

## **SOCIAL IMPACT OF SOCIAL ENTERPRISES IN SERBIA**

*Summary: This paper deals with social effects that the sector or social entrepreneurship produces in Serbia. These effects were measured through the survey conducted by Statistical Office of the Republic of Serbia (SORS) in 2013. The survey was based on the definitions commonly used by scholars and practitioners in Europe and conducted under the standard statistical procedure. Through the survey 1,196 social enterprises were detected in various legal forms. Social function of social enterprises in Serbia in 2012 was rather weak which is in line with their economic capacity. The sector combines employment of vulnerable categories of population and allocation of a part of the income for social purposes. But, these functions are very much determined by the type of the enterprise – enterprises for employment of persons with disability that received significant subsidies from the state were also the biggest generator of employment. On the other hand, associations of citizens are more focused on transferring a part of the earned income to social purposes, but they are a very weak employer.*

This paper deals with social effects that the sector or social entrepreneurship produces in Serbia. These effects were measured through the survey conducted by Statistical Office of the Republic of Serbia (SORS) in 2013. The survey was based on the definitions commonly used by scholars and practitioners in Europe and conducted under the standard statistical procedure.

### **1. Development of social entrepreneurship**

#### **1.1 Development of social entrepreneurship in Europe**

According to the estimates of the researchers, the social entrepreneurship sector in the world currently employs around 40 million people and engages over 200 million volunteers. More than 30 universities in the world have social entrepreneurship curricula, including: Columbia, Harvard, Stanford and Oxford. (Leadbeater, 1997). In the European Union, various forms of social entrepreneurship (such as cooperatives, civil society organizations, foundations

and social enterprises) account for two million companies, which is 10% (CIRIEC, 2007). The latest estimates say that today in the EU 14.5 million people, which is around 6.5% of the working age population of the EU, are employed through social economy. This percentage is even higher, 7.4%, in the old EU member states, while in the countries such as Sweden, Belgium, Italy, France and the Netherlands, this percentage of employees goes to as much as 9% or 11.5% of the working age population (Monzon, 2012:46).

The notion of “social entrepreneurship” is not new in literature and practice. It appeared in Italy at the end of 1980’s, as well as in other European countries. Its purpose was to depict a broad diversity of manufacturing and business organizations whose founding, in the years of a growing crisis of theory and practice of the “welfare state,” was not based on profit, but rather on social motivation. This is a part of a broader context of “social economy” (SE). Social economy is a part of economic reality in which the issues of social inclusion, wellbeing, social care and social capital mutually intertwine with an accent on a developmental perspective (Defourny, 1999). Social economy is closely linked and sometimes even identified with the concepts such as the third sector or the non-profit sector (in Serbia and Eastern Europe, it is frequently called the non-governmental sector), which includes both associations of citizens and non-profit organizations/initiatives. Although the differences in the concepts are significant, what is characteristic of them and what they have in common is that they are guided by the general social values and objectives which are social, ecological, cultural, etc. (Shrestha, 2013).

Social enterprises differ from traditional organizations of the third sector by more accentuated economic activities along with the readiness to enter a risky economic project. At the same time, they differ from profit enterprises and traditional cooperatives by a stronger orientation towards broader social objectives and interests of the community. Social enterprises are either by the law prohibited to distribute profit or they are structured and founded in such a way that they exclude profit as the main objective (Cvejic, Babovic, Vukovic, 2008).

The most frequently used definition of social enterprises is the one created under the auspices of EMES (European research network of social economy): “Social enterprises are non-profit private organizations dealing with producing of goods and rendering of services, which is directly linked with their clear objective that the community should benefit from their activity. They rely on collective dynamics, while involving different types of stakeholders into their management bodies; they highly value their autonomy and take the economic risk associated with their activities.” (Defourny and Nyssens, 2008: 5).

Social enterprises contribute to the community in several ways: they provide goods and services (social protection, education, health, etc.) to the local communities and people who cannot afford them; they contribute to the economic development of deprived communities; they create new job opportunities; and

they enable work integration of disadvantaged people who stand poor chances of finding jobs in the “open” market. They in fact use the assets which otherwise would not be allocated in such a way that they respond to the needs of the community for wellbeing and development. Consequently, they contribute to the social cohesion, accumulation of social capital and to a more even economic development (Cvejic, Babovic, Vukovic, 2008).

The beginnings of social entrepreneurship are linked with the development of capitalism in 18th and 19th centuries. When the drastic impoverishment of the working class occurred on account of the industrial revolution in Europe, new initiatives for mitigating the consequences of the poverty were encouraged. Self-help groups and other associations led by the principles of philanthropy and compassion started to be founded. These initiatives were most visible in France and Italy where the process of industrialization was slower and where working-manufacturing cooperatives took root (Anheir, 2005). The working class started to spontaneously express its need for overcoming difficult living conditions, as well as for finding an alternative to market economy which would be based on the principles of solidarity. This entailed founding of hospitals for the poor, as well as supporting many other activities that were not included in the then social policy (Parun Kolin, Petrusic, 2008). The development of the situation in this direction led to the founding of the first functional cooperatives, as the most predominant form of social enterprises, primarily in the United Kingdom at the end of 18th and the beginning of 19th century.

When talking about the modern period, we come to an increase in the number of factors that have led to the development of social entrepreneurship. The European societies face extensive growth and diversification of needs based on changed patterns of life styles, and social and economic behaviours of different social groups. At the same time, the impossibility to ensure the former level of security through guaranteed employment, age pensions, free health care and other services, led to unemployment and reduced scope of services of the general interest, particularly for those who cannot afford them (Borzaga, Galera, Nogales, 2008). The civil societies in the European countries reacted to the lack of social services and the inability of the states of plenty to provide employment by the grass-root initiatives for the founding of organizations that are simultaneously socially oriented and more and more involved in the economic activities. Associations of citizens and foundations that used to be traditionally focused on advocacy started to be engaged in economic activities with a stronger entrepreneurial orientation, while cooperatives (of farmers, consumers, manufacturers/producers) that used to be more oriented towards their own interests and income, have now expanded their functions to broader social objectives (Cvejic, Babovic, Vukovic, 2008).

The first formal social enterprises on the European soil were founded and introduced in Italy, in a cooperative form and they were called social cooperatives (*cooperative sociali*). Since 1991, their formal status has been regulated by the

law. These entities are based on cooperative principles and they deal with care activities, such as co-managing of social and health care and education services, provision of home care and finding placement for vulnerable categories of the population, looking after and care of children, cultural activities and initiatives related to the environmental protection. They also deal with training activities, such as introducing people who are disadvantaged in the society and who cannot get included in the “normal” production circles into business and employment activities. (Thomas, 2004: 248). From then to 2003, 6,500 – 7,000 social cooperatives were founded in Italy and they employ around 200,000 workers which is benefited by 1.5 million people (Borzaga, Galera, Nogales, 2008). Very soon after these “innovations” many other countries started to follow the Italian example. In Portugal, for instance, “social solidarity cooperatives” (*cooperativas de solidariedade social*) have been founded. In France, “cooperative societies of collective interest” (*societe cooperative d’interet collectif – SCIC*) have been introduced and in 2005 in England a new legal form “community interest company” – which provides services mostly at the local level, in the fields such as transportation in the local community, social housing, child care, etc., entered the stage (Velev, 2011).

Taking into consideration this contextual development, over time, social enterprises have started to be defined as non-profit “endeavours” designed in such a way as to achieve not only social and public, but also commercial objectives (Moizer, Tracey, 2010). Social enterprises, generally defined in this manner, can very easily be linked with the local context, with a clear objective to be beneficial for the communities. In this way, social enterprises ensure multiple effect: a) work integration of “difficult to employ” categories; b) social inclusion of vulnerable groups; c) reduction of the allocations from the national budget for the system of wellbeing. (Cvejic et al., 2011).

## 1.2. Development of social entrepreneurship in Serbia

The need for an affirmation of the role of social enterprises in the Serbian economy has grown for the same reasons for which this idea first occurred in the West-European capitalism in the context of a broader concept of the 19th century social economy and then also in concrete forms of social entrepreneurship, adjusted to the modern capitalism of the second half of 20th century. These reasons are linked with the negative effects of the market economy and socially unsustainable model of economic growth. When the number of those who cannot join the free market competition becomes too big and all the weight of the loser comes crashing down on the public budget, the support to entrepreneurial efforts under less accentuated market conditions, which social entrepreneurship is by its definition, represents a good tool for increasing the number of citizens who will join the society autonomously and, consequently, for increasing the social cohesion.

Social entrepreneurship is the mirror of the social policy transformation in Serbia. A support to the development of the sector that can employ a large number of socially and economically excluded citizens represents, in fact, a support to the entire economy. The idea of modern social entrepreneurship has appeared in Serbia through the process of cultural and political approximation to the European Union. In order to grow into a sustainable sector, some specificities which make the context of social entrepreneurship in Serbia different from the models recognized in the European setting and yet similar to other East-European countries must be accepted. These are: exceptionally high unemployment, dominance of the state over the economy and insufficient separation between the public and the private sectors, proneness to state paternalism inherited from the socialism and crooked comprehension of the idea of social economy related to this inheritance which entails passivity and dependency, etc. As the result of the lack of understanding of the meaning and importance of social entrepreneurship, social enterprises and entrepreneurs in Serbia face not fully built institutional framework.

However, even with the unfavourable legal, economic and institutional framework, social entrepreneurship does exist in Serbia. It currently appears in Serbia in the form of individual initiatives or relatively organized sub-sectors (e.g., enterprises for professional rehabilitation and employment of persons with disability) which solve the problems of unemployment and social exclusion. According to the results of mapping social enterprises in Serbia which was done in 2007 (Cvejic, Babovic, Vukovic, 2008), there were 1,160 of these enterprises in total and they employed around 0.5% of the total number of employees in Serbia. The dominant form of social enterprises in Serbia were cooperatives, with agricultural cooperatives being the most frequent in that category. The number of associations of citizens that could be considered as social enterprises was very small, to a large degree owing to the difficulties stemming from the inadequate legal framework, i.e., from the fact that the law that was in force at the time did not allow NGOs to acquire earnings through performing activities. New markets for social enterprises were in their development phase back in 2007 although – especially in the sphere of social services, agriculture and rural development – they were of a rather limited scope.

The vitality of the social entrepreneurship sector is reflected in the fact that, since there is a lack of an existing institutional support, the players in this sector (social enterprises, civil society organizations that promote them, institutions that support them) continuously establish networks and coalitions that facilitate their mutual linking, exchange of experience, learning and business operations. This will be important at the moment when Serbia will face a situation in which new possibilities open for financing social entrepreneurship in the process of the EU accession. The Coalition for the Development of Social Entrepreneurship was founded in 2010. The coalition consists of six prominent civil society organizations and its main objective is to create a stimulating environment for

the development of social entrepreneurship. Its role is significant because of the strategic approach to the development of social entrepreneurship and because of the synergic action of all of its members. The first network of social enterprises, SENS (Social Economy Network Serbia) was founded in 2011. The SENS has been established with the aim to provide space for social enterprises to learn one from another, to stimulate cooperation among social enterprises, as well as with other players, to ensure that social enterprises' products/services are found in one place so that they are easily browsed and accessible to potential buyers and partners for cooperation. There are also other networks of mixed character. For instance, Sustainable Development Network is a network organization that provides active support (primarily the expert, organizational, mediation, education and information support) to the strategies, programmes and projects for sustainable development. The Sustainable Development Network acts in cooperation with citizens, volunteers, associations, local self-governments, businesses, media, experts, scientific and research institutions, regional and local communities, social enterprises, development agencies, competent institutions and other relevant partners.

The partnership between social enterprises and local institutions may be identified, not only in the sphere of providing services, but also in many others. Several local administrations in Serbia have assisted initiatives in the sphere of social entrepreneurship by relinquishing business premises or arable land for use. The partnership between social enterprises and the business sector is also on the rise. There are more frequent cases in which enterprises from the business sector buy products or services from social enterprises or assist them by monetary donations and promotion. (Shrestha, 2013: 50-51). A major role in the promotion of social entrepreneurship, as well as in the creation of a favourable environment for business operations and survival of social enterprises is played by the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia (SIPRU). The team deserves the credit for bringing the idea of social entrepreneurship closer to the Government's bodies, for setting off initiatives for amendments and supplements to the laws that relate to social entrepreneurship and for linking together different sectors in the Government of the Republic of Serbia when it comes to the issues related to the development of social entrepreneurship. At the same time, the SIPRU has a very good cooperation with the Coalition for the Development of Social Entrepreneurship and with players from this sector in Serbia, region and the EU.

### 1.3. Legislative framework for social entrepreneurship in Serbia

As it has already been mentioned, there are several legal forms in Europe through which most of the subjects whose characteristics or the way in which they perform activities classify them as social enterprises function. These legal forms are defined by the laws on cooperatives, laws on associations of citizens

or laws on social enterprises. In those countries in which the provisions of the law on associations allows that associations of citizens deal with production, sale of goods or rendering of services in the market, these subjects are most often registered in the form of associations, while in other countries, in which the legal system does not allow that or allows it only in a limited scope, they are founded on the basis of the law on cooperatives or law on social enterprises. In addition to these traditional legal solutions, in many countries additional legislative solutions have been adopted and they serve as the basis for stimulating the founding of innovative, modern forms of social entrepreneurship.

During the analysis of social enterprises in Serbia, it is important to keep in mind the problem of the adequate term that will be used in the legal system for depicting the notion of social enterprises. The business operations of enterprises as economic and legal subjects are regulated by the Companies Law, according to which an enterprise is not a legal notion and cannot be a legal subject, but rather a legal subject may be only a company that is the carrier of some enterprise or entrepreneurship. In the same spirit and for the purpose of terminological harmonization, the name – Law on the Tax on Profit of Enterprises has been changed by the latest amendments into the Law on the Tax on Profit of Legal Entities which represents a more adequate term if we take into account this interpretation of the Companies Law, as well as the fact that its provisions do not refer only to companies, but also to other legal entities that function within the legal system of the Republic of Serbia (Velev, 2011).

The concept of “social entrepreneurship” is not recognized in an adequate manner within the legal system in Serbia, although the importance of the concept and its positive effects have been recognized in the civil sector and among the expert public. Not a single legal regulation in our country regulates this matter in a comprehensive manner. However, several laws and strategies contain provisions that may constitute the basis and support to the development of social entrepreneurship. The relevant laws that determine the development of social entrepreneurship in Serbia currently regulate the possible field of action of social enterprises, the way in which they are constituted and in which they act, as well as the way in which they are taxed. These are: Social Protection Law, Law on Professional Rehabilitation and Employment of Persons with Disability, Associations Law, Law on Endowments and Foundations, Companies Law, Cooperatives Law, Law on Volunteering, Profit Tax Law and Value Added Tax Law (Cvejic et al 2011).

The new legal solutions have recognized the concept of social entrepreneurship and they have opened new possibilities for their founding and business operations. Now the notion of social enterprise is mentioned in the Law on Social Protection and Provision of Social Security of the Citizens and the Law on Professional Rehabilitation and Employment of Persons with Disability, while the new Bill on Cooperatives stipulates founding and business operations of a

special form – social cooperative. In addition, the new law on associations gives these legal subjects a possibility to earn income from performing activities, which in fact enables them to operate as social enterprises. However, the conditions for financing and financial operations of social enterprises are unfavourable, except for the enterprises for professional rehabilitation and employment of persons with disability. The main problem is the lack of microfinancing and facilities in the process of public procurement. Existence of these elements in the legal and business environment would enable easier founding and business operations of social enterprises, which would lead to the final shaping up of this sector in Serbia.

## 2. Survey on social enterprises in Serbia

### 2.1. Defining of social enterprises

The most important strategic document of the European Commission in this area, *The Social Business Initiative*, lists the following characteristics of a social enterprise: “A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.” The European Commission uses the term “social enterprise” to cover the following types of businesses:

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

Thus, social enterprises are:

- businesses providing social services and/or goods and services to vulnerable categories of the population (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, etc.); and/or
- businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient



qualifications or social or professional problems leading to exclusion and marginalization), but whose activity need not provide social goods or services.

In order to assess objectively the importance of social enterprises, it is necessary that this segment of the economy is clearly separated from a broader field of the social economy which may include different forms of humanitarian and socially responsible activities. When there is no precise and unique legal form of regulating the founding and operations of social enterprises, it is of utmost importance to provide clear criteria under which these enterprises can be unambiguously separated from other similar businesses. In the case of associations of citizens, it is necessary to separate those that are classified into the category of social enterprises on the basis of performing the registered activities, just as in the case of companies with limited liability it is necessary to separate those that earn profit in order to reinvest it into the solving of social issues.

## 2.2. Selection of the legal forms with the characteristics of social enterprises

In the broader context of the previously stated approach of *The Social Business Initiative*, the main approach to social enterprises in the continental European tradition is summarized through the researches and methodology of the EMES network (European research network for social economy) which sees social enterprises as a result of collective entrepreneurship in the area of social economy and defined through three groups of indicators (in the economic, social and management dimension). In line with that, seven basic EMES criteria that correspond to the definition of social enterprises have been applied in this survey. The selection of social enterprises has been made on the basis of the following economic and social criteria:

- income from the sale of products, goods or services;
- high level of the degree of autonomy;
- taking economic risk in business operations;
- tendency towards paid work;
- benefit of the community or a certain group of people as a clearly defined goal;
- power of the decision-making is not based on the ownership of the capital, and
- profit organizations that are focused on maximizing profit are excluded.

There are seven legal forms of businesses that have been recognized in Serbia as those that fully or approximately correspond to the social enterprise concept:

- associations of citizens;
- cooperatives;

- enterprises for employment and professional training of persons with disabilities;
- spin-off enterprises (most frequently in the form of a company with limited liability and a joint-stock company);
- foundations;
- business incubators; and
- development agencies.

Most of the stated legal forms correspond to the category of social enterprises by their basic status. But, although the act of registration may meet some of the stated criteria, in order to establish if the enterprise really belongs to this sector it is necessary to carry out additional verifications. E.g., an association of citizens, even when having the word “humanitarian” in its title, may actually deal only with the traditional civic activism without creating any value or employing vulnerable categories of the population. Also, a cooperative may be based on some property which has the status of the state-owned, etc.

In line with that, in this survey, the **associations of citizens and foundations** are treated as social enterprises if their respective statutes have defined social objectives<sup>1</sup> and:

- if it earns at least 25% of its income by performing an activity aimed at social objectives (primarily social services) and has at least one person employed under an employment contract;
- if it earns at least 25% of its income by performing any activity and has at least 50% of employees from among the vulnerable categories<sup>2</sup> hired under an employment contract or under a contract that does not involve employment (service contract, contract on temporary and occasional engagements, author’s contract, etc.);
- if it earns at least 25% of its income by performing any activity and spends more than 50% of the earned income on social objectives.

**Cooperatives** are social enterprises by the definition laid down in the Law on Cooperatives, since they entail free association, solidarity-based business operations and decision-making based on equal rights. However, the practice shows that the principles of founding and business operations that classify them as social enterprises are frequently just formally abided by and that they actually serve the interests of the management and employees, and not those of the

---

<sup>1</sup> Social objectives are: economic empowerment and social inclusion of marginalized groups and individuals, support to sustainable development, environmental protection, improvement of access to social services (education, social protection, employment...), etc

<sup>2</sup> Vulnerable categories include: persons with disability, refugees and internally displaced persons, women victims of violence, single parents, Roma, former prisoners, former addicts, persons aged over 50 that have been laid off as “technological surplus labor,” persons with mild disability (but with preserved working abilities), persons without finished primary school, financial social assistance, etc.

members of the cooperative, or that their business operations are directed solely at gaining profits. For this reason, the category of social enterprises in this survey excludes:

- construction cooperatives - most frequently founded with the goal to earn profit;
- housing cooperatives - not aimed towards broader social objectives;
- youth and student cooperatives - they provide stable income only for the employees at the cooperatives; they lack democratic management since the young and the students only formally hold the membership at the cooperatives, and
- health and consumer cooperatives - they are not focused on manufacturing of goods or rendering of services, but primarily on consumption under the most favourable commercial conditions possible.

Social enterprises include the following:

- agricultural cooperatives – if they do not dispose with state-owned property;
- craft cooperatives – if among the founders they have at least ten craftsmen who are not at the same time registered as independent entrepreneurs, and
- other types of cooperatives – if they meet the criteria for the defining of social enterprises.

**Enterprises for employment and professional training of persons with disability** are by definition treated as social enterprises, since the Law on Professional Rehabilitation and Employment of Persons with Disability defines them as a form of employment and professional training for persons that are difficult to employ and which entails participation of the employees in the decision-making. This category also includes those enterprises that are not registered under this Law, but that employ at least 30% of persons with disability and they are treated as social enterprises if they are mostly privately owned and if they have defined procedures for participation in the decision-making that render managerial authorities to the employees (possibility to influence appointment and replacement of the management, to decide on the business strategy of the enterprise and to influence the way of disbursing the income).

**Limited liability companies and joint-stock companies** are treated as social enterprises if they meet one of the following requirements:

- the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and manufactures products or renders services that support social inclusion. In addition, such enterprise must direct over 50% of its profit, if it earns it, to social objectives;
- the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and such enterprise

- engages at least 30% of its employees from vulnerable categories;
- they are founded in the form of **business incubators or development agencies**, and they direct all their profit, if they earn it, to the development of entrepreneurship and employment; in the case when their founder is a public institution, the requirement is that they are registered as limited liability companies.

### 2.3. Survey coverage

The starting point for establishing the group of business entities covered by the survey on the social enterprises sector in Serbia were the data from the statistical business register, as well as the annual financial statements. The basic criteria in this phase of the analysis referred to the earning of income from a business activity in the reference period (the year 2012) and the social aspect of the purpose of existence.

When it comes to associations of citizens and foundations, a group containing more than 21,000 registered units was analyzed. Those units which, according to their annual financial statements, did not make operating income in the market or made operating income, but not to the degree that would ensure sustainable business operations were excluded from that group. These are the businesses which, according to the data from the annual financial statements, base their operations and survival on non-market income (subsidies, donations, membership fees, etc.) and, in line with that, do not have “entrepreneurial spirit” to such a degree that would qualify them for the social enterprises sector. In compliance with the social objective criterion, those subjects for which it can be established from their name that there is an absence of unquestionable focus on social objectives (sport associations, political parties, automotor clubs, radio clubs, professional organizations, folk dancing associations, dancing clubs, hunters’ associations, associations of dog fancier or pigeon fancier, etc.) were also excluded. In this way, the initial cluster of associations of citizens and foundations was reduced to 748 businesses covered by the survey which, thus, became the subject of further analysis.

The initial group of cooperatives, as a form of organization, consisted of around 1,750 units. In compliance with the methodology, the housing, youth, student, health and consumer cooperatives were excluded from the category of social enterprises. When it comes to other types of cooperatives that meet the stated criteria for belonging to social enterprises (agricultural, craftsmen, etc.) on the basis of an analysis of their annual financial statements, those that were inactive in 2012 according to the financial indicators were excluded. Eventually, 918 cooperatives were identified and they were covered by the survey.

All units operating as enterprises for employment and rehabilitation of persons with disability, business incubators and development agencies were covered by the survey, taking into account the social aspect of these forms of organization.

In this way, the survey covered 1,785 businesses that potentially belong to the social enterprises sector in Serbia. The survey was conducted on the basis of complete coverage during October and November 2013. 1567 units, i.e., 87.8% answered the questionnaire, and the analysis of the results obtained through the survey established that 1,196 businesses fully meet the stated criteria for belonging to the social enterprises sector.

## 2.4. Survey results

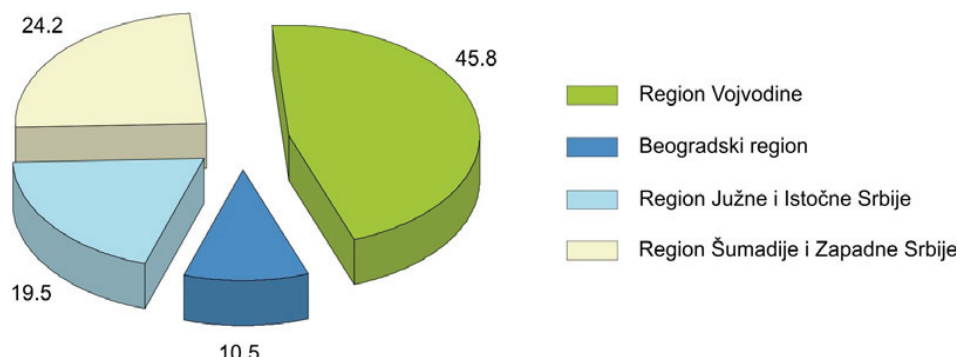
In 2012, 1196 social enterprises of different types operated in the Republic of Serbia.

**Table 1. Number and types of social enterprises**

Type of social enterprise	No.
Cooperatives	785
Associations of citizens	283
Enterprises for employment of persons with disability	45
Development agencies	32
Foundations	23
Business incubators	18
Spin off enterprises	8
Other	2
Total	1196

The biggest share in the total number of social enterprises was taken by cooperatives (65.6%) and associations of citizens (23.7%). Enterprises for employment of persons with disability accounted for 3.8% and development agencies for 2.7%. All other types of social enterprises (foundations, business incubators, spin off enterprises and other) accounted for 4.3% of the total number.

Observed by the regions, the biggest number of social enterprises was located in the Region Vojvodine – 45.8%, and the smallest in the Beogradski region – 10.5%.



**Graph 1. Distribution of social enterprises by regions, %**

### 3. Social effects of the social enterprises sector in the Republic of Serbia in 2012

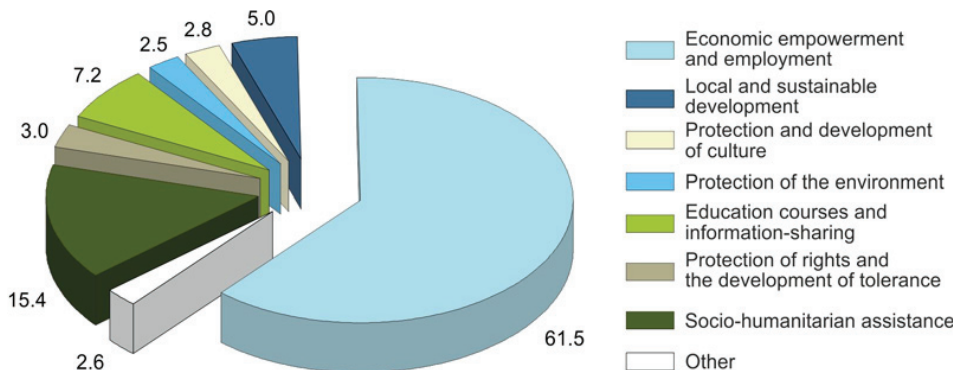
As it has already been pointed out, founding of social enterprises is commonly not based on an aspiration towards profit, but rather on social motivation. These enterprises fulfill their social function through various activities, such as stimulating employment and work integrations of people who stand poor chances in an “open” labour market, provision of goods and services (social, educational, health, etc.) to the local communities and people who cannot afford them, contributing to the economic development of deprived communities, and taking care of environmental protection and sustainable development.

For the purpose of a clear overview of the analysis, the types of social enterprises have been classified into 4 groups on the basis of their legal form and the law that regulates their founding and operations:

1. Associations of citizens and foundations
2. Cooperatives
3. Enterprises for professional rehabilitation and employment of persons with disability
4. Other enterprises registered as limited liability companies (development agencies, business incubators, *spin off* enterprises and other types)

In this survey, the social functions of social enterprises have been established and analyzed through the following questions:

- Which are the most important objectives of the organization?
- Is more than 50% of the income earmarked for social purposes?
- Does the organization employ members of socially vulnerable groups?<sup>3</sup>



**Graph 2. Distribution of the most important objectives of social enterprises, %**

<sup>3</sup> It was through these questions that the definition of social enterprises was made operational for various legal forms.

In answering the “open” question on the objectives of the organization, all interviewed organizations stated at least one social objective as the guideline of their activity. The obtained answers were classified into 8 groups of objectives and at the level of the enumerated population of social enterprises they have the distribution shown in graph 24.

Such structure of the objectives and the dominance of economic empowerment and employment as an objective of social entrepreneurship can be explained by the fact that almost 2/3 of the sector consist of cooperatives among which there are as much as 88.7% of those that put this objective among the three most important ones.

The structure of the objectives by different types of social enterprises is shown in the next table.

**Table 2. Structure of the objectives by the types of social enterprises, %**

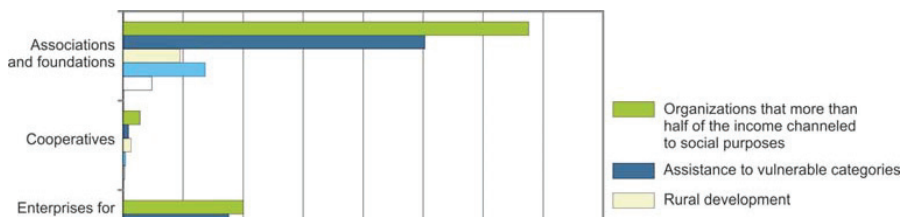
	Associations and foundations	Cooperatives	Enterprises for employment of persons with disability	Other limited liability companies
Socio-humanitarian assistance	44.1	3.8	15.7	0.0
Protection of rights and the development of tolerance	5.7	2.1	0.9	0.0
Education courses and information sharing	18.3	1.8	0.9	14.6
Protection of the environment	7.7	0.6	0.0	0.0
Protection and development of culture	9.7	0.1	0.9	0.0
Local and sustainable development	7.6	1.4	3.7	32.5
Economic empowerment and employment	2.5	88.7	75.0	45.9
Other	4.3	1.5	2.8	7.0

The obtained results show that different types of social enterprises emphasize different objectives. Associations of citizens and foundations are primarily focused on socio-humanitarian objectives and education courses, promotions and information sharing on the key values they advocate. Cooperatives are dominantly focused, as has already been said, on economic empowerment of cooperative members and on generating new jobs. Enterprises for employment of persons with disability are also focused primarily on employment and economic empowerment (in this case of the persons with disability as the more difficult to employ category of the population), and as their second important objective they underline their focus on socio-humanitarian assistance to these persons. Development agencies, business incubators and spin off enterprises are

almost equally focused on economic empowerment and local and sustainable development, in addition to which they also emphasize education courses and information-sharing.

Taking these findings into consideration, it could be said that the social enterprises sector in the Republic of Serbia is focused on the most important social objectives such as employment, socio-humanitarian assistance, local development and education courses. On the other hand, it is interesting to observe that the focus on environmental protection is very poor, which is not to be expected in the case where agricultural cooperatives dominate the sector. The same may also be said for local and sustainable development which is a notable (programme) priority only for the agencies that have been founded specifically for that objective. The underlining focus of associations of citizens on socio-humanitarian objectives is the result of a significant share of associations of pensioners in this type of social enterprises.

Employment, particularly the employment of the population categories that are more difficult to employ, is one of the more important functions of social enterprises. It may be seen from the analysis of the economic effects of the business operations of the social enterprises sector in the Republic of Serbia that this sector did not have a significant number of employees in 2012. The situation is similar with employment of vulnerable categories of the population – out of 1196 social enterprises in the sector, only 184 reported employing members of vulnerable groups. The total number of these employees is 1736 which results in the average value of 9.4 per enterprise. Out of a total of 10326 employees in the social enterprises sector, 16.8% are employees from vulnerable categories of the population which certainly represents a higher share than at the national level, but it is significantly less than expected for this sector. The next graph shows which type of social enterprise in Serbia has the greatest capacity for generating employment.



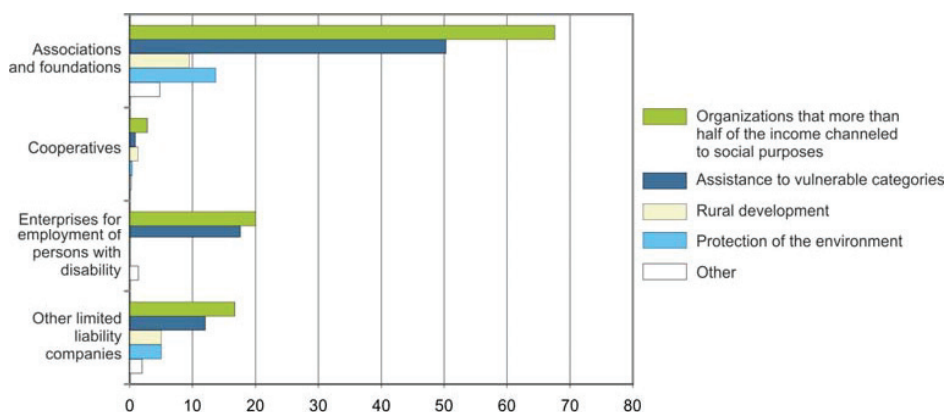
**Graph 3. Employing vulnerable categories of the population by the types of social enterprises**

Associations of citizens and foundations, with only a quarter of the organizations that employ vulnerable categories of population and the average number of these employees of 3.5, did not represent a generator for employment



of this segment of population in 2012. This claim also applies to cooperatives, but in their case it is important to take into account that cooperative-based business provides for the maintaining of (self)employment of a large number of members and associates who do not have a work contract at the cooperative itself. If enterprises for employment of persons with disability that are fully focused only on one vulnerable category of population are put aside, the potential for employment could lie in spin off enterprises where the average number of employees from vulnerable groups was 5.1. There were few such organizations in the social enterprises sector in 2012 (eight) and this could be the direction in which the efforts should be made in order to reform and enhance the entire sector.

The question “Is more than 50% of the income earmarked for social purposes?” was answered affirmatively by 20.7% of the organizations and in line with the declared objectives this social function is mostly fulfilled by associations of citizens and foundations, and least by cooperatives.



**Graph 4. Allocation of more than 50% of the income from activities for social purposes by the types of social enterprises, %**

\*\*\*

The presented findings show that the social function of social enterprises in Serbia in 2012 was rather weak which is in line with their economic capacity. The sector combines employment of vulnerable categories of population and allocation of a part of the income for social purposes. But, these functions are very much determined by the type of the enterprise – enterprises for employment of persons with disability that received significant subsidies from the state were also the biggest generator of employment. Enterprises founded by associations of citizens with a social mission (*spin off*) could play a different role, with more entrepreneurial initiative, but their number is far too small to have any significant

effect. On the other hand, associations of citizens are more focused on transferring a part of the earned income to social purposes, but they are a very weak employer. Cooperatives, as the most numerous type of social enterprises, exhibit a very feeble social function. They do not generate more significant employment and neither a prominent number of them earmark more than half of the income for solving problems of the local community or vulnerable categories of population.

## Literature

- Anheier, H. K. (2005) *Nonprofit Organizations – Theory, Management, Policy*, London: Routledge Publishing.
- Babovic, M, Cvejic, S, Nusic, O, Pavlovic, O. (2008) Promoting the Role of Social Enterprises in Serbia, in Borzaga, C, Galera, G and Nogales, R, eds. *Social Enterprise: A new model for poverty reduction and employment generation*. Bratislava: UNDP and EMES. pp 104-142.
- Borzaga, C., Defourny, J. (2001) *The Emergence of Social Enterprises*, London: Routledge.
- Borzaga, C., Depedri, S. (2004) Interpersonal Relations and Job Satisfaction: Some Empirical Results in Social and Community Care Services, in B. Gui & R. Sugden (Eds.), *Economic and Social Interaction: Accounting for Interpersonal Relations*, Cambridge, UK: Cambridge University Press.
- Borzaga, C, Galera, G and Nogales, R, eds. (2008) *Social Enterprise: A new model for poverty reduction and employment generation*. Bratislava: UNDP and EMES.
- CIRIEC (2007) *The Social Economy in The European Union*.
- CIRIEC (2012) *The Social Economy in The European Union*.
- Commission of the European Communities, International monetary fund, Organization for Economic Co-operation and Development, United Nations, World Bank: System of National Accounts 2008 (SNA 2008), Brussels/Luxembourg, New York, Paris, Washington, D.C. 2009
- Cvejić, S, Babović, M. i Vuković, O. (2008) *Mapiranje socijalnih preduzeća u Srbiji*, Beograd: UNDP.
- Cvejić, S., Grozdanić, R., Stojanović, Ž., Borzaga, K., Sadovski, B. (2011), *Preporuke za podršku razvoja kapaciteta socijalnih preduzeća u Srbiji*, Evropski pokret u Srbiji.
- Bornstein, D. (2007) *How to Change the World: Social Entrepreneurs and the Power of New Ideas – Updated Edition*; Oxford: Oxford University Press.
- Davister, C., Defourny, J., Gregoire, O. (2004) *Work Integration Social Enterprises in the European Union: An Overview of Existing Models*, EMES.
- Defourny, J., Nyssens, M. (2008) *Social Enterprise in Europe: Recent Trends and Developments*, EMES Research Network, WP no. 08/01.

- Defourny, J., Develtere, P. (1999), *The Social Economy: the Worldwide Making of a Third Sector*, Centre D'Economie Sociale, Universite de Liege, HIVA – Catholic University of Leuven.
- Eurostat: European System of Accounts, 2010 (ESA2010), Luxembourg, 2013
- Gui, B. and R. Sugden (Eds.) (2004) *Economic and Social Interaction: Accounting for Interpersonal Relations*, Cambridge, UK: Cambridge University Press;
- Leadbeater, C. (1997) *The Rise of Social Entrepreneur*. London: Demos.
- Moizer, J., Tracey, P. (2010), *Strategy Making in Social Enterprise: The Role of Resource Allocation and Its Effects on Organizational Sustainability*, Systems Research and Behavioral Science, Published online in Wiley InterScience: www.interscience.wiley.com, DOI:10.1002/sres.1006;
- Monzón, J. L., Chaves, R. (2012) *The Social Economy in European Union*, The European Economic and Social Committee.
- Nicholls, A. (2006) *Social entrepreneurship: new models of sustainable social change*, Oxford: Oxford University Press.
- Noya, A., Clarence, E. (2007) *The Social Economy: building inclusive economies*, OECD.
- OECD (2005) Background Report: *The Social Economy as a Tool of Social Innovation and Local Development, The Social Economy In Central East and South East Europe: Emerging Trends of Social Innovation and Local Development*, 22-24 September, Trento-Italy.
- On Behalf Of The European Commission, Enterprise And Industry Directorate-General, Carried Out By Ciriec (Centre Internationale De Recherches Et De 'Information Sur L'Économie Sociale Et Coopérative): Manual for Drawing up the Satellite Accounts of Companies in the Social Economy: Co-Operatives and Mutual Societies, December 2006
- Parun Kolin, M. i Petrušić, N. (2008) *Socijalna preduzeća i uloga alternativne ekonomije u evropskim integracijama*. Beograd: Evropski pokret u Srbiji.
- Shrestha, M. (2013) *Perspektive i faze razvoja socijalnog preduzetništva u Srbiji*. Diplomski rad, Filozofski fakultet u Beogradu.
- Statistical Office of the Republic of Serbia: Measuring Economic Performance: the Case of Serbia, Belgrade, 2007
- Statistical Office of the Republic of Serbia: Satellite Accounts for Cooperative Economy of the Republic of Serbia, Belgrade, 2011
- Thomas, A. (2004) The Rise of Social Cooperatives in Italy, *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 15, No. 3.
- Velev, G, ur. (2011) *Socijalno preduzetništvo: modeli, komparativna praksa i pravni okvir socijalnog preduzetništva u Srbiji*, Beograd: Grupa 484.

Slobodan Cvejić

## **UTICAJ DRUŠTVENIH PREDUZEĆA NA SOCIJALNU SITUACIJU U SRBIJI**

### Rezime

*U ovom tekstu bavimo se društvenim efektima socijalnog preduzetništva u Srbiji. Ovi efekti su mereni putem ankete koju je sproveo Republički zavod za statistiku Republike Srbije u 2013. godini. Anketa je bazirana na definicijama koje uobičajeno koriste istraživači i praktičari u Evropi i obavljena je po standardnoj statističkoj proceduri. Kroz anketu je detektovano 1.196 socijalnih preduzeća u različitim pravnim formama. Društvena funkcija socijalnih preduzeća u Srbiji u 2012. godini je bila slaba, u skladu sa njihovom ekonomskom snagom. Ovaj sektor kombinuje zapošljavanja teže zapošljivih kategorija stanovništva i usmeravanje dela prihoda u socijalne svrhe kao dva glavna oblika socijalnog delovanja. Ali, ove funkcije su veoma određene tipom preduzeća – preduzeća za zapošljavanje i radno osposobljavanje osoba sa invaliditetom koja dobijaju znatne beneficije od države su glavni generatori zapošljavanja. Sa druge strane, udruženja građana su više usmerena na ulaganje dela svojih prihoda u socijalne svrhe, ali su slabi poslodavci.*