

# ACROSS THE BORDERS



Social Economy  
in Europe

ELABORATI

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**INSTITUTE** OF SOCIAL SCIENCES  
IVO **PILAR**

# ACROSS THE BORDERS



## Social Economy in Europe

**Institut**  
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**Institute**  
of Social Sciences  
IVO **PILAR**



Zagreb, 2015

PROJEKT 5332

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iPRESENT

Installation Project for REsearch about Social ENTrepreneurship

*PUBLICATION 02*  
Across the Border –  
Social Economy in Europe

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This work has been fully supported by Croatian Science Foundation  
under the project 5332



## CONTENTS

īPRESENT . . . . .	5
Preliminary remarks . . . . .	7
Basic definitions and concepts . . . . .	9
Comparative analysis of the state of social economy in Croatia and in EU countries . . . . .	31
Conclusion . . . . .	37
List of references. . . . .	43



## **iPRESENT**

### Installation Project for REsearch about Social ENTrepreneurship

iPRESENT is an installation research project whose **main goal** is to **examine the capacities and potentials of social entrepreneurship as socially sensible and ecologically responsible business model in Croatia.**

Social entrepreneurship is one of today's most potent and challenging world-wide phenomena – and as such it is extremely suited for scientific research and follow-up. That is especially true for Croatia, where this progressive socio-economic model is facing not only its own inner challenges, but also the influence of the long-term economic crisis, growing unemployment, differences in development between regions and counties, low level of trust in society, and growing feeling of indifference and helplessness among the citizens of Croatia.

#### **Specific objectives of iPRESENT project are:**

- To provide a long-term scientific database open to all the interested stakeholders and to the public
- To periodically publish research papers and books on social entrepreneurship
- To test 3BL (triple bottom line) level of social enterprises in Croatia, i.e. to test the level of social impact and fulfilment of criteria for social entrepreneurship
- To produce a book that would contain counsels and describe the most important steps in the process of social entrepreneurship development for both the social entrepreneurs and stakeholders/institutions.

#### Particular activities that are to be part of the project:

- 17 focus groups involving initiators and employees of social enterprises
- 21 semi-structured interviews with the most important stakeholders

- Survey among youth (on a sample of 400 respondents) about the importance that social entrepreneurship has for the entire community and the future employment possibilities
- Producing 9 reports/publications that should follow the project thematically and/or document its progress
- Testing up to 10 Croatian social enterprises based on one of the scientifically relevant and applicable models of social impact assessment
- Continual consulting with the SEPAG (Social Economy Policy Advisory Group) – an operating advisory group of scientists created with an objective of ensuring the quality of the project implementation
- Organising the final conference upon finishing the project

Project manager is dr.sc. Dražen Šimleša, scientific collaborator at the Institute of Social Sciences Ivo Pilar in Zagreb. Collaborators on the project are: dr. sc. Anka Mišetić, dr. sc. Jelena Puđak, dr. sc. Filip Majetić, and dr. sc. Anita Bušljeta.

iPRESENT Project is financed by the Croatian Science Foundation throughout the period of three years, starting with 15<sup>th</sup> September 2014.

iPRESENT Project has a principle support of the Croatian Ministry of Labour and Pension System as a coordination body of the *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020*, starting from 14<sup>th</sup> November 2013 (KLASA: 910-08/14-01/04, URBROJ: 524-06-01-01-02/1-14-2).

## PRELIMINARY REMARKS

The second *i*PRESENT report is titled *Across the Borders – Social Economy in Europe*. Its main goal is to present the meaning and influence of social economy in Europe, especially the different ways in which such an economic and social development model was understood and adopted in various European countries. Relationship of a certain society to social economy and all its forms depends on the tradition and values of that society, on influence and heritage of the welfare state and a number of other factors that appear and are realized in European context in various ways. From that perspective, the present attitude of the European Parliament in Brussels towards the sector is especially interesting.

In order to fulfil the first objective of the report, we must first of all conceptually arrange the basic social economy terms. Those that are just getting familiar with the sector often find themselves entangled in a net of same or similar, or different and various basic principles and definitions: social economy and/or the third sector, social entrepreneurship and/or social enterprises, social entrepreneurs and/or social cooperatives, social and solidarity economy and/or simply solidarity economy. Although these terms are probably clear to the actors in the field, scientists and other stakeholders, for many others they represent complicated puzzles, making it easy for them to become „lost in translation“. The attempts to untie the knot of various different approaches and attitudes towards social economy and all the above mentioned derivatives, new concepts and terms, are reflected in the *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020*, which was analysed in the first report, *Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015*.

It is not rare that a single notion or theme – such as social economy – is defined and explained in various ways. This could confuse those that have only just entered this vast area, creating a sense of chaos. However, just as chaos in the universe is not far from order and patterns, here, too, one should accept that this is a complex and demanding subject, a collage of different shapes and colours which represent the abundance and variety of socially responsible and ecolog-

ically sustainable economic models. Moreover, regardless of the fact that social economy is comprised of long known models such as cooperatives, associations, mutual aid societies and others, terms such as social enterprise or social entrepreneurship are new and still subject to different interpretations and definitions. It is estimated that three quarters of all the academic papers and texts about social enterprises or social entrepreneurship were written in the first few years of the new millennium (Hulgård, 2013).

The second objective of this report is the analysis of the state of social economy in Croatia and comparison with several other European countries. The two reports – *Mapping New Horizons* and *Across the Borders* – together complete the first year of the iPRESENT project, and should be read and understood as complementary analytical research tools, each covering its own area. In the first report we dealt mainly with the state of social economy in the Republic of Croatia, while in the second report the focus is on the state of social economy in the European Union. However, because they deal with inseparable and common areas, each report does touch on the subject of the other report. It is not possible to understand the influence and significance of social economy and entrepreneurship in Croatia without understanding the influence and significance of European notions on Croatia, nor is it possible to understand all the subjects of this report without reflecting on the state of affairs in Croatia.

The main goals of the report *Across the Borders – Social Economy in Europe* are:

1. An overview of the sector's basic definitions and concepts in the sector.

It is necessary to mention that our attention will mostly be turned to social economy (and social enterprise) as a concept that originated from European tradition and views.

2. A comparative analysis of the state of social economy in Croatia and several member states of the EU.

The comparative analysis was conducted mostly in order to determine where the social economy in Croatia stands within European frameworks.

The fulfilment of these goals enables clearer understanding of the sector without diminishing its inherent hybridity and overlapping operating principles. This need for clarity may have been overcome in the EU countries in which the sector is strong, visible and has rich tradition. However, we deem that for a new player in the field such as Croatia, whose social economy sector has been developing for only ten years, it is extremely important to make the subject as clear as possible: when it all began and how it developed until today, and where Croatia stands in comparison with more or less experienced players in the field. In the first report we have stressed that social entrepreneurship and social economy are concepts that were imported to Croatia. Therefore, in order to fully understand them, we should venture across the borders.

## BASIC DEFINITIONS AND CONCEPTS

Regarding the subject of our report, it is easy to find different interpretations and usages of basic concepts and definitions. The subject of our report does not have a single conductor or perfectly rehearsed orchestra in which everyone knows their own part and place. Although there is no argument about the quality of performance, this subject resembles a free usage of instruments in which tones interweave and overlap, creating a harmony either on their own or together. In short, the subject of our report is a jam session.

Bridge, Murtagh and O'Neill (2014) enumerate as many as 16 synonyms that are used for describing the sector, be it non-profit sector, community organisations, volunteering or (broadly speaking) social economy.

Let us examine the following sentence more closely: “The concept of **social enterprise**, which today includes **social cooperatives** as one model among others, does not compete at all with the concept of **social economy**. It rather helps to identify entrepreneurial dynamics which are at work at the very heart of the **third sector**, within the various European socio-economic context“ (Defourny and Nyssens, 2014: 42). Even though this is a comprehensible sentence, or, to use the musical terms, a piece well composed and played, anyone not familiar with the concepts of social enterprise, social cooperative, social economy or the third sector might get lost in the maze.

Although needed and appreciated, social economy can be compared to a river with many currents, basins, bays and mouths. One often has a feeling that as soon as a definition or an answer to basic concepts appears, it is followed by “yes, but”. It is not rare that a term gets translated from a foreign language imprecisely, either because of the differences between languages or the differences between understandings of a given term. In our case, as many as three terms compete to become an umbrella term under which all others should gather: social economy, social entrepreneurship and the third sector. At the same time, actors in the field, scientists/experts, authors and other stakeholders are compelled to express their commitment to one of those three terms, even though

sometimes they accept two, or even all three options. Because of this, we deem it is important to explain their common starting point – which is a wish to base a business on principles different than those connected merely to profit, bereft of the notion of the world around us. However, it is equally important to explain the differences between those concepts – a task that was in Croatia already done well by Davorka Vidović (2012) in her unique doctoral thesis *Social Entrepreneurship in Croatia*, and Teodor Petričević (2012) in his report *Legislative and Institutional Framework for the Development of Social Entrepreneurship in Southeast Europe*. Considering that our report does not allow such depth, we recommend these papers for their quality and detailed analysis of the subject.

It is important to stress that whichever concept or model we choose, we have to be aware that we're not talking about charity work, philanthropy or socially responsible business. Although these concepts overlap with social entrepreneurship in certain options or approaches, their founding acts and working principles are vastly different. Humanitarian aid or philanthropy is focused on helping those in difficult situations; here, the users are almost passively awaiting help. On the other hand, social entrepreneurship is focused on finding active solutions to social and ecological/environmental problems. This was perhaps best described by Bill Drayton when he said that “social entrepreneurs are not content just to give a fish, or teach how to fish. They will not rest until they have revolutionized the fishing industry” (Ridley-Duff & Bull, 2013:194).

Furthermore, we must keep in mind that even though socially responsible business presently employed by corporations does benefit certain social or environmental areas, these benefits are merely a drop in a bucket of the overall business activities of a given corporation, and those business activities are mostly indifferent to social injustice. Moreover, when it comes to the environment and exploitation of natural resources, corporations behave irresponsibly. Therefore, it could be said that socially responsible business is a goal or a purpose of existence for both employees and users of social enterprises, while for corporations it is mostly a means of securing market share and profit rise (Petričević, 2012).

The concepts that should be explained are social entrepreneurship, social entrepreneur, social enterprise, social economy, social and solidarity or solidarity economy, and the third sector. Before we start defining them, however, it should be stressed that the terms social entrepreneur and social entrepreneurship are inseparable, just like the terms social enterprise and social economy. Solidarity economy is primarily understood as a part of social economy, which is why the terms are sometimes merged, especially in Europe. In other parts of the world, namely Latin America, and at some level in Canada and some other countries, solidarity economy is a specific concept, and thus it deserves a special mention. The third sector is the last attempt at synthesising various models and forms of responsible business under a single umbrella term, and thus also presents a separate whole.

## Social entrepreneurship

It first appeared in the USA when in 1989 Bill Drayton established the Ashoka Foundation with a goal of supporting social entrepreneurs. For Drayton, social entrepreneurship is entrepreneurship with ethical integrity, whose goal is not personal profit or maximization of profit, but rather a focus on social values (Vidović, 2012: 22). He has always stressed the importance of innovation as a way of thinking and acting, that is, of solving problems that have amassed in today's society. He envisioned a global movement of dedicated people – social entrepreneurs – which would use their actions to change the direction of global development for the better. The Ashoka web page reads: *Innovators for the Public*. The Ashoka Foundation was to help find these innovators and help them in solving problems that existed in their local communities and societies, that is, it was to help them create values such as: encouraging social innovation, contributing to market competition, encouraging socially responsible business, generating employment, encouraging citizen participation (especially in local communities), increasing solidarity and social cohesion and contributing to the social inclusion of marginalized groups (Vidović, 2012: 49-50). To this day, the *Ashoka Fellows* reached number of 3000 individuals from 70 countries all over the world. After Ashoka, similar foundations were established, sharing the same goals and principles of action. Out of these, the Skoll Foundation and the Schwab Foundation for Social Entrepreneurship can be singled out. As for education, the *Social Enterprise Initiative* was introduced at Harvard in 1993, where research methods were used in the context of social entrepreneurship for the first time in history. Two years later, J. Gregory Dees held first lectures on social entrepreneurship at Harvard that have by now achieved cult status. He stresses that “social entrepreneurship is not about starting a business or becoming more commercial. It is about finding new and better ways to create social value“ (Hulgård, 2013: 297). According to him, market is not successful in evaluating either the betterments in areas that are important for society, or public goods and benefits people gain from services they can't afford – and all these comprise the essence of social entrepreneurship (Levenson Keohane, 2013).

Although there is much confusion in the sector due to its numerous definitions (Cukier et al., 2011), social entrepreneurship is in principle considered to be an American approach to the subject – primarily because it is most developed in the USA. Accordingly, the whole concept is designed and imbibed by values, behavioural patterns and organisational models that can be found prevalently in the USA. There are two approaches to the subject. The one that wishes for non-profit organisations to enter a market is known as the “earned income” school of thought. In its broader version it includes for-profit activities and projects or corporations with a goal of mitigating or solving certain social prob-

lems. The other approach stresses the importance of social innovation and can be found in literature as the “social innovation” school of thought. This form is closer to the original concept of social entrepreneurship and is congruent with the ideas of Bill Drayton (Defourny and Nyssens, 2014). Of course, as it is always the case with this subject, those divisions are in reality less strict, the boundaries are flexible, and implementation of ideas sometimes includes both approaches.

Today, social entrepreneurship functions like a general trend, a zeitgeist, one could even say a social movement – only as such, it is able to absorb various legal models and types of organisations, and (in accordance with everything written above) distinguished individuals.

Prasziak and Novak identified five fundamental pillars of social entrepreneurship: social mission, innovation, social change, entrepreneurial spirit and personality (Bridge, Murtagh and O’Neill, 2014). Similarly, OECD defines social entrepreneurship as such entrepreneurship that seeks to offer innovative solutions to existing social problems (MRMS, 2015: 7). Because it neither adds nor subtracts from social entrepreneurship, this definition is probably the best. It focuses on the three basic determinants: that it is an entrepreneurship, that it solves social problems and that it employs innovations in the process. Anything more or less than that places social entrepreneurship out of focus. Dees stresses that social entrepreneurship “helps to broaden the playing field” (Vidović, 2012: 38). The most important thing here is to solve social problems – and the actors range from individuals, corporations, non-government organisations and public institutions.

## **Social entrepreneur**

Social entrepreneurship is inseparable from entrepreneur. A person and their qualities are bearers of change, but also a guarantee of the entire process. For Dees, “social entrepreneur is the centre of the social entrepreneurial process” (Vidović, 2012: 40). Schuyler emphasizes that social entrepreneurs “exhibit all the skills of successful business people as well as a powerful desire for social change” (Petričević, 2012: 34).

Social entrepreneurs are outstanding individuals or contemporary heroes – the “restless people” (Bornstein, 2007). Through Ashoka, Drayton looked for the “passionate, resourceful, system-changing, history-making innovators” (Levenson Keohane, 2013: 10). That is proven by a fact that more than half of social entrepreneurs that were given grants by the Ashoka Foundation initiated public policy changes in their countries within the first five years of their activity (Drayton, 2006). Social entrepreneur is a “path breaker with a powerful new idea“, “totally possessed by his or her vision for change“ (Mair and Marti, 2006; Petričević, 2012: 34). Considering that social entrepreneurs come to the

scene and solve social problems without further ado, the president and CEO of the Skoll Foundation Sally Osberg stresses that instead of “social capitalists“ we should use the term “social CAT-apultists“ (Skoll Foundation, 2007: 2). Social entrepreneurs are explorers that are willing to try new ideas – ideas that help others. More than anything, they are action-oriented, which enables them to “learn primarily through experimentation, not just by relying on theory“ (Bornstein and Davis, 2010: 82). As Spreckley says, social entrepreneurs are capable of organising and motivating others, that is, they are capable of “recognizing opportunities for new entrepreneurial projects“ (Petričević, 2012: 33).

Some descriptions, like the following by the Skoll Foundation, leave impression that one is talking about superheroes from popular movies: “A change agent: a pioneer of innovations that benefit humanity... pragmatists that are focused on new solutions and are daring in solving some of the world’s most pressing problems” (Vidović, 2012: 41-42). Pioneers and pragmatists that we find in literature vary from evident, such as Victoria Hale who leads the first non-profit biopharmaceutical company OneWorld Health with a goal of providing medicine for contagious diseases in underdeveloped countries, regardless of whether people can afford it or not – to the ever-present Muhammad Yunus and his “bank for the poor”, i.e. Grameen bank which uses microcredit to support the development of local economy and (self)employment of (mostly) women in Bangladesh. There are likable stories such as the one about Robert Redford and his Sundance Institute, which is also registered as a non-profit company, and the related film festival that seeks to support independent film makers and offers them space to present their work (Martin and Osberg, 2007). However, in the club of innovative leaders that are “daring in solving some of the world’s most pressing problems”, there’s enough room for some world-renowned philanthropists belonging to the circle of the richest people in the world, regardless of the fact that their mother companies and businesses are based on information and knowledge restrictions, market monopolization, exploitation of cheap labour and environment pollution. The reasons for this discrepancy can be found in the criteria which are less demanding than those for social enterprises – which will be explained later in this report.

Social entrepreneur is omnipresent and “free” – both subject and organisation-wise. He chooses his own activity area and the legislative framework through which he will act. It is important to stress that he acts in three ways:

1. By changing the “undesirable” market situation – and by this we refer to the population that lives on less than 4 dollars a day, which is two thirds of the world population, and often outside the usual market schemes.
2. Intelligent mediation – connecting the hitherto unconnected processes, institutions and people in order to create a positive social change

3. Fixing non-functional systems – often by innovative interventions in areas such as public health service or other relevant areas that have been dehumanized by profit maximisation, insufficient capacities or poor quality (Frankel and Bromberger, 2013: 24-25).

## **Social economy**

Unlike the USA, where the development of “new economy” was based on promoting the exceptional and charismatic business revolutionaries or non-profit organisations with entrepreneurial ideas and projects, in Europe the basis was – next to the associations – the centuries-old experience of cooperatives, foundations and mutual aid societies, together with the strong synergy between solidarity, social justice and economy.

Therefore, what is emphasised in Europe is the collective dimension of social entrepreneurial idea or project, and (which is the greatest difference between the US and European approaches) the principle of management and communication that is given the same importance as the social and entrepreneurial dimension.

In the European context, neither the idea nor the implementation of social entrepreneurial project are separated from the local community and its general good. The first cooperatives and benefit societies were founded at the beginning of the 19<sup>th</sup> century as a reaction to the early wild capitalism and a way of practical implementation of solidarity and care for others. The term *économie sociale* was coined by the French economist Charles Dunoyer in 1830, and was given a fresh appreciation in the late 1980s and early 1990s. It could be said that the sector was influenced by the zeitgeist and the prevalent relation of the elite to the new developmental social policies. The period after WW2 and application of the idea of welfare state caused the sector to enter the “silent phase”. In the 1970s, however, the welfare state started to fall in its own silent phase and the neoliberal capitalism started to emerge as a new prevalent attitude of the elite. These events led to the mass mobilisation of social economy actors on their way to fulfil the empty space – a number of social rights and the question of quality of life that was up until a few years ago universally and unequivocally provided by welfare state. That is when “new public governance” appears on the scene as a new model of public governance – one that has no relation to the common civil rights or collective understanding of those rights, but instead expects citizens to seek realisation of their rights individually, i.e. to accept commodification of social services. It is a system in which citizens choose services for themselves following the consumerist way of thinking (Ridley-Duff & Bull, 2013). As a consequence, citizens disappear and are replaced by clients, consumers, users of social services or previously acquired citizen rights, such as education or health care (Vidović, 2012).

Taylor (2013) thinks that the strengthening citizen participation and innovative ideas appearing from below can be monitored as a reaction to the great changes that occurred on the level of public policies towards the end of the 20<sup>th</sup> century in Europe:

1. Crisis of development policies – the post-war development was stopped worldwide because of the oil crises in the 1970s, the economic crises that followed, state debts and fiscal insolvency.
2. Abolition of welfare state – neoliberal ideology led to repealing the right of citizens to public services.
3. Democratic deficit – a consequence of disappointment in politics and those that represent it.
4. Moral agenda – crises were always a fertile ground for moral deviation, human rights fragmentation and tension between various social groups, religions and races.
5. Globalisation process – the final act in which politics begins to move out of the purview of the citizenry and enter often invisible and elusive spheres of global institutions, such as World Bank, IMF, WTO, banking conglomerates and business interest groups.

Civil society and activists reacted to these changes first by doubling their efforts on local levels and increasing participation in local communities, and then by venturing into an exploration of the idea of “globalisation from below”.

Many warn that one cannot talk about a causal connection between the crisis of the welfare state – neoliberal capitalism – the revival of the social economy, because even though in the period after WW2 the work of social economy actors was in the silent phase, it was nevertheless present and developing, only not as visibly as before and not as a part of national and European state policies and documents. The European Commission adopted the *Communication on Business in Social Economy Sector* as early as 1989, which served as a basis for the financial support for social companies and projects (Vidović, 2012). Furthermore, the Social Economy Intergroup was established for the first time in the European Parliament in 1990.

Also, it must be stressed that in certain European countries redevelopment of the sector began before the obvious change of course – primarily because the quality of state services started to drop, no longer being efficient or quick enough to meet new needs (Borzaga and Galera, 2012). Therefore, it is not a coincidence that the “new birth” of a movement happened in Italy, where people started to organise on their own, from below, even before the offi-

cial abolition of welfare state – securing services that were not in their job description. That is how untypical cooperative initiatives started to emerge in Italy or, for example, in Canadian province Quebec. These cooperatives played their social roles and used creative and innovative solutions for betterment of the social position of marginalized groups even before the subject became public knowledge (Neamtan, 2002; ILO 2011). The pressure they created, the advocacy and field work they performed led to the adoption of the new law on social cooperatives as separate legal subjects in 1991 in Italy – which is considered to be the first time the state recognized the sector and offered institutional and legal support. Soon after, similar acceptance of the sector started to spread across Europe, mostly in the areas of social rights and general quality of life in community and society.

In 1996 the scientific research network EMES (Emergence des Entreprises en Europe) is created in order to monitor the development and approach to the sector in various European countries. What is today known as Social Economy Europe, the strongest representative network for the sector in the EU, was founded in 2000 as the *European Standing Conference of Co-operatives, Mutual societies, Associations and Foundations* – CEP-CMAF.

Regardless of whether we consider the abolition of the welfare state to be the only or main cause of the strengthening of social economy, or that the fall was inevitable because it was thus decided in political and economic circles, the question remains – isn't it better to have strong and concrete sector than have the empty space filled by the market with its rules and laws? Over the past few decades we have had an opportunity to monitor the countries all over the world in which the market took the lead in care for the poorest, education, health, security and quite a number of areas important for any society. At the same time, great economic powers are often countries plagued by economic inequality and problems, which places them close to the definition of “dysfunctional societies” (Wilkinson and Pickett, 2009). Evers and Laville think that the status, the role and the responsibility of the state is precisely what decides the way in which social economy will develop in that state (Laville, Lévesque and Mendell, 2007; Alexander, 2013).

Defourny (2014) stresses that regardless of our stance on the state evading responsibility for social rights and services, we should be aware that what is happening is the transition from the “welfare state” to “welfare mix” condition, in which dealing with social rights and services is divided between public administration, private pro-profit businesses and social economy actors or the third sector. Laville also emphasises that the marketization of the social sphere is at work parallel to the development of a new type of economy: social or solidarity economy (Vidović, 2013).

One cannot say that the social economy sector did not take the opportunity seriously by becoming an unavoidable actor in the welfare mix. 40 million people all over the world work in social enterprises, with the support of 200 million volunteers (Frankel and Bromberger, 2013). The European social economy sector alone employs 14.5 million people – almost 6.5% of the total number of employees (Social Economy Europe, 2015). The sector proved to be especially resilient during the last economic crisis: in France, social economy generated 18% of new jobs in the period 1006-2008; in Italy, employment in cooperatives in the period 2007-2011 grew 8%, while generally it dropped 1.2% and in private sector 2.3%; in Spain the sector started to recover from the crisis in 2011, employment rising 4.7%, while in other sectors it was still in decrease (EC, 2013). According to the OECD research on the influence of the crisis on creating and preserving jobs in the European social economy sector during the period 2010-2011, only 11.3% of companies registered decline in business activity, while 42.3% of social economy entities registered growth in the number of employees (Noya, 2014).

Chart 1 (next page) shows the percentage of employees in the social economy sector per EU country (EC, 2013: 46):

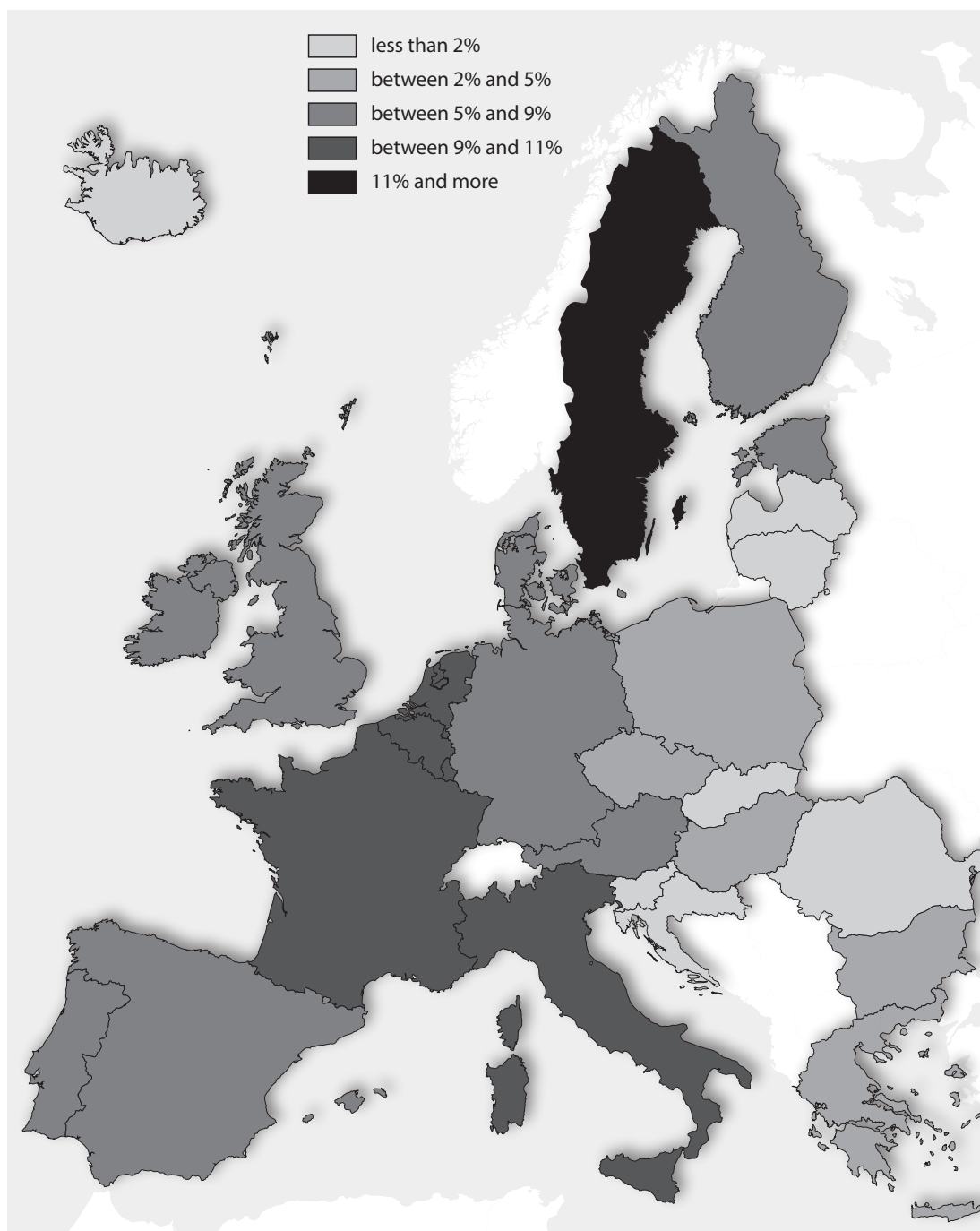
Next to the quantitative indicators of the employment growth, it is important to stress that several researches prove contentment of users and employees in social economy organisations (EC, 2013; Bell and Haugh, 2014), i.e. the high level of their intrinsic motivation for working in social companies (Borzaga and Depedri, 2009).

Borzaga and Tortia (2014) point out the principles upon which social economy organisations are based:

1. The founding aim is a response to an emerging need in society
2. The presence of allocation principles based on solidarity and reciprocity
3. The inclusion of participation modalities and a democratic decision making process in the organisational structure.
4. A plurality of resources (tenders, market, services...) – in order to achieve financial sustainability and avoid dependency upon a single resource

The new models of social economy are important because: they lessen marginality of the most vulnerable either by securing services or by employment; they use innovative models and approaches in securing social services; this enables them to meet the needs of various groups and create the way of thinking and

Figure 1. – Percentage of employees in the social economy sector per EU country



acting that is entrepreneurial and active – not only for themselves and their loved ones, but for the entire community and society (Hulgård, 2014).

It has been shown that two types of such activities are prevalent in Europe. The first one is integration of the most marginalized and excluded individuals in the labour market – the Work Integration Social Enterprises – WISEs. Countries with well-ordered legal and support systems are rather successful at that. For example, more than half of those employed by WISEs used to be members of marginalised groups (Galera, 2010). The other most frequent type of activity in Europe are so-

cial community services for which social economy developed a series of innovative and practical models during the past few years (Defourny and Nyssens, 2010).

Despite the tradition that relies on cooperatives and civil society, new social economy models in Europe bring novelties that are a direct consequence of the present political and economic situation in the EU countries. That is why Defourny (2014) warns that besides continuity, we must speak about new and innovative products (education and training, child care, eldercare, marginalized groups, ecological products...); new models of organisation/work (paid work, overtime work or part time work, volunteering, users, partners, public administration...); new market relations (projects and tenders, direct contracting, public procurement, new forms of cooperatives such as energy or user cooperatives, local currency...) which were not present in the extent they are today or have never existed before. That's why it is important to put the existing models of social economy in a wider context of decentralization of power, local forms of representative democracy with higher level of citizen participation, securing rights and visibility for marginalised groups and minorities, social platforms for gender and racial equality, new views on the meaning of quality of life and environmental issues (Lloyd, 2007).

It all leads to new forms of companies, and the fact that they are organised differently in different EU countries illustrates the complexity of the subject: social solidarity cooperatives (Portugal), social initiative cooperatives (Spain), limited liability social cooperatives (Greece), common interest cooperatives (France), social cooperatives (Italy), cooperative companies with a social aim (Belgium), community interest companies (UK).

## **Social enterprise**

In Europe, social enterprise is a specific legal entity which fully illustrates the variety of social economy – because different European countries regulate social companies in different ways. Gordon (2013) analyses social enterprise by creating typology based on different historical traditions, which represent distinct purposes, i.e. founding aims. He enumerates the following fundamental purposes: mutual purpose, community purpose, altruistic purpose, ethical purpose, private market purpose and public statist purpose. According to his research, as much as three quarter of social enterprises are hybrids, i.e. their founding aims include two or more above listed purposes. This, of course, makes the analysis and definition of social enterprises in Europe that much more complex.

Because of the rich tradition of cooperatives, civil societies and mutual aid societies, many think that social enterprise is a new evolutionary direction of social economy; a different continuation of the same action; a new branch of already well-branched tree. Because of this, it is considered to be a European concept of new business and, wider than that, of managing social relations that is more

considerate, solidary and just. When the Italian Parliament adopted the law on social cooperatives as separate legal entities in 1991, it was clear that they were elevated above the “ordinary” cooperative level; the emphasis was on their social mission. As one of the managers of a social enterprise said: “The value of our business is in improving the value of society itself” (Denny and Seddon, 2014: XV). In other words, in social enterprise there are no shareholders that keep the excess revenue themselves – only stakeholders that collect the excess of social value or the results of the realisation of a social mission of an enterprise (Bridge, Murtagh and O’Neill, 2014).

EMES chooses to study social economy through social enterprise as a new social actor. This approach was accepted by the EU, which is evident from the fact that Social Business Initiative was adopted in 2011 with an intent to „support the development of social enterprises, key stakeholders in the social economy and social innovation“ (EC, COM(2011)682: 5).

At the very beginning of the document which regulates the Social Business Initiative, it is said that social enterprises are:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice (Ibid: 2)

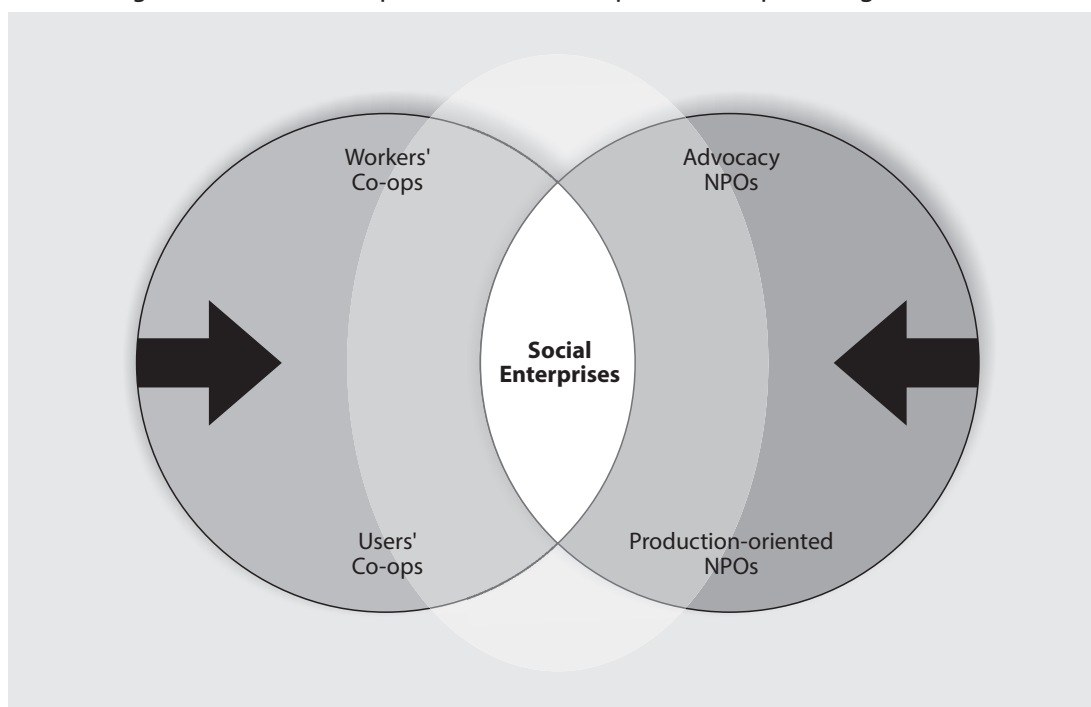
In the same document, it is defined that “a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities” (Ibid: 2).

Because of this, some claim that “social enterprise is a process rather than a product; it is ‘not just about goods and services, but also about political and social co-ordination” (Bridge, Murtagh and O’Neill, 2014: 129).

Among the first to define social enterprise was Freer Spreckley in 1978: “Social enterprise is a legally registered organization that carries out commercial and social operations and is jointly owned by its members on the basis of each member having one voting share through which the organization is democratically controlled.” (Spreckley, F., 2010)

As is illustrated below, Defourny (2014) places social enterprise between cooperative and association:

Figure 2. – Social enterprise between co-ops and non-profit organisations

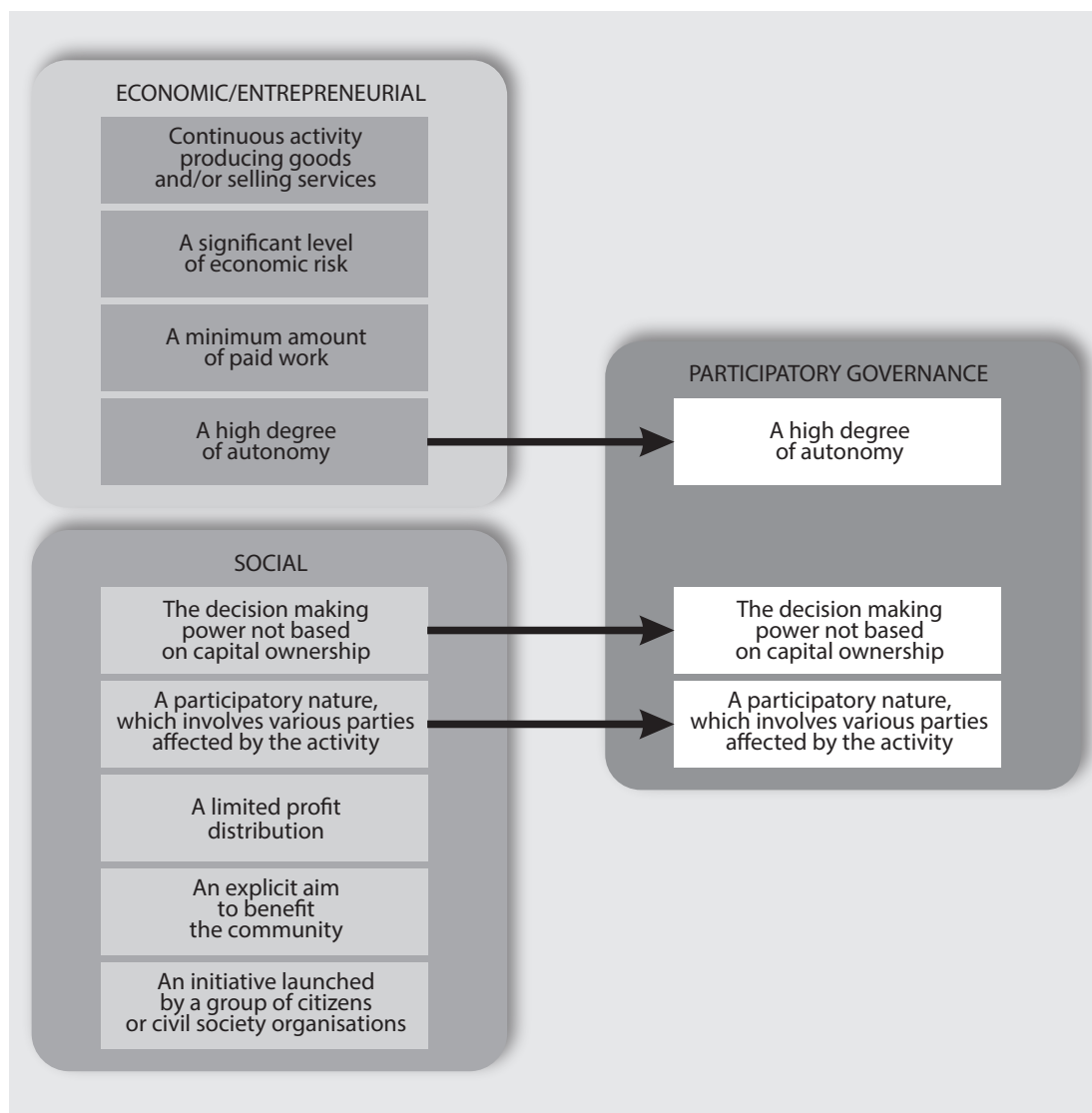


Considering the variety of informal initiatives or legal entities that appear on the social economy scale, two points of diversity, or should we say divergence, should be singled out. One is the relation of an entity to the market, or the desire of an actor to impose itself on the market as a relevant factor. For example, cooperatives focus mostly on the market, while associations and informal initiatives often do not even see the market as a part of their character, activity or identity. The second point considers the relation to participation management, inclusion in the working process and models of managing a process or a legal entity. In this case, cooperatives and benefit societies are focused mostly on their members, while associations, non-profit organisations and various general interest organisations organise their activities according to the expectations and needs of local community and society in general, taking into account the consequences of their activities (Defourny, 2014). Therefore, social enterprises combine market presence with a strong sense of community and social presence. That is why they are considered to be a new stage in the evolution of social economy, a stage at which the best elements of non-profit organisations are combined: market presence of cooperatives and social sense cultivated in associations. Regardless of what they may stress as their objective – social mission or profit in the sense of economic sustainability – the main motivation is not profit maximization, but a decision to reinvest the profit back into community in order to accomplish social goals (Petričević, 2012).

Social enterprise analysis developed by the EMES European Research Network employs nine indicators previously presented in two subsets (economic/entrepreneurial and social dimensions). While the nine indicators stay the same, now

they are presented in three subsets – the third being participatory governance. We can see the indicators and the dimensions they belong to in the following chart:

Figure 3. – Social enterprise indicator



The reasons for this change stem from the aspiration to stress the collectiveness of the process within the area of social economy and to more closely define the EMES position in comparison with other approaches and views. The EMES indicators “constitute a tool, somewhat analogous to a compass, which helps analyst locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply“ (Defourny and Nyssens, 2014: 48).

Some authors, such as Ellerman, give importance to the indicators that now belong to participatory governance dimensions: “An enterprise becomes social

when it rejects private property rights as the sole rationale for participation rights in management and governance“ (Ridley-Duff & Bull, 2013:51).

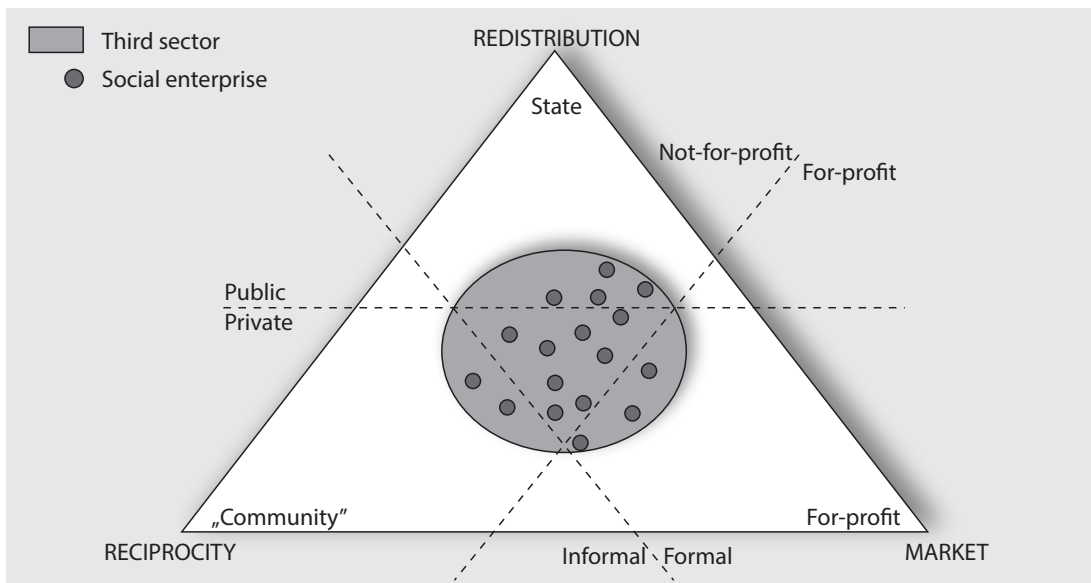
Of course, if we put definitions aside, what remains are everyday needs – which, within the framework of social economy, come down to employment growth, especially among the less employable groups. Thus it is defined in the document titled *Integrated Lisbon Guidelines for Growth and Jobs 2005-2008*. The funds for this project were secured by the EQUAL programme which ended in 2008, by the European Social Fund and the European Regional Development Fund (Vidović, 2012).

Accordingly, we can agree with Perrini when he says that „Social enterprise entails innovations designed to explicitly improve societal well-being, housed within entrepreneurial organization, which initiate, guide or combine change in society“ (Ridley-Duff & Bull, 2013: 65).

Even more detailed and profound illustration of the position of social enterprise in the third sector is given by Victor Pestoff. The inner sides of the triangle represent the main actors: the state, private for-profit companies and communities. The outer sides of the triangle are the Polanyian principles the three types of actors rely upon in plural economy (Laville, 2013). The market is based on the need for creating profit by selling goods and services, the state is based on the need for redistributing the obtained to end users, the citizens of a certain country, and the “community” is based on equal relations and interconnection or reciprocity. It is important to create awareness of the fact that without respect and social justice, there is no reciprocity principle. Stefano Zamagni points out that it is important to understand “reciprocity as an authentic economic principle with wholly distinct characteristics that embody social as opposed to merely commercial attributes” (Restakis, 2006: 10). In that context, the cycle of reciprocity is opposed to market exchange because it is an integral part of human relationships: the fact that we are a part of a greater whole; and different than the state, because it is free and no central authority is imposing it (Laville, 2013; Defourny and Nyssens, 2014).

The social enterprise triangle is depicted in the following picture (Defourny and Nyssens, 2014: 50):

Figure 4. – Social enterprise as a combination of various actors, logics of action and resources



Considering this is one of the most evident depictions of the overall complexity and reach of the third sector, it should be explained more clearly. The broken lines within the triangle that connect various kinds of activities are anything but arbitrary; they represent the complexity and elusiveness of the concept, because the empty space between the lines is in reality filled with social enterprises, which can be also found on boundaries and crossings. Actors are placed on a see-saw of for-profit and non-profit orientation, between the public and private character, and between the formal and informal type of organisation. For-profit are cooperatives, and non-profit are numerous associations or voluntary activities; social cooperatives that are part of direct contracting with administrative units of local and regional government are public in character, and manufacturing enterprises are private in character; formal organisation is favoured by many actors, ranging from ethical banks to social and cultural centres, and informal organisation can be found in ad-hoc initiatives or in indirect self-help that is organised by citizens for citizens. In the middle of the Pestoff triangle, the shaded area represents social enterprises within the third sector, and the fact that the area covers the boundaries and crossings is what Emerson calls the “blurring frontiers” of the social enterprise landscape (Defourny and Nyssens, 2014). That’s why it has to be emphasised that the third sector is the central sector – it is not separated from the state and the for-profit sector, but it does work on different principles. Petričević (2012: 23) cites Salamon and Anheier which point out that the social economy “is thus seen to be situated at the meeting point between the market forces that promote economic efficiency and State intervention that promotes social justice.”

### **Social and solidarity economy – SSE**

In the European context, social and solidarity economy is related to social economy as its most distant trend which emphasises the importance of plurality in

economy and economic models different than capitalism (Gonin et al., 2013), or the model that opens “postcapitalist possibility” (Amin, 2009). It is promoted mostly in the Mediterranean countries, especially in France, but it can also be found in some African countries. In other countries in the world, especially in Latin America, the term solidarity economy is used, and the model is considered to be an alternative concept – a unique and acknowledged alternative concept. The National Secretariat of Solidarity Economy (SENAES) was founded in 2003 in Brazil, while the Law on Solidarity Economy was adopted in Ecuador in 2011. The National Plan for Good Living (the “buen vivir” concept) in Bolivia contains solidarity economy as a priority development model (Morais, L.P., 2014). In Argentina today it is legally possible to choose a model now officially called Argentina’s Worker-Recuperated Enterprises – formerly investor- or privately-owned businesses in crisis ultimately taken over and re-opened by their employees. Those enterprises contribute to the general development of community and fulfilment of its various needs. They often harbour art laboratories and workshops, small health clinics, theatres, movie theatres and other public programs (Vieta, 2014).

In most Latin American countries solidarity economy took over the role that social cooperatives or other forms of social enterprises have in Europe; it reinvests profit into the community, it is participative and co-determinative, and connected to local communities.

Numerous authors and those that are familiar with the state of affairs stress that solidarity economy in, for example, Brazil, is more than a concept focused on employment growth or helping marginalized groups – it provides a “philosophy for life, a new economy and a new way of organising production” (Lechat, 2009: 162) or a tool for “organising hope” (Dinerstein, 2014: 8).

Between the arguments about whether social economy is an innovative, yet integral part of the mainstream economy, or a part of counter-discourse of the participative, non-capitalist economy that emerges in the areas of social services and innovation (Hulgård, 2014; Marques, 2014), SSE tends to lean towards the second option. Even though there are those that claim that the difference between social and solidarity economy is unclear, it seems that solidarity economy is almost always a step ahead and that it plunges deeper than social economy. As is the case with other concepts dealt with in this report, here too it is evident that the common framework or a consensus about the definition of SSE is missing. For example, the International Labour Organisation (ILO) defines SSE as “organizations and enterprises that are specifically geared to producing goods, services and knowledge while pursuing economic and social aims and fostering solidarity” (ILO, 2014: 192). Were it not for the solidarity at the end of the sentence, one might conclude that this is a definition of a regular enterprise. Paul Singer, who is considered to be the creator of the term, considers that “solidarity-based economy represents a model for inclusion in the labour market of people with socio-economic disadvantages, moving away from a welfarist logic and moving in the direction of social, economic and cultural integration” (Lopes, 2014: 36).

On the other hand, the Intercontinental Network for the Promotion of Social Solidarity Economy (RIPESS, 2015) claims that SSE gathers not only organisations and enterprises, but also social movements that strive for democratisation and transformation of economy (Hillenkamp, Lapeyre and Lemaître, 2013; Laville, 2013). Social economy is either seen as a part of liberal-capitalist system that simply wants a space within system in which social enterprises and other economic models can function, or is considered a “Trojan Horse” – a means to marketise all aspects of life and rescind the state’s responsibility for the implementation and advocacy of certain rights (Lloyd, 2007). When solidarity economy and social economy work towards the same goals, solidarity economy can be defined as “economic activity neither controlled directly by the state nor by the profit logic of the market, activity that prioritizes the social well-being of communities and marginalized individuals over partisan political directives or individual gain”, where social is being understood as “the space of community where the individualism of the market and the alienation of state bureaucracy are replaced with community voice and economic activity responding to community need” (McMurtry, 2013: 12).

Solidarity economy takes a step further, seeking “social and systemic transformation” through economic models - which is in itself a critique of capitalism as a system (RIPESS, 2015). Bruni and Zamagni (2007) say that social enterprises “humanize” the production, but lack potential for more – where the two of them see the concept of citizen enterprise that actually embodies the reciprocity concept. The terms used in that area are redistributive justice, deep sustainability, alternatives to capitalism and debt economy, and finally, demands for participative democracy and emancipation policies – in which are included, besides active citizenship, social movements. Because of all this it is stressed that „SSE is inherently political“ (Dinerstein, 2014: 8).

SSE does not include only the usual social economy actors or those that belong to the third sector, such as cooperatives, enterprises, associations offering goods and services, but also informal groups and benefit societies, production and sales networks that share solidarity principles, fair trade networks, informal economy associations, local systems of trade exchange, local and alternative currencies, sharing economy, management of common resources and others (UN Inter Agency TFSSE, 2014). That’s why it is said that solidarity based initiatives tend to decommodify the three areas that should not be the source of personal enrichment and power: land, work and money (Gardin, 2014).

SSE want to re-examine power relations through economy by giving priority to social and ecological needs over profit, by insisting on ethical economy and democratic management in business, and by encouraging active citizenship. This is not only economic strengthening, but also political; solidarity economy is a step forward in the process of the democratisation of economy (Laville, 2014). Solidarity economy thus encourages „ethical organisation of society“ (Utting, van Dijk and Mathei, 2014: 9).

## Third sector

The last of the great general concepts is the third sector, which is supposed to reconcile the US and the EU understanding and practices of social economy. It should represent a meeting point, a space which anyone can enter and exit, the widest agenda possible for all the approaches and models in the sector. EMES sees the third sector as a “neutral term, free of an a priori link with any theoretical or ideological tradition. This, however, implies that the same word, ‘third sector’, can have different meanings” (Bridge, Murtagh and O’Neill, 2014: 45).

The FP7 tender under which the Third Sector Impact project is operating emphasized that “there remains a kind of conceptual ambiguity” about the “manifold types of entities that co-exist in the third sector” (Salamon and Sokolowski, 2014: 4). Nevertheless, there is a wide agreement on its three underlying features:

- a) Forms of individual or collective action outside of for-profit businesses, government, or households
- b) Undertaken to create something of value primarily to the broader community or to the persons other than oneself or one’s family
- c) Pursued voluntarily and without compulsion (Salamon and Sokolowski, 2014: 17)

The concept of the third sector gained wide approval in the UK. The third sector, as defined by the government, refers to “non-governmental organizations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organizations, charities, social enterprises, cooperatives and mutuals” (Borzaga, Galera and Nogales, 2008: 16). Therefore, it encompasses the same areas as social economy – with one technical exception. The third sector in the UK avoids the term Civil Society Organisation because CSOs include trade unions, minority rights organisations, spiritual and religious organisations and various others, which exceeds the limits of the third sector.

The concept of the third sector is also important because of the attempt to overcome the differences in understanding of the sector in the USA and EU respectively. Some of those differences are:

1. Main actor – in the USA that is an individual – social entrepreneur, while in Europe it is a collective that acts in the name of the community
2. Management – less important in the USA, crucial in the EU – especially in the sense of democratic management or participative decision-making process that strives to fulfil a social mission
3. Support – in the USA, the sector is supported by wealthy philanthropists and corporative foundations, and in Europe by national governments and institutions

There are differences even in the understanding of the same concepts. In Europe, social enterprise is a unique legal entity with clearly defined rules and roles, the

most important being social mission, entrepreneurial activities and democratic and participative management models. This is considerably different than the definition used by the Social Enterprise Alliance – SEA, the leading US sector network: “A social enterprise is an organization or initiative that marries the social mission of a non-profit or government program with the market-driven approach of a business” (SEA, 2015: 1).

The differences in views reflect in the social enterprise positioning, which is in Europe (as is evident from the schematic depictions of Defourny and Pestoff (Defourny, 2014; Defourny and Nyssens, 2014)) a core of the sector, while in America social enterprise is on the rim of the third sector (Ridley-Duff & Bull, 2013).

The concept of the third sector points directly at the space between the state and the business sector, and when it comes to encompassing business models and social action models, it goes well beyond existing concepts. For example, cooperatives active in the market are a part of the third sector just like advocacy organisations that function almost exclusively through tenders and donations.

Redistributive role of the state is the only one that can be based on generalities and equal rights for all men, but it too can be marked by clientelism and slowness. The market is efficient, but also irresponsible and focused mostly on short-term profit accumulation regardless of the consequences. The third sector takes the best of both worlds and nullifies their flaws. It is efficient and can boast a general perspective that seeks to include all the interested parties (Alexander, 2013).

Some have greeted this attempt at merging in the above described way, which is why in Europe there is talk of the “(re)discovery of the third sector” (Defourny, 2014). Some authors stress that the differences between social economy and the third sector are extremely porous and thin. Others like to stress that Europe should stick with the original and integral concept of social economy, deeming the third sector to be a narrower concept and therefore less suited for the European tradition and society (Hulgård, 2014).

One should not be surprised if at the end of the chapter *Basic definitions and concepts*, after various options and approaches to the subject, one feels somewhat dazed. The feeling only grows stronger when we face the fact that’s been mentioned a few times already: that even the same terms and concepts are defined and understood differently, which means they are subject to different public policies and different management models. As a reminder: social enterprise in Europe is based on the principle of the equality of social and economic goals and democratic principles, and is owned by its employees or local community. In the USA, informal initiatives, non-profit organisation programs and government programs that use market for their ideas are mentioned as possible forms of social enterprise. The subject of our report ranges from those that support philanthropy as a form of mitigating social problems of the present day society or corporative social responsibility as a form of mitigating PR difficulties of the

business world, to those that seek to employ social and solidarity economy to transform power relations, protect rights of marginalized people, fulfil the goals of the sector, or even found a political party for social economy (Pierce, 2009; Ridley-Duff and Bull, 2013). We must accept that the subject of our report is to social sciences what quantum physics is to natural sciences: there seems to be no rules or laws in the system, yet everything functions, following specific samples and unclear principles that are actuated in specific social circumstances.

The differences between approaches were emphasised by the fact that they evolved in parallel trajectories, remaining isolated until a decade ago, when the first comparative analyses and researches were conducted (Defourny and Nyssens, 2012)

What follows is a table given by Ridley-Duff and Bull (2013: 60), in which the main differences between the American and European approach to the sector can be seen. One should understand it as a generalisation, refraining from prejudice.

Tablica 1. – Razlike između pristupa u SAD-u i EU-u

EU-style social enterprise	US-style social entrepreneurship
Collective action	Individual action
Labour movement or government responses to social issues	Entrepreneurial (market) responses to social issues
Incremental building of social capital and assets	Fast effective achievement of social outcomes
Solidarity and mutuality	Champions and change agents
Accommodation of stakeholders	Adherence to a 'vision'
Democracy (bottom-up governance)	Philanthropy (top-down governance)
Social Economy	Any sector

Although this division is based on real situations and approaches, it should also be taken conditionally, because views became intermixed. Thus Europe develops and supports social entrepreneurship and the US has various models of social enterprise and participative management, or even social economy and transformative policies achieved through economic initiatives and activities (Abrams, 2008).

This may be a reason why the third approach emphasises that social enterprise should be understood less as an organisational form and more as a type of activity that can be manifested in the public, business or civil sector (Ridley-Duff & Bull, 2013). What has to be a common characteristic of all these options is “working for the general good”, which has to be visible in the local community

or society in general in a way that is beneficial for both people and economy. Also, it has to be beneficial for environment – a condition that until several years ago used to be considered as less important in the activity of social enterprises (Pierce, 2009). In the past few years, some of the new social economy models that belong to the green economy, such as renewable energy cooperatives, energy-efficient buildings and organic farming have given good results and quality services, showing a promising development potential (Millstone, 2013).

The level of variety between the mentioned models was excellently presented during the educational training in Trento which was for the members of *iPRESENT* project team held by the researchers of the institute EURICSE (European Research Institute on Cooperative and Social Enterprises). As can be seen from the table below, the models are divided according to the level of institutionalisation of social goals or according to the level of entrepreneurial initiative:

Tablica 2. – Podjela modela prema razini institucionaliziranosti

		Social goal exists	
		YES	NO
Entrepreneurial initiative exists	YES	1. Associations providing services	2. For-profit organisations, corporations
	NO	3. Non-profit organisations Advocacy associations	4. Spontaneous and informal initiatives for fulfilling current social needs or solving current problems

If the sector is analysed like this, then social entrepreneurship can be 1, 2 and 4. Social economy as it is understood in Europe is what is listed under 1 and 3, for it is inseparable from social mission.

Corporate social responsibility falls under 2.

Traditional cooperatives also fall under 2, because they mostly deal with their members' needs. New forms of cooperatives, be they social cooperatives, energy cooperatives or others fall under 1, for next to meeting their member's needs they also have a broader social goal. Traditional associations fall under 3, while associations that include entrepreneurial activity can be included in 1.

In that sense, social enterprise can only be in the first category and nowhere else. It is important to understand that social enterprise is a separate legal entity which fulfils all three dimensions: social, entrepreneurial and management dimensions. Regardless of the fact that social entrepreneurship has a social goal, it doesn't have to lead to the creation of social enterprise as a bearer of an idea or a project (Borzaga and Galera, 2014).

## **COMPARATIVE ANALYSIS OF THE STATE OF SOCIAL ECONOMY IN CROATIA AND IN EU COUNTRIES**

In the European Parliament's *Report on Social Economy 2009*, it was emphasised that „social economy plays an essential role in the European economy“ (European Parliament, 2009: 6). Reasons were laid out for the importance of social economy in Europe, and suggestions were put forward. It was requested from the European Commission – although diplomatically – that the system of support and financing should be improved, just like legal and institutional frameworks and visibility and recognisability of social economy actors in Europe. In 2006, the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) published the results of their research on recognisability and acceptance of the social economy concept among various stakeholders in European countries (Chaves and Campos, 2010).

The comprehensive mapping of the state in European countries was years in making, until the general report on the state in the EU was published in 2014, along with *A Map of Social Enterprises and Their Ecosystems in Europe* (ICF, 2014). For the purpose of this report, considering the quality and comprehensiveness of the analysis and the recency of the data, the results presented in already mentioned general and national reports were used. Those reports were made as a part of the European Commission's Social Business Initiative. It was the first time that data was gathered for 29 European states (28 EU member states and Switzerland) in a far-reaching and in-depth manner.

Considering the state of social economy and entrepreneurship in Croatia, which was described in detail in the report *Mapping New Horizons* (Šimleša et al, 2015), there is no need to compare the state in Croatia with the state in the EU countries that have more developed systems and sector, such as Italy or United Kingdom. Both are a consequence of long-term development policies and initiatives from below in the sector, and thus each is special in its own way.

Italy is considered to be a pioneer of this new wave of social economy and clear directives for social enterprises. It was the first country to introduce the concept of social cooperatives, on which a law was adopted in 1991. Social cooperatives

were a bridge between the old social economy actors and those that managed to integrate preserved “ideals and values” into new general social circumstances and needs. Most importantly, it was required that a social enterprise (one of whose forms are social cooperatives) should accomplish a social mission in addition to market presence, and be there not only for itself and its members, but also for local community, interested users, partners and the entire society. There are three types of social cooperatives in Italy:

- a) Type A – provides general services (education, health care, social services etc.)
- b) Type B – WISE model: integration of the long-time unemployed and socially excluded into the labour market
- c) Type C – consortium of associations comprised of the two previous models

Clear directives and definitions, well-ordered legal and institutional framework, stimulating measures and financial tools, well-envisioned labour law, understanding of market and economic needs – it all led to one of the most developed examples of social economy in Europe. According to the data from 2013, Italy has more than 40,000 social economy actors, among them 11,264 social cooperatives and 773 social enterprises (ICF, 2014).

Many think that if we are to talk about social economy or the third sector, the most systematic legal framework is being developed in the UK (Vidović, 2012). Just like Italy is known for development of cooperatives and strengthening of the collective in social entrepreneurial management process, the UK is known for strengthening enterprises and importance of market. Even though the UK approach is usually classified as Anglo-Saxon, in reality it is a unique approach that merges market orientation with various models of achieving social entrepreneurial ideas, well-ordered regulatory system, social impact assessment models and financial support. The latter was especially obvious in the recent foundation of the Big Society Capital, an independent financial institution with a social mission, which allocated 600 million £ for social entrepreneurs with good ideas (Levenson Keohane, 2013). Community interest company (CIC) is an original concept that is being developed in the UK. Today there are 9,500 community interest companies in the UK, the total number of legal entities in the third sector being 284,000 – the highest number in Europe (ICF, 2014). Besides CICs, in the UK one can implement a social entrepreneurial idea through ten various legal and business models (Bridge, Murtagh and O’Neill, 2014) – which clearly illustrates the broadness of the sector in the UK.

From the first report within the *iPRESENT* project, *Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015*, it is clear that it would be inappropriate and unconstructive to compare Croatia with states such as the above mentioned UK, Italy, France, Belgium and Spain, which are considered to be the best examples of practice or countries in which the development level of the sector reached full institutionalization (Salvatori, 2013; Galera,

2015). We chose five European states that match the situation in Croatia much more closely – which is next to the actual mapping of all the 28 EU member states also congruent with the conclusions of the CIRIEC research mentioned at the beginning of this chapter. The states we used for the comparison are similar to Croatia in numerous parameters, and those are: Czech Republic, Poland, Greece, Slovenia and Romania. The reasons for this comparison lie in the “common” history of living in the Eastern Bloc of the socialist countries until the 1990s, when it was more important to “know whom” than “know how” (Leś, 2004). Even though each of those countries is in the process of finding their own way to the developed social economy, they also share a certain common heritage. In the context of social economy, those are the following characteristics:

- the dominant “myth of the transitional society”, such as that of market and its mechanisms, which is often similar to the dominance of the neoliberal paradigm
- negative perception of cooperatives as remnants of the former communist regimes
- dependence on donors and their financing
- insufficient trust in solidarity, especially on the social level
- insufficient level of networking and cooperation between the actors in the field
- difficulties in securing necessary resources (Borzaga and Spear, 2004; Borzaga, Galera and Nogales, 2008).

Although Greece does not belong to this group, today it shares a whole number of macroeconomic problems and risks with Croatia – problems that we believed should be included in this comparative analysis. Poland stands out in this groups as a state with the most advanced and well-ordered system. For the purpose of this comparative analysis we have consulted national reports made in the process of mapping on the European level (ICF, 2014a, 2014b, 2014c, 2014d, 2014e, 2014f).

Categories that we’ve decided to base the comparison on are congruent with the most often mentioned categories, dimensions, indicators or general data necessary for the analysis of the state of social economy. Most important of these were used for the analysis of the state in Croatia in the first report of the *i*PRESENT project:

- definition of social enterprise or its status
- legal framework and the status social enterprise has within it
- tax policy towards social economy actors
- level of financial support
- implementation of social impact assessment
- practice of branding and labelling products and services
- total number of social economy actors in a country

Category	Croatia	Czech Republic	Poland	Greece	Slovenia	Romania
Definition/Classification level	YES	NO	YES	YES	YES	YES
<p><i>Explanation:</i> Czech Republic is the only country that has no official definition of the sector, but it generates definition of social enterprise through the Thematic Network for the Development of Social Economy – TESSEA. Definitions vary among countries. In Poland there are social cooperatives and social economy, but law on social enterprises is only now in the process of creation. In Czech Republic and Romania the term used is social economy, while in Croatia and Slovenia social entrepreneurship is used. It should be added that social cooperatives play a significant role in Croatia. According to the types A and B, the legal definition of social enterprise in Slovenia looks like a copy of the Italian law on social cooperatives. In the Greek law both cooperatives and enterprises are mentioned together under the model “cooperative social enterprise”. Croatian and Greek definitions exceed the expectations of the Social Business Initiative, for next to social and financial dimensions they insist on environmental sustainability.</p>						
Legal framework (status of social enterprise)	NO	NO	YES	YES	NO	YES
<p><i>Explanation:</i> Poland is preparing a law on social enterprises, and in Greece social enterprise already has legal status. Social cooperatives also have a special status in these two countries. Croatia and Czech Republic have not given special status to social enterprises, but social entrepreneurship exists in the form of social cooperatives and other legal forms. Social entrepreneurial activities in Slovenia are mostly conducted through non-profit organisations. It should be emphasised that Czech Republic expressed an intention to define the status of social enterprises. Romania awaits its own law on social economy, which will include the definition of social enterprise. In Czech, Greece, Poland and Slovenia the prevalent type of activity is work integration (WISE) of marginalised groups or people living in difficult conditions.</p>						
Tax policy	NO	NO	YES	YES	YES	NO
<p><i>Explanation:</i> Most states do not have a defined tax relief policy or subvention system for social enterprises or actors that are the bearers of ideas and projects. Greece has considerable tax reliefs for two types of social cooperatives, which is regulated by law. In Poland and Slovenia there are mild forms of support: relief of certain expenses (registration and such) in the first years of activity. In Croatia, in the Strategy for the Development of Social Entrepreneurship 2015-2020 a better tax policy for the support of social enterprises is indicated as one of the activities. If there are tax reliefs, they are reserved for non-profit organisations. Organisations that conduct social entrepreneurial activities do profit from that, but that is mostly due to the legal status of each separate entity. Public procurement system needs to be improved in all states in order to be more oriented towards socially useful and sustainable enterprises and actors.</p>						

Category	Croatia	Czech Republic	Poland	Greece	Slovenia	Romania
Financial support	NO	NO	YES	NO	NO	NO
<p><i>Explanation:</i> In almost all the states there is room for improvement in the area of financial support to the actors in the field. There is noticeable dependence on the EU funds. The only exception is Poland which has innovative models of financial support – although many warn that this makes social economy actors nothing more than an extension of the state, stripping them of their autonomy.</p>						
Social impact assessment	NO	NO	YES	NO	NO	NO
<p><i>Explanation:</i> Social impact assessment is underdeveloped on the entire EU level. Therefore, it is not surprising that it exists only in Poland – though on the voluntary level and only for pilot projects, which makes its application questionable. Social impact assessment is listed as one of the important requirements for entering the Social Entrepreneurs Register in the Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020. It will represent a considerable challenge for all those included in the implementation of the Strategy.</p>						
Brands/labels	NO	NO	YES	NO	NO	NO
<p><i>Explanation:</i> Besides the UK, Germany and Finland, Poland is one of the rare European countries which have a regulated system of product branding. eS mark can be given to actors with various legal statuses, and it is valid for a year. Until November 2014, 13 actors were given eS mark. Czech Republic has a label for products made by legal entities employing people with disabilities. In the Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020 it is determined that a special label for products made by social enterprises is to be created.</p>						
Number of actors	100-200 (90)	250-300 (283)	~5,200	225-325 (57,800)	~5,600 (39,347)	~900 (46)
<p><i>Explanation:</i> What is common to all the countries in this comparison – and the EU – is that most of the social economy actors can be divided among three legal subjects: associations, cooperatives and benefit societies. The difference is, as is evident from these data, that in some countries all the social economy actors or civil society organisations were counted – which is not only an exaggeration, but is incongruent with the characteristics of social enterprise – or other social economy models, for that matter. It turns out that the number of actors is smaller in countries that have registers or similar databases created for monitoring actors in the sector according to clear criteria. In other words, discriminating between actors in the sector and others goes hand in hand with a well-regulated system that cares about social economy. The first numbers were obtained by the experts that worked on the mapping of active associations, cooperatives and benefit societies. The numbers in brackets are either the results of non-discriminate counting or were taken from regulated lists or databases which exist in certain countries. The data for Croatia come from the social entrepreneurship actors database that was made for the iPRESENT project.</p>						

According to this analysis, there is a considerable difference between Poland and other countries. However, some believe this development proves the Polish sector to be etatist, which reflects not only in the dependence of Polish social enterprises on the state funds, but also in activity patterns similar to those of public administration (Hausner, 2009). The lack of funds and insufficiently supportive development framework is characteristic for all the countries, especially when it comes to the funds from national sources. That is why the countries in this comparative analysis are dependent on the EU funds – and that, in consequence, makes them dependent on a single resource. The strength of the EU funds is considerable, which is why dependence on them should not be surprising. For example, 262 social enterprises were founded with EU funds in Romania in a single year (2011-2012), which in turn opened 4648 jobs (Etchart et al, 2014; SEFORIS, 2014). Both the experience of European countries and numerous researches show that without regulated institutional and legal framework and stable financial and political support, social enterprises cannot even muster the motivation to start, let alone fulfil their social mission (Tortia, 2010).

During the past few years considerable progress was achieved in Greece with numerous models of cooperative-entrepreneurial legal entities. On the other hand, the financial support and social enterprise register creation have come to a halt, the goals not being met. Slovenia has gone further than Croatia in drafting the *Social Entrepreneurship Act* and adopting various decisions: the Council for Social Entrepreneurship has been established, social entrepreneurial activities have been defined and the standards have been determined for the assessment of those activities. On the other hand, some claim that the law is too restrictive, not suitable for support and development. We should note that in the Strategy analysis we've noticed requirements on social economy actors that, considering the present state of social economy in Croatia, can be an obstacle to the actual development of the sector. In that regard, the experiences of Greece and Slovenia can be instructive and useful guidelines for better, more efficient development of the sector.

## CONCLUSION

*Across the Borders – Social Economy in Europe* is a report that should provide the analysis of the state and prospects of social economy in Europe. Considering its history and tradition, the present state and development trends, we can say that Europe is a home of social economy.

Indeed, the EU has one of the best regulated social economy sectors in the world. The long-term prospects for the sector are excellent, especially in the EU member states that approach the sector strategically. That's not to say there isn't room for improvement of the sector in terms of support and strength. The decision of the European Commission to invest 500 million euros in the sector through the European Programme for Employment and Social Innovation (EaSI) is an important step in that direction.

Without a doubt, the activities scheduled in the Social Business Initiative should be continued in order to mitigate the obstacles detected in *A Map of Social Enterprises and Their Eco-systems in Europe* (KME & TSE, 2007; OECD, 2013; ICF, 2014):

- Poor visibility and recognizability of the sector
- Restrictions of current legal and regulatory frameworks
- Limited financial resources
- Limited market access
- Poor support for business and developmental structures, trainings and investments in labour force

According to the report *A Map of Social Enterprises and Their Eco-systems in Europe* (ICF, 2014), only three countries have legally regulated and clear and considerable support system (Italy, UK and France), and slightly more than half of EU member states adopted or are about to adopt supporting institutional and developmental framework for social enterprises.

Different approaches to the participatory management dimension in various EU member states are another worry; almost ten states have no regulations or expectations of democratic management whatsoever, nor do they see it as an important characteristic of social enterprise. The Strasbourg Declaration on Social Enterprise 2014 that gathered more than 2000 “social entrepreneurs and supporters of social enterprise” will not be enough (EC, 2014). That is confirmed in the White Paper by Social Economy Europe (2015), significantly titled *Social Economy...Taking back the initiative*. It is clear that substantial investments in the sector are necessary if we are to achieve positive impact on social, economic and environmental level.

One of the greatest difficulties that social enterprises are facing is an extremely demanding task of balancing out the fulfilment of social mission and the pressure of market and its laws. In that regard, social enterprises are facing continuous challenges and possible risks: on the one hand, social enterprises have to focus on their priority, which is solving social problems, and on the other hand, they have to weigh those priorities against their market success. Out of fear of failure and consequential closure, some choose to focus more on business success, that is, efficiency and standardisation, forgetting about social justice and innovativeness in the process.

Concerns have been expressed about the “mission drift” – the shift that occurs in the basic mission of an organisation because of the pressure of market demands, efficiency and managerism (Millstone, 2013). Defourny called it “co-opitalism”, which is what some of the biggest cooperatives are turning into (Utting, 2015: 28). Others note the shift from the economy for the betterment of the entire community to the social enterprise itself, concluding that the spirit of business schools usurped the spirit of activism and political action (Pierce, 2009).

The potential of social enterprises will be realized only “if they are integrated into a systemic approach to social exclusion, labour market transformation and territorial socio-economic development strategies which requires enabling public policy“ (Noya, 2009: 19). We can be certain that society won’t be democratic if we do not democratize economy first (Hart, Laville and Cattani, 2013). To do that, however, theory and imagination are not enough – we need practical models and research into the reality of numerous bearers of social economy. That is why we ventured into the analysis of the state of social economy in Croatia in comparison with five other EU countries, and why we stress once again that this report should be read together with the first one, *Mapping New Horizons*.

There are four stages in the development of a social enterprise in a certain society: embryonic development, progressive emergence, gradual consolidation and institutionalisation (Salvatori, 2013; Galera, 2015). All these stages differ in number, strength and variety of social enterprises, number of users and employees, legal and institutional framework, financial support in the initial stage

and the development of an enterprise. Clearly, countries that have developed support system and regulated legal and institutional framework are in the stage of institutionalisation. The conclusion of comparative analysis is that the countries we've included are past the initial stage. Most of them, including Croatia, are at stage two, which is characterised by a certain level of progress. The progress is most evident in the growing public visibility of social enterprises and in the positioning of social enterprises and social economy in strategic documents. The number of actors is growing, and so does the number of employees in social enterprises. On the other hand, systematic and continuous support is still lacking at this stage and there is no synergy between public policies and social economy. Poland and Greece made considerable advancements, so they could be said to belong to the stage of gradual consolidation – bearing in mind that they only entered that stage and that the true measure and quality of the sector will be seen in the following years. Those indicators were already detected in the first report, *Mapping New Horizons*, and we expressed our opinion on the crucial importance the Strategy would have in the direction of the development of social economy in Croatia.

*Across the Borders* is a report that should make the understanding of the basic terms and concepts used in the iPRESENT project easier. Although we hope that the report served as a certain map in the area of “good economy” and that it made the frameworks and models of action clearer, it seems that if we stop for a moment, the feeling of fluidity and flexibility is still present. Perhaps that is as it should be for an area that is marked by general values and political and economic traditions as much as it is – the area which stands between the state and the market. For as soon as it appears that the terminology of the sector is starting to synthesise, it turns out that terminology doesn't really matter at all – that all that matters is that the work continues. Indeed, the EU, which has accepted the concept of social economy as its own, adopted the Social Business Initiative in which the importance of social enterprises is described within the wider framework of social economy. That very same year, the EU offers the *Proposal for a Regulation on European Social Entrepreneurship Funds* in order to make the projects, entrepreneurial ideas and initiatives more accessible and, consequently, the investments and support easier. Two years later, the European Parliament and the Committee adopt the Regulation (346/2013) for the area. Then again, in the *Official Journal of the European Union* (2012/C 229/55) the European Economic and Social Committee (EESC) expresses its opinion of the Proposal and “urges the Commission to continue to use the definition of social enterprise set out in the Social Business Initiative, rather than coining a new definition” (Ibid: 1). It's been pointed out more than once that what EMES considers to be the indicators of social economy and participative management dimension is often moderated – which should not be the case.

Furthermore, when the then vice-president of the European Committee asked for opinions on what should be used, the concept of social enterprise or social entrepreneurship, EESC (EESC, 2012/C 24/01) claimed that social enterprise is the “key element of the European social model“ (Ibid: 1), but it also pointed out that social enterprise is an umbrella term that includes social entrepreneurship?!

Lars Hulgård, one of the greatest authorities on the topic and the present president of EMES, titles his TEDx lecture *The Emergence of Social Entrepreneurship* (2015) and uses the concept to describe all the “EMES-like“ dimensions of social enterprise.

Although it seems that more and more attention is given to the social entrepreneurial process or activity itself and less and less to definitions and concepts, we still stand by what we’ve said at the beginning of this report. As we’ve written in *Mapping New Horizons*, we deem that the differences between social entrepreneur and social enterprise, and those between social entrepreneurship and social economy should be taken into account – as it is stated in our first report *Mapping New Horizons* and in the *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020*.

In spite of that need to define basic terms and concepts more clearly, the current popularity of the subject of our report is evident. We are aware of the general trends that lean towards the synergy and “reducing tension” between different views and schools of thought. The earlier examples serve as indicators for the further amalgamation through the third sector or for regrouping of the concepts in which it is no longer important if one speaks about social enterprise or social entrepreneur, social economy or social entrepreneurship, solidarity economy or corporate socially responsible business. This is still a stage of catching air which started in the USA, when the National Gathering for Social Entrepreneurs led to the creation of the Social Enterprise Alliance. Likewise, the Ashoka Foundation which used to stress that it seeks out exceptional individuals, agents of social change and passionate visionaries (Petričević, 2012), started the campaign *Everyone is a Changemaker* for which Drayton himself said that it is a “practical necessity and a major evolutionary step forward” (Bornstein, 2007:304). Although they still seek out the “restless heroes”, this change shows that, as opposed to their initial years, the mission began to search for the “collective entrepreneurship” (Levenson Keohane, 2013:192). Drayton sees the reasons for this turn of events in the new demands of the time, where the need arises for the ever-open solutions and where everyone’s contribution is important. This collective approach was followed by other known philanthropic organisations; the Skoll Foundation is now focused on the “investment in a broader ecosystem in which its social entrepreneurs operate” (Ibid). This new strategic direction is explained as a more advanced stage of the evolution of social entrepreneurship.

Social entrepreneurship 1.0 was focused on: identifying people with innovative ideas and practical models for achieving major societal impact; positioning those people in society and promoting their work; and developing the support system for their work.

Social entrepreneurship 2.0 was focused on the development of business and managerial skills in order to secure financial and other kinds of sustainability for organisations that were to be the bearers of social entrepreneurial ideas.

Social entrepreneurship 3.0 (today) “looks beyond individual founders and institutions to the change-making potential of *all* people and their interactions. It recognizes that social entrepreneurship is contagious“ (Bornstein and Davis, 2010).

Regardless of the numerous labels and various terms for the same notion – or same names for different things – almost everyone can agree that we need an economy that is more humane, an economy that is “a vision more than a social recipe, or rather many social recipes articulated by a unifying vision” (Hart, Laville and Cattani, 2013: 9).



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