or minority groups.<sup>452</sup>
- As a result of problems with the funding and/or management of traditional public service provision.<sup>453</sup>
- Increasing competition within the non-profit sector as costs rise and funding becomes more difficult to obtain encourages voluntary organisations to start trading and selling goods to diversify their income sources.<sup>454</sup>
- Greater appetite amongst individuals and informal groups wanting to provide new services to address unmet social needs, often on a local, community basis or through self-help ventures.<sup>455</sup>

### **3. Big Society**

Social enterprises have also been supported as part of the coalition government’s flagship ‘Big Society’ policy programme.

The Conservative Party announced the Big Society agenda as their flagship policy in the general election campaign of 2010. The Big Society programme – which is about “putting more power in

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<sup>447</sup> R Murray, *Co-operation in the Age of Google. A review for Co-operatives UK - draft for comments*, Co-operatives UK, Manchester, 2010

<sup>448</sup> A Nicholls, ‘Social Enterprise and Social Entrepreneurs’ in M Edwards (ed.), *The Oxford Handbook of Civil Society*, Oxford University Press, Oxford, 2011, p. 86

<sup>449</sup> Institute for Employment Studies, *Annual Survey of Small Businesses UK 2005*, Institute for Employment Studies, Brighton, 2005

<sup>450</sup> Viewed on 7 June 2012, <http://www.socialenterprise.org.uk/>

<sup>451</sup> P Alcock, ‘A strategic unity: defining the third sector in the UK’, *Voluntary Sector Review*, vol. 1:1, pp.5-24, 2010

<sup>452</sup> A Evers, J Laville, C Borzaga, J Defourny, J Lewis, M Nyssens, & V Pestoff, ‘Defining the third sector in Europe’, in A Evers & J Laville (eds.) *The Third Sector in Europe*, Edward Elgar, London, 2004

<sup>453</sup> K Peattie, and A Morley, *Social enterprises: Diversity and dynamics, contexts and contributions*, London: Social Enterprise Coalition and Economic and Social Research Council, 2008

<sup>454</sup> K Peattie, and A Morley, *Social enterprises: Diversity and dynamics, contexts and contributions*, London: Social Enterprise Coalition and Economic and Social Research Council, 2008

<sup>455</sup> K Peattie, and A Morley, *Social enterprises: Diversity and dynamics, contexts and contributions*, London: Social Enterprise Coalition and Economic and Social Research Council, 2008

people’s hands” and “entails a massive transfer of power from Whitehall to local communities” has three elements:

- **Community empowerment** – giving local councils and neighbourhoods more power to take decisions and shape their area. Our planning reforms lead by DCLG, will replace the old top-down planning system with real power for neighbourhoods to decide the future of their area.
- **Opening up public services** - our public service reforms will enable charities, social enterprises, private companies and employee-owned co-operatives to compete to offer people high quality services. The welfare to work programme, lead by the Department for Work and Pensions will enable a wide range of organisations to help get Britain off welfare and into work.
- **Social action** - encouraging and enabling people to play a more active part in society. National Citizen Service, Community Organisers and Community First will encourage people to get involved in their communities.

Source: <http://www.cabinetoffice.gov.uk/content/big-society-overview>

The Big Society agenda is being led by the Office of Civil Society inside the Cabinet Office. They have launched a number of programmes around:

- **Social investment**- including the creation of Big Society Capital, support for Social Impact Bonds, the Investment and Contract Readiness Fund, work on impact measurement and a review of tax relief.
- **National Citizen Service Pilots** – with 10,000 young people between 2011 and 2012
- **Community organisers** – training 5,000 community organisers
- **Community first** – a new fund for social action at community level

There is now a Big Society Network (which amongst other things supports social entrepreneurs) and Big Society Awards (for individuals and organisations creating/delivering social impact).

Many are unsure about the real aims and objectives of the Big Society. For some it is about encouraging volunteering, for others it is about supporting social enterprise and voluntary organisations to deliver public services (some see contracting out and the mutualisation of public services as an alternative to the privatisation of the welfare state; others see it as a veiled attempt at privatisation); and for others it’s about citizen engagement and empowerment. Others think it is about getting citizens to deliver their own services – for example, through the establishment of ‘free’ parent led schools.

#### 4. Contracting out

Others have argued that the growth of social economy organisations can be attributed to the fact that social economy organisations are playing an increasingly large role in the provision and delivery of public services. Contracting out is also a clear plank of the Big Society agenda.

As mentioned above, the Conservative government of 1979-1997 began the process of contracting services out to voluntary organisations. The aim was twofold: to introduce quasi markets in the public sector to drive choice and competition and limit the scope and activities of the state. This

process was continued by successive Labour governments between 1997 and 2010 and continues today under the current coalition government. As a result, there has been a dramatic growth in the amount of public spending being contracted out. In 2008, public procurement of goods and services represented 25% of total public expenditure or £142 billion. Almost 14% of this, or £79 billion, was estimated to have been spent on public services. Estimates from the NCVO suggest that charities received £8 billion in public sector contracts in 2009 - twice as much as they received from statutory sources in the form of grants. This £8 billion represents 10% of all public sector procurement in England.<sup>456</sup>

In a paper for the NCVO in 2009, Clark explored recent trends in government funding and public service delivery. He discovered that<sup>457</sup>:

- **Statutory funding of the voluntary sector has grown:** increasing from £8.4 billion in 2000-2001 to £12 billion in 2006-07; £4.2bn of the statutory funding in 2006-07 was received as grants, down from £4.6bn in 2000-01, whilst contract funding increased over the same period from £3.8bn to £7.8bn)
- **The statutory funding relationship is asymmetrical:** in 2006-07, statutory funding represented 36% of the sector's total income (35% in 2000-1) but this only represents 2.2% of total statutory expenditure (2% in 2000-01). However, statutory income has increased at a faster rate than government's overall expenditure on public services.
- **A minority of organisations receive statutory funding:** Some 40,000 organisations have a funding relationship with the state in 2006-07, but this represents only 25% of general charities, and is down from 30% in 2005-06 and 27% in 2004-05. Clark reports a growing concern about polarisation between those organisations that deliver public services, and those that do not;
- **A small proportion of organisations are heavily reliant on statutory funding:** 25,000 organisations (16%) receive more than 75% of their funding from statutory sources. These tend to be larger organisations;
- **Some service areas are more reliant on statutory funding than others:** Organisations working in employment and training receive 71% of their overall income from statutory sources, compared with law and advocacy (54%), education (52%), housing (51%) and social services (51%);
- **There are some marked geographical contrasts in statutory funding to the sector:** The proportion of organisations receiving statutory funding by local authority area varies considerably. At regional level statutory funding represents more than half of the sector's income in Yorkshire and the Humber, East Midlands and Wales.
- **Social enterprises are more likely to receive statutory funding.** Social enterprise organisations – many of whom are included in the voluntary sector definition – are more likely to receive both local and national statutory funding than other third sector organisations. Social enterprises are more likely to engage in public service delivery than other types of third sector organisations (21% and 13% respectively).

These findings are echoed in the results of Cliffors, Geyne Rajme and Mohan who examined the extent to which the third sector is dependent on public funding.<sup>458</sup> This situation has led to

<sup>456</sup> NCVO, *The UK Civil Society Almanac 2009*, National Council for Voluntary Organisations, London, 2009

<sup>457</sup> Summarised in R Macmillan, *The third sector delivering public services: an evidence review*, Third Sector Research Centre Working Paper 20, 2010

<sup>458</sup> D Clifford, F Geyne Rajme & J Mohan, *How dependent is the third sector on public funding? Evidence from the National Survey of Third Sector Organisations*, Third Sector Research Centre Working Paper 45, 2010

concerns that parts of the voluntary sector in the UK are unduly reliant on statutory sources of funding and that there is a widening gap between those organisations that do deliver services and those that do not. This situation raises issues about commissioning and procurement - which structures are most suitable? Which structures support new entrants? Which structures best support innovation? What skills do commissioners require? It also raises issues about the financial resilience and independence of the sector - what is the exact relationship between the public sector and publicly contracted service providers? What happens when public sector budgets are cut?

Some are sceptical about this development. Emma Carmel and Jenny Harlock, for example, argue that this new 'partnership' is leaving "VCOs as market-responsive, generic service providers, disembedded from their social and political contexts and denuded of ethical or moral content and purpose."<sup>459</sup> However, contracting out seems to be a trend that will continue in years to come.

One of the concerns is that smaller organisations lack the necessary skills to successfully compete for public sector contracts against the larger, more professionally developed charities. In response to some of these issues the Office of Civil Society is launching an Investment and Contract Readiness Fund.<sup>460</sup> This is intended to assist ventures in writing proposals for government contracts with the stated aim of supporting social ventures "to build their capacity to be able to receive investment and bid for public service contracts."<sup>461</sup>

## 5. Mutualisation of public bodies

One of the most recent developments in the sector is the 'mutualisation' of public bodies - where government bodies and agencies are spun out as co-operatives and mutuals. Indeed, in terms of public services reform, one of the Coalition's main policy goals is to "support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services".<sup>462</sup> As part of this, the Coalition government launched the Mutuals Pathfinder Programme in 2010. The programme involves "mutuals being set up by entrepreneurial public sector staff who want to take control of the services they run". The aim is to build a body of knowledge to support the potential mutualisation of public sector bodies and agencies in the future - helping Government establish, by learning from the front line, what type of support and structures will best enable the development of employee-led mutuals on an ongoing basis. The mutuals are being supported by mentors from some of the UK's most successful businesses and leaders in employee ownership models.

Twenty one pathfinders have been announced and these cover areas as diverse as health, social care, youth services, school support services and further education. Examples include the establishment of a new academic awarding body, the mutualisation of a rural agricultural college in Cumbria, and the creation of a new mutual to deliver children's services in the City of Westminster in London. My Civil Service Pension (MyCSP) was the first public service to be launched as a mutual venture in 2011 under this programme.<sup>463</sup>

<sup>459</sup> E Carmel & J Harlock, 'Instituting the 'third sector' as a governable terrain: partnership, procurement and performance in the UK', *Policy & Politics*, vol. 36:2, pp.155-71, 2008

<sup>460</sup> Viewed on 08 June 2012, <http://www.thesocialinvestmentbusiness.org/our-funds/beinvestmentready/>

<sup>461</sup> Viewed on 08 June 2012, <http://www.thesocialinvestmentbusiness.org/our-funds/beinvestmentready/>

<sup>462</sup> Viewed on 28 June 2012,

[http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition\\_programme\\_for\\_government.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition_programme_for_government.pdf)

<sup>463</sup> Cabinet Office, *Mutuals Pathfinder Progress Report*, Office for Civil Society, Cabinet Office, London, 2011

The coalition government has expressed an ambition that one in six public sector employees will be working in new mutual enterprises delivering public services by 2015.<sup>464</sup> This represents more than a million staff, and would be a 50% increase on the NCVO's estimate of 2 million staff currently working for civil society organisations.<sup>465</sup>

This is a clear sign that co-operatives are seen as a new model for public service delivery and as an alternative model in fields where the private sector has clearly failed. The argument for spinning public sector bodies and agencies out as co-operatives and mutuals is that the democratic ethos and structure of co-operatives will make them better suited to serving the public and meeting social needs. In this sense, co-operatives are seen as a remedy not only to the perceived failures of the market, but also the perceived failures of the state.

## 6. Growing the social investment market

Since it was established in 1994, funds linked to the National Lottery have provided a significant source of income for the UK voluntary sector. Over £27 billion has been raised by the Lottery for good causes with over 374,000 grants made by September 2011.<sup>466</sup> There are currently 13 independent bodies responsible for distributing Lottery money to 'good causes'. Five of these focus on sport, five on the arts, one on heritage, one on funding the London Olympic Games and Paralympic Games, and the Big Lottery Fund (which focuses on voluntary organisations, health, education and the environment).<sup>467</sup>

Another important and new source of funds for the social economy in the UK is Big Society Capital.<sup>468</sup> Big Society Capital is an independent financial institution, set up by the current coalition government with the aim of creating a social investment market in the UK. It is, in essence, a wholesaler who will lend money to social investment finance intermediaries (SIFIs), who will then lend to social enterprises and charities. Its assets come from dormant funds, unclaimed from accounts over 15 years old and investment from four high street banks - Barclays, Lloyds, HSBC and RBS. This form of 'social lending' is intended to provide capital for charities and organisations who struggle to secure loans from banks or similar institutions. However, one concern with BSC is that smaller or more risky ventures will be refused capital.<sup>469</sup>

Another potentially significant development in the field of social finance is the introduction of Social Impact Bonds. In simple terms these are a financial tool to provide a new way to invest money in social outcomes. They are a form of outcomes-based contract in which the public sector agrees to pay for significant improvements in social outcomes (such as a reduction in re-offending, or in the number of people being admitted to hospital) for a selected group. This prospective income can then be used to raise capital from commercial, public or social investors which is used to pay for interventions, which are delivered by service providers with a proven track record. Financial returns to investors are made by the public sector on the basis of improved outcomes and

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<sup>464</sup> Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>465</sup> J Clark, D Kane, K Wilding & P Bass, *The UK Civil Society Almanac 2012*, National Council for Voluntary Organisations, London, 2012

<sup>466</sup> Viewed on 12 June 2012, [http://www.culture.gov.uk/what\\_we\\_do/national\\_lottery/default.aspx](http://www.culture.gov.uk/what_we_do/national_lottery/default.aspx)

<sup>467</sup> Viewed on 12 June 2012, <http://www.lotterygoodcauses.org.uk/>

<sup>468</sup> Viewed on 08 June 2012, <http://www.bigsocietycapital.com>

<sup>469</sup> Viewed on 08 June 2012, [http://www.civilsociety.co.uk/finance/news/content/12065/big\\_society\\_capital\\_could\\_lock\\_out\\_smaller\\_charities\\_wa rn\\_sector\\_leaders](http://www.civilsociety.co.uk/finance/news/content/12065/big_society_capital_could_lock_out_smaller_charities_wa rn_sector_leaders)

if they do not improve, then investors do not recover their investment.<sup>470</sup> This is considered to have a range of benefits such as greater availability of funding for prevention and early intervention services, removing the risk of services being potentially ineffective from the public sector, and embedding the notion of ongoing evaluation and assessment.<sup>471</sup> There are a range of models and variations being explored at local and national government level. The first Social Impact Bond was announced in March 2010 and launched by Social Finance in September 2010. This pilot aims to reduce re-offending amongst male prisoners leaving HMP Peterborough who have served a sentence of less than 12 months.<sup>472</sup> The NCVO has outlined a number of challenges facing voluntary and community sector organisations in relation to Social Impact Bonds and other models of 'Payment by Results' including an absence of contract skills, increased monitoring demands and lack of access to working capital.<sup>473</sup>

### 5.7.6. Conclusion

The social economy in the UK is an important economic and social force; it plays an increasingly large role in delivering public services and meeting unmet social needs. The growth of the social economy is in part a symptom of perceived failures of the state and of the market. It is also a result of a growing recognition that mission driven organisations have specific characteristics which mean that they are particularly well placed to meet social needs and/or deliver particular public services. For example, there is longstanding research which suggests that social economy organisations are better placed to meet social needs, they are more responsive and more rooted in their local communities, there is greater trust between service users and social economy organisations (in some cases), and they are often more innovative than their counterparts in the public sector. Various reviews and reports suggest that this trend will continue - the third sector review, for example, has highlighted three major opportunities for further growth in social enterprise: the expected expansion of environmental and other ethical markets, the desire of commissioners to procure public services that meet wider social needs and new forms of social investment.<sup>474</sup> This raises concerns about social enterprises – what structures, support and skills etc. will best support their development? For charities and social enterprises contracting from public sector – how dependent are they on public funds? Are they financially resilient? What are the most appropriate governance structures for these organisations? To whom should they be accountable – beneficiaries or public commissioners? These are some of the questions that the sector is grappling with.

The sector has now entered a period of uncertainty with the current economic crisis - increasingly, the social economy is being compelled to innovate and fill gaps in terms of meeting social needs that are unaddressed by the public and private sectors.<sup>475</sup> At the same time, public sector cuts in the UK have impacted heavily upon voluntary organisations. Funding for charities has been cut by over a third, resulting in one in ten charities fearing they will close this year. Additionally, two-thirds are cutting frontline services and three-quarters are making staff redundancies, according to

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<sup>470</sup> <http://www.socialfinance.org.uk/work/sibs>

<sup>471</sup> For a more comprehensive assessment of a Social Impact Bond introduction, one year into the programme, see [http://www.socialfinance.org.uk/sites/default/files/sf\\_peterborough\\_one\\_year\\_on.pdf](http://www.socialfinance.org.uk/sites/default/files/sf_peterborough_one_year_on.pdf), viewed on 08 June 2012

<sup>472</sup> Social Finance, *Social Impact Bonds: The One Service. One Year On*, Social Finance, London, 2011

<sup>473</sup> Viewed 14 June 2012, <http://www.ncvo-vol.org.uk/commissioning/paymentbyresults#challenges>

<sup>474</sup> HM Treasury, *The future role of the third sector in social and economic regeneration: final report*, The Stationery Office, London, 2007

<sup>475</sup> SR Smith, 'The Nonprofit Sector' in M Edwards (ed.), *The Oxford Handbook of Civil Society*, Oxford University Press, Oxford, 2011, p. 38



a recent New Philanthropy Capital report<sup>476</sup>. The growing strain on public sector resources has led to greater pressure on voluntary organisations to become less reliant on a single stream of income. Voluntary organisations are increasingly moving away from traditional models of fundraising, diversifying their revenue streams and becoming more business-like in order to ensure their sustainability.<sup>477</sup> The trend towards diversification partially explains the rise in the number of social enterprises within recent years.

### 5.7.7. Data

#### V1 Total average budget of the non-profit sector

Total revenue of civil society in 1995 – £51,351,000,000 (£51.4 billion)<sup>478</sup>

Total income of civil society in 2009/10 – £170,400,000,000 (170.4 billion)<sup>479</sup>

Total income of voluntary sector (general charities) in 2009/10 – £36,681,400,000 (36.7 billion)<sup>480</sup>

Total turnover of co-operative sector in 2010 - £33.2 billion<sup>481</sup>

Total turnover of social enterprise sector in 2005/07 - £27 billion<sup>482</sup>

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<sup>476</sup> S Hedley, I Joy, *When the going gets tough: Charities' experiences of public sector commissioning*, New Philanthropy Capital, London, 2012

<sup>477</sup> A Nicholls, 'Social Enterprise and Social Entrepreneurs' in M Edwards (ed.), *The Oxford Handbook of Civil Society*, Oxford University Press, Oxford, 2011, p. 82

<sup>478</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – viewed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

<sup>479</sup> This estimate includes some organisations that might not be considered mission driven in the way that we define it. Examples include independent schools and sports clubs. It also includes an estimated 600,000 informal, unregistered ('below the radar') organisations. J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, London, 2012, p.77

<sup>480</sup> The NCVO applies a 'general charities' definition for the UK voluntary sector. This definition which was developed by the Office for National Statistics, excludes organisations that: are inactive or are duplicates or subsidiaries of other organisations; belong elsewhere in civil society such as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations; have charitable status, but are not independent of government such as NHS charities and quasi-non governmental organisations such as the British Council. J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.85

<sup>481</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. Turnover is the value of income received from operations excluding income from grants and interest received from investments. The financial accounts submitted to Companies House by many co-operatives registered as Companies consist of a balance sheet only and a figure for turnover is therefore not available. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>482</sup> The Annual Survey of Small Businesses used a self classification system for social enterprises. They were required to meet the following conditions: think of themselves as a 'social enterprise'; never pay more than 50 per cent of profits to owners/shareholders; generate more than 25 per cent of income from traded goods/services (or receive up to 75 per cent of income from grants and donations); think that they are a very good fit with the DTI definition of a social enterprise. Institute for Employment Studies, *Annual Survey of Small Businesses UK 2005*, Institute for Employment Studies, Brighton, 2005

## V1.1 Budget of non-profit sector by legal form

**Table 5-63 – Budget of civil society by legal form in 2009/10**

Organisational type	Income (£)	Percentage
General charities	£36,700,000,000	21.5%
Universities	£26,700,000,000 <sup>483</sup>	15.7%
Cooperatives	£24,200,000,000 <sup>484</sup>	14.2%
Housing associations	£13,700,000,000 <sup>485</sup>	8.0%
Independent schools	£6,800,000,000	4.0%
Building societies	£3,700,000,000	2.2%
Trade associations and professional bodies	£2,200,000,000	1.3%
Trade unions	£1,100,000,000 <sup>486</sup>	0.6%
Common investment funds	£420,000,000	0.25%
Political parties	£140,000,000	0.08%
Credit unions	£40,000,000	0.02%
Employee owned businesses	£30,000,000,000	17.6%
Financial mutual and friendly societies	£7,800,000,000	4.6%
Faith groups	£3,700,000,000	2.2%
Leisure trusts	£740,000,000	0.4%
Benevolent societies	£300,000,000	0.2%
Clubs and societies	£280,000,000	0.2%
GP co-ops and mutuals	£120,000,000	0.07%
Football/Rugby supporter trusts	£10,000,000	0.006%
Companies limited by guarantee (legal form)	£6,000,000,000	3.5%
Sports clubs	£5,100,000,000 <sup>487</sup>	3.0%
Community interest companies (legal form)	£900,000,000	0.5%
Excepted charities	£400,000,000	0.2%
Co-operative trust schools	---	---
Unincorporated organisations	---	---
Duplications	-£700,000,000	

<sup>483</sup> Financial data was sourced for all UK Universities from the Higher Education Statistics Agency (HESA).

<sup>484</sup> Data on co-operatives and mutuals was sourced from the Mutuals Yearbook 2011. Their data is sourced from the umbrella body for each of the types of mutual organisation. For further information see – Mutuo, *Mutuals Yearbook 2011*, Mutuo, Borehamwood, 2011

<sup>485</sup> Financial data for Registered Social Landlords was sourced for England from the Tenant Services Authority Global Accounts of Housing Providers and for Scotland from the Scottish Housing Regulator. To produce figures for the whole of the UK, estimates for Wales and Northern Ireland were produced using relative population figures.

<sup>486</sup> Financial data was sourced for all trade unions in Great Britain from the Certification Office Annual Report and aggregated by NCVO to produce totals for the UK. The Certification Office is the regulator of trade unions and uses returned annual accounts to compile their data.

<sup>487</sup> Financial information on sports clubs was derived from average income and expenditure figures reported in the Sports and Recreation Alliance Survey of Sports Clubs 2011.

Total	£170,400,000,000	
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Source: <sup>488</sup>

## V1.2 Budget of non-profit sector by ICNPO

**Table 5-64 – Income of civil society by ICNPO in 1995**

ICNPO group	Amount	Percentage
Culture and Recreation	£7,135,000,000	13.9%
Education and Research	£22,099,000,000	43.0%
Health	£1,661,000,000	3.2%
Social Services	£5,006,000,000	9.7%
Environment	£803,000,000	1.6%
Development and Housing	£5,823,000,000	11.3%
Civic and Advocacy	£175,000,000	0.3%
Philanthropy	£1,960,000,000	3.8%
International activities	£1,766,000,000	3.4%
Religious Worship	£2,156,000,000	4.2%
Professional and Unions	£2,768,000,000	5.4%
Not Elsewhere Classified	---	---

Source: <sup>489</sup>

**Table 5-65 – Income of voluntary sector by ICNPO in 2009/10**

ICNPO group	Amount	Percentage
Culture and Recreation	£3,890,100,000	10.6%
Education and Research	£4,507,300,000	12.3%
Health	£4,288,200,000	11.7%
Social Services	£8,882,300,000	24.2%
Environment	£2,583,700,000	7.0%
Development and Housing	£3,547,700,000	9.7%
Civic and Advocacy	£1,131,400,000	3.1%
Philanthropy	£2,800,100,000	7.6%

<sup>488</sup> J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

<sup>489</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – viewed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

International activities	£2,855,000,000	7.8%
Religious Worship	£1,657,900,000	4.5%
Professional and Unions	0	0%
Not Elsewhere Classified	£537,800,000	1.5%

Source: <sup>490</sup>

**Table 5-66 – Turnover of co-operatives by type in 2011**

Type of co-operative	Number of co-operatives	Turnover
Consumer co-operatives	11	£16,131,431,000
Worker co-operatives	541	£156,823,624
Employee owned businesses	30	£9,267,191,251
Agriculture co-operatives	446	£4,419,197,425
Fishing co-operatives	67	£39,262,391
Housing co-operatives	692	£313,755,194
Supporters' trusts	154	£3,268,773

Source: <sup>491</sup>

V2 Total average composition of budget

**Table 5-67 – Total composition of civil society budget in 1995**

Income source	Amount	Percentage
Public sector	£23,107,950,000	45%
Philanthropy	£5,648,610,000	11%
Fees (internally generated)	£22,080,930,000	43%
Total	£50,837,490,000	100%

Source: <sup>492</sup>

**Table 5-68 – Total composition of voluntary sector budget in 2009/10**

<sup>490</sup> J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.78

<sup>491</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. Turnover is the value of income received from operations excluding income from grants and interest received from investments. The financial accounts submitted to Companies House by many co-operatives registered as Companies consist of a balance sheet only and a figure for turnover is therefore not available. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>492</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – viewed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

Income source	Amount	Percentage
Individuals	£14,349,200,000	39.1%
Statutory sources	£13,884,300,000	37.9%
National lottery distributors	£487,600,000	1.3%
Voluntary	£3,395,400,000	9.3%
Private	£1,552,000,000	4.2%
Internally generated	£3,012,800,000	8.2%
Total	36,681,400,000	100.0%

Source: <sup>493</sup>

**Table 5-69 – Distribution of charities in England & Wales with 80% income in a single category in 2012**

Main income category	Number of charities	Percentage	Total income	Total spending
Voluntary income	1934	19.69%	£8,661,153,000	£7,460,158,000
Trading to raise funds	236	2.40%	£721,926,000	£687,686,000
Investment income	276	2.81%	£953,987,000	£1,658,486,000
Charitable activities income	3936	40.07%	£23,138,944,000	£22,055,067,000
No single category	3441	35.03%	£17,430,578,000	£16,514,235,000
Total	9823	100%	£50,906,588,000	£48,375,632,000

Source: <sup>494</sup>

Notes: Data consists only of registered charities in England & Wales with an income over £500,000

## V2.1 Composition of budget by legal form

**Table 5-70 – Proportion of third sector organisations in England receiving public funding by legal form in 2008**

Legal form	Percentage	Percentage (adjusted using 95% confidence interval)
Incorporated charities	62%	61-64%
Unincorporated charities	31%	30-31%
Companies limited by guarantee	40%	38-41%
Community Interest Companies	57%	51-64%
Industrial and Provident Societies	29%	27-31%

Source: <sup>495</sup>

<sup>493</sup> J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.80

<sup>494</sup> This data is based on financial information provided in Annual Returns by registered charities in England & Wales with a total income over £500,000. Charities are grouped by a single main income category if it provides more than 80% of their total income. Viewed 28 June 2012, <http://www.charitycommission.gov.uk/ShowCharity/RegisterOfCharities/SectorData/CharitiesByIncomeCategory.aspx>

<sup>495</sup> This data is taken from the 2008 National Survey of Third Sector Organisations (NSTSO). The survey gathered 48,000 responses from a representative sample of charities and other third sector organisations. The sample frame included approximately 129,000 charities, as well as 40,000 companies limited by guarantee, Industrial and

Notes: There is a lack of comprehensive data on the composition of budget classified by legal form.

**Table 5-71 – Proportion of third sector organisations in England that consider public funding their most important source by legal form in 2008**

Legal form	Percentage	Percentage (adjusted using 95% confidence interval)
Incorporated charities	34%	33-36%
Unincorporated charities	9%	8-9%
Companies limited by guarantee	18%	17-20%
Community Interest Companies	31%	25-37%
Industrial and Provident Societies	11%	10-13%

Source: <sup>496</sup>

## V2.2 Composition of budget by ICNPO

**Table 5-72 – Composition of budget by ICNPO in 1995**

ICNPO group	Income source	Amount	Percentage
Culture and Recreation	Public	£998,900,000	14%
	Private	£142,700,000	2%
	Self-Generated	£5,993,400,000	84%
Education and Research	Public	£13,922,370,000	63%
	Private	£662,970,000	3%
	Self-Generated	£7,513,660,000	34%
Health	Public	£631,180,000	38%
	Private	£382,030,000	23%
	Self-Generated	£664,400,000	40%
Social Services	Public	£1,952,340,000	39%
	Private	£1,551,860,000	31%
	Self-Generated	£1,501,800,000	30%
Environment	Public	£216,810,000	27%
	Private	£361,350,000	45%
	Self-Generated	£224,840,000	28%
Development and Housing	Public	£3,843,180,000	66%
	Private	£58,230,000	1%

Provident Societies, and Community Interest Companies (CICs). D Clifford, FG Rajme, J Mohan, *How dependent is the third sector on public funding? Evidence from the National Survey of Third Sector Organisations*, Working Paper 45, Third Sector Research Centre, Birmingham, 2010, p.17

<sup>496</sup> This data is taken from the 2008 National Survey of Third Sector Organisations (NSTSO). The survey gathered 48,000 responses from a representative sample of charities and other third sector organisations. The sample frame included approximately 129,000 charities, as well as 40,000 companies limited by guarantee, Industrial and Provident Societies, and Community Interest Companies (CICs). D Clifford, FG Rajme, J Mohan, *How dependent is the third sector on public funding? Evidence from the National Survey of Third Sector Organisations*, Working Paper 45, Third Sector Research Centre, Birmingham, 2010, p.25

	Self-Generated	£1,921,590,000	33%
Civic and Advocacy	Public	£103,250,000	59%
	Private	£10,500,000	6%
	Self-Generated	£59,500,000	34%
Philanthropy	Public	£568,400,000	29%
	Private	£470,400,000	24%
	Self-Generated	£921,200,000	47%
International activities	Public	£706,400,000	40%
	Private	£582,780,000	33%
	Self-Generated	£476,820,000	27%
Religious Worship	Public	£258,720,000	12%
	Private	£1,487,640,000	69%
	Self-Generated	£409,640,000	19%
Professional and Unions	Public	£55,360,000	2%
	Private	£27,680,000	1%
	Self-Generated	£2,712,640,000	98%
Not Elsewhere Classified	Public	---	---
	Private	---	---
	Self-Generated	---	---

Source: <sup>497</sup>

**Table 5-73 – Composition of budget by ICNPO in 2009-10**

ICNPO group	Income source	Amount	Percentage
Culture and Recreation	Public	£2,956,476,000	76%
	Private	£194,505,000	5%
	Self-Generated	£739,119,000	19%
Education and Research	Public	£1,036,679,000	23%
	Private	£360,584,000	8%
	Self-Generated	£3,064,964,000	68%
Health	Public	£1,801,044,000	42%
	Private	£85,764,000	2%
	Self-Generated	£2,401,392,000	56%
Social Services	Public	£4,974,088,000	56%
	Private	£177,646,000	2%

<sup>497</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – viewed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

	Self-Generated	£3,730,566,000	42%
Environment	Public	£516,740,000	20%
	Private	£129,185,000	5%
	Self-Generated	£1,937,775,000	75%
Development and Housing	Public	£1,986,712,000	56%
	Private	£106,431,000	3%
	Self-Generated	£1,454,557,000	41%
Civic and Advocacy	Public	£678,840,000	60%
	Private	£67,884,000	6%
	Self-Generated	£373,362,000	33%
Philanthropy	Public	£1,176,042,000	42%
	Private	£252,009,000	9%
	Self-Generated	£1,344,048,000	48%
International activities	Public	£942,150,000	33%
	Private	£142,750,000	5%
	Self-Generated	£1,798,650,000	63%
Religious Worship	Public	£265,264,000	16%
	Private	£49,737,000	3%
	Self-Generated	£1,177,109,000	71%
Professional and Unions	Public	---	---
	Private	---	---
	Self-Generated	---	---
	Other		
Not Elsewhere Classified	Public	£306,546,000	57%
	Private	£32,268,000	6%
	Self-Generated	£198,986,000	37%

Source: <sup>498</sup>

### V3 Imputed value of volunteer employment

Value of volunteer employment in 1995 - \$21,976,200,000 (US dollars)<sup>499</sup>

Value of volunteer employment in 2010 - £23.1 billion<sup>500</sup>

### V4 Capital (re-)investment

<sup>498</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.78

<sup>499</sup> This estimate is based on valuing volunteer time by the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.1, Kumarian Press, USA, 1999 – Accessed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/10/Comparative-Data\\_2004\\_FINAL.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/10/Comparative-Data_2004_FINAL.pdf)

<sup>500</sup> This estimate is based on valuing volunteer time by the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged. J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.73



Surplus generated by civil society in 1995 - £4,256,000,000<sup>501</sup>

Retained income and capital expenditure of the voluntary sector in 2009/10 - £400,000,000<sup>502</sup>

#### V5 Total number of non-profit organisations

Number of civil society organisations in 2010 - 900,000<sup>503</sup>

Number of voluntary sector organisations in 2010 - 163,800<sup>504</sup>

Number of social enterprises in 2010 – 68,000<sup>505</sup>

Number of co-operatives in 2011 – 5,450<sup>506</sup>

#### V5.1 Number of non-profit organisations by legal form

**Table 5-74 – Number of civil society organisations by legal form in 2009/10**

Type of organisation	Number of organisations	Percentage
General charities	163,800 <sup>507</sup>	18.2%
Universities	165	0.02%
Cooperatives	3,339 <sup>508</sup>	0.4%
Housing associations	1,694	0.2%

<sup>501</sup> This is calculated by subtracting expenditure from income. This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – viewed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

<sup>502</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.30

<sup>503</sup> This estimate includes some organisations that might not be considered mission driven in the way that we define it. Examples include independent schools and sports clubs. It also includes an estimated 600,000 informal, unregistered ('below the radar') organisations. J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

<sup>504</sup> The NCVO applies a 'general charities' definition for the UK voluntary sector. This definition which was developed by the Office for National Statistics, excludes some organisations that are inactive or acting as subsidiaries of other organisations, non-departmental public bodies and quangos (such as the British Council), grant maintained schools, and organisations exempt from registration with the charity commission (housing associations, universities and places of worship) J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.85

<sup>505</sup> Department for Business, Innovation and Skills, *BIS Small Business Survey 2010*, BIS, Sheffield, 2011; <http://www.socialenterprise.org.uk/about/about-social-enterprise#what> data, viewed 28 June 2012. See notes on data for more information.

<sup>506</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012

<sup>507</sup> The NCVO applies a 'general charities' definition for the UK voluntary sector. This definition which was developed by the Office for National Statistics, excludes organisations that: are inactive or are duplicates or subsidiaries of other organisations; belong elsewhere in civil society such as housing associations, independent (fee-paying) schools, government bodies, faith groups (whose main objective is the promotion of religion) and trade associations; have charitable status, but are not independent of government such as NHS charities and quasi-non governmental organisations such as the British Council. J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.85

<sup>508</sup> Data on co-operatives and mutuals was sourced from the Mutuals Yearbook 2011. Their data is sourced from the umbrella body for each of the types of mutual organisation. For further information see – Mutuo, *Mutuals Yearbook 2011*, Mutuo, Borehamwood, 2011

Independent schools	2,655 <sup>509</sup>	0.3%
Building societies	52	0.006%
Trade associations and professional bodies	231	0.03%
Trade unions	177	0.02%
Common investment funds	50	0.006%
Political parties	423 <sup>510</sup>	0.05%
Credit unions	424	0.05%
Employee owned businesses	250	0.03%
Financial mutual and friendly societies	56	0.006%
Faith groups	10,886	1.2%
Leisure trusts	101	0.01%
Benevolent societies	1,576	0.18%
Clubs and societies	6,600	0.7%
GP co-ops and mutuals	34	0.004%
Football/Rugby supporter trusts	170	0.02%
Companies limited by guarantee (legal form)	23,000 <sup>511</sup>	2.6%
Sports clubs	143,000 <sup>512</sup>	15.9%
Community interest companies (legal form)	4,905 <sup>513</sup>	0.5%
Excepted charities	4,000	0.44%
Co-operative trust schools	159	0.018%
Unincorporated organisations	600,000 <sup>514</sup>	66.67%
Duplications	-63,100	-7%
Total size of civil society	900,000	

Source: <sup>515</sup>

<sup>509</sup> The number of schools was compiled from National Statistics published by the Department for Education in England, the Scottish Government, the Welsh Government and the Northern Ireland Executive. The results of the Independent Schools Council Census were used to exclude 190 for-profit independent schools. As most independent schools have charitable status, the income, expenditure and assets of registered charities in England and Wales were inflated to produce estimates for the whole of the UK, taking into account relative pupil numbers.

<sup>510</sup> The number of organisations includes all organisations registered as a political party within the calendar year.

<sup>511</sup> The NCVO matched a list of companies limited by guarantee (CLGs) from Companies House with the Charity Commission register to identify and remove those CLGs which are also registered charities.

<sup>512</sup> The number of sports clubs in the UK was provided by the Sports and Recreation Alliance (formerly CPPR). This figure is adjusted to exclude for-profit sports clubs.

<sup>513</sup> The number of Community interest companies (CICs) was obtained from the CIC regulator. Average income and employee numbers were estimated from responses to the National Survey of Charities and Social Enterprises and scaled up to produce an overall estimate.

<sup>514</sup> This is an estimate of informal, unregistered ('below the radar') organisations in the social economy. A McGillivray, C Wadhams, P Conaty, *Low-flying heroes: micro-social enterprise below the radar screen*, New Economics Foundation, London, 2001

<sup>515</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

**Table 5-75 – Social enterprises by legal form in 2011**

Legal form	Percentage
Company limited by guarantee (CLG)	54%
Registered Charity	26%
Industrial and Provident Society (IPS)	24%
Company limited by shares (CLS)	12%
Community Interest Company (CIC)	10%
Limited Liability Partnership	3%
Other	7%
Don't know	2%

Source: <sup>516</sup>

#### V5.2 Number of non-profit organisations by ICNPO

**Table 5-76 – Number of non-profit organisations by ICNPO in 2009/10**

ICNPO group	Number	Percentage
Culture and Recreation	22,680	13.8%
Education and Research	32,451	19.7%
Health	6,505	4.0%
Social Services	37,669	23.0%
Environment	5,443	3.3%
Development and Housing	23,163	14.1%
Civic and Advocacy	3,907	2.4%
Philanthropy	12,004	7.3%
International activities	5,099	3.1%
Religious Worship	13,551	8.3%
Professional and Unions	0	0.0%
Not Elsewhere Classified	1,287	0.8%
Total	163,759	100%

Source: <sup>517</sup>

**Table 5-77 – Social enterprise by objective in 2011**

Objective	Percentage of respondents
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<sup>516</sup> This data is based on the State of Social Enterprise Survey 2011. The survey sample was drawn from members of Social Enterprise UK, members of related social enterprise networks and those respondents from the original 2009 survey. Organisations were only included if they defined their organisation as a social enterprise and generated 26% or more of their income from trading activities. A total of 865 responses were gathered from a total potential dataset of 8,111 social enterprises. As a result the survey is only a proxy of the views and position of social enterprises in the UK. *Social Enterprise UK, Fight back Britain: A report on the state of social enterprise survey 2011, Social Enterprise UK, London, 2011*

<sup>517</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.78

Providing affordable housing	10%
Supporting vulnerable children and young people	10%
Addressing financial exclusion	13%
Protecting the environment	16%
Addressing social exclusion	18%
Promoting education and literacy	19%
Improving health and well-being	22%
Supporting vulnerable people	23%
Creating employment opportunities	24%
Improving a particular community	25%

Source: <sup>518</sup>

Notes: Respondents could indicate more than one objective

**Table 5-78 – Number of co-operatives by type in 2011**

Type of co-operative	Number of co-operatives
Consumer co-operatives	11
Worker co-operatives	541
Employee owned businesses	30
Agriculture co-operatives	446
Fishing co-operatives	67
Housing co-operatives	692
Supporters' trusts	154

Source: <sup>519</sup>

#### V6 Composition of “human resources” of the non-profit sector

##### **Composition of “human resources” in 1995**

###### *Civil society*

Total number of FTE paid employees - 1,473,443 <sup>520</sup>

<sup>518</sup> This data is based on the State of Social Enterprise Survey 2011. The survey sample was drawn from members of Social Enterprise UK, members of related social enterprise networks and those respondents from the original 2009 survey. Organisations were only included if they defined their organisation as a social enterprise and generated 26% or more of their income from trading activities. A total of 865 responses were gathered from a total potential dataset of 8,111 social enterprises. As a result the survey is only a proxy of the views and position of social enterprises in the UK. *Social Enterprise UK, Fight back Britain: A report on the state of social enterprise survey 2011, Social Enterprise UK, London, 2011, p.23*

<sup>519</sup> The data on worker co-operatives was sourced primarily from the registration records transferred to Co-operatives UK from the Industrial Common Ownership Movement (ICOM). There may be worker co-operatives registered as companies by other agencies which Co-operatives UK was unaware of. Therefore the figures provided for the number of worker co-operatives in the UK may be an underestimate. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012, p.36-39

<sup>520</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit*

Total number of FTE volunteers - 1,664,003<sup>521</sup>  
 Total headcount of volunteers - 14,357,000<sup>522</sup>

### Composition of “human resources” in 2010

#### *Voluntary sector*

Total headcount of paid employees - 765,000<sup>523</sup>  
 Total headcount of full-time employees - 477,000 (62%)<sup>524</sup>  
 Total headcount of par- time employees - 288,000 (38%)<sup>525</sup>  
 Total number of FTE paid employees - 617,000<sup>526</sup>  
 Total estimate of adults who volunteered at least once a year - 19,800,000<sup>527</sup>  
 Total estimate of adults who volunteered at least once a month - 12,700,000<sup>528</sup>

#### *Civil society*

Total headcount of paid employees - 2,041,000<sup>529</sup>

### V6.1 Composition of “human resources” by legal form

*Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – Accessed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

<sup>521</sup> This data is not directly comparable with the data for 2009/10 because the inclusion criteria for civil society are not the same. This data includes trade and professional associations, charitable organizations, organizations involved in religious worship, nongovernmental organizations (NGOs), higher education institutions, hospitals, and organized social movements. L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.2, Kumarian Press, Bloomfield, 2004 – Accessed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_Data\\_1995.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_Data_1995.pdf)

<sup>522</sup> L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.1, Kumarian Press, USA, 1999 – Accessed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/10/Comparative-Data\\_2004\\_FINAL.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/10/Comparative-Data_2004_FINAL.pdf)

<sup>523</sup> This estimate is based on analysis of the Labour Force Survey (LFS) J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.65

<sup>524</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.92

<sup>525</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.92

<sup>526</sup> This estimate is based on analysis of the Labour Force Survey (LFS) J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.65

<sup>527</sup> During 2010/11, 39% of adults in England said that they had volunteered formally at least once in the previous 12 months. This equates to 16.6 million people in England volunteering formally at least once a year. If the survey results were equally valid for the UK adult population as a whole, this estimate would increase to 19.8 million (once a year). Department for Communities and Local Government, *Citizenship Survey: 2010-11 (April 2010 – March 2011)*, England, Cohesion Research Statistical Release no. 16, CLG, London, 2011, p.8, viewed 26 June 2012, <http://www.communities.gov.uk/documents/statistics/pdf/1992885.pdf>

<sup>528</sup> During 2010/11, 25% said they volunteer formally at least once a month. This equates to 10.6 million people in England volunteering formally at least once a year. If the survey results were equally valid for the UK adult population as a whole, this estimates would increase to 12.7 million. *Department for Communities and Local Government, Citizenship Survey: 2010-11 (April 2010 – March 2011)*, England, Cohesion Research Statistical Release no. 16, CLG, London, 2011, p.8, viewed 26 June 2012, <http://www.communities.gov.uk/documents/statistics/pdf/1992885.pdf>

<sup>529</sup> This estimate includes some organisations that might not be considered mission driven in the way that we define it. Examples include independent schools and sports clubs. It also includes an estimated 600,000 informal, unregistered (“below the radar”) organisations. J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

**Table 5-79 – Composition of “human resources” by legal form in 2009/10**

Type of organisation	Number of paid staff
General charities	765,000 <sup>530</sup>
Universities	387,400
Cooperatives	159,000 <sup>531</sup>
Housing associations	170,400
Independent schools	59,000 <sup>532</sup>
Building societies	42,000
Trade associations and professional bodies	17,000
Trade unions	12,000
Common investment funds	n/a
Political parties	600
Credit unions	1,000
Employee owned businesses	130,000
Financial mutual and friendly societies	17,200
Faith groups	43,700
Leisure trusts	21,400
Benevolent societies	3,200
Clubs and societies	11,400
GP co-ops and mutuals	7,500
Football/Rugby supporter trusts	200
Companies limited by guarantee (legal form)	40,000
Sports clubs	143,500
Community interest companies (legal form)	30,000
Excepted charities	
Co-operative trust schools	
Unincorporated organisations	
Duplications	-20,100
<b>Total</b>	<b>2,041,000</b>

Source: <sup>533</sup>

## V6.2 Composition of “human resources” by ICNPO

<sup>530</sup> Estimate using Labour Force Survey, <http://www.ons.gov.uk/ons/guide-method/surveys/list-of-surveys/survey.html?survey=Labour+Force+Survey>

<sup>531</sup> Data on co-operatives and mutuals was sourced from the Mutuals Yearbook 2011. Their data is sourced from the umbrella body for each of the types of mutual organisation. For further information see – Mutuo, *Mutuals Yearbook 2011*, Mutuo, Borehamwood, 2011

<sup>532</sup> Teaching staff only

<sup>533</sup> J. Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.77

**Table 5-80 – Composition of “human resources” by ICNPO in 1995**

ICNPO group	Paid FTE	Volunteer FTE
Culture and Recreation	347,000	351,000
Education and Research	587,000	58,000
Health	60,000	143,000
Social Services	185,000	221,000
Environment	18,000	44,000
Development and Housing	108,000	210,000
Civic and Advocacy	10,000	35,000
Philanthropy	10,000	22,000
International activities	54,000	7,000
Religious Worship	58,000	544,000
Professional and Unions	37,000	0
Not Elsewhere Classified	0	29,000
<b>Total</b>	<b>1,474,000</b>	<b>1,664,000</b>

Source: <sup>534</sup>

**Table 5-81 – Employees of co-operatives by type in 2011**

Type of co-operative	Number of co-operatives	Employees
Consumer co-operatives	11	---
Worker co-operatives	541	1,940
Employee owned businesses	30	76,476
Agriculture co-operatives	446	7,950
Fishing co-operatives	67	112
Housing co-operatives	692	722
Supporters' trusts	154	3

Source: <sup>535</sup>

<sup>534</sup> L.M. Salamon, S.W. Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol.1, Kumarian Press, USA, 1999, p.183 – Accessed on 26 June 2012, [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK\\_GCS1\\_1999.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/UK_GCS1_1999.pdf)

<sup>535</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. It includes full time and part time employees. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012, p.36-39

V7 Total number of people owning formal memberships to non-profit organisations

Number of people owning a formal membership to a civil society organisation in 2009/10 - 91,163,555<sup>536</sup>

V7.1 Total number of people owning formal memberships to non-profit organisations by legal form

**Table 5-82 – Total number of people owning a formal membership to a civil society organisation by type of organisation in 2009/10**

Organisational type	Number	Percentage
Sports clubs	27,398,950	30.10%
Building societies	25,000,000	27.40%
Co-operatives	10,290,000	11.30%
Financial mutuals and friendly societies	8,500,000	9.30%
Trade unions	7,328,905	8.00%
Housing associations	6,727,000	7.40%
Clubs and societies	4,200,000	4.60%
Credit unions	808,700	0.89%
Political parties	640,000	0.70%
Football/rugby supporter trusts	270,000	0.30%
Total	91,163,555	99.99%

Source: <sup>537</sup>

V7.2 Number of people owning formal memberships to non-profit organisations by ICNPO

There is no data available on the number of people owning formal memberships to non-profit organisations classified by ICNPO.

**Table 5-83 – Membership of co-operatives by type in 2011**

Type of co-operative	Number of co-operatives	Members
Consumer co-operatives	11	9,495,000
Worker co-operatives	541	5,234
Employee owned businesses	30	---
Agriculture co-operatives	446	153,747
Fishing co-operatives	67	4,691
Housing co-operatives	692	73,044
Supporters' trusts	154	89,143

Source: <sup>538</sup>

<sup>536</sup> J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.9

<sup>537</sup> J.Clark, D. Kane, K. Wilding & P. Bass, *The UK Civil Society Almanac 2012*, NCVO, 2012, p.9



## Notes on data sources

Making like-for-like comparisons between two points of time is challenging due to changes in definitions, data sources and methodology. For example, the older data from the Johns Hopkins Comparative Nonprofit Sector Project is not directly comparable with the more recent data from the NCVO UK Civil Society Almanac. This is because they use different inclusion criteria for civil society organisations. See footnotes for further information on specific data.

We have chosen to use the NCVO UK Civil Society Almanac as our main data source since it has comprehensive coverage of all social economy organisations. However, there are some disadvantages associated with the NCVO UK Civil Society Almanac. First, the categories that the NCVO use for type of organisation do not all align neatly with legal forms. The NCVO data also include some organisations that might not be considered mission driven in the way that we define it. Examples include independent schools and sports clubs. It also includes an estimated 600,000 informal, unregistered ('below the radar') organisations. In addition, the NCVO has only recently started to include ICNPO-based data in the Almanac.

There are a number of data sources on the scale of the social enterprise sector in the UK including the IFF Survey of Social enterprises, the Annual Small Business Survey, and the National Survey of Third Sector Organisations. However, these are weighted towards different parts of the social economy and therefore tend to exclude or under-represent certain groups of organisation. According to Social Enterprise UK, the best government data (Survey of Small Businesses UK 2010<sup>539</sup>) estimates that there are approximately 68,000 social enterprises in the UK contributing at least £24bn to the economy and employing 800,000 people.<sup>540</sup> The SBS is the most quoted source of information on the size of the sector. However, their estimate predominately consists of organisations from the private end of the social enterprise spectrum, and under-reports organisations that have third sector legal forms. The SBS uses a self classification system whereby social enterprises are required to meet the following conditions: think of themselves as a 'social enterprise'; never pay more than 50 per cent of profits to owners/shareholders; generate more than 25 per cent of income from traded goods/services (or receive up to 75 per cent of income from grants and donations); think that they are a very good fit with the DTI definition of a social enterprise.

We believe the true picture is that the social enterprise sector is bigger than this data suggests. For example, Delta Economics has suggested the number of social enterprises could actually be as high as 232,000 based on their study that revealed a fifth of 2,121 entrepreneurs interviewed run businesses that could be 'hidden social enterprises'. However, the study excludes charitable organisations, businesses with a turnover of less than £200,000, and businesses younger than two years or older than 10 years. For more information, Fergus Lyon, Simon Teasdale and Rob Baldock have reviewed various data sources on the scale of the social enterprise sector in the UK each of which has taken a different approach, using different definitions and different sampling frames.<sup>541</sup>

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<sup>538</sup> This data was compiled using annual returns submitted by Co-operatives UK members, annual returns submitted by Industrial and Provident Societies, annual returns and accounts submitted by Companies. Co-operatives UK, *The UK Co-operative Economy: Britain's return to co-operation*, Co-operatives UK, Manchester, 2012, p.36-39

<sup>539</sup> Department for Business, Innovation and Skills, *BIS Small Business Survey 2010*, BIS, Sheffield, 2011

<sup>540</sup> Viewed 28 June 2012, <http://www.socialenterprise.org.uk/about/about-social-enterprise#what data>

<sup>541</sup> F Lyon, S Teasdale, R Baldock, *Approaches to measuring the scale of the social enterprise sector in the UK*, TSRC Working Paper 43, Third Sector Research Centre, Birmingham, 2010

## A note on data collection

As a result of the public sector cuts, some surveys have been abandoned or discontinued (e.g. the Citizenship Survey). We spoke to NCVO and BIS to find out whether any plans were afoot to change/amend/discontinue any of their data collection. The BIS Small Business Survey is now collected every two years – instead of one – and this is set to continue over the foreseeable future. NCVO have no plans to discontinue their data collection.

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