



# Social Enterprises for Inclusive Local Growth in the Former Yugoslav Republic of Macedonia, Drawing on the Experience of Austria\*

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## Introduction

The aim of this Policy Brief is to explore how social enterprises (SEs) can facilitate local growth and social integration in the Former Yugoslav Republic of Macedonia (FYROM). We present the current situation and propose a set of policy tools based on the experience of Austria and the scientific literature that can enhance the capacity of regions and municipalities to support social enterprises with the inclusion of disadvantaged groups.

## Social entrepreneurship in FYROM and Austria: the current state of affairs

**Keywords:**  
social enterprises,  
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Macedonia

Neither FYROM nor Austria has a formal policy or legal framework specific to social enterprise, although social enterprise legislation is currently under way in FYROM. Therefore, in terms of an institutional set-up, there is no specialized governmental body in charge for the development of the social economy sector. In Austria, social enterprise has been largely understood as work integration, i.e. social enterprises in the form of socio-economic and non-profit employment projects/companies. The legal forms range from non-profit associations, limited liability companies (GmbHs), registered societies or co-operatives (Leichsenring, 2001). In FYROM, social enterprise has been largely promoted by civil society organizations, whereas the most common legal forms range from civil society organizations, agricultural cooperatives, to sheltered companies.

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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 FYROM are focused on provision of social services, employment and reintegration of disadvantaged groups, environment, agriculture, microfinancing, and others. Around 1,200-2,000 Social Business organizations are estimated to exist in Austria, including start-ups and already established non-profit organizations (Vandor et al., 2015). In FYROM, there is no information on the current 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.

There are no publicly-funded support schemes specifically designed to support social enterprises in either of the two countries. In Austria, however, 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).

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In FYROM, 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. Another challenge is the lack of capacities and understanding in the field at the institutional level, including the relevant ministries. Thus, additional research and analysis on existing social enterprises is needed as an input for the design of the activities in the field.

## **Features of the sector in FYROM**

Currently, the most comprehensive and comparative information on the social enterprise sector was provided by the international comparative research project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises”, which covered not only FYROM, but Albania and Kosovo as well. The methodology used a research instrument designed by the International Comparative Social Enterprise Models (ICSEM) Project, which includes common guidelines for over 50 countries in the world. In FYROM, they collected data on 23 existing social enterprises, as well as information from 81 persons from seven different disadvantaged groups, including the youth, persons with disabilities, women, homeless, under-educated, Roma as well as substance users, in order to identify the challenges in their access to the labour market.

The main findings related to Macedonia:

1. *Existing SEs have low absorption capacities* and the majority (61%) of them have fewer than 5 full-time employees.
2. *SEs serve diverse target groups* such as persons with disabilities, youth and agricultural producers, but there is a need of diversifying the groups.
3. For the majority of the SEs, *the existing revenues do not provide financial sustainability*. Over two thirds of the existing SEs employ people from disadvantaged social groups, including ethnic groups, people with disabilities or with employment barriers.
4. Half of the *surveyed SEs give priority to the people from disadvantaged groups in their employment policies and practices*.
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 (e.g. re-socialization and freedom from addictions, basic literacy etc.).

Source: Srbijanko, Korunovska and Bashevska, 2016.

The research concluded that there was an absence of a favourable eco-system for social enterprises in FYROM.

## Enabling environment for social enterprises in Austria

In Austria, there are few funders specifically targeting social enterprises. A social investment market is, however, clearly emerging. There are two main advocacy networks in Austria, *arbeit plus* and *Sozialwirtschaft Österreich*, which represent social integration enterprises and social services' providers respectively.

### Knowledge transfer through education, consultation and advocacy networks

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 (WU). 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 are offered. In the research area, substantial empirical contributions were made during the last years.

There is no certification system for social enterprises. Nevertheless, the Austrian quality label or 'seal of approval' provides a useful benchmarking tool. 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.

## Social enterprises as a means for integrating marginalized groups – scientific evidence

**Socially excluded groups need specific measures for labour market integration**

We also explored the potential for social enterprises in active labour market policy. The empirical literature demonstrates that standard ALMP programs 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 the recognition of the value of a 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 labour market, through productive activity and tailored follow-up, or through training in order to qualify disadvantaged workers.

What works for the disadvantaged groups in transition countries? Which ALMPs are the most effective? Disadvantaged groups appear to benefit more from work-first programs compared to human-capital programs. According to research evidence, even if the human capital of disadvantaged persons increases as a result of ALMPs, this increase might not be sufficient to enable them to compete with potentially very productive unemployed workers, and the numbers of these tend to be high in Western Balkan countries. Analysis of self-employment programs and job-creation schemes demonstrates that such programs did not make a significant contribution to the reduction of unemployment and have had negative results in Western Balkan countries, including FYROM. More positive results are identified in the provision of on-the-job training programs, especially if implemented on smaller-scale schemes, targeted to 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, significantly reduces the effectiveness of ALMPs measures and services in FYROM.

## Policy recommendations

### *General recommendation for the social enterprises sector*

The most stringent policy priority for FYROM is the development of a social enterprise eco-system. This is more pressing than the adoption of a regulatory framework, as also recommended by the UNDP (2008: 3).

It follows that the main priorities for government action over the next three years need to be:

- to develop a strong foundation for a robust social enterprise sector in FYROM, based on research evidence,
- to establish a strategy supported by an action plan, and
- to establish an independent (institutional or non-institutional) body in charge of the development of the social economy in FYROM.

In conjunction with this, it is also necessary to develop operational business support structures for social enterprises and to promote effective partnerships with the private sector.

Drawing on the Austrian example, an increased policy focus on establishing a network of social enterprises is recommended. 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 Centre should be established to serve as an academic training, capacity building and networking centre among the actors of the eco-system.

We recommend the introduction of a labelling 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.

More in-depth research on the capacities of existing social enterprises in FYROM is necessary in order to develop a strategy for the development of social enterprises. We recommend staff training and the enlargement of capacities in the relevant public institutions.

*Specific recommendations with respect to the integration of disadvantaged groups*

We recommend active measures for employment that target disadvantaged groups, implemented by the existing social enterprises in FYROM, accompanied by relevant monitoring mechanisms. It is expected to increase the effectiveness of active labour market measures aimed at disadvantaged workers.

We suggest an 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 “Centres for social and work integration”. The procedure and the conditions for acquisition of such a status should be regulated under a separate by-law.

We believe that 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.

In our view, the design of an optimal policy framework in FYROM needs to focus on the re-allocation of the active measures for employment to existing social enterprises for work integration, instead of to the private sector.

We recommend measures to be more focused on job-training programs, targeted to specific disadvantaged groups and implemented on smaller scale schemes, rather than general ones as the current practice is.

Finally, we call for the integration of active and passive measures, in order to increasingly activate the beneficiaries of passive measures.

## References and further reading

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