



WORK INTEGRATION SOCIAL ENTERPRISES IN SWEDEN

Yohanan STRYJAN

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Yohanan STRYJAN

Södertörns Högskola - Entrepreneurship and Small Business Unit, Huddinge, Sweden

1. Labour-market and employment: a brief overview¹

Full employment and high labour market participation are two important elements of the universal and comprehensive Swedish welfare state (Stryjan, 1994). The right to employment is perceived as a general civic right², and work integration has been a public responsibility since the thirties. Full employment is stipulated as a central policy objective in The Labour-Movement's Post-War Program (*Arbetarrörelsens efterkrigsprogram*) of 1945, a pivotal position that remains virtually unchallenged until the present day.

The "Swedish Model" is a general - if somewhat loose - label traditionally applied to Swedish social and economic policies in the post-war period. The model combined, in an interesting way, high social aspirations and an egalitarian approach, with a strong market-orientation³. The goals of high labour market participation, high (virtually full) employment, high economic growth and low inflation, considered contradictory by conventional wisdom, were ingenuously integrated in the so-called Rehn-Meidner model, and pursued in tandem, and with a considerable degree of success from the 50s and onwards. Though some of the model's basic tenets were gradually eroded by economic development (see below, section 2), Swedish unemployment figures, judged by European standards, remained comparatively low throughout the 80s. A crisis in the early 90s caused a sharp drop in the number of gainfully employed, from roughly 4.5 million in 1989 to 3.85 million in 1992⁴, and a corresponding sharp rise in unemployment. Unemployment figures approached ten percent for the first time in Sweden's post-war history, and the goal of full employment had to be abandoned for a brief period. A gradual return to the Swedish norm followed, and unemployment receded steadily from the mid-nineties (with a brief reversal in 1997) and stands, since 2001, at the four percent level⁵.

¹ The figures in this review are based on the Labour Market survey of Swedish National Statistic Office (SCB). Monthly time-series are available at www.scb.se/statistik

² The proclamation on the new government form (Kungörelse 1974:52 *Om beslutad ny regeringsform*) specifies the right to employment as one of the basic rights that are safeguarded by the public/the collective (in Swedish, *allmänhet*)

³ Typically, the labour ministry has traditionally been titled "the ministry for labour-market".

⁴ Source: Central Statistical Bureau, <http://www.scb.se/statistik/am0207/am0207dia2.asp> . The Bureau's later figures of 3.75 million for the same year were computed in a different method and are not fully comparable

⁵ The population in the age-group 16-64 numbered 5.5 million in Nov 2002. 169.5 thousand people were registered as unemployed. Further 39 thousand lack work, but are not eligible to register as unemployed.

Labour market participation as percentage of the 16-64 age group declined in the early 90s, but is presently back at 74 percent, and only 26 percent of those presently in work age are not in the labour market. However, over one third (37.5%) of this rest-group is constituted by persons classed as permanently unemployable (recipients of early pension or disability pension)⁶. As it will be argued in section 2, these two figures - of high labour-market participation on the one hand, and of high labour market exclusion on the other - are closely interlinked. In a manner of speaking, both represent central aspects of the Swedish Model. The Swedish government currently set a target level of 80 percent labour-market participation. This target cannot be met unless the nearly half a million strong group of permanently excluded is addressed, which, in turn, would presuppose a modification of the Swedish Model's institutional make-up, and the shaping of new organizational forms and policy tools that could address and reduce labour market exclusion.

2. The institutional context

The basic ingredients of the Swedish Model - universal welfare, industrial policy, solidarity and social cohesion - are far from extraordinary in themselves. Yet, the model's high level of consistence that links normative assumptions and institutional practices into an integrated whole, as well as the high aspiration level are probably unique internationally (Stryjan, 1994). The distributive aspects of welfare (the model's best known hallmark; see e. g. Esping-Andersen and Korpi, 1987; Esping-Andersen, 1990) are firmly embedded in a broader economic perspective, in which production and distribution are carefully balanced, and delimited by a quasi-corporatist division of tasks, within a market model. Inasmuch the model defines the starting points of today's changes and still permeates much of the routines, mind-sets and administrative practices in the sector, it is useful to open the discussion by a brief review of some of its normative underpinnings (Stryjan, 1994; Stryjan and Wijkström, 1996).

Collectivism and individualism:

Society at large (rather than households) is considered as the major producer of welfare. While corporate entrepreneurship is endorsed, individual entrepreneurship was traditionally frowned upon. Somewhat at odds with its collectivist spirit, the model also contains a fiercely individualistic slant. Thus, welfare entitlements are strictly individual, and were often purposefully decoupled from any affiliation to any collective, group, or even family; employment subsidies, are strictly linked to individual wages, and not to employers' declared purposes. The same logic applies to taxation : general tax-breaks for fulfilling a social purpose (such as employing marginalized groups) are shunned as a matter of principle⁷. Income tax is decoupled from family status, while family benefits are decoupled from income, etc.

⁶ 1.297 million Swedes are classed in SCB's statistics as "not in the labour force" in December 2002; the number of people on early retirement that month was 488,500, according to press figures (*Dagens Nyheter*, December 21st, 2002).

⁷ Some exceptions to this rule (in the case of VAT) exist; see Stryjan and Wijkström (1996).

Welfare and employment:

The right to employment was (and, in many ways, still is) part of the normative core of the Swedish Model (Stryjan, 1994). Inasmuch welfare entitlements are largely employment-related, truly general welfare is contingent on general (i.e. full-) employment, which makes full employment into a prime boundary condition for the model's coherent operation. The high level of labour market participation (indirectly precipitated in the 60s⁸ by the replacement of household taxation with a strongly progressive individual taxation that made single-income households and family proprietorships economically unfeasible) also worked to make employment (rather than occupation) into a central defining element of identity.

This notwithstanding, the *provision of employment* was never considered as an element of welfare policy proper. While the welfare state was expected to deliver welfare, it was NOT supposed to directly deliver employment nor to "create jobs". These were to be created by business and allocated through the workings of the labour market, that assumes the role of a central mechanism of social integration, well subsumed by the *Arbetslinjen* concept⁹. The State's responsibility for employment policies was enacted on two levels: at the macro level, as facilitator of a smoothly functioning labour market; at the micro level, by assuming responsibility for the social overhead costs that worker mobility entails (cf von Otter, 1978).

Equality and exclusion:

Ideally, the model could be perceived as a general insurance scheme (Hedborg and Meidner, 1984), safeguarding average welfare for the entire population, rather than baseline welfare for targeted problem groups. Welfare services were gauged for the level of expectation of the *average* citizen. The sections of the population that are addressed would constitute the upmarket segment of welfare services in more conservative systems. Similarly, employment policy strove to create and maintain a unified labour market, with nationwide standard wage scales, and a high level of skills and mobility. Public funding was primarily directed to programs that enhance individual employability as well as physical mobility on this general market. Public involvement in "job saving" maintenance or creation of special market-segments was considered counterproductive. As we shall see later, this policy focus on the average impaired capability to identify new and/or marginal problem groups.

The setting of full employment as a societal norm is a formulation subtly different from decrying unemployment as a major societal problem. Full employment, as perceived in this mind-set, was conceptually joined to growth, optimal allocation of resources, and maximal utilization of human productive resources, *not* to the conservation of jobs or branches. Traditionally, the Swedish Labour Movement was strongly opposed to workfare or anything that may resemble charity. Rather than to support ailing branches, the state's task (and, oddly enough, the trade unions' as well)

⁸ This progressivity got considerably blunted, from the 80s and onwards, as taxation increasingly shifted from progressive state taxation to strictly proportional payroll- and municipal taxes.

⁹ Literally, "the work-line" or the work-queue. For a discussion of the concept, see e. g. Axelsson, 2002.

was to work to eliminate them in the fastest and least painful manner, and facilitate the transfer of manpower and capital to more successful ones (Meidner, 1992).

The combination of high labour market participation with high labour mobility was seen as a way to fuel economic growth and facilitate structural adjustments and high capacity utilization while keeping inflationary pressures in check. In a system that postulates full employment as the normal condition, unemployment is seen as a frictional phenomenon, not as a structural one (Meidner, *ibid*). Unemployment is to be considered as a temporary (rather than endemic) and an individual (rather than systemic) affliction, to be remedied through active labour market policy measures. The active labour market policy relied on strictly individual measures administered by labour market authorities : retraining and mobility grants for the ordinary unemployed, and placement subsidies (and, where necessary, grants for the physical modification of a work-station) for the disabled. Ideally, every person losing his / her job should have his / her qualifications upgraded to the level currently required by prospective employers, and whenever necessary, also be physically moved to where the jobs are.

A basically corporatist division of tasks between organized societal sectors - state, business community, and popular movements - is assumed in this model (Laurelii and Stryjan, 2002; Stryjan, 1994). In this world-view, the "**business community**" (*näringslivet*) stands for production, accumulation, and the creation of workplaces (cf Erixon, 1998); the **state** administers (re)distribution and system maintenance (Abrahamsson and Broström, 1982; von Otter, 1978)¹⁰; finally, **popular movements** are seen as an organized framework of civil society, that focuses on articulation of interests, and the shaping of the broad societal agenda. Of these three parts, only two were assigned a direct role in the field of employment: the state as a facilitator of labour reallocation, and the "business community" (*näringslivet*), as an actual creator of jobs (Stryjan and Wijkström 1998). The individuals' role in this system is, primarily, "to stand at the labour-market's disposal" (as formulated in the statutory requirements for unemployment benefits and expressed by the *Arbetslinien* concept), and let oneself be allocated by the labour-market mechanisms; own initiative was to be expressed through political participation channelled by popular movements (trade unions and interest organizations of the handicapped are the most relevant to our discussion), definitely *not* through entrepreneurial creation of one's own job.

2.1. Integration and exclusion

The double-pronged drive to upgrade individuals to the (constantly rising) demands of the labour market, and to improve the market's capability to absorb and allocate labour, could never be fully successful : some individuals and groups would, despite all efforts, not be able to match the standard work capacity or skills that would make employing them for the standard wage economically feasible. A range of measures

¹⁰ Following the German Social Democratic tradition, Swedish Social Democracy has historically striven for the control of distribution only, while production was considered best left in the hands of the business community (Abrahamsson and Broström 1980). The distinction drawn between production and distribution bears the stamp of the period, and verges on industrial physiocracy: only industrial production was considered "production proper". The productive aspect of services was not fully acknowledged.

that conceptually remind of sediment-treatment techniques in an industrial flow system were developed, to check and reduce this category.

- a) **Aided integration through "market correctives"** in the mainstream labour market : Wage-supplement subsidies for disabled people were introduced to offset such employees' competitive disadvantage, and grants for the adjustment of individual working places were made available to employers. Strong and articulate organizations of the physically handicapped were able to act within the popular movement tradition, to drive forth active policies that effectively expand the labour market so as to include this group (primarily, physically handicapped and less-grave functionally handicapped).
- b) **Sheltered workshops:** Mentally and functionally handicapped were less able to articulate demands and to design solutions, and fared less well. Those capable of regular work that nonetheless encountered difficulties in fitting in ordinary workplaces (due primarily to mental, intellectual or emotional insufficiencies) were accommodated through a countrywide network of sheltered workshops that subcontracted simple assembly and packaging tasks from industry. The public authority, *Samhällsföretaget* (literally "Society's Enterprise") was restructured in 1980 and incorporated as a fully state-owned joint-stock company under the name *Samhall*. The creation of this public system for work-integration plugged the last breach in the state-business duopoly, and barred social economy organizations from any engagement in mainstream integration tasks or in job-creation.
- c) **The residual group:** Those for whom no suitable employment could be allocated through public programs (primarily persons that for a variety of reasons cannot fit in a regular workplace regime) constitute an "untreatable" sediment in the labour flow system that ought to be removed in order to facilitate flow. Towards this group, the Welfare State's function is reduced to the dispensing of welfare, through an array of institutional measures that range from long-term sick-leave through hospitalisation (institutional custody) to early retirement. Unlike unemployment insurance benefits, that are contingent on their recipient disposability and willingness to take an offered job, inability benefits connected to such quasi-medical labels only assure basic income maintenance, and are contingent on their recipient *not* attempting to engage in an economic activity, thus effectively excluding such persons from "the work line". To some extent, early pension was also awarded to long-time unemployed that lacked realistic prospects of ever obtaining an employment. The tendency to do so varied between periods and regions¹¹.

To recapitulate¹²: the strong emphasis on mutuality and the *arbetslinjen*-ethos of self-help and integration through the mainstream labour market institutions contributed to the Swedish model's normative consistency and stability and paved the way for the emergence of a well functioning, dynamic labour market and of active policies of

¹¹ Labour market considerations (Sw. *arbetsmarknadsskäl*) are no longer a valid reason for awarding an early retirement, and do not form an identifiable statistical category. Available data show however that the propensity to award early retirement is stronger in regions and in times with a weak labour market.

¹² This paragraph is based on Laurelii and Stryjan (2002).

work integration and functional modification of work-places. At the same time, it also unwittingly cemented the marginalization of groups whose ability to "help themselves" within the existing order was limited, that were neither able to articulate their own interests nor could fit the workplaces the economy generated.

2.2. Changing labour market policies

The Swedish Model was designed for a homogenous society, and assumed a continuous industrial expansion, in which productivity gains directly translate into increased demand for labour in growth sectors. Those assumptions, that were initially formed in the 40s, became increasingly untenable in a post-industrial economy, in which growth and investment were no longer linked with the creation of new jobs in industry. The previously well-integrated elements of labour-market policy started drifting apart, as it were, under the pressures of social and economic change. Business no longer generated a demand for traditional industrial manpower that the "active labour-market policy" tools were designed to provide, while jobs in emerging industries posed skill demands that the traditional policy tools could not meet. In this increasingly selective labour market, the least "attractive" groups tend, unavoidably, to be selected against, and form a growing sediment that silts up the active-labour policy's labour flows and increases the ranks of the permanently unemployable.

The public tools of integration, that were supposed to take care of those that the active labour-market policy failed to integrate, faced a different sort of crisis. The sheltered workshop system - now incorporated as a business enterprise (Samhall) whose sources of revenue were a state contract for set volume of workshop-places, and the revenues that the workshops generated - was caught between a declining volume of state commissions on the one hand, and a shrinking market for its products on the other. Samhall's yearly grant was reduced by 14 percent in nominal terms in the course of the last decade¹³ with a further cut-down of 125 million Swedish crowns (roughly 15 million euros) in 2003. Contracted employment volumes declined at a slightly steeper rate : from 33.6 to 28.5 million work-hours per year, respectively, with a projected cut to 27.5 in 2003¹⁴. At the same time, Samhall's market niche as a subcontractor (packaging, wiring, simple assembly tasks) to large export industries, first and foremost in the telecom and IT branches, that generated a considerable revenue in the IT-boom period of the late 90s, declined, as those industries entered a crisis period and/or relocated their production facilities to low wage Central and East European countries. Samhall attempts to offset this trend by diversifying into the service industry were half-hearted and largely unsuccessful. Given the organization's industrial tradition, and the nature of the manpower employed, this outcome is hardly surprising.

An additional reason for the marginalisation of Samhall was the change in the composition of its target population, as new demographic and social groups that did

¹³ From 4,960 million Swedish crowns in 1992, to 4,262 million Swedish crowns in 2002. The rate of exchange between the Swedish crown (SEK) and the euro fluctuated in the range of 8-9.5 SEK per euro throughout the period. Exchange rates and price-levels are only indirectly linked, and a direct conversion can be misleading.

¹⁴ *Dagens Nyheter's* economic pages, 18 January 2003.

not fit into Samhall's traditional workshop discipline joined the ranks of the marginalized:

- the former inmates of the now disbanded mental hospitals and institutions for the gravely mentally handicapped, that were relocated into mainstream society, but could not handle the demands of a structured work-place;
- immigrant (primarily refugee) groups, that increasingly form ethnic enclaves in the metropolitan periphery, that were by far too capable to fit into such a system;
- young persons (first and foremost secondary school dropouts) that never managed to enter the labour-market.

The discrepancy between Samhall's mission and the actual needs is best illustrated by figures: the number of persons totally excluded from the labour market (long-term unemployed are not included in this figure) was 488,500 in December 2002¹⁵. In comparison, Samhall employed merely 25,328 persons in 2001, and somewhat less in the two following years, i. e. about five per cent of the target population.

Samhall's ongoing downsizing provides a clear signal of (central) state's changing orientation, and a growing insight that exclusion is not primarily a labour-market issue, to be resolved by centrally steered labour-market policy tools. It should instead be perceived as a social problem, to be handled by local society and its central social, political and economic actors. Trivial as this insight may sound, it signals a profound figure-ground reversal in Swedish social policy. Thus, in parallel with the decline of Samhall, that signalizes a diminishing *direct* central involvement in integration measures¹⁶, resources were channelled into new approaches to the problem. A growing portion of the responsibility for problems of exclusion, as well as for designing solutions to combat it, is shifting to local government, and the local branches of the central authorities. This segment of the public sector will be reviewed in section 2.3, below.

2.3. The changing role of the public sector

The Swedish public sector traditionally dominates the fields of welfare and labour market policy. The way the two fields are managed has been subject to a series of reforms from the 90s and onwards. The objectives of these reforms were twofold :

- a) introducing welfare pluralism into the sector;
- b) redrawing the boundaries between the fields of competence of the two levels of local government, and between these and the state.

The road to welfare pluralism proceeds, in the Swedish case, from a virtual public monopoly on most welfare services and all labour market measures towards a somewhat decreased involvement of the public sector - the opposite direction to that

¹⁵ *Dagens Nyheter*, 21 December 2002.

¹⁶ A parallel development, which will not be discussed here, can also be observed in the Labour-Market Board (AMS), that manages the mainstream tools of labour market policy.

pursued by Southern European countries. Further, pluralism, in this country, applies rather to the actual production of services, *not to their financing*, that remains an exclusively public prerogative. Since alternative forms of financing (donations and fees) are not perceived as legitimate, and do not provide taxation breaks, public financing will remain a central factor in the foreseeable future.

The public sector's specific structure and mode of operation deserve some attention : although highly bureaucratic, the sector never crystallized into a single strong hierarchy¹⁷. The national level is split between relatively small ministries and largely autonomous national authorities and boards. There are two-tiers of local government : counties and municipalities, each with its own elected assemblies and independently set income tax. Parallel to these, the government and national authorities branch down to agencies at county, and in some cases municipal level.

While each of these (sub-) systems has a fairly rational own structure and reasonably defined tasks and responsibilities, there is no clear order of precedence between these, and their fields of activity at any given level criss-cross and overlap. All levels enjoy a substantial degree of discretion in interpreting and implementing central directives. The health and welfare reforms of the 90s (first and foremost the so-called *Ädel* and *Psyk-ädel* reforms) considerably reduced (central) state's involvement in health, education and welfare, downsizing central agencies, closing down large institutions, and divesting much of the remaining responsibilities to local government, first and foremost the municipalities, that also took over some of the residence-related care tasks previously handled by the county councils. Even after this streamlining, the field still remains quite fragmented between the largely municipal social care and rehabilitation services, medical care at county-level, and the national labour-market authorities. At present, most acute medical and psychiatric care and some rehabilitation are managed and financed by the county authorities; income maintenance during illness is managed by the local branch of national health insurance; disability pensions and early retirement are in the charge of the national insurance's central authority (and not the local insurance offices, though these have a considerable say in the labelling of individuals as permanently disabled); psychiatric care, as well as social care, are largely run and financed by municipalities; etc. A rough mapping of the various organs that are active in this field will be presented in table 1, below.

One effect of this labyrinthine web of organizations, entitlements and obligations, is to reduce to passivity less well adjusted individuals that come in contact with it. The situation also rewards opportunistic re-classification of clients by social care organs (thus, for instance, the discharge of a mental patient shifts the cost of follow-up care from county to municipality; the reclassification of a sick-leave to disability pension yields short-range budgetary benefits and reduces administrative costs for the local social insurance organs, while increasing the long-range budgetary load on the central insurance organs, and so forth).

¹⁷ Gillet de Monthoux (1990) labels this institutional arrangement "the soft state".

Table 1: authorities active in the fields of labour, care and integration

	Government, policy-guidelines	Labour-Market	Health care (acute)	Rehabilitation, home care, addiction, social housing, social care	Social policy directives	Early retirement, illness benefits, etc.
National	Appropriate ministries (labour, health, social affairs)	Labour-Market Board, AMS	Association of County Councils* <i>Landstingsförbundet</i>	Association of municipalities* <i>Kommunförbundet</i>	Social Policy Board, <i>Socialstyrelsen</i>	National insurance board, Association of insurance offices*
County	County governor & county board	County Labour Board, <i>Länsarbetsnämnden</i> Labour market institute (AMI)	County councils			County insurance boards
Local		Employment offices		Municipalities		Local offices

* The organizations marked with an asterisk are interest organizations representing local constituent organizations. They do occasionally co-initiate or co-finance projects in the field of care and integration.

The "processing" of an individual through the labour and welfare systems, towards exclusion through a quasi-medical labelling (disability pension, etc.) is a sequence of decisions taken independently by separate authorities, that "pass on" the individual from one to another. In the course of this journey, income support is made conditional on withdrawal from the labour market, and hindrances are created to preclude any attempt to return to work. Inasmuch labour-market authorities only deal with returning *registered* unemployed to work, while social care officers lack facilities (and, indeed, the mandate) to direct excluded individuals back to work, the path has only one direction. The progressive increase in the ranks of the early retired needs not be a product of conscious design. It may instead be seen as an unintended consequence of rules that turn early retirement into an institutional trap that is much easier to construct than to reverse.

A growing insight that the root cause of labour market exclusion is the lack of appropriate coordination between various authorities that operate in the field (SAMVERKAN 2000), motivates an active search for ways to improve the situation. Traditionally, coordination between Swedish authorities was managed through contacts between the *top* levels of various bureaucracies, in which a new, common "optimal" set of regulations is negotiated. However, the creation of a new institutional path that would lead out of exclusion and back towards employment is a matter of forming a new praxis, rather than of introducing additional regulations, and of dissolving the demarcation lines between authorities, rather than of modifying them.

Innovative implementation and adaptation of existing rules, and new ways of utilizing the existing resources, require a cooperation that focuses on the local level, with public authorities in the role of potential partners and (co-)financing sources, rather than of arbiters of policy. The developments of the last decade in the field of rehabilitation and labour market integration open new **arenas**, introduce new **norms**, empower new **actors** that make such cooperation more likely, and open the field for new **organizational solutions**.

Some of the central features of the emergent order are summarized in table 2, and discussed in more detail lower down in this section.

Table 2: Changing models of lateral coordination in the Swedish public sector

	Traditional model	Emergent model
Actors	Top levels (of respective bureaucracy)	Local level administrators; practitioners, brokers (often from the social economy), new organizations
Arenas	Committee or discussion forums	Partnerships, local initiatives, networks, generally on municipality level, often facilitated by broker/entrepreneur
Rules	Interdepartmental negotiations, departmental budgeting routines.	Exchanges formalised as economic transactions, partnerships, matching-financing arrangements.
Outcomes	New regulations, accounting systems etc., often added to old ones.	New organization forms

Arenas: An important result of the reforms of the 90s is the emergence of the municipal level as a promising, structured ground for cooperation. The reforms that linked most aspects of care for "medically labelled" excluded persons (e.g. drug addicts or former mental patients) to the person's municipality of residence, provided a powerful stimulus for integration. Different aspects of care that were previously split among a plethora of organizations, at state and county level, were now gathered under a single institutional host, that was also bestowed with a considerably extended autonomy¹⁸. Moreover, municipalities have a direct stake in improved cooperation, as they bear a large part of the costs of rehabilitation and integration- but also stand to reap most benefits from successful rehabilitation. The emergence of excluded ethnic enclaves in the metropolitan regions (SOU 1996:54), whose inhabitants are often directly reliant on municipally financed social care, further motivated the municipalities to seek and actively promote cooperation with other agencies. Some municipalities engaged in the creation of their own, municipal solutions (e. g. through the creation of municipal corporations), while others opened their "local turf" for new actors, such as social co-operatives or voluntary organizations.

Rules: two forms of lateral cooperation across sector boundaries and departmental demarcation lines win increasing acceptance within the public sector, namely partnerships and joint projects. The high degree of discretion that various authorities and their branches enjoy makes PPP (public-private partnership) models both attractive for and highly applicable to public actors as well. Virtually any of the actors listed in table 1, earlier in this section, may now enter a partnership with any other(s) if fields of common interest are identified. Such partnerships may also include private actors proper, but need not do so. Indeed,

¹⁸ As is often the case with reforms of this type, municipalities' expanded responsibilities were not fully covered by appropriate financing. Instead, former earmarked grants was replaced by block funding to broaden municipalities' freedom of action.

public-public partnerships are quite frequent. The same applies to projects, which often span different parts of the sector, though with one important modification : partnerships within the sector generally rely on (and reallocate) available budgetary resources, while intra-sectoral project-formation is often stimulated by potential availability of additional project funding, by the state, or, increasingly, by the European Union.

The diffusion of New Public Management models provides administrative tools that facilitate transactions and flows of funds between (sub-) sectors of public bureaucracy, and has (at least in the present stage) increased flexibility - encouraging lateral contacts and coalition formation. It also blurred the distinction between public, private, and voluntary actors. The availability of EU financing has opened new channels for mobilization of resources that are less controlled by the political centre, shifting the balance between central policy measures and local initiatives, to the advantage of the latter. The fact that in kind voluntary contributions may, under these rules, be leveraged by a matching financing enhances the bargaining position of voluntary organizations in negotiating forth emerging partnerships.

Actors: as noted above, all units within the **public bureaucracy** may engage in independent action within their (loosely defined) areas of competence. Current developments also opened the field of employment and integration measures for a re-entry of **social economy actors**, who were not allowed to engage in labour market issues throughout the Post-War period. The networking skills developed by these organizations throughout the period, as well as the practical experience gained in work with problem groups (problematic residential suburbs inhabitants, the young unemployed, and immigrants; see SOU 1996:54 and Stryjan and Wijkström, 2001) and with "non-job" solutions, became an important asset in the new situation. Social economy actors (first and foremost Co-operative Development Agencies) primarily engage as *brokers*, that connect other actors and help to mobilize coalitions around new initiatives. They also provide assistance to initiatives by **the excluded themselves**. The broker role is, to some extent, assumed (or aspired to) also by Samhall, that attempts to develop a consulting arm, which could capitalize on the organizations' considerable experience, and generate additional revenues for the corporation.

New organizational solutions: the general blurring of the traditional boundaries between public, private and social economy actors and fields of activity leads to the emergence of hybrid and boundary-spanning organization forms. Thus, Samhall is increasingly outsourcing its core activity (of employment and rehabilitation) to other actors. Municipally-owned quasi-commercial ventures that offer training, rehabilitation and work-integration services to labour-market authorities (and to Samhall) emerge in municipalities¹⁹. An outstanding illustration of the conceptual and legal complexity of the solutions developed is provided by the Nordanstig municipality (in northern Sweden), that outsourced its labour-market department to a co-operative association that was formed by its two former labour-market officers together with one long-term unemployed. Among other

¹⁹ See e. g. www.CLL.karlskoga.se

initiatives and commitments, the association also employs a group "contracted out" by Samhall. Prospective profits are shared between the municipality and the co-operative.

The realignment of Swedish labour market and integration policy involves labour market, municipal and social authorities, in new roles and capacities, and opens the field for new organizational solutions, and for the entry of new actors.

An important role in this process is played by organizations in the social economy, first and foremost within the CDA (co-operative development agency) system. The CDAs act primarily as knowledge brokers, that

- design and/or diffuse new organizational models,
- mobilize potential financing organs,
- facilitate the formation of supporting coalitions and partnerships between them,
- handle in some cases the recruitment and schooling of participants.

Rather than integration or "job creation" in the narrow sense, the initiatives developed to reach those excluded from the labour-market are often geared to create a blend of regular jobs and "non jobs", that are carried out on a voluntary basis, often within emergent small businesses. The growth pattern followed is, generally, that of *proliferation*, rather than of *expansion* (cf. Stryjan and Wijkström, 2001), i.e. facilitating the formation of additional new organizations, in emerging fields, rather than expanding and diversifying established ones. At the present phase, the field is developing towards increased diversity of organizational forms, rather than towards increasing standardisation.

3. Present forms of work integration

New initiatives and solutions are typically sponsored by local coalitions of private and public (municipality and county) actors. These local coalitions vary greatly, and so do the organizational details of the enterprises created. The project form is often adopted, not least as a way to waive existing administrative limitation. The two most dynamic clusters of such enterprises, "social work co-operatives" and "community development enterprises", will be discussed in this section. Both organization forms are basically co-operative in their constitution, which is to say that they are constituted by their (respective) members, democratically governed by these, and expressly designed to serve their members' interests. We deal, however, with co-operatives started by two different categories of members: social work co-operatives are started by and/or for those excluded, that constitute their corpus of members, whereas in community enterprises, the focus is on the entire local community, and local activists and organizations would participate both in formation and in governance. Labour market integration of marginalized people in the locality is simply one element in a general community improvement strategy.

"Social work co-operatives" are workers co-operatives that are constituted by their prospective users, i. e. those who want to attain integration through working in them.

The goal is to create a co-operative workplace based on the abilities of the members, and where genuine work duties and participation in the operations of a company generate empowerment and rehabilitation effects (Laurelii and Stryjan, 2003). The first worker co-operatives were initiated in the wake of the psychiatric care reform of 1989 (that phased out the large closed mental institutions) by actors within the field of mental care : care personnel, patients and ex-patients. Some of these organizational pioneers are still in operation. The development gathered momentum in the mid-90s, once suitable financing forms were developed. Member recruitment has been extended to include other groups that are excluded from the labour market because of various work disabilities²⁰. At present, there are about 90 social work co-operatives, that provide work to approximately 1,400 persons. Only about 500 of these are employed either on regular contracts or on placement or training programs. The co-operatives also offer trainee employment and work training, in some cases operating as contractors to the National Insurance Office or to the National Employment Office. Consequently, the number of persons that pass through the co-operatives any given year considerably surpasses 1,400. Total turnover for the business activities for the 90 co-operatives in 2002 was estimated at around 6 million euros. A national organisation, Skoopi, was created in 2000.

"Local community businesses" (*Lokala Gemenskapsföretag*, or LG) are social enterprises that combine community development with job creation and integration of the long-time unemployed in the community (Laurelii and Stryjan, 2002). Historically, the model was inspired by community businesses in Scotland. LGs are primarily established in communities where the development of welfare services and job possibilities is closely interlinked with community survival. Consequently, most LGs were established in sparsely populated areas in the north of Sweden (one operates, however, in a metropolitan "problem" suburb that faces fairly similar infrastructure problems).

Community businesses are a relatively new phenomenon; the oldest of the enterprises identified was established as late as 1998. Eight community businesses operate at present; they were created by varying coalitions of individuals or/and associations/organizations in respective local society. Between them, they employ 110 persons, of which ten are managers or tutors. The estimated aggregate turnover of those that consciously define themselves as local community businesses is 1 million euros. The figure would be considerably higher if co-operatives that *de facto* fulfil the criteria were included.

3.1. Work integration

The twin goals of work-integration and social integration are central to all social work co-operatives. Primarily, all co-operatives strive to create and maintain a place for their members to meet and work in. Whether the work carried out evolves into regular employment contract for those engaged or not depends on the type of members and on

²⁰ Two thirds of the co-operatives are aimed at people with psychic disabilities. Other co-operatives have members with drug abuse backgrounds, or intellectual or physical disabilities. 20 % have mixed member groups. Long-time unemployed (i. e. persons on the edge of exclusion) participate in some projects.

the local financing possibilities and constraints, not least as regards locally sanctioned manners of interpreting social care and insurance rules.

A typology of social work co-operatives, along the two axis of economic/social emphasis, and independence/external control, was proposed by Laurelii (2002).

Typically, a co-operative would consist of 1-2 tutors (*handledare*), and 5-6 users per tutor. Considerable deviations from this standard exist, though the ratio may be as low as 1:12, and as high as 1:3, depending on the orientation and the type of activity. At least one co-operative (Vildrosen in Växjö) manages itself without any tutor help whatsoever. Members/users may aspire to move on to ordinary employment in the labour market, or to stay in the co-operative and develop it as an enterprise (see section 5.1 for a discussion of the possible models and their implications).

Until recently, the disability pension system literally inhibited part-time employment, while the obligations attached to a full-time contract effectively deterred co-operatives and individual members from taking the risk that stepping into full time work entails. Consequently, only 200 members in the social work co-operatives had regular employment. It is too early to assess the effect of recent changes in regulations. Further 300 people were temporarily employed through work training programs financed by various authorities. Nine hundred participants receive disability pension or are on early retirement. Technically speaking, their work contribution to the WISE is a voluntary input.

Community enterprises' primary target population is the community that they arise in. A self-sustaining enterprise is a means to develop the local community and its service infrastructure. From a local perspective, people that are excluded from the labour market are an important resource to be mobilized for the overreaching aim of enhancing and activating the local community. The stress on formal employment contracts is somewhat stronger in this group that consciously strives for businesslike work forms. About one in four workers in community enterprises is employed on a permanent contract. The rest is on temporary trainee placements covered by a variety of labour market programs or paid by the social security system. There is no particular emphasis on retaining trainees on a permanent contract. In principle, having a trainee successfully placed with some other local business is as much of an achievement for the enterprise as creating a permanent workplace within the community enterprise. The only urban case in this group, Grogrunden, that operates in a problematic housing project in Gothenburg, initially pursued the goal of direct service development (and thus, the creation of work-places), in parallel with the aspiration to act as an entrepreneurial incubator for its trainees. This aspiration was subsequently toned down, since most trainees were not keen on starting an enterprise of their own.

Both groups of WISEs, social work co-operatives and community enterprises, utilize familiarity and proximity of needs, possibilities and means in the local community, to identify or generate business opportunities. The range of services offered varies with available skills and location (metropolitan, urban or rural). In this matter, there is no principal distinction between the two types of WISEs. A part of the services offered,

such as recycling and renovation, and a dog day-pension, would not be commercially viable if they operated with staff under unsubsidised market wages²¹.

Other co-operatives operate services in low competition or local monopoly sections of the market, such as housing maintenance and cleaning, lunch canteen and catering, a (medium sized) workplace lunch cafeteria, etc. Some do venture into competitive fields, e. g. operating a pet shop, aquarium leasing, house renovation and removal. A handful of co-operatives offer specialized services for the handicapped on a commercial base (e. g. tourist counselling and guiding for wheel-chair bound handicapped, and sign-language interpreter services). Generally, the service mix of community enterprises would tend towards the market-end of the scale, while part of the mix that social co-operatives operate may be intended entirely for members' occupational or social purposes.

3.2. Training

Training has an important role in the social co-operatives' formative stage. The founder group is commonly formed during (and, to an extent, through) an education program of some (3-6) months in cooperation basic administration and group skills, that would enable them to run the future co-operative, and in relevant trade skills, whenever needed. The courses are often held at, and administered by a "people's high school" (*folkhögskola*) in the vicinity²², normally in cooperation with the regional CDA. Additional courses (for the entire co-operative or some of its members) may be decided upon in a later stage, if (own or external) financing is available. Members that are recruited at a later date (i. e. join an already functioning co-operative) often proceed through trainee placements and on-the-job training, with financing for educational programs negotiated with the authorities on a case-to-case basis.

The situation in community enterprises is remindful of that in already established social co-operatives: the volume and prominence of training varies from enterprise to enterprise, depending both on the nature of activities, the skills of people recruited, and the resources available.

3.3. Resources

All WISEs offer products and services on the open market, first and foremost locally. The product and customer group would vary from case to case. Available descriptions indicate that most co-operatives concentrate on services to households by the local population or to other small and medium enterprises in the immediate surroundings. Generally, commercial activity is not aimed at large corporations²³, and is only

²¹ This is not to say that the services in question lack relevance or potential demand. Rather, the structure of the Swedish taxation system purposely discriminates against labour-intensive undertakings. Consequently, even mainstream activities, such as a kindergarten, are dependent on public subventions.

²² *Folkhögskolor* (plural of *folkhögskola*) are adult education facilities that are affiliated to popular movements. The education model, that strongly emphasizes group learning, originates in Denmark. The schools often have boarding facilities.

²³ Exceptions to this rule of thumb exist, though. Thus, one social work co-operative delivers crating for a Rolls Royce plant; a community co-operative had a large contract with IKEA. The conclusion in

addressed to a restricted degree towards the public sector. Public tenders are relatively rare, partly due to Swedish municipalities orthodox implementation of competition rules. However, some co-operatives have developed stable purchaser-provider relationships with (own or neighbour) municipalities in the field of rehabilitation services/trainee placements, a field in which private enterprises seldom compete.

A large portion of the resources of social work co-operatives and of local community businesses are mobilized from the public sector, in a variety of ways²⁴:

- a) *Conversion* of individual welfare entitlements into funding: typically, the prospective members/employees are entitled to a basic income (pension or long-term sick pay benefits) and to some mandatory occupation or rehabilitation. These are to be dispensed by the appropriate public authority (mostly as services in kind) that is obliged to allocate funds for the purpose. Some or all of these individual budgetary allocations *could* in principle be diverted by the authority in question to support for facilities or activities within a social enterprise. Renegotiating the access to such resources is a key step in establishing a social co-operative or a rehabilitation/integration activity in a community enterprise. The task is greatly complicated by the fact that different funds are controlled by different authorities (as illustrated in table 1, above) and dedicated to tasks that are regulated by disparate rule systems. Consequently, the solutions developed by different co-operatives vary a great deal, depending on local authorities' degree of flexibility, as well as on the composition of the target group, and the type of entitlements its members may possess.
- b) *Dedicated* financing of facilities or support personnel (tutors or other professional staff) : in most cases, municipalities contribute premises or all or part of the cost of premises rental. The same applies to the wage-bill of tutors (if these are employed by the WISE; in other cases, tutors are employed directly by the municipality and "lent", free of charge, to the co-operative).
- c) *Wage subventions* are often an important component of the WISE's wage bill. Such subventions are in principle available to *any* employer that offers a job to an individual with (formally assessed) reduced work-capacity, and should not be seen as a WISE-specific support measure. In a similar manner, other forms of subsidized or fully financed placements can be negotiated with the appropriate authorities on a case-to-case basis.

Donations and conspicuous utilization of social capital play a rather minor role in social work co-operatives. The Swedish tradition strongly emphasizes mutuality and self-help, rather than *private* charity. Contributions from the public sector, on the other hand, are awarded on an equal footing with members' contributions and thus willingly endorsed. Donations from charitable organizations and other forms of conspicuous redistribution are rarely sought, and generally not perceived as fully

the latter case was that the risk exposure that large volume contracts required by big enterprises entail is too great. No further large partners were sought after the contracts' expiry.

²⁴ For a broader discussion of the technicalities involved, see Stryjan (2002).

legitimate (interestingly, sponsoring and other arrangements in which some form of a token return for the contribution is given are normally accepted). Only one case of a significant corporate contribution (rent-free premises) is on record.

Voluntary work contributions follow the same normative pattern as donations : the part expected to contribute voluntary labour inputs are the members themselves, *whoever they may be*. Support personnel (such as tutors) are, as a rule, employees, either of the municipality or the co-operative, and not members. Thus, they are not expected to contribute voluntary inputs within their field of work. Tutors, local businessmen or administrators may, however, contribute some voluntary time in their capacity as external or co-opted²⁵ members of the board.

Community enterprises adhere to the same principle as do social co-operatives, namely that contributions should be primarily mobilized from members, but the implications are quite different in this case. The corpus of members includes prominent actors in the local community, and at times, institutional members as well; both categories are considerably better endowed than the members of social co-operatives. Besides own time, members may both contribute considerable assets (pecuniary or *in natura*), e. g. "lending" premises or own personnel and expert help, and access to their own considerable contact networks.

The relevance of social capital (Coleman, 1990, Putnam, 1992) and its economic impact lies primarily in creating and maintaining demand for the co-operative's products and services. Community enterprises, integrated into established local networks, are clearly better positioned in this respect. In comparison, social co-operatives have to win local acceptance. Whether deliberately or by default, activities tend to aim at generating a tighter social enmeshment for the co-operative and its members, such as running a workplace canteen, a cafeteria in an industrial park, etc. Relations to customers are, in this case, clearly personalised, and contribute to create social links between the co-operative and its social environment. Inverting the perspective, we may also conclude that the social capital generated in these relationships can, in turn, be converted into conventional revenues, or be instrumental in the pursuit of (economic) capital (Stryjan, 2003). There is some evidence that such social relations are instrumental in securing commercial contracts with local enterprises. The pattern of transformations can be schematically mapped as follows (table 3) :

²⁵ External board members are voted in by the general assembly and have full voting rights; co-opted (in Swedish, *adjungerad*) board members are appointed by the board itself rather than elected, and normally lack voting rights.

Table 3 : conversions from- and to social capital

From \ Into	Economic capital	Social capital
Social capital	Conversion : social to economic capital Trust, goodwill : Partnerships, credit assessment, contractor loyalties, leveraging of voluntary work in matching financing	(Re)production of social capital Networking, recruitment, common values, culture
Economic capital	Reproduction of economic capital Venture, investment	Conversion : economic to social capital Redistribution (e.g. sponsoring, targeted purchases)

Source: Stryjan (2002)

Separating the purely commercial aspects of a local business from the social aspects is inherently difficult - the more so when patronage of the local business has some normative aspects. Thus, positive results of a customer survey of a particular social co-operative²⁶ showing high customer appreciation for service quality and stating that the job in question would have not been done at all, had the co-operative's services not been available, are open for different interpretations. It is difficult to determine whether the statements prove the co-operative's "objective" competitive advantage or demonstrate community support. Keeping in mind the reserved attitude to charity in Swedish society, this ambiguity may well be intentional, and deliberately cultivated by all parts in the relationship. In the same fashion, the fact that a community enterprise that lacks an ISO certificate nonetheless obtains contracts from large enterprises is quite difficult to interpret. Obviously, the willingness to negotiate with and contract an uncertified supplier is a clear token of goodwill. Whether this goodwill is due to local considerations or to the community enterprise's commitment to rehabilitation and integration is quite impossible to tell.

4. Relation to the EMES criteria

Both forms of WISEs reviewed in this paper are organized and incorporated as autonomous economic entities, with democratic governance systems. Both conform, in broad lines, with the EMES criteria, as the table below illustrates. The one apparent

²⁶ By *Biometri Analys Ek. För.* See Stryjan (2002).

deviation from this rule is that neither of the two forms fully conforms with the "limited profit distribution" constraint. However, this deviation is nominal, rather than real in its character.

Table 4: The EMES criteria and their implementation in Swedish WISEs

	Social work co-operatives	Community enterprises
Producing goods/selling services	All WISEs in both categories offer a broad range of services and products, primarily for households and SMEs.	
Autonomy	Full autonomy, each co-operative is an independent legal persons governed by own board elected by members.	Full autonomy with a two-tier multi-stakeholder governance structure.
A significant degree of economic risk	Self-evident. The enterprises in question are incorporated legal persons. The penalty for poor performance is bankruptcy or reconstruction, and some of such cases are on record. Public funding, wherever available, is performance-bound and subject to periodic renegotiation. In effect, this funding contributes to increasing economic risk, rather than buffering it.	
A minimum degree of paid work	Achieving/creating regular employment is the prime goal of the social co-operatives, pursued with varying degree of success.	Paid work is the norm. Some amount of voluntary work contributions in board posts.
An initiative launched by a group of citizens	In principle, a co-operative is started by, or with the active participation of, the users, who also are its prospective members.	Started by local activists and organizations.
Decision-making power not based on capital ownership	The economic association incorporation form, which the co-operatives follow, is based on the one member-one vote principle.	A multi-stakeholder structure. Various stakeholders' interests are balanced in the upper tier of the governance structure that typically is a voluntary association.
Participatory nature	Users form the corpus of members of the co-operative and elect and serve in governance organs.	Users are one of the stakeholder groups provided by the multi-stakeholder structure. Employees may participate as members and/or be represented by an own association.
Limited profit-distribution	Not provided for by the incorporation form. Any profits that may arise would accrue to the members/users of the co-operative.	Guaranteed by the voluntary association upper tier of the enterprise.
An explicit aim to benefit the community	Not explicitly. The primary aim of the co-operative is to further the integration of the excluded persons who are its members, which in itself generates benefits for the community.	Benefit for the community is the prime objective of the enterprise. The concrete tasks would vary from case to case and are normally written into the organization's charter.

In the Swedish legal tradition, high-risk operation is exclusively connected with for-profit ventures, while voluntary/non profit operation is expected to avoid economic risk taking. The range of incorporation forms available in Sweden does not include any that would combine a limited liability provision with a limited profit distribution constraint (Stryjan, 2002). The fact that WISEs have to safeguard against economic risks and eventual bankruptcy scenarios makes it necessary for them to adopt a for-

profit (*ekonomisk förening*²⁷) incorporation form. Distribution constraints would, in such a case, be written into the bylaws (see Stryjan, 2002), e.g. specifying that "any surplus should be invested in operations that benefit the community". Alternatively, a two-tier structure may be adopted, in which the commercial operation is incorporated as a for-profit enterprise (*ek. för.*, or in exceptional cases, joint-stock), whose member shares (or stocks, respectively) are held by a voluntary association, often with the same members. Eventual dividends from the commercial operation would thus accrue to the voluntary association that is bound by a limited profit distribution constraint. This solution is pursued first and foremost by community enterprises.

5. Challenges and key questions

The concepts of "rehabilitation", "integration" and "insertion" presuppose an *active* society that reshapes and adapts an essentially *passive* recipient of help, to improve its fit to society and the labour market whose constitution is taken for granted. Improving (local) society's economic capacity utilization is an important consideration. There is a considerable normative correspondence between this approach and the traditional Swedish Model that was discussed in the opening sections of this paper. Organizations such as social work co-operatives and community enterprises, whose focus is on entrepreneurship and self-help, rather than on adaptation, are difficult to accommodate in this conceptual framework. Some of the conceptual and technical difficulties this entails for assessing their contribution will be discussed below.

5.1. The benefits of WISEs

Both types of WISEs operate as business enterprises, and account for their activity primarily in economic terms, and as independent economic units. Yet, the prime dividend that those enterprises are expected to generate is a set of externalities, i. e. positive consequences (primarily well-being) that accrue to persons who are formally not a part in the market transactions that the firm engages in.

Economic performance merely sets the boundary conditions for operation, in the sense that externalities would cease to be generated if the enterprise was allowed to fail. Roughly, it is possible to distinguish between individual benefits, attained by those individuals that strive to achieve/improve their integration in society and the labour market, and collective ones, accruing to local society, or to (local or national) welfare and labour market organs. Defining the criteria and focus of measurement raise a series of considerable conceptual challenges. This is most evident in the case of individual benefits, as it will be seen below.

Individual benefits: For most categories of workers, the increase in individual income, as a consequence of employment in the WISE as compared to the opportunity cost, i.e. the level of social benefits they may lose, would be negligible.²⁸ Besides, as

²⁷ Swedish for "economic association", commonly abbreviated as *ek. för.*

²⁸ Two exceptions to this rule are persons that solely subsist on municipal social help (e. g. immigrants with temporary refugee status), and skilled workers who may reach a level of earnings that significantly surpasses minimum wages if restored to their previous work-capacity. On the other hand, *Samverkan*

noted earlier, a large number of the excluded persons that participate in social work co-operatives do *not* receive any individual remuneration for their work. Obviously, other considerations play an important role in motivating individuals to participate. Though all social co-operatives do trade an output of goods and services on the market, their principal output (or dividend), as judged from the participating individual's perspective, is *symbolical* in its character. Performance primarily consists of transforming their members, and bestowing on them a status which they were previously denied by society, namely, that of having a job, an enterprise to run and even that of acting as employers to their co-workers and tutors. Economic performance sets the boundary conditions of this operation, rather than determines its ends.

Community development enterprises have a somewhat stronger (though not exclusive) emphasis on individual rehabilitation than do social work co-operatives. For the latter, rehabilitation is merely one of the possible trajectories that may be chosen by the enterprise and its members. Roughly speaking, the range of conceivable strategies would look as follows:

- a) **Individual rehabilitation**, with the co-operative in the role of a halfway station, from which the individual moves on into employment on the ordinary labour market. This strategy means in effect that the best workers leave first - a retention strategy that is problematic from a business perspective.
- b) **Collective rehabilitation**, with the co-operative as a vehicle : the ambition is that the entire co-operative would graduate into a status of an ordinary enterprise, i.e. generate sufficient revenue to offer a growing portion of its own members a regular employment contract. The personnel strategies adopted in this case would aim at retaining the best workers.
- c) **A combined strategy**, in which the co-operative, in parallel with other business activities, sells rehabilitation placed as a part of its business concept. Thus, high (personal) turnover is reconciled with retention of the core group for whom jobs are created at the co-operative, and with improved economic performance.

There is evidence on record that all three strategies are being pursued, in varying mixes, by co-operatives in the population studied. All can also be combined with a purely social role of accommodating some members who lack viable prospects for entering the labour market on a regular basis.

Collective benefits: two distinct categories of collective beneficiaries can be identified, namely the authorities, whose direct gain is primarily fiscal or budgetary, and the local community. A comprehensive evaluation of the collective economic effect is greatly complicated by the fact that expenditures for care, integration, health and welfare are spread on a large number of authorities (see above, table 1). A comprehensive evaluation instrument, Sampop, that attempts to include and balance the gains and expenditures for local government and social care organs, was

inom rehabiliteringsområdet survey found that some individuals' income might actually *decrease* as a result of a completed rehabilitation.

developed by the Samhall corporation, and applied by an interdepartmental work-party in a detailed evaluation of 16 (non-co-operative) rehabilitation projects²⁹. Though focusing on a somewhat different (less gravely excluded) target group, the report provides a valuable break-down of the actors and budgetary flows involved, and some of its findings can be tentatively adapted for our purposes. According to the survey, fiscal benefits for local government are relatively small, in view of the limited improvement in individuals' taxable income. Payroll taxes (levied on wages, but not on pensions) are a clear gain for the state (centrally) but this gain is often offset by increased expenditures for other organs on wage supplements. Extremely good results should be required if the gains were to offset the increased per-case administration costs.

Indirect gains can be considerably greater than the direct ones. First and foremost, successful labour-market integration leads to a reduction (or elimination) of budgeted outlays on pensions and social help. Further indirect gains are generated by the reduction of claims made on mandatory health and social services, these were halved in the cases surveyed, nearly regardless of the labour market outcome of the rehabilitation process (Samverkan, 2000). Put simply, the improved level of well-being contributes to a better health, with reduced expenditure on acute health and psychiatric care as a budgetary result. This finding applies both to public and to co-operative rehabilitation projects (the sample did not include commercial actors) Other evidence suggests that Co-operative solutions are more cost-effective on this count than conventional public or private ones.

Further gains achieved (even if work at the WISE does not lead to full rehabilitation) are:

- reduced outlays on social care (municipal level);
- reduced load on municipal day-centres (municipal level);
- reduced load on care facilities for substance-abusers (drugs, medicines, alcohol) (municipal and state levels).

Benefits to the local community lie on an entirely different level that is not covered by the survey. They range from the enhancement of the local service infrastructure, through the provision of services not in supply before (e. g. a lunch restaurant in a residential area that could previously not even boast of a hot-dog stand, cafeterias, second hand and recycling workshops etc.), to the improvement of the social infrastructure, through increasing cohesion locally, and tapping previously inaccessible reserves of human capital. This applies to both categories of WISEs. Some co-operatives that especially focus on marginalized immigrant groups also manage to turn existing cultural capital into a source of competitive advantage (ethnic restaurants and catering), and improve the social standing of the members of the group.

5.2. Resource mix

Public financing: Welfare pluralism, in the Swedish view, applies to the actual production of services only, but definitely not to their financing. Thus, public

²⁹ *Samverkan inom rehabiliteringsområdet* (Collaboration in the rehabilitation area), 2000:11.

financing is, and will for the foreseeable future remain, a central factor in the formation of WISEs. This assessment applies in particular to social work co-operatives, where public authorities are often the sole available source of start capital. Further, a sizable portion of the workforce in social work co-operatives will remain entitled to a public wage-supplement even in the long run. In this respect too, public financing is there to stay.

Voluntary associations and other social economy organizations primarily contribute non-pecuniary resources: human resources and social capital - this, in part, through schooling programs and through voluntary work inputs in qualified tasks (accounting, board work), an input that is most evident in community enterprises. Such contributions may also be capitalized as "own financing" in matching-financing schemes (national or EU-backed). In this manner, voluntary inputs in kind can also provide leverage for obtaining external financing.

More important, the social capital that these organizations command is instrumental in the task of networking, locally and outwards:

- by mobilizing local society - a task of particular importance in the case of social work co-operatives, whose members' personal networks are often insufficient for the task;
- by establishing a link to and between authorities, at the local, regional and, at times, even national level. As noted before (see above, section 3.4), renegotiating access to resources, and facilitating cooperation between the authorities involved are vital for the formation and future operation of most WISEs. Further, the ability to create local coalitions paves the way to yet another sphere, namely that of EU projects.

Business revenues are a standard component in all WISEs resource mix. Its relative importance and proportion of turnover vary however from one enterprise to another. While community enterprises maintain a relatively straightforward businesslike relationship with the public sector, social work co-operatives are often considerably more enmeshed in the public sector. Considerable care is therefore advised in interpreting economic data for this group. High percentage of market revenues may, in this case, indicate either that the co-operative has advanced a long way towards economic independence, or that the balance sheet does not truly reflect the scope of the co-operative's operation, since a great portion of the resources used by it are provided in kind, or directly to the members (see section 3.4, and, for more detailed discussion, Stryjan 2002).

Business revenues gained through sale of rehabilitation places to the social authorities form a specific category that merits a separate discussion. The provision of paid-for occupational placements for the functionally handicapped is generally accepted as a valid business idea within the field of welfare. The implicit condition often applied is that the service is provided by a third party. The common-sense suggestion that a similar service could also be provided at quasi-market prices *by the users themselves* meets considerable resistance that is rather a matter of ingrained perceptions (at times mixed with opportunism) than of the rules of economics. The most bizarre example of double standards that we encountered thus far in this field is of a municipality that directs unemployed problem youth to a workshop run by a social work co-operative,

bills the employment agency (Af) for their work-training, while refusing to pay the co-operative for its contribution. Formally speaking, the municipality in question is being indirectly (and involuntarily) sponsored by the co-operative. While a growing number of municipalities and employment agencies have come to formally acknowledge the value of co-operatives' training and rehabilitation inputs, and a number of long-range purchaser-provider contracts were signed, many WISEs still operate in a grey zone in this respect, and the full economic impact of their activity is not recognized.

A central aspect of the WISE activity, and probably the one that poses the chief conceptual challenge, is the conversion/translation of resources (see above, section 3.3). The fact that social enterprises span boundaries between public and private sector as well as civil society, turns the enterprise into a nexus of conversion, in which, as illustrated above, social capital can open access to financing, inasmuch personal welfare shortfalls may be converted into welfare entitlements and further into (access to) funding, and so forth. Attaching figures to such practices is very much a matter of interpretation.

5.3. Different paths of institutionalisation

The Swedish health, welfare and labour market sectors presently undergo a transformation from a monopolist "public sector" to a more pluralistic configuration. The process started in the 80s, gained momentum in the 90s, and has not been completed as yet. While it is possible to plot this model on a map of convergence paths toward a broadly defined European model of welfare pluralism, the direction in which this process unfolds in Sweden is different from that in many European countries, for the simple reason that the starting point was highly different. The strong position of the state, the absence of (and aversion to) a tradition of charitable action, and the strong emphasis on self-help and mutuality define the important actors and the range of alternatives being developed. For the time being, development proceeds towards increasing diversity, and the testing of new solutions, rather than towards a selection and institutionalisation of a handful of models. The diversity of rules and routines between municipalities, differences in the local implementation of regulations, even within national authorities, and the deep-seated resistance to harmonize these, are important factors behind this diversity.

Some of the main forces (re)shaping the field are:

- **State involvement:** a growing awareness that new solutions are needed to handle the problem of labour-market exclusion have led to an effort to increase the flexibility of the rule system, to lower the thresholds (in a recent legislation) for the return to the labour market of those excluded, and to increase cooperation between authorities. The mainstream public policy solution of the earlier period - the network of state-run sheltered workshops, Samhall - is presently being scaled down. A part of the human resources of Samhall is consequently diverted to consulting tasks, assisting other actors (primarily municipalities) in developing their own solutions.

- **Municipal involvement:** historically, care for the excluded and its financing were split between various levels of local and central government (thus, the now defunct large psychiatric institutions were run and financed by the state, that also provided for the inmates' subsistence; large portions of home-care were provided by county councils, etc). Local government reforms from the late 80s and onward divested both organizational and budgetary responsibility for services to excluded groups to the municipal level. Consequently, both care and rehabilitation for the excluded *and* the budgetary responsibility for the outcomes of rehabilitation are now deposited, for the first time, in one and the same authority. Being new to the task, municipalities were also considerably more open to untraditional solutions.
- **Diffusion of models:** this occurs both nationally and internationally. Thus, the community enterprise model owes its emergence to impulse from Scotland. Important influences from Italian drug-addict rehabilitation collectives were explicitly incorporated in Basta³⁰, and provided more indirect inspiration in other cases. At the national level, the two models discussed in this overview are primarily promoted by the association of community businesses and by the Social Co-operative Project respectively, and by the Co-operative Development Agencies. For the time being, it is impossible to talk of explicit competition or animosity between the practitioners and proponents of the different models.

6. Comparative performance of WISE

A number of factors make the setting of common terms of reference for a comparative economic assessment of the performance of WISEs difficult:

- 1) The scarcity of objects for comparison. The field of work integration in Sweden has traditionally been dominated by a single organization, state-owned Samhall. The economic guidelines and incentives formed by the Swedish government also led to a degree of cherry picking, and an increasing focus on cases with best rehabilitation prospects.
- 2) The diversity of categories that are covered by the general label of "excluded". The label spans over groups as varied in terms of rehabilitation prospects and costs as mental patients, long-time unemployed and immigrants. Further, the costs and benefits are differently spread between different agencies (see above, section 5.1). Any comparison would have to take into account these differences.

Attempts to economically assess privately-run rehabilitation programs for patients with a positive prognosis have proven rather inconclusive thus far.³¹ A great portion of those recruited into WISEs belongs, by comparison, to categories that were previously labelled unfit (or inaccessible) for rehabilitation. The direct economic contribution of WISEs ought to therefore be measured against the baseline of the costs

³⁰ Hansson and Wijkström, 2001.

³¹ Statskontoret, 1997.

of custodial/curatorial care for the same group. Formal economic (balance sheet-) performance of any specific WISE depends, to some extent, on local government and public sector actors' willingness to acknowledge this contribution and remunerate the enterprise accordingly. To state the matter in economic terms: a considerable portion of the WISEs that operate today are only paid for a portion of the services they actually deliver. As already noted, the level of willingness to set this balance right varies considerably from one municipality to another. On the whole, community co-operatives seem to be somewhat better equipped than social co-operatives to achieve such recognition.

The prime strength of WISEs seems to lie in being able to improve the lot of individuals that have already been effectively written off' by the authorities, and, at times, successfully rehabilitate them. Moreover, WISEs appear to approach this task with respect to its target group and with its empowerment in sight.

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