

THE ROLE OF SOCIAL ENTERPRISES IN REGIONAL DEVELOPMENT – A FINNISH PERSPECTIVE

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Abstract: *Within this article, social enterprises are considered as a form of third sector organizations and are examined within the triangle of the public, private and third sectors. The main task is to study third sector's position in regional development during the last two decades. In current discussions in the field, it is assumed that social enterprises have the potential power to transform the delivery of public sector services in regional level, but in the light of the past it is unsure if the third sector can answer for the demand.*

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1. INTRODUCTION TO SOCIAL ENTERPRISES

Social enterprises emerged in mainland Europe and the United States in the early 1990s, although some of the organizational forms associated with social enterprises have been in existence since the industrial revolution of the 19th centuries (Kerlin 2009). The specific definition of social enterprises is a difficult task. Simon Teasdale (2009) presents two dimensions for locating social enterprises: the social-economic dimension and the individualistic-collective.

The first dimension asks: what is the aim. Kim Alter (2007) suggests there is a spectrum of social enterprises. Within this spectrum lie not only the for-profit world (whose aim is to create economic value), but also the non-profit world (whose purpose is to create social value). In practice, these dichotomies are increasingly convergent through the application of methods that marry market mechanisms to affect both social and economic value. This combined approach results in total value creation, however the social-economic dimension is relevant, in order to assess the differences among social enterprises. (Teasdale 2009.)

The second individualistic-collective dimension asks: what is the focus of social enterprises? Shaker Zahra et al. (2009) describes three types of social entrepreneurs which fall within the dimension. Social bricoleurs have their focus on discovering and addressing the small scale social need. Social constructionists introduce reforms and innovations to the broader system by filling the gaps in service provision, to neglected societal groups. Social engineers seek to address systemic problems within existing social structures by introducing revolutionary change.

In this article, attention will be focused on social enterprises and their involvement in the delivery of Finnish social services. Social enterprises are seen as (non-profit and for-profit) companies which deliver professional social services based on contracts which are arranged with local authorities. Public sector finances social services even they are delivered by social enterprises.

2. OUTSOURCING PUBLIC SOCIAL SERVICES

Public social services hold a central position in the Finnish welfare state and individual municipalities have the responsibility to organize their own welfare services. During the past couple of decades however, the production and delivery of social services has seen a shift towards the so-called Welfare Mix model. The main proportion of social services is provided by the public sector, but the role of outsourced services has expanded. In illustration, the public sector provided 77 % of all services in the year 2000, decreasing to 70% in 2007. (Kettunen 2010.)

On this basis, the outsourcing of public social services to for-profit and non-profit organizations can be seen as a main trend in the production of social services. For example, the number of private companies has increased more than fivefold in the last ten years, and the number of the staff of private companies and net sales (volume) in the sector have increased more than tenfold during the same period. By the year 2030, it is expected that the demand for the whole social services will have expanded by up to 30%.

In the next chapters, the attention is focused on the third sector's involvement in the delivery of Finnish social services. Whilst social services are examined here on a general level, it could be possible to divide them into two distinct areas: Residential Care (residential homes for children, young people, elderly and disabled people) and Outpatient Community Care (day care centers for children, the disabled and the elderly, and home help and rehabilitation activities). It is examined in the triangle of the public, private and third sectors. The main trend to outsourcing services has created demand for non-profit and for-profit companies. During the last two decades it had three turning points on outsourcing social services.

2.1 The first turning point: Outsourcing services to the third sector in the early 1990s

Finland can be seen as a member of the Nordic welfare states. The point of the Nordic model lies within universal social policy where social security and benefits are largely statutory and apply to all citizens and permanent residents. This means that traditionally, the state has played a major

role in welfare.

In the 1980's, the state implemented a process of reform, which focused on decentralization. The state set a quality framework for social services, but the local authorities were given power to decide the best way to deliver the services. These local authorities however, did not use that opportunity until the beginning of the 1990s, when Finland faced a severe recession, which ended a long period of steady economic growth.

The traditional social policy was set under critical appraisal and for the first time, it was asked: Does the public sector really have the resources to meet the full needs of the citizens? It was at this stage that the local authorities recognized that they were empowered to decide the best way to deliver services. The traditional 'welfare reform' discourse turned towards the 'modernized welfare' discourse and tried to find new and effective ways to deliver services. The recession of this period can be seen as a turning point in the Finnish social politics. The municipals had to cut their services and delay plans for investments.

At the time with this development the associations' role was strengthened. Associations played a key role in the emerging of the welfare state, but their role had declined during the preceding decades, because the state held the main responsibility for welfare. From the 1980's however, the RAY began to finance the associations' initiatives for social services and investments. [Finland's Slot Machine Association (RAY) is to raise funds through gaming operations to promote Finnish health and welfare.] As a direct result of the recession period there was a contrast between the relatively well-funded small associations, and municipals which had to cut resources on social services and delay plans for investments.

This was the first time local authorities were motivated to co-operate with other potential service providers and a partnership formed between the local authorities and non-profit associations. The municipals did not have resources for investments, so they were keen on co-operation with the associations which were financed by RAY. Whilst municipals had to cut their own development activities, the associations had many on-going development projects which were financed by RAY. As such, the associations became an important service provider in the field of social services and they produced professional social services for residential and outpatient community care.

2.2 The second turning point: Outsourcing services to small enterprises in the late 1990s

Finland became a member of the European Union 1995. As a part of that process, Finland revised its' social welfare services and public administration and entered a new age called the New Public Management (NPM). Essentially, NPM is the transfer of business and market principles and management techniques, from the private sector into the public sector.

The main aim of NPM is that providers compete on service contracts. In the first phase, the local authorities had made contracts with local associations and also with some small enterprises. These small enterprises (for example; group homes for elderly) were founded by social service practitioners. As such, the employer's aim was to create a

job for himself (and provide a needed service), rather than to make profit.

The local authorities were motivated to make contracts with outside enterprises, because it was a way to avoid stressful political debate on issues such as the investment in new buildings (e.g. a group home for elderly). Political stakeholders were not inclined to accept new investments or new staff members, but instead they opted to accept new contracts. However, those investments and staff increases they had looked to avoid were in fact included in the contracts, because the services were almost entirely publicly financed and hence paid for from the same purse.

This NPM period marks the second turning point in the delivery of social services in Finland and is representative of a quasi market period. Whilst the aim was to create a market for delivering social services, the result of the process was not a pure market, but a mechanism which allowed local authorities to make contracts with different providers for the delivery of social services. In this, the small enterprises were viewed as parallel partners with the associations.

2.3 The third turning point: outsourcing services to for-profit companies in the early 2000s

Julian Le Grand (2009) argues that so called the quasi-market model expanded rapidly, because the other models failed in this area. The quasi-market model was based on the idea of competition and allowed service providers to compete for contracts. In this setting, competition can be seen as a dominant theme of the early 2000's.

In the Finnish context, the quasi-market mechanism was also strengthened by the central government at this time. In the name of competition, the associations were denied the use of RAY grants for the running of professional social services, if the services produced profit. As RAY no longer provided investment grants for these associations, the thinking of the time was that all providers would be placed on a more equal basis for competition. Subsequently, these associations had to found 'for-profit' companies.

The bigger for-profit companies then entered the social services market. The management of these companies was based on business, not on social policy and welfare, and as such, their managers were economists by necessity. They won contracts from big municipalities and also began to buy-up smaller enterprises, in a process of service expansion. As a result of this, the for-profit companies became the main partners to local authorities and the associations and small enterprises were no longer able to meet the demands of the big municipalities. This formed a third turning point in Finnish social service provision.

3. DISCUSSION ON THE ROLE OF SOCIAL ENTERPRISES

During the last years the Finnish government has actively created discussion on social enterprises (e.g. Bland 2010). Social enterprises are seen as an innovative instrument for creating social value and it is assumed that they have the potential power to modernize the delivery of public sector services. As such, it is expected that the next turning point in the delivery of social services in Finland, will be focused on social enterprises. This view is reinforced by the fact that the practice of outsourcing public services will be continued and as previously mentioned, by the year 2030, it is ex-

pected that the demand for social services will have expanded by up to 30%.

From the third sector's point of view, the new initiatives for social enterprises can be seen as a good chance to reassess their function in the field of social services. Social enterprises are dynamic, because they have a fruitful tension between their social mission and economic motives (see Alter 2007; Teasdale 2010). Despite the positive aspects of the social enterprise initiative, until now, it has been difficult to raise the topic in a social policy level discussion (e.g. Ridley-Duff 2008). Although it is a promising form of new business, the government's task to push the initiative forward might be hard for at least three possible reasons:

Firstly, the third sector associations have held an important role in the development and delivery of social services, but their tipping point was already in the 1990's when the mixed economy of welfare and (the first turning point) was emerging in Finland. At that time, the associations had a key opportunity to create innovative solutions for delivering social services, but their chance was used only partially. The associations were pushed to transform their services to be run by their own for-profit companies. This meant that the economic (for profit) aims were seen to be more important than the associations' original social mission. In that meaning, the initiatives for social enterprises have been presented almost 15 years too late.

Secondly, recent welfare reforms have been characterized by the New Public Management, including a purchaser-provider split in a quasi-market context. The reforms are based on market ideology, where for-profit enterprises are seen as the main actors. Although they have been broadly successful in raising the quantity and quality of the services available, this success has been achieved at a cost which

culminates in commissioning. Commissioning can be broadly described as the process of using public resources effectively, to meet the needs of local citizens (Matosevic, Knapp & Le Grand 2008, 229). The for-profit companies have now taken the place of the third sector associations and the small enterprises, and though the logic of commissioning is understood within the context of the market economy. The whole culture and practices of commissioning are based on economic values. It is difficult to see where the place for social enterprises is in the current climate.

Thirdly, it is unclear, what is the function of social enterprises in the field of social services. In the recent discussion, it is not expressed what could be the main focus of social enterprises in a collective meaning (cf. Bland 2010). Is the focus on discovering and addressing the small scale social need, or in introducing reforms and innovations to the broader system, or even for seeking to address systemic problems within existing social structures by introducing revolutionary change?

Though the government has the unenviable task of pushing social enterprises to the fore, it might be that the social-political environment will change once again and create more space for this kind of new social enterprise business (for-profit and non-profit). Hans van Ewijk (2010) argues, that the traditional social policy (based on a socio-economic approach) can no longer answer the need of citizens. The future is predicted as needing more local-based approaches for the organizing of social services and a new socio-cultural approach to social policy emphasizes the role of local people and communities. v Ewijk's view is close to that of Peter Taylor-Gooby's (2009) approach to 'new citizenship', which can be supported by the third sector. In that kind of climate, there may once again be a demand for social enterprises.

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