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## **Nurturing social enterprises in active labour market policies framework for inclusive local growth in Macedonia**

POLICY DOCUMENT

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# 1 ACTIVE LABOUR MARKET POLICIES AND DISADVANTAGED GROUPS

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## 1.1 LITERATURE REVIEW: ASSESSMENT OF ALMPs AMONG DISADVANTAGED GROUPS<sup>1</sup>

Since the 1990s there has been a growing interest in activation measures. Active labour market policies (ALMPs) are an important area of social policy making and the essence of a modern welfare policies. The use of ALMPs is often motivated by the need to upgrade the skills of long-term unemployed in order to improve their employability. Still, the primary target group in most countries are those people registered as unemployed by the Public Employment Services, leaving the inactive population behind. However, policy objectives at EU level are increasingly focused on a wider range of people facing disadvantages and barriers that may prevent them from joining or re-joining the labour force. The goal of increasing participation in the labour market critically has raised the issue of how to establish contact with groups other than those eligible for unemployment benefits, in order to target activation policies to people with looser ties to the labour market. Along with the emergence of new policies for bringing disadvantaged groups into the labour market, there has been increasing recognition that many labour market programmes have failed to make the necessary connections between training and employment (Spear and Bidet, 2010). *Existing evidence on the effectiveness of employment measures among disadvantaged groups show mixed and inconclusive results.*

In this paper, a *worker is considered as disadvantaged* if she or he (a) has not been in regular paid employment for the previous 6 months; or (b) has not attained an upper secondary educational or vocational qualification; or (c) is over the age of 50; or (d) lives as a single adult with one or more dependents; or (e) works in a sector or profession in a Member State where the gender imbalance is at least 25 % higher than the average gender imbalance across all economic sectors in that Member State, and belongs to the under-represented gender group; or (f) is a member of an ethnic minority within a Member State and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment. Severely disadvantaged worker means any person who has been unemployed for 24 months or more<sup>2</sup>.

In the scientific literature we discuss here, the evidence refers to long-term unemployed, disabled, or person with low educational attainment, and at times people suffering from cumulative disadvantage. Recently, young people with limited work experience also become increasingly represented among the “disadvantaged workers”.

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<sup>1</sup> Definition for disadvantaged workers used as defined in the Commission Regulation No 2204/2002 of 12 December 2002 (on the application of Articles 87 and 88 of the EC Treaty of State aid for Employment).

<sup>2</sup> See Article 2.18 to 2.19 of the Commission Regulation (EC) No 800/2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty, OJ L 214, 9.8.2008, p. 3-47.

The general conclusion from the empirical studies based on micro data would be that the effects of ALMP on the job finding rates of disadvantaged groups are rather small (Boone & C. van Ours, 2004). Martin and Grub (2001) evaluation findings on disadvantaged youth identified some success stories, like job search assistance, wage subsidies in the private sector, and labour market training, although their impacts were not always large.

ALMPs can be economically useful policy only if it is constantly evaluated and if interventions are introduced on the basis of what work in a specific context. Kluve (2006) argues that the probability of success of ALMPs on terms of positive effects on employment is modeled by the category of intervention, intuitional labour market context and economic country-context. In another meta-analysis<sup>3</sup>, Kluve (2010) identifies the following factors that have no significant influence on the effectiveness of ALMPs: contextual factors regarding labor market regulations, ALMP expenditure and GDP display. According to the same study strict dismissal protection may be associated with both a higher probability of negative impacts, while a higher unemployment rate is significantly associated with a lower probability of negative impact estimate.

Existing literature provides evidence that the effectiveness and the efficiency of activation measures is highly determined by the design, coverage and targeting. In other words, ALMPs will have to be tailor made to the individual unemployed, which calls for effective profiling techniques (*European Semester Thematic Factsheet Active Labour Market Policies*, 2016). However, target group measures should only be considered as supplementary to a good general employment policy as in a well-functioning labour market, the chances also increase that specific target group measures function, entailing minimum displacement and substitution (Flemish Department of Work and Social Economy, 2015). As highlighted by Martin and Grubb (2001) and Neumark (2013), tight targeting can raise net employment impact by 20–30 percent, but it needs to balance still being attractive for employers to take up as well to avoiding stigmatization. Lehmann (2010) argues that in the transition context it might be highly ineffective to combine the targeting of ALMP at problem groups with the acclaimed aim to lift these groups into regular employment. On the opposite, in the OECD countries linking targeting of problem groups among the unemployed with the stipulation that a measure is effective if it increases the likelihood of regular employment for participants can be considered as rationale that is behind the application of ALMP measures applied in these countries.

Active labour market policies (ALMPs) have been high on the European agenda since the Employment Guidelines and European Employment Strategy were launched after the Amsterdam summit in 1997. Since then, the European Commission has urged Member States to make greater use of ALMPs and pushed for cross-national learning and evaluation (European Commission 2015). According to the LMP methodology, labour market interventions are classified by type of action<sup>4</sup>.

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<sup>3</sup> The evidence in the study are carried out on a comprehensive data set of 137 program evaluations from 19 European countries.

<sup>4</sup> “Databases and indicators - The LMP database” *Employment, Social Affairs & Inclusion, European Commission*. Retrieved 28 February 2017, from <http://ec.europa.eu/social/main.jsp?catId=1143&intPagId=3227&langId=en>

- *LMP services* cover all services and activities of the public employment service (PES) together with any other publicly funded services for jobseekers.
- *LMP measures* cover activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives.
- *LMP support* covers financial assistance that aims to compensate individuals for loss of wage or salary (out-of-work income maintenance and support, i.e. mostly unemployment benefits) or which facilitates early retirement.

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#### *LMP SERVICES: publicly funded services for jobseekers*

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There seems to be a consensus in the literature that *LMP services* costs are relatively low and program results are often positive (Betcherman, Olivas, & Dar, 2004). Employment services are of limited use in situations where structural unemployment is high and there is a lack of demand for labor, as they are most likely to produce a positive impact in long run (Card, Kluve and Weber, 2010). Boone and van Ours (2004) find that an increase in expenditure on public employment services caused unemployment to fall. Kluve (2006) as well reaches positive conclusions regarding employment services in the EU countries. According to this study a good programme of job search assistance, counselling and monitoring, combined with sanctions for non-compliance, have a positive impact on increasing job search effectiveness. Same findings, that ALMP spending on placement and employment services, reduce unemployment inflow and foster employment are confirmed in other studies as well (Murtin, de Serres and Hijzen, 2013; Murtin and Robin, 2013). These measures are mostly useful for short-term unemployed, but they may still play a valuable role beyond this scope if they form part of an individualized or ‘tailor-made’ approach to support for the unemployed<sup>5</sup>. Card, Kluve and Weber (2015) in a meta-analysis conclude that job search assistance and sanction programs appear to be relatively more successful for disadvantaged participants. In this line, the majority of the transition countries, through public employment services target the disadvantaged and the long-term unemployed.

*LMP MEASURES: training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives*

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About 16% of all employed people in the EU are self-employed. Out of this 16%, more than two thirds are solo self-employed, though their share varies across Member States<sup>6</sup>. *The self-employment programs* are found to be relative costly and are typically targeted at the most disadvantaged groups for whom other measures have proved ineffective (European Commission, 2016). Evidence from transition countries suggest that self-employment programmes didn’t have significant contribution to the reduction of unemployment (Aradarenko and Krstic, 2008; Walsh, 2001). In this line, the majority of self-employment jobs

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<sup>5</sup> ("Databases and indicators - Employment, Social Affairs & Inclusion - European Commission", 2017).

<sup>6</sup> European Commission. Available at: [http://europa.eu/rapid/press-release\\_MEMO-16-92\\_en.htm](http://europa.eu/rapid/press-release_MEMO-16-92_en.htm) (Accessed 15.03.2017)

in Serbia are of a bad quality and remain last resort options for most labour force participants (Aradarenko, 2010). Evidence from Macedonia shows that the program for self-employment positively affected subjective measures of well-being of the program participants, but not their actual employment (Corbanese, 2008). Mojsoska-Blazevski and Petreski (2015) evaluated the self-employment program in Macedonia and identified that the program has some positive results. In this line, the self-employment program is found as effective in improving employability at program end (but not afterwards), in reducing the inactivity of the participants, and bringing positive changes in the subjective wellbeing. Impact evaluations from developed EU countries show different and more positive results. For example, Baumgartner and Caliendo (2007) and Caliendo and Künn (2010) found considerably positive results of the self-employment program in Germany not only on the employment status of beneficiaries, but also on reducing spending on unemployment benefits. Hence, programmes aimed at turning the unemployed into entrepreneurs may be among the most promising for active labour market policy, both in Germany and elsewhere (Brown and Koettl, 2015). Caliendo and Künn (2010) found evidence that self-employment subsidies are especially effective for the disadvantaged workers in the labor market. The authors explain this finding with the low employment prospects for the disadvantaged groups, providing them with incentives for self-employment then has a strong effect (relative to non-participation).

*The direct employment/job-creation schemes*, are typically targeted at medium and longer term unemployed to avoid perverse employment effects on the short term unemployed, through participants who might otherwise have found ‘real’ jobs, being held off the labour market during the period of participation. These schemes are also typically more stable and long lasting to ensure their efficiency and cost-effectiveness (European Commission, 2016<sup>7</sup>). Across the EU, one-sixth of ALMP spending went to employment incentives, preceded in importance by expenditure on training and labour market services (European Commission, 2016<sup>8</sup>). Several evaluation studies conducted in transition countries on subsidized employment concluded that wage subsidy programs bring negative results (Junankar 2012). Hiring incentives for companies are not very effective overall, due to the existing risk that employers displace non-subsidised workers with subsidised workers or wait until job seekers become eligible for subsidies. So if used, they should be well targeted and run at a small-scale and on a temporary basis. Mechanisms need to be in place which provide incentives for employers to retain workers after the subsidy expires or combined with other ALMP measures in order to improve the employability of beneficiaries within integrated programmes (Boone & C. van Ours, 2004). Research evidence from EU countries are with the similar findings. Caliendo et.al (2004) provides evidence from Germany that most of the effects are insignificant or negative, meaning that participation in programmes does not help individuals to re-integrate into regular (unsubsidised) employment. The results are concordant with recent evaluation studies in other countries (Martin and Grubb, 2001, overview in OECD countries). However, according to Caliendo et.al (2004) more positive effects of this measure are found among long-term unemployed, meaning that limiting access to these programmes and tailoring them more for the ones who need them most might be a way to improve their

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<sup>7</sup>European Commission. Available at:

[http://ec.europa.eu/europe2020/pdf/themes/2016/employment\\_incentives\\_201605.pdf](http://ec.europa.eu/europe2020/pdf/themes/2016/employment_incentives_201605.pdf) (Accessed 15.03.2017)

<sup>8</sup> Ibid.

overall efficiency and offering a 'last chance' for hard-to-place individuals. As highlighted by Martin and Grubb (2001) and Neumark (2013), tight targeting can raise net employment impact by 20–30 percent, but it needs to balance still being attractive for employers to take up as well to avoiding stigmatization. These findings are also supported by Card, Kluve and Weber (2015) who find subsidized employment as a promising strategy for boosting incomes and improving labor market outcomes and well-being, especially for disadvantaged workers.

*On the-job trainings*, general programmes and vocational training are all suitable but for different purposes. Studies show that general programmes contribute to a better matching of skills, particularly after the first entry into the labour market while (certified) vocational training programmes (workplace-based or combined with school-based) have been shown to be very effective in facilitating the transition from education to work (European Commission, 2016). Positive impacts could be recorded in particular in the case of *on-the-job training* (Card et al. 2010; Kuddo 2009). Spear (2010) argues that standard ALMP programmes are not always very effective for the socially excluded – largely because of the need for a tight integration of the diverse social/training/work support measures for such groups. This has led to recognition of the value of specialist type of organisation for integrating the more disadvantaged within the social economy particularly through the new form of Work Integration Social Enterprise (WISE). Typically these have strong links with local communities and their democratic governance structures help to consolidate and develop social capital. And historically non-profit associations have a well-established role and expertise in giving specialist support to particular types of disadvantaged people. Martin (2014) similarly reported that activation policies are less successful in helping recipients of long-term sickness/disability benefits to find work. Disadvantaged groups appear to benefit more from work-first programs compared to human-capital programs. Lehman and Kluve (2008) report that even if the human capital of marginal persons is increased as a result of ALMPs, this increase might not be sufficient to enable them to compete with potentially very productive workers who also find themselves in the unemployment pool in transition countries.

The effectiveness of training measures also seems to be increased through the implementation of smaller scale schemes, targeted on specific disadvantaged groups, and particular occupations and schemes rather than larger general schemes (Meager and Evans, 1998, referring to evidence from Austria, Ireland and the Netherlands). Kluve (2010) reported that traditional training programs have a modest likelihood of generating a significant positive impact on post-program employment rates. Evidence from EU countries show different results as well. In Denmark - Rosholm and Svarer (2009) found very strong empirical evidence in favour of private job training while public job training was mainly found to have positive effects for disadvantaged unemployed people.

**LMP SUPPORT:** financial assistance compensating for loss of wage or salary or which facilitating early retirement.

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Higher unemployment rates are generally counteracted by a mix of passive and active labour market policies (European Commission, 2016). Passive labour market policies comprise income benefits to unemployed or inactive adults (e.g. unemployment insurance benefits, social assistance/cash benefits, disability benefits, and early retirement benefits). Martin



(2014) and Kuddo (2009) recommend a combination of sticks and carrots to provide incentives to search for and accept jobs, to provide employment incentives by making participation mandatory with the threat of benefit sanctions, and point to evidence of higher effectiveness.

## **1.2 INTERNATIONAL GOOD PRACTICE AND FRAMEWORKS FOR THE INCLUSION OF DISADVANTAGED GROUPS THROUGH SOCIAL ENTERPRISES**

The European Commission (2011) uses the term 'social enterprise' to cover the following types of business

- Those for who 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.
- Those where the method of organization or ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice.

There is no single legal form for social enterprises. Many operate in the form of social cooperatives, some are registered as private companies limited by guarantee, some are mutual, and a lot of them are no-profit-distributing organizations like associations, voluntary organizations, charities or foundations. While Great Britain has created its own legal form for social businesses with Community Interest Companies, and data collection is considered to be good, there is no institutional framework for social business in Germany, Sweden or Austria. The Community Interest Company ("CIC") was created as part of the 2004 Companies Act, and it has played a key role in the development of the social enterprise sector, proving more popular than initial government projections had anticipated (Stroyan & Henry, 2014).

Social enterprises can be distinguished from voluntary organizations through a set of criteria, including a continuous activity producing goods or selling services, a high degree of autonomy, a significant level of economic risk, limited amount of paid work, a participatory nature, limited profit distribution (OECD / European Union, 2013, p. 4).

Despite their diversity, social enterprises mainly operate in four fields<sup>9</sup>:

- Work integration - training and integration of people with disabilities and unemployed people.
- Personal social services - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people.

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<sup>9</sup> Source: European Commission Social Enterprises website: [https://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](https://ec.europa.eu/growth/sectors/social-economy/enterprises_en). Access date: 7 March 2017.

- Local development of disadvantaged areas - social enterprises in remote rural areas, neighborhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries.
- Other - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.

The European Commission launched the Social Business Initiative (SBI) in 2011, which is implemented with stakeholders in the sector and EU countries. It includes a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation, and aims to prompt a debate on medium/long term development avenues.

The plan contains 11 priority measures, organized around three themes:

*Theme 1: Making it easier for social enterprises to obtain funding*

Action 1: Put forward a European regulatory framework for social investment funds<sup>10</sup>.

Action 2: Encourage the development of microcredit in Europe, specifically by improving the related legal and institutional framework.

Action 3: Set up an EU financial instrument to provide easier access to funding<sup>11</sup>.

Action 4: Make social enterprises an investment priority of the European Regional Development Fund and European Social Fund.

*Theme 2: Increasing the visibility of social entrepreneurship*

Action 5: Identify best practices by establishing an exhaustive register of social enterprises in Europe.<sup>12</sup>

Action 6: Create a public database of labels and certifications applicable to social enterprises in Europe.<sup>13</sup>

Action 7: Help national and regional governments introduce measures to support, promote and finance social enterprises.<sup>14</sup>

Action 8: Create a multilingual information and exchange platform for social entrepreneurs, business incubators and clusters, as well as social investors. Increase

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<sup>10</sup> [Regulation on European Social Entrepreneurship Funds \(EuSEF\) 22 July 2013](http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm)

[http://ec.europa.eu/finance/investment/social\\_investment\\_funds/index\\_en.htm](http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm)

<sup>11</sup> For details, see: [EU programme for Employment and Social Innovation \(EaSI\)](#)

<sup>12</sup> [A map of social enterprises and their eco-systems in Europe](#)

<sup>13</sup> [Database of labels and certifications](#)

<sup>14</sup> National and regional administrations - promotion of mutual learning and their capacity building: [Guide to social innovation](#):

[http://s3platform.jrc.ec.europa.eu/documents/20182/84453/Guide\\_to\\_Social\\_Innovation.pdf](http://s3platform.jrc.ec.europa.eu/documents/20182/84453/Guide_to_Social_Innovation.pdf)

the visibility of EU programmes to support social entrepreneurs and make it easier to obtain funding.<sup>15</sup>

### *Theme 3: Making the legal environment friendlier for social enterprises*

Action 9: Simplify the rules regarding legal recognition as a European Cooperative Society; put forward a regulation creating a legal status for European foundations. Conduct a study on the situation of mutual societies<sup>16</sup>.

Action 10: Make quality and working conditions more important criteria for the awarding of public procurement contracts, particularly for social and health services<sup>17</sup>.

Action 11: Simplify the rules for awarding public aid to social and local services (which would benefit many social enterprises)<sup>18</sup>.

These measures aim to tackle the main obstacles faced by social enterprises. These obstacles occur not only on a European level, but also on a national level. The guidelines and actions of the European Commission and the mapping exercise of social enterprises and good practices in a number of EU countries provide a useful information base for policy-makers outside the EU as well (for more, see below).

There is increasing evidence on the social enterprises sector, including

- *The Global Entrepreneurship Monitor*<sup>19</sup>, which includes data on social entrepreneurial activities as well. Since 1999 it contains now 17 years of rich data, providing custom datasets, special reports and expert opinion. In each economy, GEM looks at two elements: (1) the entrepreneurial behaviour and attitudes of individuals, and (2) the national context and how that impacts entrepreneurship. The data set includes Macedonia as well.
- The first *comparative overview of social enterprises in the EU28 and Switzerland*, which is based on existing academic materials and interviews with over 350 stakeholders

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<sup>15</sup> See the website: [Social Innovation Europe Platform - electronic data exchange platform for social investors and entrepreneurs](#)

<sup>16</sup> See the outcomes of this Action under the following:

[Simplification of the European Cooperative Regulation](#) - please see [Report from the Commission 23 February 2012](#)

[Proposal for a regulation on the statute for a European Foundation](#) (adopted by the Commission 8 February 2012)

[Study on the situation of mutual societies and their cross-border activities](#) (received by the Commission 12 October 2012)

<sup>17</sup> Enhancement of the element of quality in awarding contracts in the context of the reform of public procurement (adopted by the Commission 20 December 2011)

[Procurement opportunities for social enterprises under the new EU procurement rules](#) (June 2014, 223 kB)

<sup>18</sup> See: [Simplification of the implementation of rules concerning State aid to social and local services](#) (161 kB)

Commission staff working document: [Guide to the application of EU rules on state aid, public procurement and the internal market to SGEI, and in particular to social services of general interest](#) (610 kB)

<sup>19</sup> <http://www.gemconsortium.org/>

across Europe. In addition to the synthesis report with a cross-country comparative assessment, there are country-specific reports as well<sup>20</sup>. The reports outline national policy and legal frameworks for social enterprises, including best practices to accelerate the growth of the social enterprise ecosystem.

For ensuring the financing, the sustainability and the expansion of the sector, key elements are the measurement of impact, and strategies for scaling the impact of social enterprises.

*Social enterprises use different strategies for scaling their impact* (OECD / European Commission, 2016). They may expand by organizational growth, mergers or acquisitions or diversification (of their activities). Scaling is also possible through replication, for example in other geographical areas, by establishing branches, or enabling social franchising. Strategic partnership with other organizations provides access to new markets, capacities and competences. These different strategies can be supported by network organizations, or impact hubs, which provide access to training, mentoring and promote networking between social entrepreneurs (Madelin & David Ringrose, 2016, pp. 208-210).

*Tailored policy measures can enhance the ability of social enterprises for scaling up their impact.* Policies raising awareness such as awards, labels, and media campaigns are likely to increase social enterprises visibility, enhance their access to finance, and help others to replicate their models or connect to them as partners. Policy-makers can promote open sources and networks, stimulate knowledge transfer and support pilot projects. New Information and communications technology can play an important role in this regard.

Social entrepreneurship can be supported by policies providing enabling environments, including actions to improve legal and regulatory frameworks, financing, access to markets, business development services and support structures, and training and research (OECD / European Commission, 2013). A systemic approach is needed, where governments work across policy boundaries.

## **2 SOCIAL ENTERPRISE SECTOR IN AUSTRIA**

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This section provides an overview of the social enterprise sector in Austria, with a focus on the main support network, including funders, networks, support organizations and awareness raising initiatives.

### **2.1 LEGAL AND POLICY FRAMEWORK**

Social entrepreneurship is described by the Social Entrepreneurship Centre of the Wirtschaftsuniversität Vienna as innovative, entrepreneurial action, which aims at solving

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<sup>20</sup><http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2149&furtherNews=yes>

societal problems<sup>21</sup>. This can be implemented as a new start-up ("Start-Up") or within the framework of existing organizational innovations ("Social Intrapreneurship"). The legal form is different: some social enterprises are organized as associations, others as corporations (in German: GmbH).

There is no formal policy or legal framework specific to social enterprise (Mathis, Heckl, & Grancy, 2014), and there is no official definition of social enterprise in Austria. Traditionally, *social enterprise has been largely understood as* work integration social enterprises either in the form of socio-economic enterprises (*Sozialökonomische Betriebe* or SÖB) and non-profit employment projects / companies (*Gemeinnützige Beschäftigungsprojekte / Gemeinnützige Beschäftigungsgesellschaften* or GBP). The legal forms range from non-profit associations (Association Act, *Vereingesetz*), , limited liability companies (GmbHs)/ not-for-profit limited liability companies (GmbHs), registered societies (*Gesellschaft Bürgerlichen Rechts*) or co-operatives (*Genossenschaft*) (Leichsenring, 2001). New forms of social enterprise that offer market oriented services in support of a social mission are emerging.

It is important to note that a wide range of social services and welfare initiatives in Austria have by tradition been organized by NGOs and charities that are affiliated to religious organisations or political parties. The related organisations have constantly grown over the past 150 years. Their continuous professionalization over the past two decades has contributed to an increasing autonomy of the sector and eventually resulted in the creation of an all-embracing umbrella organization of more than 400 national, regional and national organisations (see below 'Sozialwirtschaft Österreich'). This idiosyncrasy of the Austrian 'welfare mix' has heavily influenced the development in Austria as against the emergence of 'social enterprises' in other countries.

There are no publicly funded support schemes specifically designed to support social enterprise, although SÖBs and GBPs receive financial support from the Public Employment Services (*Arbeitsmarktservice*) to cover the costs incurred by hiring disadvantaged workers (i.e. to compensate for their lower productivity). Other business support schemes, implemented at the provincial level, provide support to (new) enterprises in general, i.e. although these programs are not exclusively offered or tailored to social enterprises, these are entitled to subsidies as well. Over the past few years an additional ecosystem has however been, gradually emerging in the context of 'social innovation' initiatives and related 'innovation hubs', providing co-working spaces, consulting, training or access to networks of supporters.

## 2.2 MAIN CHARACTERISTICS OF SOCIAL ENTERPRISES

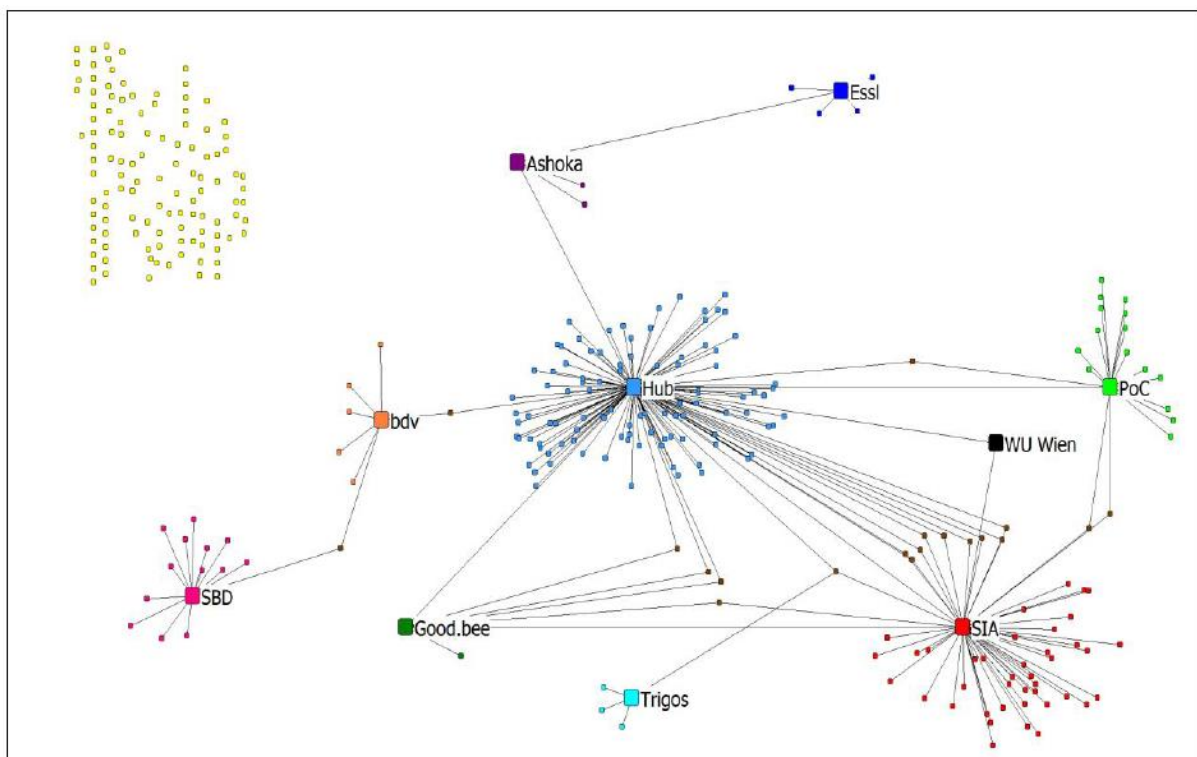
Most of the social businesses in Austria are dedicated to the topics education & research, environmentalism, projects in developing countries, reintegration in the labour market as well as (networking) support for social entrepreneurs.

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<sup>21</sup> <https://www.wu.ac.at/npocompetence/social-entrepreneurship-center/>. Access date: 1 February 2017

Around 1.200-2.000 Social Business organizations are estimated to exist in Austria, including start-ups and already established non-profit organizations (Vandor, Millner, Moder, Schneider, & Meyer, 2015). Experts predict this number to grow to about 1.300-8.300 by 2025, which implies that the number of organizations may at least double during the next decade (ibid, p. VI).

Given that social enterprises have no clear-cut definition in Austria, public institutions such as Public Employment Service, Sozialministeriumservice<sup>22</sup> and Austrian regions, financing mainly socio-economic enterprises providing labour market measures for marginalized groups play an important role. As regards new emerging and innovative approaches, support organizations also strongly shape this field. The following picture illustrates the network between the 273 Austrian social entrepreneurs interviewed and the various support organizations (Schneider & Florentine Maier, 2013). The social entrepreneurs themselves as well as the supporting organizations represent the nodes (Figure 1). The links were defined as exchange relations, including, for example, membership, or consulting, financing or cooperation relationships. The notion of social business or social enterprise is changing. Under the influence of the support network, more and more initiatives and projects defining themselves as social business / enterprise are created.



Network of social businesses and support organizations in Austria (Schneider & Florentine Maier, 2013)

<sup>22</sup> The Sozialministeriumservice with its nine provincial offices is an agency of the Federal Ministry of Labor, Social Affairs and Consumer Protection. It is the central point of contact for people with assistance needs. For more information, see the website: <https://www.sozialministeriumservice.at/>

## 2.3 UMBRELLA NETWORKING ORGANIZATIONS

There are two main networks in Austria, *arbeit plus* and *Sozialwirtschaft Österreich* which represent Social Integration Enterprises and social services providers respectively. New types of social enterprises do not have a comprehensive network representing them, although some networks do exist, at a global level e.g. Ashoka and the 'Architects of the Future'.

### *arbeit plus*

*arbeit plus*<sup>23</sup> (earlier: Bundesdachverband für Soziale Unternehmen, bdv Austria) is the federal umbrella association for non-profit Social Integration Enterprises in Austria for 30 years. It gathers the nine provincial networks of Social Integration Enterprises and represents altogether 200 members. Members are all active in the field of reintegration of long-term unemployed people into the labour market. About 40.000 people receive temporary employment within one of the member enterprises and therefore get the chance to (re-)integrate into the labour market each year.

Arbeit plus's mission is to do advocacy work in the field of labour market policy, represent the interests of Social Businesses and their employees, enhance the visibility of the sector, facilitate knowledge sharing among members. *arbeit plus* has its own EFQM-quality label for Social Enterprises and awarded it in 2010 for the first time. The label stands for compliance with social, organisational and economic quality standards. *arbeit plus* is active on the European level as well, and is a member of the European Network of Social Integration Enterprises (ENSIE).

### *Sozialwirtschaft Österreich*

*Sozialwirtschaft Österreich*<sup>24</sup> (SWÖ) is a networking platform for social service providers with predominantly charitable status with currently about 400 members. As lobby organisation and employers' association, *Sozialwirtschaft Österreich* works for an improved awareness of the sector's services and negotiates the sector's collective agreement on behalf of the employers. Its members cover a wide range of health and social services including work with disabled people, child and youth welfare and labor market services. While not all member organizations are actually social enterprises, there are quite a few social enterprises as well.

*Sozialwirtschaft Österreich* provides a range of services, such as:

- legal advice for its member organisations
- lobbying at the various Austrian policy levels
- assessment of new acts and laws
- awareness raising for the sector
- strengthening the position of charitable organisations in the social sector

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<sup>23</sup> <http://arbeitplus.at/english/>. Access date: 20 February 2017

<sup>24</sup> <http://www.bags-kv.at/>. Access date: 20 February 2017



- strengthening the professions in the social and health sector
- information and other services for the sector

## 2.4 KEY PROVIDERS OF FINANCE

There are only a few funders specifically targeting social enterprises. A social investment market is however, slowly emerging. It is generally, difficult for social enterprises to find their way among the various sources of finance potentially available to them, knowing that each actor will have its own language and expectations about social enterprises. Start-up support, mentoring and networks therefore play a crucial role in providing information and skills (see the discussion later).

### *Ministry of Labour and Social Policy / Public Employment Service*

Although they are not targeting social enterprises specifically, the support coming from these public bodies constitute a major source of financing for this sector.<sup>25</sup> The PES (in German: Arbeitsmarktservice, AMS) provides training and support, as well as information on labour demand and supply, and cooperation in filling the vacancies. Financial support schemes include subsidies for the employment of long-term unemployed (Eingliederungsbeihilfe - "Come Back"), for hiring an employee by one-person enterprises, replacement of employee due to working time reduction (Solidaritätspremiennmodell), among others.

### *Good.bee*

good.bee<sup>26</sup> was launched in 2008 by ERSTE Foundation and Erste Group Bank. Its main areas of business are *Micro-Banking* and *Social Enterprise Finance*. good.bee's two first Micro-Banking operations: 'good.bee Credit' provides microloans in the rural regions of Romania, in particular to small farmers, alongside basic financial education; and 'good.bee Mobile Transaction' offers a mobile-phone-based alternative to transfer money, and consists of an affordable current account and debit card. The first good.bee Micro-Banking initiatives unrolled in Romania, with the help of our partners, the Economic Development Centre (Romania) and the WIZZIT Group (South Africa) and is now offered by BCR.

Still in its early stages, good.bee Social Enterprise Finance offers, through the local Erste Group banks, not only loans, but also knowledge and skills training to social entrepreneurs through local support networks.

### *Essl Foundation*

Essl Foundation<sup>27</sup> is a private non-profit foundation established in 2007. Its mission is to support social innovation, social entrepreneurship and persons with disabilities. Its biggest projects are the annual Essl Social Prize and the Zero Project. The Zero Project goal is to create

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<sup>25</sup> <http://www.ams.at/service-unternehmen/foerderungen>

<sup>26</sup> <http://www.erstestiftung.org/project/good-bee/> . Access date: 20 February 2017

<sup>27</sup> <https://esslfoundation.org/>



a world without barriers”. Through vigorous research, the Zero Project finds and promotes, through reports and conferences, Innovative Practices and Innovative Policies that are achieving tangible benefits for people with disabilities around the globe.

#### *Vienna Business Agency*

The Vienna Business Agency (Wirtschaftsagentur) supports Viennese companies that solve societal challenges with new products and services<sup>28</sup>. The maximum funding per project is € 100,000, with a total available budget of EUR 1.000.000 in 2017. Start-ups, new companies, small-and medium-sized enterprises qualify, and the contest is open to Viennese companies in all sectors, including social enterprises and other companies that are expanding their business field with a social business project. The criteria for successful funding include social impact and economic sustainability, innovative content, adequate project planning.

## **2.5 NETWORKS, START-UP SUPPORT**

#### *Impact HUB Vienna*

The Impact HUB Vienna<sup>29</sup> is part of a global network of connected communities of social entrepreneurs. They have access to work spaces, training and support, lectures, training workshops, community networking events and incubation programs. Impact HUB connects social entrepreneurs, investors and supporters. They design, develop and manage programs and services that provide capacity building, acceleration and impact scaling for enterprises in Central Eastern Europe. There are various start-up programs, including e.g. the Investment Ready Program, which is an accelerator program for social entrepreneurs from Central and Eastern Europe (CEE) aiming to advance social entrepreneurship through capacity building and catalyzing investment into the sector.

Impact HUB membership monthly fees range from 20 euros to 750 euros, and services vary from a simple access to network events and a member-only virtual collaboration platform to own office, non-stop access to working work space, registered address. A so-called Accelerate Program is offered for an additional monthly 200 euros, which provides 4 months of intensive individualized support to move someone’s business to the next level. Over 500 people are connected via the Impact HUB in Vienna.

#### *Ashoka*

Ashoka<sup>30</sup> is a global support network of social entrepreneurs. The network has been built up via a fellowship program, and include more than 3000 Ashoka Fellows in 93 countries. After the rigorous and rather competitive selection, Ashoka Fellows receive a stipend for an average of three years, allowing them to focus full-time on scaling up their operations and spreading their ideas. They are also provided with pro-bono business support services, delivered by

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<sup>28</sup> <https://wirtschaftsagentur.at/foerderungen/programme/call-social-entrepreneurship-vienna-2017-47/>

<sup>29</sup> <https://vienna.impacthub.net/>

<sup>30</sup> <https://www.ashoka.org/en>

consulting companies which are Ashoka partners. From the beginning, measuring the impact of its efforts has been a top priority for the global Ashoka team. They define impact as systemic changes, affecting large numbers of people, that flow from the social entrepreneurs, their ideas, and the networks that Ashoka supports. Ashoka is active in Central-Eastern Europe since 1995. Austria's country office, founded in 2011, and is supporting Ashoka Fellows in Poland, Czech Republic, Slovakia and Hungary.

Currently Ashoka focus areas include not only social enterprises, but also children and youth, with a focus on learning empathy and cultivating its practice. They work towards "a society in which learning empathy is as fundamental as reading and math; where parents insist that their children develop empathy; and where institutions cultivate empathy learning and practice." Ashoka's current focus also includes innovation in teams. In particular, they aim to build a new network of social entrepreneurs, "the emergence of an Everyone a Changemaker world" by spreading a new model for leadership and management that allows leaders to transition their organizations from being hierarchies to dynamic networks that engage in hybrid value systems.

### *Architects of the Future*

"Architects of the Future"<sup>31</sup> aims to create a world-wide community of young social entrepreneurs. Their respective work is focused on social and ecological problem areas, thus exemplifying service to society as a new economic mission statement. Following the initiative's foundation in 2005, "Architects of the Future" has grown to become a substantial global transformational force. It advocates a social transformation which can only start within one's own inner self. Bound by close friendships, shared visions of a more just and peaceful world and gifted with enthusiasm, commitment and love, "Architects of the Future" engage in specific projects to achieve their ambitions.

Each year the "Architects of the Future Award" is organized and distributed to ten of the most inspiring young social entrepreneurs from all over the world, with a mission to find outstanding and innovative solutions for pressing problems. The award winners become part of an ever-growing community. An annual 5-day retreat is also organized, with the purpose of linking inner work with outer activities. In addition to exchanging ideas and widening perspectives as social entrepreneurs, the program includes intense spiritual practices, meditation and yoga. The association is registered in Vienna and the jury is Austrian.

### *Emersense*

Emersense<sup>32</sup> is a social enterprise based in Vienna. It aims to creating 'enabling spaces' for ideas to flourish (the name Emersense comes from "Emerging Sense") for "value creators of today". Most of their activities concentrated during the period between their foundation in

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<sup>31</sup> <http://architectsofthefuture.net/>.

<sup>32</sup> <http://emersense.org/>.

2007 and 2010. It included the organization of “unconventional” conferences, workshops for individuals to crystallize, shape and enact their ideas for a positive impact, hosting and nurturing an international community and the impact hub, and a lab to explore new thoughts and ideas. They were also actively engaged in the creation of the Impact HUB Vienna, where many of their former staff is currently working.

### *Other initiatives*

The *Austrian Development Agency* (ADA) in its Social Entrepreneurship Challenge<sup>33</sup> covers areas from the Western Balkans to Africa and Asia. In 2016, 15 winning projects were supported financially and also received 18-month mentoring and support at the Impact HUB. In addition, ADA, together with Ashoka will establish a *scaling agency for social entrepreneurship*, and entrepreneurship with positive social and ecological effects will be supported in all six countries of Western Balkans through the social entrepreneur Yunus (Yunus Social Business) and the Impact Hub network.

ADA, together with the Impact HUB launched the DevelopmentHubClub<sup>34</sup>, which offers a platform to engage, discuss and promote solutions for these challenges and share experiences of Social Entrepreneurs engaging in developing and emerging countries. To further engage development agencies, experts and institutions with private sector-initiatives with impact, the HubClub creates a community of learning on finding the right the business model for volatile contexts, measuring impact, but also how to engage with local, culturally-different partners. The ultimate objective is to achieve the Global Goals for Sustainable Development (SDGs) including 17 interconnected goals by 2030.

The *Social Entrepreneurship Forum Vienna*, SEF<sup>35</sup>, is an initiative providing an event and information platform for social entrepreneurs (to be) and other people interested in the field. SEF is based in Vienna, Austria and focuses its aims on the students of Vienna.

## **2.6 SOCIAL ENTREPRENEURSHIP EDUCATION**

*Social Entrepreneurship Centre of the Vienna University of Economics and Business* (Wirtschaftsuniversität – WU). The *Social Entrepreneurship Centre*<sup>36</sup> serves as an academic contact at WU Wien for Social Entrepreneurs and the actors of the ecosystem. The WU has a strong tradition in researching and teaching issues related to non-profit organizations, and also promoting exchange between theory and application. In 1997 the Non-profit Institute (as an association) was established, which included applied research, but also dialogue with praxis (workshops, symposiums). Individuals and organizations could join and become members,

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<sup>33</sup> <http://www.entwicklung.at/en/actors/businesses/social-entrepreneurship-challenge/>

<sup>34</sup> <http://vienna.impacthub.net/hubclub/development-hubclub/>

<sup>35</sup> <http://www.socialentrepreneurshipforum.org/>

<sup>36</sup> <https://www.wu.ac.at/npocompetence/appliedresearch/forschungsthemen/social-entrepreneurship/>

with the benefits of receiving information and exchange opportunities. In 2011, the NPO-Competence Centre of the WU was established. Since the beginning of 2014, all activities at the WU related to social enterprises have been bundled, and services in the area of research, knowledge transfer, learning design and consulting services are offered. In the research area, substantial empirical contributions were made during the last years. In Vandor, Hansen & Millner (2012), the support needs of social entrepreneurs are detailed, based on an explorative quantitative survey conducted in seven European countries. It also explores whether organizational maturity or the way value is created by the organization influence the type of support needed. In Schneider & Maier (2013), the results of phone interviews undertaken with around 100 social enterprises are presented. It allows a description of the Austrian social enterprises sector in detail: existing support structures, understanding of the social enterprises concept, legal form chosen, financial situation, activities carried out, and number of employees.

### *Pioneers of Change*

The Pioneers of Change<sup>37</sup> offer a one-year training course, which includes nine seminar modules, supported by coaching in the personal clarification and development of projects, organizations and sustainable businesses. This learning and development course was distinguished by the UNESCO commission as part of its 'Decade of Education for Sustainable Development'. Their approach emphasizes 'Learning by Doing', integrated methodology, process-oriented guidance and 'Peer-to-Peer Learning'. The program consists of: nine four-day modules spread throughout the year, on themes such as project development, social financing solutions, going public; project work, to make sure progress is made with regards to the implementation of the social business idea; and several forms of support (i.e. individual coaching, group discussions, training in personality development). Regular fees amount to € 4.740 excl. VAT and some participants can benefit from a sponsored price of € 4.170. Since 2010, more than 100 people have participated in 'Pioneers of Change'.

### *The Social Impact Award*

The Social Impact Award<sup>38</sup> was founded by the Vienna University of Economics and Business Administration in 2009 and is implemented by Impact Hub Vienna. The Social Impact Award is an 'ideas' competition coupled with a learning program, targeting students and encouraging them to engage in social entrepreneurship. It was replicated in nine other countries in 2016: Bosnia, Czech Republic, Greece, Macedonia, Montenegro, Romania, Russia, Serbia and Slovakia. The best 10 projects receive a free Incubation ticket and full summer membership at the Impact HUB Vienna. Then the 5 best projects are awarded the Social Impact Award and receive € 3,000 per project (community award: € 2,000) and other support. The Social Impact Award took place in 2016 in a total of 10 countries. In Austria a high-ranking jury evaluates

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<sup>37</sup> <http://pioneersofchange.at/>

<sup>38</sup> <http://socialimpactaward.at/>

the submitted ideas according to transparent criteria. In addition, the SIA community chooses a winner team from the 10 finalists.

In addition to this, the program aims to raise awareness and provides education for all participants, with the motto “everyone is a winner”. In 2016, 73 student teams developed innovative social business ideas in Austria. The impact measurements show that 60% of the submitted project ideas have been implemented and 35% have earned revenue. In 2016, the Impact Award team organized 21 interactive workshops in Austria for more than 300 participants in 9 cities on topics such as the development of ideas or conceptual design.

## 2.7 LABELS AND CERTIFICATION SYSTEMS

### *Quality Label for Social Enterprises*



There are no certification systems for social enterprises. There is however, a quality label or ‘seal of approval’. arbeit plus has its own EFQM-quality label<sup>39</sup> for Social Enterprises and awarded it in 2010 for the first time. It is a sophisticated indicator based social sustainability. The label stands for compliance with social, organisational and economic quality standards in social enterprises, which are dedicated to the professional integration of long-term unemployed people. Since 2014, the Quality Label for social enterprises (Gütesiegel für Soziale Unternehmen) has been evaluated as a "Recognized for Excellence" (R4E) in the EFQM Quality Management System. As a result, social enterprises can participate in the state award procedure in the category of non-profit enterprises<sup>40</sup>, and can be listed at Ö-Cert<sup>41</sup> (quality framework for Austrian adult education organizations). The companies undergo an assessment by experts from Quality Austria and arbeitsplus. They analyze the enterprises with regard to certain quality standards. They examine how effective and efficient the use of (funding) resources is. At the same time they assess the strengths and development possibilities of the company in order to ensure quality-assured and quality-enhancing future developments. The label is limited to three years. Companies can then be certified again. The Quality Label for Social Enterprises is funded and financed by the AMS Austria. The high standard benefits ultimately the people who are successfully integrated into the labor market through social enterprises.

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<sup>39</sup> The EFQM Excellence Model is a non-prescriptive framework based on nine criteria for assessing all relevant areas of an organization with regards to performance, customers, employees, society and processes. The evaluation is conducted by independent assessors.

<sup>40</sup> Staatspreis Unternehmensqualität: <http://www.qualityaustria.com/index.php?id=3724>

<sup>41</sup> <https://oe-cert.at/>

### *Common Good Balance Sheet*

The movement for an “Economy for the Common Good,” launched in Austria in 2010, has gained the support of 2,200 companies in 50 countries<sup>42</sup>. Most recently, a committee of the European Union overwhelmingly supported a recommendation to incorporate the Economy for the Common Good framework into the EU and member-state legal systems. Three innovations aim to rectify this: the Common Good Product, the Common Good Balance Sheet and the Common Good Exam of investment projects (Christian Felber, 2012).

On the company level, the Common Good Balance Sheet measures how firms fulfill key constitutional values that serve the common good. These include human dignity, solidarity, justice, ecological sustainability and democracy. This new balance sheet measures some 20 common good indicators, including:

- Do products and services satisfy human needs?
- How humane are working conditions?
- How environmentally-friendly production processes?
- How ethical are sales and purchasing policies?
- How are profits distributed?
- Do women and minorities receive equal pay for equal work?
- Are employees involved in core, strategic decision making?

ECG hopes to use the balance sheet as a branding mechanism: companies could publish their ratings on their products, informing consumers on their social and sustainability commitment.

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<sup>42</sup> <https://old.ecogood.org/en/>

## 3 AN OVERVIEW OF INSTITUTIONAL AND POLICY FRAMEWORKS ON EMPLOYMENT IN MACEDONIA

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### 3.1 KEY LAWS AND POLICIES ON EMPLOYMENT THAT TARGET DISADVANTAGED GROUPS

The Ministry of Labour and Social Policy in Macedonia coordinates the processes of creating employment strategies, policies and plans, while the Agency for Employment is responsible for the implementation of the created strategies, policies and plans. *In Macedonia there is no specific regulatory framework that regulates the employment of disadvantaged groups, beside the Law on employment of persons with disabilities* (explained further in this section). In the Macedonian policy context, disadvantaged workers are not recognized as separate category, nor are data on this category available. The State Statistical Office, within the “Labour Force Survey”, which is published annually, provides data only on the following categories: unpaid family workers<sup>43</sup>, early school leavers<sup>44</sup>, persons with low educational attainment<sup>45</sup> and discouraged persons<sup>46</sup>. However, these categories are not recognized within the existing regulatory framework. Even the law on social protection doesn’t recognize the categories vulnerable, disadvantaged or marginalized groups, but only persons under social risk<sup>47</sup>, without clear explanation which specific groups are encountered.

The national regulatory framework which regulates the employment in Macedonia is under the *Labour law*<sup>48</sup>. Under this regulatory framework, no specific regulation that targets disadvantaged groups is recognized, beside the protection of the disabled persons entitled to professional rehabilitation (Article 177 and 178). An added value of the Law are the specific articles that ban any kind of discrimination, including age, health conditions, social status etc (Article 6). However, the focus is more on discrimination on gender base and prevention of mobbing, rather than taking wider scope of measures against discrimination of disadvantaged groups. Moreover, no

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<sup>43</sup> Persons who work without pay in a business entity or a farm (owned by a family member).

<sup>44</sup> The population aged 18-24 with no or with at most lower secondary education and not in further education or training.

<sup>45</sup> people aged 25 to 64 with low educational level according to the International Standard Classification of Education, ISCED level 2 or less (pre-primary, primary and lower secondary education), in the total population of the same age group.

<sup>46</sup> People who are not seeking work, because they believe there are no jobs available

<sup>47</sup> Article 11, under the Law on social protection the definition of the responsibilities of the municipalities, recognize the following groups: persons with disabilities, children without parents or parental care, children with mental of physical disability, children from the street, children with educational or social issues, children from single-parent families, persons at social risks, persons who abuse drugs and other psychotropic substances, precursors and alcohol, victims of domestic violence, victims of trafficking, elderly without care,

<sup>48</sup> Official Gazette of the Republic of Macedonia,  
No. 167 from 18.09.2015; Official Gazette No. 27 from 27.08.2016

specific measures for discrimination against disadvantaged groups are recognized, which can be considered as a major weakness.

Unemployment benefits are regulated under the *Law on Employment and Insurance in Case of Unemployment*<sup>49</sup>. There are no specific articles that stipulate separate rights for disadvantaged groups or employers of disadvantaged groups. Moreover, there are no specific measures that stipulate coordination and integration of passive and active measures in place. The special conditions and benefits for employment and work of the disabled persons have been regulated by the *Law on Employment of disabled persons*, while the conditions for allocation of financial means from a special fund have been regulated by separate rulebook on the criteria and the procedures for assistance in employment of and working with disabled persons. This law offers valuable support for establishing and functioning of sheltered companies which employ persons with disabilities (more than 40% of their workforce). Incentives were applicable to the civil society sector as well as to businesses. However, this regulatory framework didn't result as expected. A number of employers were attracted by the non-repayable funds allocated from the special fund managed by the national agency for employment. In many cases, finances were abused, persons with disabilities were employed only fictively and the companies were liquidated after the funds were spent (Grujevski, n.d.).

Beside the existing policy framework, the labour market in Macedonia is regulated in *numerous governmental documents*. In the light of reducing the unemployment, the Macedonian government has introduced a number of *Active Labor Market Measures (ALMP)*, as a modern system of active labor market services and programs. The first operative plans for active measures were introduced in 2007 by the Ministry of Labor and Social Policies. The implementation of ALMPs is managed through Annual Operational Plans that determine yearly the range, scope and financial allocation of the employment services and programs to be offered. The key objectives in the operational plan for 2017 are the following: 1) social inclusion of vulnerable groups on the labour market, 2) reducing unemployment, 3) increasing employability of the longterm unemployed people, and 4) fostering competitiveness of the economy. *The National Employment Strategy of the Republic of Macedonia 2016-2020* is the basic current document which contains the main mid-term challenges of the labour market and the strategic goals and objectives that refer to the period up to year 2020. The main goal of the Strategy being increasing employment, job quality and productivity, with special focus on vulnerable groups of the population. The strategy envisages an increased funding for active employment measures, targeting groups that have difficulties accessing labour market: long-term unemployed, women, young people, vulnerable groups such as the Roma minority, disabled people and the elderly people. Employment measures provide support for the self-employment, formalisation of

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<sup>49</sup> Official Gazette No. 112/2014; 113/2014; 56/2015; 129/2015; 147/2015; 154/2015; 27/2016; 119/2016



informal businesses, retraining, public works, provision of internship programmes and employment subsidies for the vulnerable groups. However, the program doesn't provide specific set of measures aimed at social integration of these groups.

To overcome the challenge of youth employment at national level, the Government and its social partners have also been preparing an *Action Plan on Youth Employment*. The first such Action Plan was prepared in 2012 for the period until 2015, followed by the preparation of the new action plan 2016-2020, with main goal to promote more and better jobs for young men and women, with specific objectives mainly focused on improving compliance of the supply of skills with the requirements of the labour market; promoting job creation led by the private sector and facilitating the transition of young people into the world of work.

In close cooperation and coordination with the European Commission (DG EMPL), in the past period, the Republic of Macedonia has intensively worked on drafting the strategic document, i.e. the *Employment and Social Reform Programme - ESRP*. The program represents a comprehensive strategic framework that sets the priority reforms in the areas of labor market and employment, human capital and skills, social protection and social inclusion, for the period until 2020. However, the strategy is mainly focused on two disadvantaged groups, Roma and persons with disabilities, at the same time leaving out other groups such as: homeless persons, single mothers, victims of domestic violence, working poor population, people over 50 years of age, young people with low qualifications, rural workers, former prisoners, immigrants, and ethnic minorities. All these groups have few opportunities to find employment on the traditional labour market, while also lacking adequate assistance from public agencies. Moreover, the needs of each group are very specific and can't be targeted with the same set of measures.

### **3.2 EXISTING LEGISLATION THAT ENABLES FUNCTIONING OF SOCIAL ENTERPRISES**

Macedonia has constitutional and legal basis for developing the concept of social enterprise. In the *strategy for cooperation between the Government and the civil sector* (2012-2017), in the third strategic priority "Economic development and social cohesion" there is a clearly established goal – Development of social economy<sup>50</sup>, opening the question that the social economy can be a model for sustainability of civil society organizations (Government of the Republic of Macedonia, 2011). Currently, most of CSOs rely on short term project funding and they have no strategy for diversifying and stabilising their income streams. The Ministry of Economy started with the

affirmation of the *South East Europe (SEE) Strategy 2020* which emphasizes social economy as a separate area, but there hasn't been significant success in its implementation noticed.

Most of the current social enterprises in Macedonia are functioning as entities registered under the Law on Associations and Foundations<sup>51</sup>, Law on Cooperatives<sup>52</sup>; Law on agricultural cooperatives<sup>53</sup> and Law on Employment of Persons with Disabilities<sup>54</sup>. *The Law on Associations and Foundations* is the basic law that regulates the establishment and modes of operation of the non-profit organisations such as the associations, foundations, coalitions etc. It allows mission-related economic activities as long as the gained income is used in the established non-profit. The country's 2010 Law on Associations and Foundations introduced public benefit status, providing public benefit organisations with special tax and customs exemptions. To date, only one foundation has the public benefit status due to the absence of incentives and extensive requirements for acquiring that status. *The Law on Social Protection*, *the Law on Free Legal Assistance* and the *Law on Public Procurement* provide opportunity for the civil society sector to provide services. In 2000 the *Law on Employment of Persons with Disabilities* was introduced, which was then subjected to revisions in subsequent years. This law is one of the examples of the legal acts prepared to some extent with consideration of social entrepreneurship principles. It offers valuable support for establishing and functioning of sheltered companies which employ persons with disabilities (more than 40% of their workforce).

According to available data, there are 291 sheltered companies in Macedonia. Cooperatives are regulated with the *Law on Cooperatives* as associations established by at least 3 individuals and legal persons with an aim to improve or to protect a determined number of defined economic interests in all business areas except in the banking sector and other business activities where they are forbidden by the Law. Cooperatives can make profits which can be shared among members after investing a minimum 5% of the profit in a reserve fund for 20 years. They can also establish additional funds which could be used for the cooperative's objectives or in financial crisis. The law on agricultural cooperatives the conditions and procedures for the creation and operating procedures of agricultural cooperatives, including monitoring mechanisms of their work. Despite the various measures applied by the Government to stimulate the creation of agricultural cooperatives, such as renting state land to individuals, providing funding for managers, and other benefits, the number of registered cooperatives is rather small, or 35 registered agricultural cooperatives in 2016.

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<sup>51</sup>Official Gazette No. 52/2010; 135/11; 55/16

<sup>52</sup> Official Gazette No 54/2002; 84/2005

<sup>53</sup> Official Gazette No. 23/2013; 51/2015; 193/2015; 39/2016

<sup>54</sup> Official Gazette No.44/2000, 16/2004, 62/2005, 113/2005, 29/2007, 88/2008, 161/2008, 99/2009, 136/2011, 129/2015, 147/2015 and 27/2016

### 3.3 ACTIVE LABOUR MARKET PROGRAMS AND COVERAGE AMONG DISADVANTAGED GROUPS

The major characteristics of the unemployment in Macedonia are its consistency and high intensity. The labour market situation in the country is unfavorable and is characterized by a relatively low participation rate of 57.0 and high unemployment rate of 26.1 of the entire population, out of which 26.7% are male and 25.1% female (State Statistical Office, 2016). According to age and gender, the highest activity rate at 79.6 was registered in the age group 25-49 (92.5 for men and 66.2 for women). Among the inactive population, 36.1% are men and 63.9% are women, showing significantly higher female participation. The long-term unemployment rate is also presently high, 23.9 in 2013, 23.4 in 2014 and 21.3 in 2015 (State Statistical Office, 2016).

In the light of reducing the unemployment, the Macedonian government has introduced a number of Active Labor Market Measures (ALMP), as a modern system of active labor market services and programs. The first operative plans for active measures were introduced in 2007 by the Ministry of Labor and Social Policies. The implementation of ALMPs is managed through Annual Operational Plans that determine yearly the range, scope and financial allocation of the employment services and programs to be offered.

The following programs/measures and services are introduced in the operational plan for 2017:

- *Developing entrepreneurship* (program for self-employment and program for self-employment of persons with disabilities);
- *Subsidized employment* (program for support of the growth of small and micro enterprises to generate new employment; program for conditional remuneration for subsidized employment of people living in social risk; subsidized employment of unemployed persons through exemptions from payment of contributions and personal income tax; subsidized employment of persons with disabilities; program for support of fast-growing companies-gazelles; financial support for the opening of private kindergartens; and financial support for the opening of private homes for elderly);
- *Training* (Trainings for known employers accompanied by subsidized employment; Training at work place with subsidized employment; Trainings in professions in short supply; Training to meet labor market demand by private training providers; Training in advanced IT skills; Internship; Survey to address the needs of skills in the labor market; and training in general skills-language and computer skills);
- *Program for municipal useful work*
- *Other pilot programs*- pilot programs for youth, targeted to specific local needs;
- *Employment services* (job search assistance; motivational training; job intermediation services, services for employers; employment and Work Preparation; career counseling and professional orientation);

With the operational plan for 2017 a special focus is given to young unemployed persons to the age of 29 years, and each program gives an overview for the participation of this target group. From the programs listed above only five are targeted to specific disadvantaged groups, with major focus on persons with disabilities. In other words, 1870 persons from disadvantaged groups will be beneficiaries of activation measures in 2017, with total budget of 3.349.162, with signification portion of 68.59% spent on subsidized employment of disabled persons

Table 1: Overview of active measures for employment in Macedonia

Program	Target group	Total number of beneficiaries	Budget (in EUR)
<b>Self-employment of persons with disabilities</b>	150 unemployed persons, of whom 50 persons with disabilities registered at the Employment agency <sup>55</sup> , 45 young persons with disabilities to age of 29 years of whom 30 are registered at the Employment agency as active job seekers.	195	578.242
<b>Conditional cash allowance for subsidized employment of persons at social risk</b>	<b>Priority groups:</b> users of social benefits on the age 16-29 years old, persons who till the age of 18 years had a status of child without parents (age 18-26 years), beneficiaries of the program for conditional reimbursement for high school attendance. <b>Other targeted beneficiaries</b> of the program are other users of social benefits and persons who are: members of household which is a beneficiary of the right to permanent social benefits or child allowance; victims of domestic violence <sup>56</sup> ; beneficiaries of state scholarship in the last 15 years <sup>57</sup> ; and persons under age of 29 years from household with monthly household income in the last year was 50% less than the average net salary published by the State Statistical Office; 15 young people on the age to 29 years	36	206.700
<b>Subsidized employment of disabled persons</b>	Unemployed persons with disability registered at the Employment agency	300	2.297.246
<b>Training to meet the demand for occupations at the labour market</b>	Deaf and blind persons registered as unemployed.	39	53.775
<b>Community useful work</b>	Unemployed persons at social risk or social protection beneficiaries (all have to be registered as unemployed)	195	151.560
<b>Activation services for persons under risk for social exclusion</b>	Unemployed persons at social risk (Roma and other vulnerable groups all registered a unemployed at the employment agency).	1.300	61.639

Source: Annual Operational plan, 2017

<sup>55</sup> The other 100 beneficiaries will be identified through civil society organizations and sheltered companies.

<sup>56</sup> accommodated in shelter or with monthly household income in the last year was 50% less than the average net salary published by the State Statistical Office

<sup>57</sup> with monthly household income in the last year was 50% less than the average net salary published by the State Statistical Office

The success of the applied ALMPs in Macedonia is insufficiently measured and analyzed. Data on socio-demographic characteristics of users, sectors that ensured long-term employment of users, and data on former users who remain excluded from the labour market are missing. On the other hand, in Macedonia there is a lack of information about the available ALMPs among the vulnerable groups, especially among those with lower level of education. Moreover, the majority of the measures introduced (approximately 70%) are not targeted to a specific group, but to all registered unemployed persons. The available active measures do not prioritize the disadvantaged groups which have little chance of finding work.

And lastly, there is an apparent lack of integration of active and passive measures, meaning that users of social benefits are not obliged to participate in any activation measure. However, for users of social benefits there is an opportunity to use both measures (this applies only to training programs and municipal useful work program).

## **4 STATE OF DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN MACEDONIA**

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The social economy in Macedonia is largely promoted and developed by the civil society sector. The existing legal system does not recognize or regulate the term social economy or social enterprise, and there is, as of yet, no uniform understanding around the idea of social enterprise. The public knowledge on the social enterprise concepts, social entrepreneurship, and social economy, remains underdeveloped and limited. Regarding the institutional set up, there is no specialized governmental body in charge for the development of the social economy sector, which clearly demonstrates lack of governmental commitment to this area.

In the meanwhile, a consortium of five organizations<sup>58</sup> within the programs of the Regional Research Promotion Program conducted the first in-depth research on social enterprises in the region following the ICSEM methodology. The consortium went even further and it investigated the opportunities for employment of vulnerable groups by SEs. Moreover, within the same project the first evidence based policy recommendations were provided in the light of ensuring a favorable eco-system which will flourish the development of social enterprises. The same consortium established the Balkan Social Enterprise Research Network, through which researchers got the opportunity to share findings and experiences that can have a significant and long-lasting impact on the region. In the period between May, 2015- November, 2017, EPTISA Southeast Europe is implementing a project for fostering social entrepreneurship, with main purpose to help develop social entrepreneurship in the country by building/implementing the right ecosystem for social entrepreneurship and fostering already established social businesses by providing to them corporate-support services. In the meanwhile, numerous other project

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<sup>58</sup> Reactor- research in action, Public- association for research, communications and development and Konekt from Macedonia, Partners Albania and Center for Peace and Tolarence from Kosovo

activities have been implemented or are in a process of implementation, however the donor coordination and absence of strategic approach is more than evident.

Social enterprise legislation is currently underway in Macedonia and this report is a contribution towards an adequate policy and legal framework that will enable development of social economy in the country. Till now, two draft versions of the law were available to the public. The latest version published on the National Electronic Register of Regulations in Macedonia. The law defines and regulates principles, forms and activities of social entrepreneurship; the criteria for setting up and running a social enterprise; and the recording, reporting and supervising of the social enterprises. It has a strong preference towards employment of certain vulnerable groups which is pointed out as a primary reason for introducing the law. One of the key conditions for obtaining social enterprise status is permanent employment of at least 1 employee who belongs to the limited list of beneficiaries within the first year and at least 1 more by the end of the second year 20. The measures that entail state budgetary resources are available only for SE in which 40% of the workforce is part of the vulnerable groups listed as beneficiaries of the draft law. Representatives from pioneer social enterprises in Macedonia, share the opinion that the draft law doesn't envisage measures that motivate social entrepreneurs, and evaluated it as very restrictive and rigorous.

Independently from the absence of regulatory framework and the evolution of the political system, mainly within the civil society sector there is an increasing number of social enterprise initiatives. The predominant legal form of the existing social enterprises in Macedonia is civil society organization, while the other, less dominant forms are agricultural cooperatives and sheltered companies.

According to a study conducted in 2011, there are more than 100 different legal entities that function as social enterprise initiatives in various fields (employment, environment, agriculture, microfinancing, etc.)<sup>59</sup>.

*Table 2: Estimated number of social enterprises by type of organization in Macedonia*

Type of social enterprise	Estimated numbers
Civil society organizations	100-150
Protective companies	291
Non-profit companies	4
Micro-finance institutions	5

Source: "Piloting Social Enterprising Concept in Macedonia" project (2011)

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<sup>59</sup> Development and implementation of the social enterprise concept in Macedonia, 2011 publication under the project "Piloting Social Enterprising Concept in Macedonia" implemented by the Centre for Institutional Development and Euclid Network funded by the British Embassy in Skopje, manuscript.

## 4.1 SOCIAL ENTERPRISES- EMPLOYMENT AND SERVICE PROVISION FOR DISADVANTAGED GROUPS

As a country with an economy in transition, Macedonia is facing a growing number of social groups exposed to risk of becoming excluded. Almost one-quarter of the population lives in poverty, according to the World Bank, while other sources provide numbers as high as 30%. In 2014 there were 133.539 members of households receiving a social assistance cash benefit. The integration of low-skilled workers and recipients of social benefits had been among the most arduous challenges of the economy in the last twenty years. The de-jure existence of a social regulatory framework (social assistance, active labour market measures, etc.), unfortunately, does not guarantee non-discrimination of marginalized groups in the labour market. Quite the contrary, in practice more often there is an abuse of employment contracts and state subsidies than these measures are used to alleviate marginalized social groups from poverty.

*Until now, only one research project has addressed directly social enterprises in Macedonia.* The research project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises” implemented in the framework of the Regional Research Promotion Program in the Western Balkans (RRPP) aimed to understand the perceived challenges and opportunities for employment of marginalized groups by social enterprises in Macedonia, Albania and Kosovo<sup>60</sup>. The report for Macedonia presents the findings from the research conducted in Macedonia and outlines the following: a) mapping of social enterprises (SE) in Macedonia; b) analysis of the challenges and opportunities for employment of marginalized and vulnerable groups by SEs and c) exploration of various policy options for development of SEs and to achieve their full potential to employ people from marginalized groups.

Till now, despite the increased donor attention to the field, there is a lack of field information as well as monitoring mechanisms that are actually compulsory, and would be essential for steering the development of social enterprises and designing simulative policy measures. Additional research and analysis on existing social enterprises is needed as an input for the design of the next activities in the field. Another challenge that should be addressed is the lack of capacities and understanding in the field on institutional level, including the relevant ministries, such as Ministry of labour and social policy and Ministry of economy.

The above mentioned research project used a research instrument designed by the International Comparative Social Enterprise Models (ICSEM) Project, meaning that data are comparable with research conducted with 50 other countries on global level.<sup>61</sup> Data on 23 existing social enterprises were collected. Following the ICSEM methodology, the field of analysis is “made of

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<sup>60</sup>The research was conducted in partnership with the following consortium: Public- association for research, communications and development, Reactor, Konekt and Partners Albania.

<sup>61</sup> The ICSEM Project involves 50 countries in the world and aims to build knowledge about emerging or already well-established social enterprise models across the world, following common guidelines so as to foster international comparative analysis.



organizations that combine an entrepreneurial dynamics to provide services or goods with the primacy of their social aims". Within the same research, on a sample of 81 persons from 7 different disadvantaged groups<sup>62</sup>, the team tried to address the challenges faced by these groups in their access to the labour market, as well as the influence of social benefits on their final decision to accept job offered.

*Through analysis of the legal environment, historical legacy and surveys of existing SEs, this research has identified the following SE typology:* Social organizations embodying historical legacy and continuity; Non-profit entities registered as associations and foundations performing mission related or non-mission related economic activities i.e. providing goods and services; Sheltered companies as work integration type of SEs; Cooperatives (mainly agricultural); and Social entrepreneurship activity (informal and formal within the existing associations).

*The main conclusion for the research is that there was an absence of favorable eco-system for social enterprises in Macedonia.* The following conclusions were made:

1. *Existing SEs have low absorption capacities* and the majority, 61% of them have fewer than 5 fulltime employees.
2. *SEs serve diverse target groups* such as persons with disabilities (6 of the surveyed SEs), youth (5 of the SEs) and agricultural producers (3 of the SEs), but there is a need of diversifying the groups if we take into consideration the growing number of groups exposed to risk of social exclusion;
3. *For the majority of the SEs, the existing revenues do not provide financial sustainability.* The majority of the existing SEs, or 70% employ disadvantaged groups, meaning that there is an existing potential in the social economy to increase the employment and reduce discrimination at the labour market. The bulk, employ people from different ethnic groups, people living with employment barriers and people living with disabilities.
4. *Half of the surveyed SEs in their employment policies and practices, give priority to the people from the disadvantaged groups.* The main reason for many of the SEs to prioritize employing people from marginalized groups is that it is connected to the social purpose of the SE. For the sheltered companies the reason for employing people with disabilities is connected to the legal status requirements;
5. *The surveyed SEs that employ people from marginalized groups usually provide training in several key areas:* technical training and mentorship related to the job requirements; orientation and work integration; soft skills; training on workplace hygiene, health and safety and some specific training (for ex. Re-socialization and freedom from addictions, basic literacy etc.);
6. *The stimulus measures that could encourage the SEs to employ more people from marginalized groups* can be grouped in several categories: Tax benefits/exemptions for those SEs that employ people from marginalized groups; Subsidies for the salaries and the

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<sup>62</sup> youth, persons with disabilities, women, homeless, undereducated, Roma and addicts

fringe benefits and in general subsidies for the SEs; Advantage i.e. preferential treatment when applying for some calls for proposals and public procurement; Subsidized training and workshops; and Funds that will enable SEs to grow as well as grants for programmes of the SEs.

Through the research conducted on marginalized groups, the following conclusion were made:

1. *Most often stated reason for unemployment by representatives of marginalized groups are:* 1) limited opportunities for employment, politicized labour market; 2) discrimination and 3) discouragement by different social factors;
2. *Identified challenges by marginalized groups related to the labour market:* Limited opportunities for employment; Lost living habits create barriers to entering the labor market; Lack of transitional employment models and programs; Closed communities (persons with disabilities, women, homeless, Roma and addicts) results in passiveness and exclusion; and Social welfare system is not in line with specific needs.
3. Despite these limitations, most of the respondents expressed *strong willingness and readiness to enter the labour market* and most of them noted that *they would be satisfied with salaries in line with the average salary in Macedonia, or even lesser*;
4. *Job preferences* for all target groups, except for the youth and addicts *are mostly low-skilled jobs*, while youth and addicts listed positions which are in line with their education and qualifications;
5. If required to participate in additional training almost *half of the respondents* (41 in total) *do not recognize the need for training and job pre-qualifications*.

## 5 CONCLUSIONS

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In this paper, we aimed to bring together evidence on social enterprises in active labour market policies in Macedonia on the one hand, and Austrian best practices and European Union policy initiatives on the other hand, in order to provide input to the discussion on an enabling policy framework for this sector for inclusive local growth in Macedonia.

Neither Macedonia nor Austria has a formal policy or legal framework specific to social enterprise. In Austria, *social enterprise has been largely understood as work integration social enterprises* either in the form of socio-economic and non-profit employment projects / companies. The legal forms range from non-profit associations, limited liability companies (GmbHs), not-for-profit limited liability companies (GmbHs), registered societies or co-operatives (Leichsenring, 2001). On the other hand, in Macedonia social enterprise has been largely promoted by civil society organizations, whereas the most common legal forms range from civil society organizations, cooperatives to sheltered companies. In both countries there is no publicly funded support schemes specifically designed to support social enterprises. However, in Austria, socio-economic enterprises and non-profit employment projects / companies receive financial support from the Public Employment Services to cover the costs incurred by hiring disadvantaged workers (i.e. to compensate for their lower productivity).

While the majority of social enterprises in Austria are dedicated to topics such as education & research, environmentalism, projects in developing countries, reintegration in the labour market as well as (networking) support for social entrepreneurs, the social enterprises in Macedonia are focused on provision of social services, employment and reintegration of disadvantaged groups, environment, agriculture, microfinancing, etc. Around 1.200-2.000 Social Business organizations are estimated to exist in Austria, including start-ups and already established non-profit organizations (Vandor, Millner, Moder, Schneider, & Meyer, 2015). In Macedonia there are no information on the exact number of existing social enterprises. According to a study conducted in 2011, there are more than 100 different legal entities that can be considered as social enterprises.

Even though the number is low, still in Austria there are few funders specifically targeting social enterprises, while in Macedonia there is no such funding available. A social investment market is however, slowly emerging in the both countries. There are two main advocacy networks in Austria, arbeit plus and Sozialwirtschaft Österreich which represent Social Integration Enterprises and social services providers respectively, while in Macedonia there is no similar network yet.

In terms of education and research, the *Social Entrepreneurship Centre in Austria* serves as an academic contact at the Vienna University of Economics and Business. Since the beginning of 2014, all activities at the WU related to social enterprises have been bundled, and services in the area of research, knowledge transfer, learning design and consulting services are offered. In the research area, substantial empirical contributions were made during the last years. On the

contrary, in Macedonia, social enterprises have a marginal role in the academic (teaching and research) curricula and research evidence is very scarce.

There is no certification system for social enterprises in either of these countries. The Austrian quality label or 'seal of approval' provides a useful benchmarking tool, and its adaptation could be considered in Macedonia as well. The label stands for compliance with social, organisational and economic quality standards in social enterprises, which are dedicated to the professional integration of long-term unemployed people.

We also explored the possibility for nurturing social enterprises in the active labour market policy frameworks in Macedonia, in the light of developing a social enterprise eco-system. In our view, this approach could provide an input for designing policies for scaling the impact of social enterprises in Macedonia. In our view, these efforts are needed in order to fill the gap created by the inefficiency of active labour market policies in terms of low job-finding rates among disadvantaged workers. The empirical literature demonstrates that standard ALMP programmes often fail to function effectively for the socially excluded – largely because of the need for a tight integration of the diverse social/training/work support measures for such groups. This has led to recognition of the value of specialist type of organisation for integrating the more disadvantaged within the social economy particularly through the new form of Work Integration Social Enterprise (WISE). WISEs are recognized as independent economic entities whose main objective is the professional integration of people experiencing serious difficulties in the labor market, through productive activity and tailored follow-up, or through training to qualify disadvantaged workers.

What works for the disadvantaged groups in transition countries and which ALMPs are the most effective? Disadvantaged groups appear to benefit more from work-first programs compared to human-capital program. According to research evidence, even if the human capital of disadvantaged persons is increased as a result of ALMPs, this increase might not be sufficient to enable them to compete with potentially very productive unemployed workers, and the number of these tend to be high in Western Balkan Countries. Analysis of self-employment programs and job-creation schemes demonstrates that such programs didn't have significant contribution in reduction of unemployment and are with negative results in Western Balkan Countries. More positive results are identified in the provision of on the job-trainings programs, especially if implemented on a smaller scale schemes, targeted on specific disadvantaged groups, and particular occupations and schemes rather than larger general schemes. And lastly, the lack of integration of active and passive measures, which means that users of social benefits are not obliged to participate in any activation measure is significantly reduces the effectiveness of ALMPs measures and services in the country.

In sum, based on the review of the scientific literature we suggest that the design of an optimal policy framework in Macedonia needs to focus on re-allocation of the active measures for employment to existing social enterprises for work integration, instead to the private sector. Measures should be focused on the job-trainings programs, targeted to specific disadvantaged

groups and implemented on smaller scale-schemes, rather than general as implemented at the moment. Moreover, integration of active and passive measures should be prioritized, so that the activation of the users of passive measures is increased.

## 6 MACEDONIA: COUNTRY SPECIFIC RECOMMENDATIONS

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Taking into consideration the country specific context and drawing on the Austrian experience, we think that the most stringent policy priority for Macedonia is the *development of a social enterprise eco-system*. Although there is an urge from the relevant Ministries to adopt a regulatory framework, leading social enterprises such as “Pokrov” and “Lice v lice”, as well as relevant stakeholders such as UNDP recommend to prioritize the development of an eco-system prior the adoption of regulatory framework (2008, p 3).

*In our view, the main priority within the next 3 years* is to develop a strong foundation for a robust social enterprise sector in Macedonia, based on research evidence, established strategy supported by action plan, and established independent (institutional or non-institutional) body in charge of the development of the social economy in Macedonia. *Further key priorities include the development of operational business support structures for social enterprises and the promotion of effective partnerships with the private sector.*

### POLICY RECOMMENDATIONS

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Macedonia has constitutional and legal basis for developing the concept of social enterprise, however it needs to be further built and strengthened. These recommendations are defined on the basis of the Austrian experience, the country specific context and the first research on SEs in Macedonia. The recommendations provided aim to contribute toward the development of enabling policy and active support measures. As an optimal policy option in this paper, we endorse amendments in the existing legal framework for social enterprise development.

Herewith we provide the following recommendations:

Nurturing an enabling legislative framework in the existing legal framework for social enterprise development through:

- Active measures for employment that target disadvantaged groups, are to be implemented by the existing social enterprises in Macedonia. If this process is accompanied with relevant monitoring mechanisms, in short-term it is expected to increase the effectiveness of active labour market measures aimed at disadvantaged workers.
- Amendment in the existing Law on associations and foundations and adding a separate article that opens the possibility for civil society organizations to acquire a status to establish “Centers for social and work integration”. The procedure and the conditions for acquisition of such status should be regulated under separate by-law.

### OPERATIONAL RECOMMENDATIONS

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Developing an adequate institutional framework and capacity building on various levels:

- Establishing a lead body within the Ministry of Labour and Social Policy or the Ministry of Economy, or independent body to assist and lead the process of development of the social economy in Macedonia and supports it in its full potential;
- Conduct in-depth research on the capacities of existing social enterprises in Macedonia, and based on these findings develop a strategy for the development of social enterprises. Despite the increased donor attention to the field, there is a lack of field information as well as monitoring mechanisms that would be essential for designing an adequate policy framework. Additional research and analysis on existing social enterprises is needed as an input for the design of the activities in the field. We recommend staff training and the enlargement of capacities in the relevant public institutions, including the ministries, such as the Ministry of Labour and Social Policy and Ministry of Economy.
- More flexible labour and social welfare regulation is needed in order to mainstream the work integration of marginalized groups through social enterprises. This should be based on a further analysis of the obstacles that regulation creates, for example, when a user of social welfare receives short-term work engagement by a SE. A policy review and the resulting supportive policy framework could largely enhance the capacity of SEs to employ, activate and build the capacity of marginalized groups for labour market participation.

#### **OTHER OPERATIONAL RECOMMENDATIONS RELATED TO THE ECO-SYSTEM FOR SOCIAL ENTERPRISES**

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- Drawing on the Austrian example, we recommend an increased policy focus on establishing a network of social enterprises. The support network could enable the establishment of new start-ups and their effective functioning, therefore contributing to the growth and strengthening of social enterprises.
- Funding schemes for social enterprises need to be established, primarily within existing institutions, like the Ministry of Economy and the Fund for Innovations and Technology Development. The criteria for successful funding should include social impact.
- Similar to the useful and easily adaptable Austrian example, a Social Enterprise Center should be established to serve as an academic training, capacity building and networking center among the actors of the ecosystem.
- Introduce labeling and certification system for social enterprises in order to safeguard quality and increase trust for customers and clients, while also ensuring that administrative duties do not overburden small-size or new SEs. In the first phase, this could be done on a voluntary basis.

## ANNEX 1. KEY ACTORS IN AUSTRIA

Name	Role	Website
<b>Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</b>		
BMASK - Federal Ministry of Labour, Social Affairs and Consumer Protection	Ministry in charge of active labour market policy. Relates to SÖBs and GBPs only.	<a href="http://www.sozialministerium.at/siteEN/">http://www.sozialministerium.at/siteEN/</a>
Austria Wirtschaftsservice (aws)	Federal bank promoting businesses in Austria. Offers financial as well as advisory services. Not specifically designed for social enterprises. A tailor-made instrument is in the pipeline	<a href="https://www.aws.at/en/">https://www.aws.at/en/</a>
<b>Customers – authorities contracting social enterprises</b>		
Public enterprises and administrations including local authorities	According to a survey on main clients of SÖBs and GBPs <sup>85</sup> , public enterprises and administrations rank third, behind final consumers and private enterprises.	n/a
<b>Organisations promoting, certifying and awarding social business labels</b>		
Arbeit plus (formerly: bdv Austria)	Quality label for WISEs. Certifies the ability of SÖBs and GBPs to consistently meet a certain quality level.	<a href="http://arbeitplus.at/">http://arbeitplus.at/</a>
Common Good Balance Sheet	A system for measuring and reporting the social impacts of, amongst others, social enterprises	<a href="http://www.gemeinwohl-oekonomie.org/en/">http://www.gemeinwohl-oekonomie.org/en/</a>
<b>Social entrepreneurship education and training</b>		
Social Entrepreneurship Centre of the WU Vienna	Research and consulting on non-profit organisations and social entrepreneurship	<a href="http://www.wu.ac.at/npoc/competence/about">http://www.wu.ac.at/npoc/competence/about</a>
Pioneers of Change	A one year program to learn how to implement / scale up social business ideas	<a href="http://pioneersofchange.at">http://pioneersofchange.at</a>
Social Impact Award	Idea competition coupled with a learning program (workshops on social entrepreneurship). Winners receive start up and development support services	<a href="http://www.socialimpactaward.at">www.socialimpactaward.at</a>
Social Entrepreneurship Forum	Event and information platform, based in Vienna, Austria, focusing on Viennese students.	<a href="http://www.socialentrepreneurshipforum.org/">http://www.socialentrepreneurshipforum.org/</a>
<b>Providers of social enterprise start up and development support</b>		
Impact HUB Vienna	Shared working spaces, community building, support services, e.g. the investment readiness program	<a href="http://vienna.impacthub.net/">http://vienna.impacthub.net/</a>
Business start-up programme for the unemployed (UGP)	AMS program to help the unemployed to become self-employed. Accessible to future social entrepreneurs. Ensures personal income for work on activities and provides business support	<a href="http://www.ams.at/">http://www.ams.at/</a>
Ashoka	Fellowship program (ensuring personal income for work on activities), global network, support services	<a href="http://austria.ashoka.org">http://austria.ashoka.org</a>



Architects of the Future	Builds up a global community of social entrepreneurs (via an award ceremony and a retreat)	<a href="http://architectsofthefuture.net">http://architectsofthefuture.net</a>
<b>Name</b>	<b>Role</b>	<b>Website</b>
<b><i>Social enterprise umbrella networks</i></b>		
arbeit plus	federal umbrella association for WISEs	<a href="http://arbeitplus.at/english/">http://arbeitplus.at/english/</a>
Sozialwirtschaft Österreich	Social partner organisation/ Networking platform for social service providers	<a href="http://www.bags-kv.at/">http://www.bags-kv.at/</a>
<b><i>Key providers of finance</i></b>		
ERSTE Foundation, Erste Group and good.bee	Foundations active in the field in all Central and Eastern Europe. Focus on microfinance and financing of social enterprises and other initiatives.	<a href="http://www.erstestiftung.org/">http://www.erstestiftung.org/</a>
Essl Foundation	Foundation supporting role model projects via the Essl Social prize and also together with other foundations. Provides financial and general business support services	<a href="https://esslfoundation.org/">https://esslfoundation.org/</a>
BonVenture	Venture Philanthropy Fund, based in Germany and active in Austria	<a href="http://www.bonventure.de">http://www.bonventure.de</a>
Vienna Business Agency (Wirtschaftsagentur)	Contest, open to Viennese companies, with a total available budget of EUR 1 million in 2017.	<a href="https://wirtschaftsagentur.at/">https://wirtschaftsagentur.at/</a>
Toniic	Global impact investor network with some activities in Austria	<a href="http://www.toniic.com">www.toniic.com</a>
Conda respekt.net	Crowdfunding platforms	<a href="https://www.conda.at/">https://www.conda.at/</a> <a href="http://www.respekt.net/">http://www.respekt.net/</a>
Bank für Gemeinwohl	<i>(in development)</i> Bank which will be a social enterprise itself; expected to inter alia provide finance to social enterprises.	<a href="http://www.mitgruenden.at">http://www.mitgruenden.at</a>
Austrian Development Agency Social Entrepreneurship Challenge	<i>Financial support for winning project and 18-month mentoring (West-Balkans, Africa, Asia). DevelopmentHubCub: networking platform</i>	<a href="http://www.entwicklung.at/en/actors/businesses/social-entrepreneurship-challenge/">http://www.entwicklung.at/en/actors/businesses/social-entrepreneurship-challenge/</a>

Source: Updated, extended version of Table 2.4 in Mathis et al (2014)

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