



## WORK INTEGRATION SOCIAL ENTERPRISES IN SPAIN

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WP no. 04/05

This paper is part of a larger research project entitled "The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work" (PERSE). The PERSE project involves researchers from eleven EU countries and is coordinated by Marthe NYSENS (CERISIS, Catholic University of Louvain). It is financed by the European Commission (DG Research) in the framework of the Programme "Improving the Human Research Potential and the Socio-Economic Base."



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## Introduction

During the last twenty-five years, we have witnessed in Spain a boom in the third sector - socio-economic initiatives that do not belong to the conventional private sector nor to the public sector. They are voluntary initiatives set up by a group of ordinary people who, faced with unsatisfied demand as a consequence of the negative externalities generated by an economic crisis or as a result of the difficulties of the welfare state, create a not-for-profit organisation that attempts to develop activities allowing them to meet this unsatisfied demand. They use a variety of legal forms and often represent new expressions of organised civil society. In this paper, we will focus our attention on a particular profile from within this set of organisations belonging to the third sector or to the social economy: social enterprises.

One sphere of activity where social enterprises are most active is the training and absorption into employment of persons excluded from the labour market. These work integration social enterprises have as a major objective to help low qualified unemployed people, who are at risk of permanent exclusion from the labour market, back into work and society in general through a productive activity. The central objective of this working paper is to analyse the socio-economic performance of work integration social enterprises in Spain.

This working paper provides a summary of the results obtained in Spain from the PERSE project – on *the socio-economic performance of social enterprises in the field of integration by work* -, financed by the 5<sup>th</sup> R&D Framework Programme of the European Commission's DG Research.

The document is structured into five sections, in addition to this introduction and to a concluding section. It begins with some thoughts on the progressive importance which active employment policies have been acquiring in recent decades, a period which has coincided with high rates of unemployment in Spain. It explains the importance of the role played in the development of these active employment policies by active citizen-led initiatives creating co-operatives and worker-owned companies. Additionally, it notes that, although Spain is one of the countries which has witnessed the greatest development of the social economy, the WISEs which have appeared in this period have still not received official recognition from those responsible for the Spanish government's employment policies. As a consequence of this, WISEs have no Spain-wide legislative framework and these enterprises have been developed outside the programmes implemented by those responsible for employment policies, to provide an answer to a problem which has proved hard to resolve by either passive or by the scarcely-developed active employment policies.

To carry out the PERSE project, we have used the latest empirical work and, more specifically, in-depth interviews with senior managers of a total of 15 enterprises active in the field of social integration through work (i.e. WISEs). Section 2 offers a profile of

the social enterprises which have participated in the empirical work. Two distinct WISE profiles appear: those WISEs that define themselves as intermediate enterprises, carrying out a bridging function between the people excluded from the labour market and conventional business, and those other WISEs which consider themselves to be end employers and have a "self-employment" purpose for those who, previously, had great problems in finding work on the conventional labour market.

Next, a description is provided of the results obtained from the empirical work. Section 3 details the variety of legal forms employed by WISEs in Spain. The report notes that there is no direct relationship between the legal form of the WISEs and their single- or multi-stakeholder nature. It also reveals the different business cultures of those enterprises describing themselves as intermediate companies and those WISEs defining themselves as end employers. Intermediate enterprises carry on more advocacy activities and belong to a greater number of networks, although their main customer base is provided by the different levels of government, principally regional and local authorities. In contrast, those enterprises that consider themselves as end employers have developed their social capital to a lesser degree and are more orientated towards the sale of products and services on the private market.

The fourth section provides a description of the monetary and non-monetary resources mobilised by WISEs in Spain. The main conclusion in this regard is that Spanish WISEs are market-oriented organisations. In terms of their income, private monetary donations are of highly marginal importance.

Lastly, section 5 describes the degree to which these enterprises have met their goal of social integration of individuals with a low employability.

## 1. The origins of WISEs in Spain

### 1.1. Local economic development and active employment policies

Local economic development policies aimed at creating employment spring from the economic transformation that Spain has undergone in recent years. Traditionally, the central Spanish government has assumed responsibility for employment policies, but the economic crisis of the seventies and the productive and technological changes it brought about highlighted the fact that unemployment was becoming an increasingly significant social and economic blight. Consequently, the application of traditional Keynesian policies could not be the only response in the fight against joblessness. Initially, public policy to combat unemployment was reactive or defensive, based on retraining or adapting the workforce to what were deemed the needs of the labour market. However, from the nineties on, more decisive steps were taken to implement longer-term strategies aimed at establishing different economic development approaches. New complementary measures thus appeared, connected with local economic development. The appearance of this new approach was due to the fact that civil society had previously created alternative solutions for combating unemployment.

The great success of co-operatives and worker-owned companies which appeared as a result of the industrial crises that began at the end of the seventies (and lasted until the middle of the eighties) provided a chastising lesson for those in charge of employment

policy, who were forced to accept that small enterprises, and especially companies incorporated by workers made redundant or at risk of being made so, created more jobs that better resisted the vagaries of economic cycles than large concerns, public or private.

In the middle of the eighties, job creation policies began to be developed by local and regional authorities, mainly the governments of Spain's "Autonomous Communities", which have the financial capacity to take on this task, although, subsequently, municipal authorities also created economic development-related agencies.

It was from this moment on that local development theories appeared, arguing that there is a need to locate and mobilise factors which aid community development, taking advantage of the specific characteristics of each city or region. This concept is integral in approach, since it covers not only economic, but also social and cultural variables. To achieve economic growth, it is based upon boosting the potential of SMEs in each local arena and upon the development of links between these enterprises and the community in which their roots lies. Local networks and business associations are used to publicise initiatives which take account of local needs and resources and which also, due to their small size, make it easier for local actors to participate.

In this context, the design and implementation of local economic development policies, and more specifically active employment policies, provide an option to alleviate the phenomena of structural unemployment and gender and age-based inequalities. They are aimed at the creation of jobs taking into account the economic, social and cultural aspects of each local environment and encourage a framework of co-operation between different actors.

WISEs appeared in Spain with the goal of combating the social exclusion caused by long-term unemployment amongst those with low levels of employability. As noted above, employment policy in Spain was, until well into the eighties, passive in nature and, although significant, insufficient to combat unemployment. From then on, and extremely timidly, active policies began to be developed, with a preference being shown for occupational training. However, it was very soon noted that the actual beneficiaries of these active policies were those who were easiest to retrain and could find jobs in the ordinary labour market. A minority group could not be reached in this way: the long-term unemployed with low levels of employability, for whom this approach to managing active occupational training policies proved inadequate.

## **1.2. The response of the social economy: the emergence of WISEs**

The role assigned to the social economy in the Spanish welfare system has been subject to modification over the last twenty years. Until well into the eighties, traditional non-profit organisations providing services were deemed vestigial and on the road to disappearance, as were large, historically important charities such as the Red Cross and the Catholic organisation Cáritas, consigned to a period of the Spanish history which, it was held, had now passed. The country's leaders considered that the welfare state being built at the time should be able to take charge of the management, design, financing and administration of all of Spain's social, healthcare and cultural needs.

In stark contrast to this view, and in parallel to the construction of Spain's new welfare state, new organisations arose from civil society, which also covered new fields of activity. The period that saw the greatest growth in the creation of associations and not-for-profit bodies was the eighties, a period that, in fact, coincided with the construction of this welfare state.

Initially, civil society became aware of the existence of organisations whose aim was the creation and preservation of jobs for the unemployed. It subsequently noted the existence of other types of organisations, working in areas such as social exclusion, disabilities or the provision of other personal services.

The first WISEs were created at the beginning of the eighties by leaders of local neighbourhood and church associations. A group of neighbours and social activists began working, without formal support and on a voluntary basis, on finding work for people with low levels of employability. The approach used was based on personalised itineraries, combining theoretical with practical training within a real working environment, in addition to offering the support services such people usually need. This is the principal innovation of WISEs. They show those in charge of active employment policies how to manage initiatives aimed at placing the long-term unemployed in the ordinary labour market.

They were largely voluntary in nature and lacked official recognition at the time, using legal formulas borrowed from the legal system of the time and identifying themselves as expressions of the social economy. Over the course of time, local leaders began to appreciate the contribution made by WISEs in the fight against social exclusion, and thus began to provide support for their initiatives in the form of subsidies and, later, by means of positive discrimination when awarding certain contracts for public services.

Although Spain has never had an official compulsory WISE register<sup>1</sup>, a recent study talks of 147 such enterprises across the country (FEDEEI, 2003). Spanish WISEs, the number of which is not growing significantly, are a heterogeneous group of companies. There is no Spain-wide legislation covering WISEs. As a result, all of the country's "Autonomous Communities" have designed measures in support of those groups excluded from the labour market and a number have specific regulations governing WISEs<sup>2</sup> (a number of attempts to pass a Spain-wide law did not succeed). The Autonomous Communities' laws govern the legal form of WISEs. Those with their own legislation stipulate that they must take the form of trading companies or co-operatives promoted by public or not-for-profit private bodies. As a result of this incipient official recognition, Spain's WISEs are few and young. Although they have existed for more than twenty years, the great majority are "officially speaking" under ten years of age and lack a consolidated productive structure.

### **1.3. The response of public administrations to the emergence of WISEs**

Regarding economic public support, to understand the complex situation of public subsidies, a number of things need to be taken into account. First is the fact that, until very recently, they simply did not exist: there were no specific subsidies for WISEs in

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<sup>1</sup> Spain's Ministry of Employment and Social Affairs has made a register available to WISEs, but it is not being used due to the fact that no agreement has been reached on financing.

<sup>2</sup> The appendix to this report lists the Autonomous Community legislation existing in June 2003.

Spain, since there were no such legal entities. Secondly, as described above, throughout 2003, the country's Autonomous Communities have taken on the task of legally regulating WISEs. In general, regional regulation is accompanied by financing measures but, in some cases<sup>3</sup>, the law is awaiting development and no specific financing measures have been enacted yet.

However, WISEs can benefit from direct or indirect subsidies open to all kind of employers, such as reductions in employers' social security contributions when they hire workers at risk of social exclusion, in the same way as other companies do when hiring such persons. Furthermore, they may reach agreements with public employment services and develop programmes "in collaboration with the authorities and public bodies with powers over the work integration of people at risk of social exclusion".

The reform of employment legislation (in Act 12/2001, of 9 July, on urgent measures to reform the labour market with a view to increasing employment and improving its quality), included a measure to promote the employment of those at risk of social exclusion through a 65% reduction in employers' "common contingencies" social security contributions. This reduction is aimed at companies and non-profit organisations which hire, on open-ended or fixed-term contracts, full or part-time, unemployed workers who suffer from social exclusion. The reduction lasts for a maximum of 24 months, irrespective of whether the worker in question has one or more employment contracts in one or several companies.

## 2. Sample and WISE profiles

The results obtained in the case of Spain are based on the in-depth study of 15 Spanish WISEs. The criteria for selecting these 15 enterprises were the following:

- their having developed a technical-productive strategy;
- territorial diversity;
- forming part of representative structures;
- a desire to collaborate with the project.

Thus the figures presented in this report are not meant to be representative of all Spanish WISEs, but are, at least, representative of those with a developed productive strategy and which have been operating for at least five years, although some recently-created WISEs have also been included.

Spanish WISEs can be divided into two main groups, according to their goals and the strategies they employ to achieve them:

- a) Ten enterprises surveyed define themselves as "intermediate enterprises", whose aim is social integration through work. The productive and lobbying activities are the tools which allow them to achieve their goals. They operate under a variety of legal forms (foundation, co-operative...).

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<sup>3</sup> Such as Catalonia or La Rioja.

- b) Five enterprises surveyed mainly carry on productive activities which on occasion have a clear "self-employment" nature. They operate under a variety of trading legal forms. In general, they consider themselves end employers, or may combine intermediate integration jobs with other end-employment ones.

*Map 1: Autonomous Communities in which the WISEs interviewed are based and number of cases selected in each.*



WISEs are multiple-goal organisations. Nevertheless, their main objective is the social integration through work of individuals with a low employability. Other objectives - such as training, carrying on a productive activity and lobbying - are necessary tools for achieving their main objective. Productive activity is the key to achieving their principal goal of integration in a sustainable way, independently of political changeovers in local and regional authorities.

A brief description of the activities and goals of each of the 15 WISEs making up the sample is provided below.

a) Intermediate enterprises (10):

- WISE 2 (1982). Catalonia. The founders were part of the neighbours' movement. Its trading activities include the selective collection of urban waste and the construction industry. Its current legal form is the foundation.
- WISE 3 (1985). Canary Islands. The founders of this foundation are a group of citizens led by Cáritas.<sup>4</sup> This WISE is active in the field of selective urban waste

<sup>4</sup> Cáritas is the Spanish Catholic Church's official confederation of charities and social action entities, founded by the country's Episcopal Conference. Created in 1947, it has its own legal personality, both ecclesiastic and civil. Cáritas' actions against poverty also have an international dimension, via 154 national Cáritas bodies, present in 198 countries and territories and forming Cáritas Internacional, whose headquarters are in Rome.



collection. Environmental protection plays an important part in the enterprise's activities and goals. Its current legal form is the foundation.

- WISE 4 (1996). Murcia. This WISE is part of the international movement "Emaús"<sup>5</sup> Its promoters are a group of individuals. It is active in the field of selective urban waste collection. Environmental protection is another of the association's goals. Currently, its legal form is the association.
- WISE 5 (1990). Castellón (Valencia Community). This WISE's legal form is the foundation. It was established by Cáritas and the Confederation of Small and Medium Enterprises of the Province of Castellón. It is active in the field of selective urban waste collection.
- WISE 6 (1988 / 2003). La Rioja. This WISE was created in 1988 as an association backed by Cáritas. In 2003, as the result of the merger with a Cáritas foundation with similar objectives, it changed its legal status and became a foundation. It is active in the field of selective urban waste collection.
- WISE 7 (1994). Catalonia. It is a foundation created by the charity Cáritas. Its goal is the work integration of socially disadvantaged persons. Its trading activities include the selective collection of urban waste and the construction industry.
- WISE 8 (1972). Navarra. This foundation is also part of the international movement Emaús. It was not originally created to be a WISE, but its history led it to become one. It is active in the field of selective urban waste collection. It provides employment and housing services to the socially disadvantaged in its area.
- WISE 10 (1999). Valencia. This WISE, which has the legal form of a public limited company (*Sociedad Anónima*, or S.A.), is promoted by a local teachers' association, formed by teachers working in the city's most underprivileged district. The aim of this WISE is to promote other WISEs to provide a first job to young people who have received professional training courses from the teachers' association. It currently manages two companies - a courier service and a gardening company. Both are intermediate enterprises. We have studied the courier company.
- WISE 11 (2001). Aragón. The enterprise arose from an integration project of four diocesan Cáritas organisations in Aragón, which saw the need to help socially-excluded women to find work. It is active in the second-hand clothes market. Today, in 2003, it is an intermediate company which attempts to help 15 women find jobs on the ordinary employment market after working for the WISE for a maximum of three years. Its legal form is the private limited company (*Sociedad Limitada*, or S.L.)
- WISE 15 (1996). The Basque Country. Originally an association founded in 1971, this WISE became a "Social Initiative Co-operative" (*Cooperativa de Iniciativa Social*) in 1996. The founders were people linked to the international movement

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<sup>5</sup> Emaús is an international movement with a presence in more than 45 countries that was founded in Paris after the Second World War. It reached Spain at the beginning of the seventies. It is a non-religious, not-for-profit, community-work-based movement, whose work goes beyond strictly employment-related activities. Our sample includes three "Traperos de Emaús": those of Navarra, Murcia and Vizcaya.

"Emaús". It is active in the field of selective urban waste collection. Its legal form is the co-operative.

b) End employer enterprises (5):

- WISE 1 (1985). Catalonia. The founders of this WISE were mental health professionals and parents of affected persons. Its legal form is that of a worker-owned limited company (*Sociedad Anónima Laboral*, or S.A.L.). Its goal is the creation of stable employment for the disabled and socially disadvantaged through market activities. Its mainly productive activities include carpentry, locks, aluminium carpentry and building installation and maintenance services. This WISE is a pioneer in Spain in combining different groups of disadvantaged people. It hires both people with recognised disabilities and individuals who are socially disadvantaged.
- WISE 9 (1994). Madrid. This enterprise has the legal form of a private limited company (*Sociedad Limitada*, or SL) and it is promoted by two associations and the workers themselves. Its activities are carried on in the building cleaning industry. The WISE is an end employer providing jobs for a collective of 15 women who have previously received training courses provided by both public and private entities.
- WISE 12 (1993). Aragón. This cooperative, currently comprising five women partners, aims to carry on a business activity sufficient to provide stable jobs for women who are receiving occupational training courses from a foundation created by neighbourhood associations and other public and private organisations. It acts in the field of cleaning.
- WISE 13 (1997). Aragón. This foundation was created by a neighbourhood association. Its goal is the integration of young mentally handicapped people. Its business activities are carried on in the fields of cleaning and home services. It considers itself to be an end employer.
- WISE 14 (1992). The Basque Country. Its legal form is the co-operative. Founders were a group of young skilled unemployed people. Environmental concerns are a strong part of its makeup: in addition to social promotion, it promotes ecological development. This co-operative is active in the field of selective urban waste collection.

### 3. Multiple goals and social capital: main results

#### 3.1. The transitory legal forms of Spanish WISEs

In Autonomous Communities with specific legislation, WISEs must be trading companies or co-operatives founded by public or not-for-profit entities. This legislation requires that at least 51% of the share capital be in the hands of the backer, which must be a not-for-profit entity or a local authority. The aim of legislators is to guarantee the permanence of the mission of work integration in any business situation in which the WISE might find itself over the course of its history. This trend is still not completely

reflected in the sample, although more recently created WISEs, such as WISE 11 (described above), have already adopted one of these legal forms.

*Table 1: Legal forms of the WISEs of the sample*

Type	Approximate translation	Number	%
Fundación	Foundation	6	40.0
Cooperativa	Co-operative	3	20.0
Sociedad Limitada	Private limited company	3	20.0
Asociación	Association	1	6.6
Sociedad Anónima Laboral (S.A.L.)	Worker-owned limited company	1	6.6
Sociedad Anónima (S.A.)	Public limited company	1	6.6

The predominant legal form in our sample is the foundation, but this may merely be a transitional phenomenon, given the different recent regulations mentioned above. Thus, in the immediate future, the predominant legal forms for WISEs may well become those of the private limited company and other trading forms such as the co-operative, the worker-owned limited company or even the public limited company.

### **3.2. Governance and multi-stakeholder structure**

In WISE governing bodies, the formal "one person, one vote" principle is dominant, with decisions frequently being taken by consensus. Two WISEs indicated that they based the decision-making power on capital-ownership: WISE 1, in which the shares are widely spread amongst the workers, and WISE 10, in which the majority shareholder is a local teachers' association.

Small co-operatives and some limited company-type enterprises with a high degree of "self-employment" indicated that in fact decisions were taken by consensus during frequent meetings. The same reply was given by the three WISEs belonging to "Traperos de Emaús", which comes from community movements.

Of the 15 WISEs interviewed, only four were multi-stakeholder enterprises (WISE 3, WISE 5, WISE 9 and WISE 13), i.e. more than one category of stakeholders were represented in their boards.

The other 11 WISEs indicated that they were single-stakeholder organisations. Analysis of the empirical data indicates that stakeholders in these single-stakeholder organisations are of three types:

- Workers;
- Cáritas (the Catholic Church);
- Associations or citizens' groups.

In these cases the single stakeholder is either the organisation promoting and supporting the Integration Company (Cáritas or another type of organisation) or, in the case of the co-operatives and the worker-owned limited company (S.A.L.), the workers.

It is interesting to note that the legal form of the enterprise is not an indicator of it being a single or multi-stakeholder organisation. Of the four multi-stakeholder enterprises of the sample, two had a trading legal form (private limited company) and two were foundations.

*Table 2: Relative importance of the various categories of members in WISEs' Boards*

<b>Categories of Board members</b>	<b>Proportion</b>
Users/ private consumers	0%
Volunteers	32%
Permanent staff	20%
Participants in scheme	0%
Private business sector	4%
Governmental agencies	0%
Third sector organisations	28%
Other	16%
<b>TOTAL</b>	<b>100%</b>

In contrast, the members of the Board of Directors that have no contractual relationship with the enterprise have, in practice, only a slight involvement in its day-to-day business management. The member with the greatest involvement is the Chairman, who carries out advocacy activities. In Spanish WISEs, staff play a very important role in the running of the enterprise, whether or not they are formal stakeholders. Staff and, above all, their manager, assume a very important responsibility, since they are normally responsible for the enterprises' success or failure, in terms of both business viability and the work integration of participants.

### **3.3. The social capital of Spanish WISEs**

#### *The main networks*

Spanish WISEs form part of Spain-wide integration enterprise networks, such as FEDEEI (*Federación de Entidades de Empresas de Inserción*, the "Federation of Integration Enterprise Entities"), and/or of networks at the level of their Autonomous Community, such as AMEI (*Asociación Madrileña de Empresas de Inserción*, the Madrid Integration Enterprise Network) or AREI (*Asociación Aragonesa de Empresas de Inserción*, the Aragón Integration Enterprise Network). When they form part of an Autonomous Community network, they tend to form part of the federation at the Spanish level as well.

Some other WISEs form part of broader, more general social economy networks, such as REAS (*Red de Economía Alternativa y Solidaria*, the Alternative and Solidarity-Based Economy Network). The main goal of these networks is to secure a legislative framework adapted to the activity they carry on. Some WISEs belong to environmental protection networks (*Red Anagos*) or anti-poverty networks (*Red española contra la*

*pobreza y la exclusión social*, the Spanish network against poverty and social exclusion).

Frequently, WISEs also form part of the relevant industry-specific networks, such as AERESS (*Asociación Española de Recuperadores de Economía Social y Solidaria*, the Spanish Social and Solidarity-Based Economy Recycling Network), AIREs (*Asociación Intersectorial de Recuperadores y Empresas Sociales de Cataluña*, the Catalan Intersectorial Recycling and Social Enterprises Association).

The Cáritas national network is made up of 5,000 Parish, 68 Diocesan and the corresponding Regional or Autonomous Community Cáritas bodies. Cáritas' work is based on helping those with limited resources, co-ordinating the Catholic community's charity work. Some Cáritas organisations have felt the need to create WISEs; they considered that this was an efficient way of integrating socially-excluded groups. Whilst it is true that of the 15 WISE studied, five have as the sole or joint promoter a Cáritas body, the latter does not act as an umbrella organisation. Every Cáritas body carries on its own projects (including WISEs) independently.

As already mentioned, our sample also includes three companies arising from the international "Traperos de Emaús" movement, in Navarra, Vizcaya and Murcia. This movement does not act as an umbrella organisation. Each entity acts completely independently, with its own idiosyncrasies, values and rules. Even so, these WISEs identify themselves with the movement's founding principles, continue to pay an annual fee and attend its national and international events.

#### *Relation with public authorities*

With regard to the relations with public authorities, local authorities - via their social services - frequently carry out, in collaboration with WISEs, vital work in monitoring the integration itinerary of participants, but the same authorities, which could be ideal customers for WISEs, are not sufficiently motivated by the social importance of the latter. WISEs are frequently excluded from public contracts for the provision of services because they do not meet the requirements and because the contracts are won by large companies with the capacity to manage large packages of services at a very low cost.

#### *Volunteers*

We have observed a direct relationship between a WISE's need for voluntary resources and the level of its productive activity: the greater the extent of care-based and training services, the greater the presence of volunteers on the workforce. In contrast, more market-oriented WISEs have greater professional resources and rely less on donations, be it in the form of volunteer work or money. It seems that those WISEs created by citizens' groups have been quicker to grasp the advantages of being an "enterprise".

Due to a lack of recognition and legislation, which appears to be beginning to change at Autonomous Community level, all the WISEs in the sample belonged to one or more networks. The principal goal of these networks is to obtain the adoption of a legislative framework adapted to their activity and to achieve the recognition of the public authorities and society at large. Nevertheless, they still dedicate few resources to collaborating in lobbying and pressure group networks.

The productive activity of the majority of these WISEs is still not consolidated, and they have to dedicate the majority of their resources to ensuring the sustainability of their enterprise; the mobilisation of social capital through networks is thus considered of secondary importance. Only those enterprises with a more consolidated productive activity set aside more resources for the development of their social capital.

#### 4. The resource mix in Spanish WISEs

Another - clearly innovative - line of research focuses on the resource mix of WISEs in each of the countries. This analysis not only focuses on monetary resources, but has also made a great effort to measure the impact of non-monetary resources, since we believe that these resources, which come mainly from relationships of mutual aid and reciprocity, are of greater importance in social enterprises. Of the total resources obtained by the WISE in 2001, 10% on average were non-monetary.

*Table 3: Resource mix in % of the total resources*

<b>Origins of resources</b>	<b>In % of the total resources</b>
<b>1. Monetary resources</b>	
Sales of services	68%
Subsidies	17%
Contributions, support, gifts	5%
Resources from shares, stocks, bonds...	0%
<b>Total monetary resources</b>	<b>90%</b>
<b>2. Non-monetary resources</b>	
Valuation of allocations and indirect subsidies from the public sector	3%
Valuation of the voluntary contributions	7%
<b>Total non-monetary resources</b>	<b>10%</b>
<b>Total resources (1 + 2)</b>	<b>100%</b>

##### 4.1. Monetary resources

The monetary income obtained in 2001 by the WISEs making up the sample ranged from €97,725 to €4,479,503 and was distributed as shown in Figure 1. The average stands at €973,950. The two companies with the highest income were WISES 1 and 2, which both earned more than two million euros. Nonetheless, the recorded income of 26.7% of WISEs was comprised between €100,001 and €300,000, and almost half (46.7%) of the WISEs had an income of under €500,001.

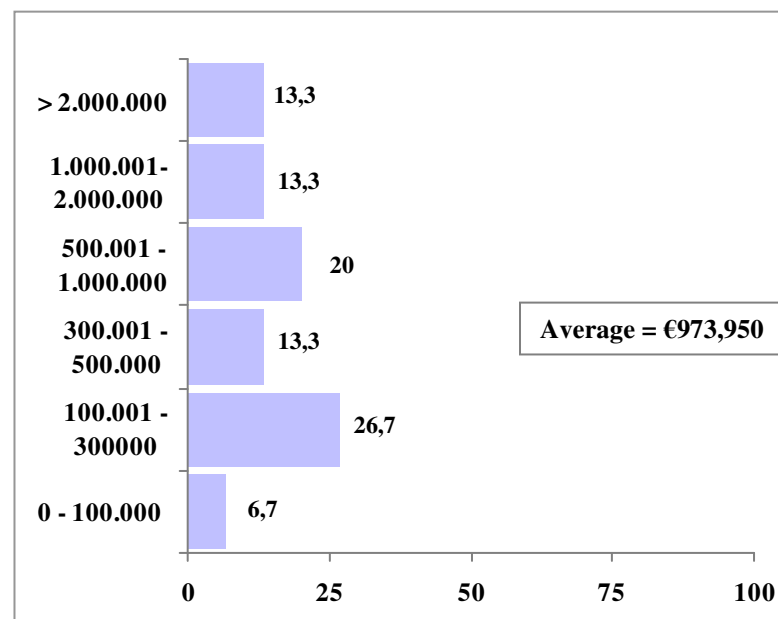
The majority of the WISEs' income is on an upwards trend. A difference should be made here between:

- a) Those WISEs which are already consolidated and whose income continues to increase, but more slowly or, in some cases, whose income has already stabilised.

- b) Those WISEs which are in the growth stage, whose income is rising by 15-20% per year.
- c) The youngest WISEs, which are still finding their place on the market and, in the first years of activity, see a slow but sustained increase in income.

Looking at the results for 2001, thirteen of the fifteen WISEs obtained financial profits and only two recorded losses.

*Figure 1: Total income obtained in 2001 (euros)*



As far as the use of the profits is concerned, it must be pointed out that the three cooperatives in the sample are obliged by law to set aside part of their profits to compulsory reserves. Similarly, worker-owned limited companies (*Sociedades Laborales*) also have this duty. Four WISEs of the sample thus have a legal duty to set aside some of their profits to compulsory reserves.

Leaving this duty aside, none of those interviewed could provide a percentage breakdown of each item. All the interviewees stated that profits were ploughed back into the company - beginning new projects, hiring new participants, increasing the number of programme users, all of which may lead to a small increase in technical staff. Another form of reinvesting the profit is to purchase the properties best suited to the activities being carried out by the WISE, as is the case of WISE 4. With different emphases, the unanimous response was that the profits were reinvested in the WISE itself.

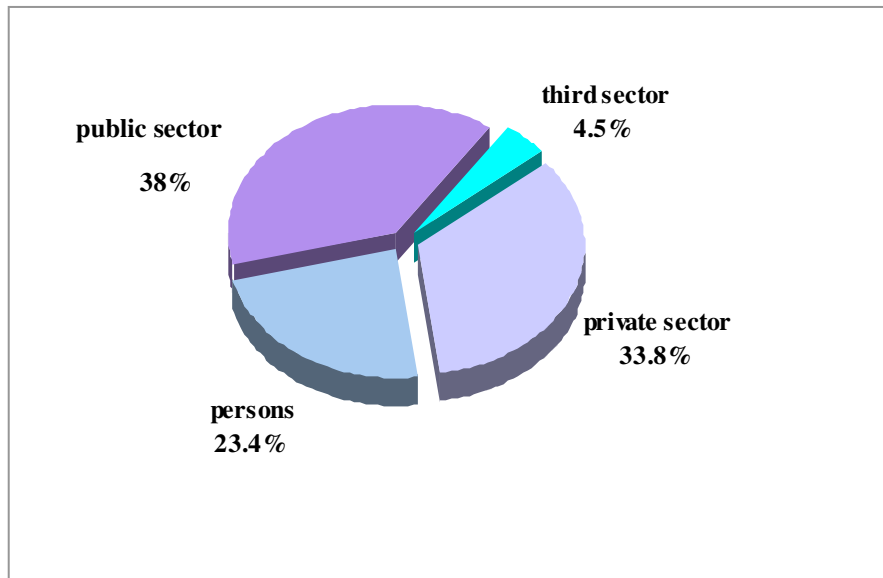
*Table 4: Sources of income in % of monetary resources*

Monetary resources	%
Sales of services	75.7%
Subsidies	18.7%
Contributions, support, gifts	5.6%

## 4.2. The main customers of Spanish WISEs

Overall figures point to the fact that the public sector is the main buyer of goods and services from WISEs (38%), followed by the private sector (almost 34%) and individuals (23.4%). However, if we take the private business sector and individuals together, the private sector was the main customer of WISEs (57%) in 2001.

*Figure 2: Distribution of income by customer type*



Generally, the more dependent a WISE is on individuals as customers, the lower its income. In the majority of cases, the economic growth of a WISE is due to the winning of an important private enterprise or governmental customer.

### *Sales to the public sector*

Sales to the public sector represent 38% of WISEs' income from sales. Within the public sector, the main customers are local authorities: municipal councils and agencies with responsibilities over the provision of municipal services account for 25.2% of WISEs' income from sales. Second come regional authorities (12.5%) which, in the case of Spain, are the various Autonomous Communities. The latter have their own powers and a great deal of autonomy from the central government, which explains why none of the WISEs in our sample have the Spanish state as a customer. Third come public or quasi-public enterprises, which contribute 0.9%.

Public sector customers tend to be important to WISEs. Some of the managers interviewed mentioned that winning a public tender or contract had been a decisive factor in their success. This type of contract gives WISEs security and stability, but many (especially among the youngest and smallest enterprises) complained of the difficulty in accessing them. One of the main demands of the Spanish WISEs is the inclusion of and compulsory compliance with social clauses in public contracts.

The majority of the WISE interviewed complained that the public authorities did not take sufficient account of their social dimension when awarding public contracts. The



authorities design the tender process for large companies, often with terms which do not suit the circumstances of the majority of WISEs. The conditions to meet in order to obtain these contracts being as hard as in the private market, these can be considered as a quasi-market. As a result, most WISEs choose to operate in the private sector and only the largest, most prestigious WISEs have the possibility to gain access to these contracts.

#### *Sales to the private sector and to individuals*

Sales of goods and services to the private sector and to individuals represent respectively 34% and 24% of the sales.

Regarding relationships between WISE and buyer, in general, there is no uniform type of relationship with private business customers. Some enterprises have won customers due to the fact that they are WISEs. Others are treated like any other company in their business relationships. In some cases, depending on the customer, they do not reveal that they are WISEs, because it may be prejudicial to them, whilst in other cases they do so because it is a further point in their favour. Everything depends in fact upon to whom they are talking.

Private enterprises' interest in the social role of WISEs is still slight. Commercial relationships are rarely established simply because of the nature of the WISE. Nonetheless, there have been some experiences of employers' associations supporting WISEs, as is the case with WISE 5.

In the case of the sale of second-hand clothing and objects to individuals, there does appear to be a social motivation among customers. The General Manageress of WISE 11 stated that the fact that their shops bore the name of *Cáritas*, which is well-known and respected in the field of social care, was an important factor in the motivation of some customers.

#### *Sales of goods and services to the third sector*

Sales of goods and services to the third sector only represent 4.5% of the overall figure for 2001. The market is more limited than that for businesses or individuals, but another factor might contribute to account for this situation: WISEs have not considered focusing specifically on this market as a way of winning new customers.

Spanish WISEs' managers found it difficult to evaluate the motivation of their various customers for purchasing goods and services from the WISE. They could not usually say what percentage of each customer type had socio-political reasons. What does become clear from an analysis of the interviews carried out is that, in general, third sector customers have greater socio-political motivation than other customers. Some social economy enterprises establish positive discrimination criteria for social enterprises when deciding upon the purchase of goods and services.

However, socio-political motivation is not sufficient in itself: although it can play a role in some cases, if the WISE does not offer a quality product or service at a competitive price, no sale will be made.

With the exception of the co-operatives, whose backers are the partners/workers, WISE backers are not-for-profit organisations, such as associations, foundations or the Catholic charity Cáritas. These entities, in addition to being the WISE's backers, are also their customers and are additionally able to bring them other third sector customers, being capable of mobilising third sector resources in favour of the WISE.

### **4.3. Direct and indirect subsidies**

#### *Direct subsidies*

The analysis below does not include the sales of goods or services to the public sector, but only the direct subsidies granted by authorities to the WISE – that is, the contribution made to finance (totally or partially) some WISE programmes or activities.

Direct subsidies provide 19% of WISE monetary income. They come mainly from the relevant Autonomous Communities which provide 78.1% thereof, followed by central or national government (8.2%), municipal authorities (7.9%) and the European Union (5.9%). Only WISE 9 received no type of direct subsidies in 2001.

As regards the purpose of the financing, in 85.2% of cases the subsidy was awarded for matters related to the social employment integration of participants. More specifically, 46.6% subsidised temporary jobs. In other words, regional government subsidises the participant's job for a specific period of time, which ranges from one to three years. This subsidy is provided on the basis that, after this period, participants should have acquired sufficient professional and social skills to be able to find a job on the normal labour market.

As we have seen in the first section, specific regulation for WISEs in Spain only appeared in 2003, and at the time of writing this report, subsidy-related measures were still underdeveloped. Thus the subsidies received by the enterprises in the 2001 sample were not specifically intended for WISEs, but were rather job-creation subsidies and aid programmes specifically targeting the unemployed or those at risk of exclusion. This kind of subsidies is open to all types of enterprises – be they profit or non-profit, public or private. In general, the majority of the subsidies were managed by the relevant regional Employment or Employment and Training Departments. If a WISE has the legal form of a co-operative, it is entitled, in some Autonomous Communities, to subsidies if new partners join the co-operative.

In the majority of cases (71%), the subsidies were controlled by the relevant authority: following a public announcement that subsidies are available, WISEs submit their application and then may or may not receive it. Subsequently, if the subsidy is granted, supporting documentation must be sent, showing how the amount was spent, which must coincide with the conditions imposed by the authorities. Only three WISEs (WISE 3, WISE 4 and WISE 8) obtained some subsidies in a negotiated manner. These are the three which admit having won greatest recognition, not so much from society as from the authorities. One of the advantages of this recognition is thus a certain ability to negotiate public subsidies.

### *Indirect subsidies*

We also analysed indirect subsidies and allowance, i.e. the money that WISEs do not have to pay, due to their status or to meeting some of the requirements for receiving an allowance. Public allowances, and especially those granted by the central government, are also closely monitored.

Indirect subsidies from the public sector —allowances and tax deductions— make up only 0.8% of the WISE total overall resources. They basically comprise social security deductions and corporation tax deductions, in the case of the central government, and IAE<sup>6</sup> and other municipal tax deductions, in the case of municipal administration.

As regards state-wide allowances, labour regulation (Act12/2001, of 9 July) establishes aid for the employment of those suffering from exclusions, and allowance of 65% of employer “common contingency” social security contributions, aimed at companies and not-for-profit organisations which hire workers on an indefinite basis.

Additionally, the co-operatives in the sample are entitled to an allowance of 10% of Corporation Tax<sup>7</sup>, granted to all co-operatives, whilst WISE 5 and WISE 3 are totally exempt from the tax as they are officially recognised as being “entities of public utility”.

Lastly, regarding indirect subsidies, WISEs are also entitled to general job creation allowances, as is any other Spanish company, for the hiring of workers under 30, of those with recognised disabilities, etc.

### *Difficulties in obtaining direct and indirect subsidies*

As regards the difficulties encountered to access these subsidies, WISEs mention that much administrative work is required, both to apply for them and to justify expenses. Additionally, the period between the awarding of the subsidy and its complete payment may last months or even years. It may be for this reason that the majority of WISEs try to operate without depending upon subsidies. In general, these only represent a helping hand, a small contribution to finance the enterprise’s structure. Subsidies represent extra income for the majority of WISEs, not a basic source of financing. Only those which have an important care and training component are more dependent upon them.

It is not easy for WISEs to mobilise this kind of resources. In the case of investment-related subsidies, WISEs must pay in advance and the authorities cover the cost after receiving the relevant supporting documentation. To be able to invest, they must use resources initially set aside for other things or seek loans from backers or financial institutions, which, in the latter case, means paying interests.

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<sup>6</sup> *Impuesto de Actividades Económicas* (Economic Activities Tax). Although this tax was abolished in 2003, it was still applicable in 2001.

<sup>7</sup> Spanish Corporation Tax is levied at a rate of 35% on the profits obtained by any Spanish company.

#### **4.4. Reciprocity-based resources**

##### *Contributions, donations and sponsorship*

These items, taken aggregately, make up an average of 5% of total resources. Splitting these resources by customer types, it appears that individuals contribute 4%, followed at some distance by the third sector (1%), and the private sector (0.2%). Individuals normally make donations on their own account in monetary form. Partner and worker subscriptions and patron and management donations are of lesser importance.

In WISE 4, technical staff voluntarily donates a part of their salary, paid from public subsidies, to finance the organisation's needs. They receive a salary, but make a donation by way of redistribution. This type of action can only be understood in the light of the values that underlie the work of the WISE.

Business donations and sponsorship in monetary form is still relatively infrequent in Spain: as noted above, the business sector is that with the lowest contributions of this type. It should nonetheless be borne in mind that some large companies and saving banks have their own foundations, whom they provide with resources to this end, and such donations appear in the table as coming from the third sector.

##### *Non-monetary donations*

Non-monetary donations represent 3% of overall WISE resources. A large part of such donations (2% of overall WISE resources) comes from the third sector. The not-for-profit organisations behind the WISE (citizens' associations, foundations and Cáritas) are the main donors. One percent of overall resources come from individuals and 0.1% from the private sector.

As regards the allocation of these non-monetary donations, 73.9% are invested in activities related to the production of goods and services. Generally, the goods and services donated by the backers consist of premises and offices in which to carry on the business activity, as well as commercial premises. In general, the WISEs have the right to use the premises, but do not own them. Donations also consist of vehicles and other fixed assets such as computers.

Some of the WISEs that carry out recycling and restoration of used clothes and assets treat as donations the used clothes and objects contributed by individuals. On the other hand, others consider such donations to be of nil value, given that some of the clothes cannot be used and the remainder is only of value after being recycled and restored, and consider the collection thereof to be more like a service they carry out.

##### *Voluntary work*

The current trend among the majority of WISEs is a trend towards the professionalisation of their workforce, with the idea of avoiding voluntary work, which no longer exists or only does so residually. For WISEs, achieving remuneration for all positions (i.e. progressively professionalising the organisation) is a sign of positive progress.

Nonetheless, the WISEs backed by Cáritas have a volunteer presence with a significant economic impact. Those WISEs use volunteers from Cáritas, which has a significant network of voluntary workers. On average, volunteers make up 7% of WISE resources, but it should be noted that, of the 15 WISEs, five had no voluntary positions, not even on their Board of Directors.

Almost all the resources coming from voluntary work carried out in the WISE (99.3%) is performed by people on an individual basis. Of them, 86.7% come from ordinary volunteers, in other words people who contribute some of their time to working in a not-for-profit organisation for personal, social or humanitarian reasons. These people receive non monetary compensation for the work they do and are present to a greater or lesser extent in six of the 15 WISEs, carrying out relatively unskilled tasks (filing, sales, etc.)

To a lesser extent (7.7%), managers also carry out voluntary work. They work longer than stipulated in their employment contract without receiving extra remuneration. In co-operative WISEs, this volunteer spirit is due not only to the motivation arising from the company's social role, but also to the fact that working for the company means keeping their jobs.

Additionally, 3.58% of resources coming from voluntary work are provided by outside individuals who carry out professional work (accountancy, legal advice, etc.) on a free of charge, voluntary basis. The remaining percentages, of little significance, relate to persons representing the third sector (0.6%) or the private sector (0.1%) on some WISEs' Board of Directors, spending only a few hours a month on this non-remunerated activity.

#### **4.5. WISE types according to resource mix**

Summarising the results obtained, it can be said that the WISEs of the sample have mixed resources. Nonetheless, there are considerable variations among WISEs: those whose productive activity is more consolidated have less need for voluntary work or other non-monetary resources.

The typology that we have built relates to the resource mix of the WISEs of the Spanish sample. Empirical work confirms that the relative importance of non-monetary resources is a good indicator for establishing a typology of Spanish WISEs. We have also taken into account the types of customers of the WISEs and their sales conditions.

*Type 1* (WISE 3, WISE 4, WISE 6, WISE 7, WISE 9, WISE 11).

We consider as belonging to type 1 those WISEs with a higher dependence on non-monetary resources, which represent more than 5% of total income.

The resources contributed by the promoters are very important for their sustainability and are to a large extent non-monetary in nature - mainly property, fixed assets and personnel. This type also includes WISEs in which the voluntary work of ordinary volunteers and extra non-paid work carried out by the staff and managers is vital to the survival of the organisation.

We have distinguished two subgroups:

- a) WISE 3 and WISE 4: Their main source of resources is public subsidies. Their goals are more focussed on training and integration activities than on the production of services.
- b) WISE 6, WISE 7, WISE 9 and WISE 11: These WISEs obtain resources mainly from the sales of goods and services to the private sector (enterprises and individuals).

*Type 2* (WISE 1, WISE 2, WISE 5, WISE 8, WISE 10, WISE 12, WISE 13, WISE 14, WISE 15).

This type includes the WISEs with the lower average of non-monetary resources - these represent less than 5% of their total income.

We have also distinguished two subgroups:

- a) WISE 1, WISE 2, WISE 5, WISE 8 and WISE 14: These WISEs obtain resources mainly from the public sector: they sell products and services to public administrations. The current status of these WISEs is, in part, the result of the public recognition obtained and the securing of public contracts.
- b) WISE 10, WISE 12, WISE 13 and WISE 15: The main source of monetary incomes is sales to private sector customers. In some cases they are forced to do this because, for different reasons, it is very difficult to operate in the public sector.

There is not a significant link between this typology and the fact of being an end employer enterprise or an intermediate enterprise. However, WISEs belonging to Type 1 are intermediate enterprises except in one case (WISE 9). The fact of having a higher dependence on non-monetary resources constitutes a difficulty for the WISE aiming to provide stable employment.

*Chart 1: Typology of Spanish WISEs according to their resource mix*

<b>Main source of resources</b>	<b>Non monetary resources</b>	
	<b>Type 1 (= or &gt; 5%)</b>	<b>Type 2 (&lt; 5%)</b>
<b>a) Public Sector</b>	3*, 4*	1, 2, 5, 8, 14
<b>b) Private Sector</b>	6, 7, 9, 11	10, 12, 13, 15

(\*) These two WISEs obtain their resources mainly from public subsidies.

Each WISE has developed a sustainability strategy according to the different types of goals pursued and the type of programmes that it offers to the workers in integration.<sup>8</sup> The strategy adopted is also influenced by the origins of each WISE and the type of social capital it mobilises, as well as the environment in which it operates. This strategy is in accordance with one of the two main types of resource mix explained above. The very fact that the strategy chosen by an enterprise allows it to survive and achieve its goals is enough in itself to consider it successful.

## 5. Individual benefits for the workers employed in the social enterprise

### 5.1. Types of disadvantages of the workers

For the analysis of the individual benefits for the workers employed in WISEs, we have constituted a sample of 83 workers from 13 WISEs, with a 50-50 male/female mix: despite the fact that in some WISEs the majority of disadvantaged workers are men, the sample of Spanish WISEs also includes three enterprises made up exclusively of women, thus providing some balance.

The type of disadvantage most frequently encountered is that of "social problems", which is ranked as the principal disadvantage in 21% of cases and is mentioned by 42% of the workers making up the sample as being their principal problem or an additional one. Other types of problems are those linked to low levels of education, mentioned by 32.5% of workers, and those of long-term unemployment (cited by 37.3% as their principal problem or as an additional one). The fact of being an immigrant represented a problem for accessing the labour market in 19.3% of cases. Levels of education are generally very low: 41.5% of the workers have only primary school education level, and 29.3% have no qualifications at all.

Analysing the situation from a gender perspective, it appears that the main problems suffered by women are their lack of education and training (29.2%), the fact of being immigrants (25%) and long-term unemployment (20.8%). Three end-employer WISEs are made up solely of women: the core group of backers created the enterprises as "self-employment" organisations and now employ women with low educational profile or with an immigrant background, in co-operation with local social and training services. The principal activity they carry on is that of industrial cleaning.

In contrast, the principal problem for 51.9% of men belongs to the "other social problems" category. In other words, they have, for a variety of reasons, reached a point where they lack monetary resources and, even more importantly, support networks (family, friends, etc.). This may be due to a number of different causes, such as alcoholism, long-term unemployment, mental problems, etc. Due to their low educational profile, these workers carry out manual work, including the collection and sorting of clothing, paper, glass and other goods, recycling, storage and classification, in addition to other jobs which require a certain level of skill, such as carpentry. In the latter case, the disadvantaged worker is always accompanied by an experienced colleague to learn the trade.

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<sup>8</sup> Differences in goals are reflected in Section 2 of this document.

Table 5: Summary of the resource mix\*\* of monetary resources

WISE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Average
Type (*)	E.E.	I.E.	I.E.	I.E.	I.E.	I.E.	I.E.	I.E.	E.E.	I.E.	I.E.	E.E.	E.E.	E.E.	I.E.	-
<b>1. Sales of goods and services to private individuals and private sector organisations</b>	15	18	15	45	32	30	59	34	47	73	50	60	68	20	87	43
<b>2. Resources from the public sector</b>																
- sales of goods and services	85	78	1	0	41	4	22	55	29	1	1	15	23	76	5	29
- subsidies	0	2	76	52	26	15	3	11	0	24	47	4	10	1	9	19
- allowances and indirect subsidies	0	1	0	4	1	0	2	2	0	0	0	0	0	0	0	1
<b>3. Resources from reciprocity</b>																
- monetary resources, donations and allowances (monetary and non monetary)	0	2	10	3	3	51	24	0	26	2	24	24	0	3	0	11
- voluntary work	0	1	2	2	1	7	7	0	7	3	89	12	1	0	0	8
<b>Total</b>	<b>100</b>	<b>102</b>	<b>105</b>	<b>106</b>	<b>103</b>	<b>107</b>	<b>117</b>	<b>102</b>	<b>109</b>	<b>103</b>	<b>210</b>	<b>104</b>	<b>101</b>	<b>100</b>	<b>101</b>	<b>111</b>

(\*) E.E. stands for “End Employer” and I.E. for “Intermediate Enterprise”.

(\*\*) Sales and resources from the public and private sectors amount to 100%. Resources from reciprocity are calculated in addition to that total.



With regards to the workers' employability, 51.8% were classified as being of average employability, 36.1% were considered as having a low level of employability and only 10.8% were easily employable. The low level of employability of these persons was due to their scant work experience: 39.8% of the sample lacked any whatsoever.

Of the 83 workers in the sample, only 20 had previously had stable monthly income, principally in the form of social benefits, which on average did not reach €400. Sixty-four percent of the workers were unemployed before entering the WISE.

## **5.2. Channels of arrival and types of programmes**

Most workers (33.7%) arrive to the WISEs through third sector organisations. There is a high level of co-operation with the former, and workers often reach WISEs via NGOs and organisations fighting poverty, drug addiction, etc. The second most important “channel” of access is via local social services (26.5%) who direct some people towards the WISEs, generally in those cases in which the person concerned is able to work and has expressed a desire to do so. The third most frequent route is via other WISE units (22.9%). This is the case of the Catholic charity Cáritas, which forwards to its WISE those suffering or at risk of social exclusion who may benefit from working in such a social enterprise.

Several types of programmes, adapted to the profile of participants, have been detected. 50% of those aged under 25 joined occupational training programmes, as did 44% of those with low qualifications. 46% of immigrants joined employment programmes, whilst only 18% of them were offered regular employment, due to the fact that immigrants frequently lack the documentation required to be offered an employment contract.

## **5.3. Benefits for the workers**

For the purposes of analysing the effects for the workers of the time spent in the WISEs, we divided the workers into two groups, according to their trajectory. Of the 83 workers making up the sample, 49 continued working in the WISE at the time of the survey and 34 were no longer there.

### *Workers who had left the WISE*

Interviewees were asked to assess, for the workers who had left the WISE by the time of the survey, their skills in several areas (giving a score comprised between 1 and 7) both on joining the WISE and just before leaving it. We then calculated an average of all the answers obtained.

It appears that the areas which improved the most are:

- professional skills (+2)
- relational abilities with colleagues (+1.8)
- ability to complete tasks which one is in charge of (+1.7)
- ability to work independently (+1.6), and
- understanding of different tasks (+1.6).

*Graph 3: Improvement in the skills of the workers who had left the WISE*



Those which improved the least are:

- relational abilities with WISE managers (+0.4) and
- socio-cultural abilities (+0.8).

The overall improvement is estimated to stand at 1.8 points.

As far as the employment status is concerned, 37.5% of those who had left the WISE by the time of the survey had been hired on a fixed-term full-time contract, and 12.5% on an open-ended full-time contract. Of the 18.6% that were unemployed, half earned unemployment benefit and half did not. It is worth pointing out here that the fact of working provided workers with a range of social entitlements, in that they registered for social security, and would thus in the future have the right to receive unemployment benefit if they found themselves without a job, as well as a retirement pension.

It is also worth highlighting that 21.8% of the workers who had left the WISE fell, by the time of the survey, under the heading “other”, made up of those inactive, mainly due to imprisonment, returning to some form of addiction or, in the case of women, caring for sick parents.

Women are more likely than men to leave the WISE without the prospect of a new job, due to a large extent to the frequency with which they must care for the weakest members of the family (the elderly, the young and the sick). It cannot, however, be claimed that WISEs

have no positive effect for women, since three of the WISEs are made up exclusively of women with very low qualifications and scant professional experience, and the time they spend in the WISE has a highly positive impact upon their self-esteem. In contrast, men with a family, living with a partner and often with children, do not leave a WISE without the prospect of another job. The social roles of men and women have an influence on the success or failure of the objective of labour integration of WISEs. Men, who are traditionally the family breadwinners, do not leave without having found a better job.

*Table 6: Current work status*

<i>Current work status</i>	<i>%</i>
Open-ended full-time contract	12.5
Open-ended part-time contract	3.1
Fixed term full-time contract	37.5
Unemployed without unemployment benefits	9.3
Unemployed with unemployment benefits	9.3
In school	3.1
Housewife	3.1
Others	21.8

In general, the personal motivation of the workers appears to be a determining factor in the success or failure of the period spent in the WISE. According to the information collected, most of those who left the WISE because they had found another job were concentrated in two groups: immigrants (60%) and those with “other social problems” (40%). In contrast, people who left the WISE voluntarily without perspectives of a new job were long-term unemployed - 50 % were people with a low level of education and training and the rest were young people under 25.

Immigrants constitute the group with the greatest possibility to find a better job whilst in the WISE, and their great motivation to improve their status may be the reason for this (they often have higher qualifications and work experience in their home country). In contrast, those with fewer possibilities of finding work whilst in the WISE are the long-term unemployed, who possibly feel discouraged, and those with low qualifications.

#### *Workers who continued working in the WISE*

Graph 4 provides data about the improvement in the skills of the workers who were still working in the WISE by the time of the survey.

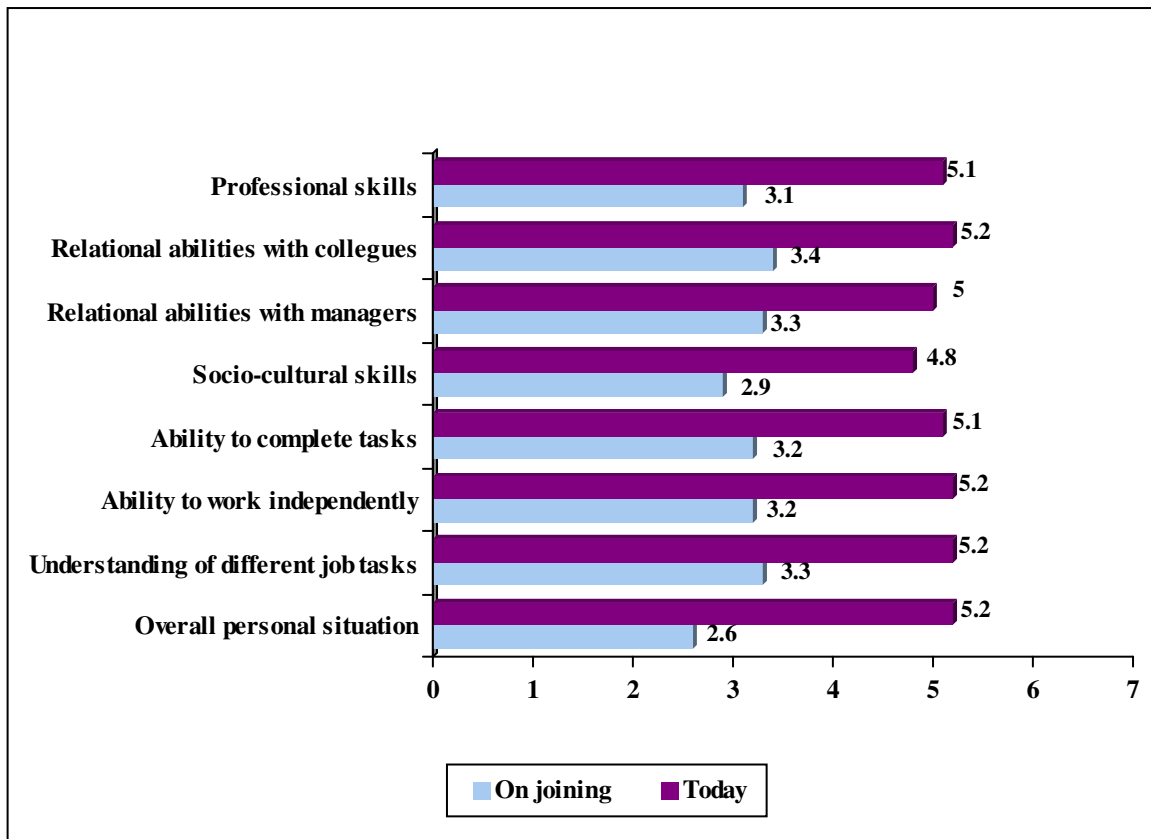
The scores of the workers who had remained in the WISE, as assessed by the time of the survey, were better than the scores of those who had left the WISE. The scores of the former reached 5 in almost all areas, whilst that the scores of those no longer working in the WISE only reached 5 in the area of “professional skills”.

The various areas are ranked below according to the importance of the improvement recorded (from the greatest to the smallest improvement):

- professional skills (+2),
- ability to work independently (+2),
- understanding of different tasks (+2),
- ability to complete tasks which one is in charge of (+1.9),
- socio-cultural skills (+1.9),
- relational abilities with colleagues (+1.8),
- relational abilities with WISE managers (+1.7).

The overall improvement is estimated to reach 2.6 points.

*Graph 4: Improvement in the skills of the workers still working in the WISE*



In both groups, professional skills had increased by two points, but those who continued to work in the WISE had also improved by two points their ability to work independently and their understanding of different tasks, both skills which are acquired through professional experience.

## Conclusions

One of the principal objectives of the PERSE project was to test the level of applicability to WISEs of the EMES definition of “social enterprise”. The main conclusion that can be reached is that the theoretical focus behind the definition of social enterprise is valid for Spanish WISEs. WISEs are enterprises carrying on a continued economic activity

producing goods and services. They are created voluntarily by a group of people and are run as autonomous projects, depending upon public grants to an extent of less than 20% of their income (data for 2001). Their developers and backers, together with enterprise staff, assume in its entirety the business risk of the day-to-day operation of the WISE. The enterprise's financial viability depends on the efforts of its workers to guarantee sufficient economic resources. 80% of WISEs' income comes from the sale of goods or services: 56% come from the private market and 38% from the public market. The business activity carried on by WISEs is the instrument which must permit them to achieve their goal: the work-integration of disadvantaged individuals. WISEs are created to provide a service not only to this group, but also to local and regional authorities in their fight against social exclusion and, indeed, to the community at large, in that they facilitate social cohesion within their area of influence. They are a true expression of public responsibility.

WISEs are business initiatives created by groups of people with a need to cover an unmet demand which the ordinary labour market and traditional public employment promotion policies do not completely satisfy: the social integration through work of those with a low level of employability. WISEs' governance is based, fundamentally, on the "one person, one vote" principle, and even on consensus.

Empirical work has also shown that WISEs are organisations with a range of strategies. The differences can be seen in a number of areas:

- Working conditions  
In intermediate companies, there is a temporary relationship between the user and the WISE, whilst in the case of end employers, after a certain period of time, the worker undergoing integration may become part of the WISE's stable workforce.
- Sources of financing  
The majority of monetary resources come from sales (76%), although some WISEs are still highly dependent upon subsidies. It can nonetheless be stated that Spanish WISEs are becoming increasingly independent from subsidies; the majority of them are almost self-sufficient. Those that are more dependent upon subsidies are, logically, those whose productive activity is less developed and that are more care and training-oriented. Most subsidies are not specifically intended for WISEs.

As a result of the analysis of the income of the 15 WISEs and of their non-monetary resources, two main groups have emerged, each of which can be divided into two sub-groups on the basis of the sectors that their customers belong to. These four models represent four different ways of achieving economic sustainability. The first main group of enterprises (Type 1) uses a greater proportion of non-monetary resources than the other. Generally, these WISEs make use of the social capital of the foundations and associations that back them.

The other main group (Type 2) is made up of WISEs which receive no support from any backing organisation or, if they do, they cannot (or do not wish to) mobilise non-monetary resources such as voluntary work. These WISEs are more dependent

upon the economic activity they carry on and have scant reliance on non-monetary resources. Inside this second main group of WISEs, we have differentiated between those whose customers mainly belong to the public sector and those which sell their products and services mainly to the public market.

Each WISE has developed a sustainability strategy based on its origins, objectives and context.

- Professional *versus* voluntary workers  
An inverse relationship has been noted between the need to use voluntary resources (in the form of voluntary work), and the level of development of the productive activity of the organisation. The greater the presence of a care-based and training component, the greater was the presence of voluntary workers. In contrast, the more market-oriented WISEs manage a greater number of professional resources and have a lesser voluntary presence.
- Governance and structure  
Of the 15 enterprises interviewed, only four answered that they were multi-stakeholder. The legal framework implemented from 2002 onwards requires that Spanish WISEs be end employers and that they opt for the form of a limited company or a co-operative. This legal requirement means that WISEs will progressively have to take on the formal appearance of a for-profit enterprise, but legally their backers have to be not-for-profit or public organisations. Nonetheless, it is again worthwhile pointing out that, in light of their economic activity, the type of people they employ and the conditions in which they must compete on the conventional market, they are not-for-profit organisations. They are social enterprises.

In intermediate enterprises, it is more frequent to find professionals and senior managers not taking part in the running of the organisation. In contrast, in end-employer enterprises, workers often form part of the WISE's governing bodies.

Due to a lack of recognition and legislation, Spanish WISEs belong to one or more networks. The principal goal of these networks is to lobby for the adoption of a legislative framework adapted to their activity and for their recognition by public authorities and society at large. Nonetheless, they still dedicate few resources to collaborating in lobbying and pressure group networks. Given that the productive activity of most of these WISEs is still not consolidated, they have to dedicate the majority of their resources to ensuring their sustainability, and the mobilisation of social capital through networks is considered of secondary importance. Conversely, enterprises with a more consolidated productive activity set aside more resources for the development of their social capital.

The efficiency of WISEs regarding the individual benefits for the workers engaged in the work-integration process cannot be judged on the basis of one single criterion. Each type of WISE has different goals. Whilst one type of WISE provides open-ended job contracts or contracts lasting for the duration of a project, others are more training-oriented and aim to

provide a forum for acquiring practical skills and professional experience. The research has demonstrated that the benefits are not just concerned with monetary income; some social rights, for example, are only acquired through work. There are also psychological benefits: working contributes to increasing the participants' self-esteem and helps to establish social networks, an essential element to achieve social inclusion. Lastly, it is necessary to point that we are living in a time of change and that we need to let time pass to know what the effects of recent Autonomous Community legislation on the development of Spanish WISEs will be.

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## Appendix

A number of Spain's Autonomous Communities have passed laws which specifically govern WISEs. In May 2003, these laws were the following:

- Andalucía

Decree 85/2003, of 1 April, establishing the Work Integration Programmes of the *Junta de Andalucía*, Official Gazette of the *Junta de Andalucía* no. 79.

- Aragón

Decree 33/2002, of 5 February, governing work integration enterprises and approving the ARINSER programme providing financial aid for the social and work integration for those suffering from or at risk of exclusion (BOA, 15).

- Canary Islands

Decree 32/2003, of 10 March, governing social and work integration in integration enterprises (BOC, 24).

- Catalonia

Act 27/2002, of 20 December, on legislative measures to regulate social and work integration enterprises (DOGC, 3 January 2003).

- Madrid

Decree 32/2003, of 13 March, regulating the collaboration of enterprises promoting and offering work integration for those suffering from exclusion with the Community of Madrid and establishing measures encouraging their activity (BOCM, 24).

- Navarra

Decree 26/2002, of 4 February, which amends Decree 130/1999 of 26 April, which governs financial aid for the implementation of social and work integration programmes aimed at those suffering from social exclusion (BON, 18 March).

- Basque Country

Decree 305/2000, of 26 December, governing the classification of WISEs, establishing the procedure for their recognition and creating a WISE register (BOPV, 2 February 2001).

Decree 1992/2002 of 30 July, governing the AUZOLAN programme for the work integration of those suffering from or at risk of social exclusion (BOPV, 13 September).

Order of 11 December 2002, governing aid for the creation and upkeep of WISEs (BOPV, 27).

- La Rioja

Act 7/2003, of 26 March, on social and work integration (BOR, 3 April).

Almost all of the nine remaining Autonomous Communities offer measures in support of the employment of those at risk of social exclusion, consisting in allowances or subsidies for those hiring such people, although there is no regulation, as such, of these enterprises.



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