Social Enterprise in Ireland: WISE, the Dominant Model of Irish SE

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As intermediary products, ICSEM Working Papers provide a vehicle for a first dissemination of the Project’s results to stimulate scholarly discussion and inform policy debates. A list of these papers is provided at the end of this document.

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PART A. WORK INTEGRATION SOCIAL ENTERPRISE (WISE) – THE DOMINANT MODEL OF IRISH SOCIAL ENTERPRISE

1. Introduction

What is termed the social economy in Ireland includes charities, co-operatives, voluntary associations and non-profits. However, the label is not widely used to describe them collectively, so that many organisations within the wider social economy do not identify themselves with, or even fully understand, the term. Since it first emerged in public policy discourse, in the 1990s, the concept of social enterprise has been mainly viewed as a mechanism of job creation/integration and service provision in disadvantaged communities. This perspective has been significantly influenced by European policy. In contrast, the interpretation of social enterprise in Irish academic discourse is more varied. This can be attributed to the influence of the US and European academic traditions. In all, these variations have contributed to an ambiguous national understanding of the social economy as a sector and social enterprises as distinctive entities, which in turn has compromised attempts to estimate the scale and potential of the sector in Ireland to date.

As part of the policy response to the unemployment crisis of the economic recession, the Irish government commissioned an examination of the job-creation potential of social enterprise. The Forfás report, published in 2013, offered a new official definition of social enterprise, characterised by many of the features of the EMES ideal type. Furthermore, the description and examples of social enterprises presented in this report confirmed the dominance of one model of social enterprise in Ireland—the work integration social enterprise, or WISE.

The objective of this paper is to discuss how social economy and social enterprise are understood in Ireland and to explain how WISEs have evolved as the dominant Irish social enterprise model to date. The paper is structured into two parts. In the first part of the paper, the influence of the US (Salamon and Anheier 1997; Dees 1998) and European/EMES academic traditions (Pestoff 1998; Borzaga and Defourny 2001; Nyssens 2006; Defourny and Nyssens 2010, 2012) and of EU and national policy perspectives, since the early 1990s, on Irish academic and policy discourse is discussed. It will be argued that the labour market integration approach to the development of the Irish social economy, adopted by successive Irish governments since the early 1990s, has shaped the sector and contributed to the emergence of one dominant social enterprise type, the WISE. This is followed, in the second part of the paper, by a brief overview of the typical Irish WISE operational model and a discussion of some of the main challenges currently facing the sector.

1 The few studies that have been published on the Irish social enterprise sector have generally been limited and/or based on surveys with relatively low response rates. There is no real consensus about the size of the sector or its likely parameters. Social enterprises are not included in official statistics and estimates vary greatly and can be easily contested. The term “dominant” is used here in order to illustrate the dominance of this type of social enterprise in Ireland to date as a consequence of the statutory support measures that have been in place to develop the sector since the 1990s.

2 Forfás is Ireland’s policy advisory board for enterprise, trade, science, technology and innovation.
2. Towards an understanding of social enterprise in Irish academic and policy discourse

Although Ireland has a long and rich tradition of social economy type organisations, it is only since the early 1990s that the sector has been subjected to increased levels of academic and policy attention, with a particular focus on the concept of social enterprise. When the term social enterprise is used in Irish academic discourse, it tends either to reflect US work on the non-profit sector (e.g. Salamon and Anheier 1997; Powell and Guerin 1997; Donoghue 1998; Acheson et. al. 2003; Donohue et. al. 1999; Prizeman and Crossan 2011) or be influenced by the European tradition, particularly that of the EMES Network (O’Hara 2001; O’Shaughnessy 2008; Curtis et. al. 2011). Both the US and European traditions have shaped attempts to define and/or map the Irish social economy. In policy discourse, the social economy, and more specifically social enterprise, has been viewed primarily as a response to social and economic exclusion and is associated with the provision of services and employment opportunities in disadvantaged communities (NESF 1995; PLANET 1997; PLANET 2005; WRC 2003; Forfás 2013). These different academic and policy perspectives have contributed to ambiguity about how the social economy is to be understood and have led to a variety of approaches to identifying and mapping the sector.

2.1. The influence of the US academic tradition

As in the UK and Canada (Favreau 1998; Nicholls 2006; Spear and Bidet 2005; Mendell 2010), the academic approaches to identifying and mapping Irish social enterprises can be broadly characterised as either US or European, depending on the weight given to individualistic and hierarchical organisational structures, on the one hand, or collectivisation and democratic ownership, on the other (Teasdale 2011: 102). Most studies of the Irish non-profit sector grounded in the US tradition (Salamon and Anheier 1997; Donnelly-Cox 1998; Donoghue 1998; Donoghue Anheier and Salamon 1999; Donnelly-Cox and O’Regan 1999; Donoghue 2002; Acheson et. al. 2003; Donoghue et. al. 2006) were based on the John Hopkins definition of non-profits, while Prizeman and Crossan’s 2011 mapping exercise of social entrepreneurial enterprises was influenced by the US emphasis on social innovation, the change maker or social entrepreneur (Dees 1998; Dees and Anderson 2006).

One of the first mapping exercises of Irish non-profits used the John Hopkins structural/operational definition of the non-profit sector (Salamon and Anheier 1997; Donohue 1998); it pointed to the long history of the field of activity, the absence of a specific policy milieu and a reliance on public funds and volunteering. Concerns were also raised about accountability within, and regulation of, the sector. This was followed by another mapping exercise in 2006 (Donoghue et al. 2006). This study used the International Classification of Non-Profit Organisations and did not refer specifically to social enterprises. Thus, even though the term social enterprise had been used in public policy discourse from the early 1990s, it did not appear in any academic mapping exercise of the Irish non-profit sector (influenced by the US non-profit approach) until a philanthropic-sponsored study of the sector was published in 2011. In this study, by Prizeman and Crossan (2011), social enterprises were included, but under an all-encompassing term—“social entrepreneurial enterprises”—which was intended to capture a broad continuum, ranging from individual social entrepreneurs to social entrepreneurial enterprises.
Prizeman and Crossan defined social entrepreneurial enterprises as “enterprises, businesses or projects that are run to provide products and services which generate social and environmental return”, emphasising the change maker or social entrepreneur, social mission and innovation (2011: 5). Their survey of 194 social entrepreneurial enterprises provided an insight into the entrepreneurial behaviours of these individuals/enterprises; their role in public service delivery; their networks, relationships and stakeholders; their financial and human resources; and their impacts, values and governance. They noted in particular the social entrepreneurial enterprises’ relationship with public sector organisations and the importance of their social mission: forty-two per cent of all social entrepreneurial enterprises were involved in the provision of some state service, and all enterprises were driven by a social mission and had applied some form of innovation to achieve their social agenda. The study confirmed the highly diverse and multifaceted nature of the Irish social economy and the complex missions, organisational structures, networks and entrepreneurial behaviours that characterised individual Irish social entrepreneurs and social enterprises (Prizeman and Crossan 2011: 33).

2.2. The influence of the European/EMES tradition

While the term social enterprise was not used in US-influenced academic studies of the Irish non-profit sector until 2011, studies influenced by the European/EMES tradition date back to 2001. The first academic attempt to provide a working definition and typology/categorisation of Irish social enterprises according to the conceptual framework of the EMES International Research Network was undertaken in 2001. This typology was constructed using the set of nine indicators developed by the EMES Network. O’Hara (2001) delineated five broad categories of Irish social enterprises by focusing on objectives, activities and operation, rather than organisational forms. These categories were: (a) work integration social enterprises, associated with insertion of members of excluded groups into the labour force; (b) credit unions; (c) social enterprises concerned with housing provision; (d) social enterprises providing personal and proximity services; (e) local development organisations.

Work integration social enterprises provide work and labour market integration primarily for people with disabilities in what was conventionally referred to as “workshops” or “sheltered employment”. Structured as co-operatives, credit unions provide financial services and have a membership in Ireland of 3.4m, representing 71% of the total population of 4.8m, which is one of the highest penetration rates in the world. The number of credit unions has remained relatively stable over the last two decades, with very little contraction in the sector due to amalgamations,

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3 EMES is an international research network, established in 1996, with a focus on social enterprises. The Centre for Co-operative Studies at University College Cork (UCC) was a founding member of the network. EMES outlines nine indicators of social enterprise, namely: a continuous activity producing good and/or selling services, a significant level of economic risk, a minimum amount of paid work, an explicit aim to benefit the community, an initiative launched by a group of citizens or civil society organisations, a limited profit distribution, a high degree of autonomy, a decision-making power not based on capital ownership, and a participatory nature, which involves various parties affected by the activity.

4 There is a long tradition in Ireland of using voluntary organisations for the provision of services to people with intellectual and physical disability, which dates back to the early 1900s and was formalised in the 1953 Health Act (Quinn and Redmond 2005).
transfers or liquidations. Social enterprises concerned with housing provision, including housing co-operatives and voluntary/philanthropic housing associations, are significant providers of Irish social housing and recognised as such by government.\(^5\) Similarly, social enterprises that provide personal and proximity care are an important element of the Irish care sector, particularly in the provision of childcare and services to older persons. Local development organisations or community-based service organisations emerged in the 1990s as part of the state response to the persistence of long-term unemployment and disadvantaged communities and gave rise to a new generation of social enterprises in the context of state support for labour market integration.

These five categories were not seen as mutually exclusive; they were rather to be viewed as being at different points on what Defourny and Nyssens (2012) later referred to as the continuum or galaxy of social enterprises, with the first four types being more typical of the non-profit/voluntary sector or established social economy. However, this EMES-type approach was not applied to any systematic mapping of the Irish social economy until a European Commission-sponsored study was undertaken in 2014, as part of a mapping exercise of social enterprise activity and eco-systems in 29 EU countries. The operational definition of social enterprises used for this latter exercise was based on that used in the 2011 EC Social Business Initiative (European Commission 2011)\(^6\) and closely mirrored the widely accepted EMES definition of social enterprise. Six types of Irish organisations that might be considered as social enterprises were identified. These included: (a) community-based organisations receiving grant aid to provide temporary employment and job training; (b) charities and voluntary organisations delivering public services on a grant or contract basis; (c) friendly societies; (d) socially-entrepreneurial individuals launching socially motivated businesses; (e) entrepreneurial sports, cultural and community organisations; and (f) credit unions and cooperatives. These types closely resembled the categories originally outlined by O’Hara (2001), with the exception of the inclusion of an additional type in the 2014 study, i.e. socially entrepreneurial individuals. This inclusion reflected the influence of the US social innovation school of thought. The 2014 mapping exercise also referred to the interchangeable use of concepts such as social enterprise and social entrepreneurship in Irish discourse, reflecting the general vagueness surrounding the concept in Ireland.

Irish academic discourse and Irish studies of the social economy and social enterprise reflect what Teasdale (2011: 99) describes as an array of definitions and explanations, constructed by different actors promoting different discourses that draw upon different academic theories. The results of this have been an ambiguous understanding of the terms, an unreliable assessment of the true scale and potential of the sector, and a situation where many of the practitioners within the sector have a confused understanding of, and do not identify with, the social economy (Curtis

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\(^5\) Fahey (1999) describes Irish social housing, which dates back to the mid-1880s, as rented housing provided by voluntary/co-operative housing associations and local authorities. The Irish Council for Social Housing notes that, since 2011, non-profit housing associations have been earmarked by Government for an enhanced role in the supply of new social housing.

\(^6\) In 2011, the European Commission published The Social Business Initiative of the European Commission. This provided an operational definition of social businesses/social enterprises. The core criteria of the EC definition suggest that the organisation must: engage in economic activity, pursue a social aim, have limits on distribution of profits/assets, be independent, and have an inclusive governance (European Commission 2011).
et. al. 2011). By contrast, in Irish policy discourse, conception of the social economy has been more vigorous and less confused, having been strongly influenced, since the early 1990s, by a European policy perspective that promoted the social economy and social enterprise as a community-based strategy to tackle unemployment and social and economic exclusion.

2.3. Social enterprise in Irish policy discourse

The terms social economy and social enterprise first emerged in Irish policy discourse in the 1990s. Reflecting a European policy (European Commission 1993, 1995a, 1995b) trend, the initial national policy debate on the sector was influenced by the National Economic Social Forum (NESF) study of the job potential of the service sector, which identified social enterprises as having the potential to provide goods and services to disadvantaged communities in the instance of market and public failure, and to facilitate local labour market integration (NESF 1995). The NESF suggested that the activities of organisations operating in the social economy have certain distinguishing features: a local focus—in terms of market, ownership and operation of the enterprise; an income focus, with priority given to the generation of adequate and sustainable levels of income for those involved; the pursuit of social, cultural and environmental goals with an emphasis on improving the quality of life; and different forms of organising economic activity (NESF 1995).

The NESF recommended that government action be taken to develop the social economy by creating support structures for social economy enterprises and providing subsidies to those enterprises that would recruit from the unemployed (NESF 1995). These recommendations were subsequently supported by advocacy groups for the unemployed. By 1997, PLANET—a Partnership Network for Irish area-based partnerships—had published two position papers on how the sector could be developed and supported to provide community-based services and tackle unemployment and social exclusion (see PLANET 1997, 2005; WRC 1999).

The Irish government responded by establishing the Partnership 2000 Working Group on the Social Economy. The task of the working group was to undertake a detailed examination of the potential of the social economy to provide employment and services in disadvantaged communities. In its report, published in 2000, the Working Group reiterated the NESF’s earlier call for government support and reinforced the association between the social economy, labour market integration and service delivery to disadvantaged communities. The Group defined the social economy as that part of the economy, between the private and public sectors, which engages in economic activity in order to meet social objectives. They identified three types of social enterprises as targets for government support. These were: community businesses, which should ultimately be financed from trading income alone; deficient-demand social economy enterprises, where the demand for particular goods and services within a community was not matched by resources to pay for these, due to disadvantage or low density of population; and enterprises based on public sector contracts, which dealt with the potential for subcontracting public sector expenditure to local social economy enterprises in disadvantaged communities.

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7 The role of PLANET was to promote social inclusion through the development of disadvantaged areas and communities.
The Working Group recommended the establishment of a national social economy programme that would use existing resources wherever possible to support the sector, particularly the existing Community Employment (CE) programme. This appealed to the state’s preference for a labour market integration approach to the development of the Irish social economy in general—and social enterprises more specifically—and resulted in the establishment of the Social Economy Programme (SEP) in 2000, later revamped as the Community Services Programme (CSP) in 2006. These state programmes (which are described in more details in the following section) became the key stimulus and support for the development of Irish social enterprises. Thus, it is not surprising to find that, as already mentioned above, the work integration social enterprise (WISE) is the dominant SE model in Ireland.

2.4. State programmes of support for social enterprise: Social Economy Programme (SEP) and Community Services Programme (CSP)

The Social Economy Programme (SEP)

The objective of the Social Economy Programme (SEP) was to support social enterprises with specific characteristics such as community ownership, a local development focus, and the provision of work integration opportunities for the long-term unemployed. These features reflected key elements of the EMES social enterprise ideal type and the European policy focus on linking development of the social economy to tackling unemployment (Nyssens 2006; Nyssens et al. 2012). The SEP was introduced at a time when Ireland was experiencing virtually full employment and attracting significant inward migration to fill the jobs available. Thus, participating social enterprises were required to have a specific focus on funding local services and providing employment opportunities for particularly disadvantaged groups (including those distant from the labour market), or to address market or public service failure in communities, usually as a consequence of either geographical or social isolation. In this way, the establishment of new social enterprises was linked explicitly to government objectives of local and community development, the provision of local services and labour market re-integration.

An evaluation of the SEP, published in 2003, found that the programme had limited capacity to support the development of social enterprises and that there was insufficient start-up support and enterprise training. The evaluation also questioned the long-term sustainability of the social enterprises supported under the programme (WRC 2003). In light of the perceived inadequacy of the SEP, PLANET made a further policy submission to the Irish Government in 2005 in which they called for a mapping of the sector and the development of a new national policy to strengthen and support the Irish third sector.

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8 Community Employment (CE) was established by the Irish government in the 1970s. It is an active labour market programme (ALMP) that supports community-based projects. The aim of CE is to enhance the employability and mobility of disadvantaged and unemployed persons by providing work experience and training opportunities in their communities.
PLANET articulated a definition of social enterprise that very closely resembled the EMES ideal type. Social enterprises were argued to be typically launched by local citizens and characterised by: an explicit aim to benefit the community; a continuous activity producing goods and/or offering services; a high degree of autonomy (i.e. they should not be managed by public authorities or other organisations); a significant level of economic risk; a minimum number of paid workers; a decision-making power not based on capital ownership; limited or no distribution of profits; and a participatory nature, involving people affected by the activity, e.g. consumers and workers (PLANET 2005).

By 2006, responsibility for the SEP had been transferred from the government department concerned with enterprise and employment to that with responsibility for community and rural affairs, and the SEP was renamed as the Community Services Programme (CSP). This change of name, and transfer of departmental responsibility for the programme, strengthened the association of social enterprises with locally based community development rather than with enterprise and entrepreneurship.

The Community Services Programme (CSP)

The CSP was launched just two years before the 2008 global recession and the subsequent collapse of the Irish banking system, which necessitated a Programme of Financial Assistance from the European institutes and the International Monetary Fund (IMF). Thus, the CSP has mainly operated in an era characterised by high national unemployment levels (CSO 2012), increased household poverty, deprivation and indebtedness, and a 48% cut in government funding to the community and voluntary sector (Harvey 2012; NESC 2013).

Organisations supported through CSP are expected to secure sufficient income from trading and other sources to deliver properly resourced and viable services; they are termed social enterprises by the programme promoters. CSP funding takes the form of wage subsidies to workers and, in some instances, to a manager. CSP social enterprises are not expected to become financially sustainable, and many are dependent on state funding. In a 2009 study of the programme, Curtis et al. (2011) revealed that, for a third of those in the programme, trading accounted for less than 20% of total income. Fewer than a quarter (22%) generated more than half their income from trade. Four out of ten enterprises surveyed on their views on the requirement to generate a traded income responded that they would prefer a funding stream that did not have this requirement.

It is clear that a very significant share of organisations that participate in the CSP are not enterprise-driven and that they exhibit an extensive reliance on, and operate simply as conduits for, state funding programmes (WRC 2003; Curtis et al. 2011; Clann Credo 2011; Forfás 2013). However, the CSP continues to be the main state scheme supporting Irish social

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9 Unemployment in Ireland rose from 5% in 2007 to 14% in 2012 (CSO 2007, 2012.)
10 The Community Services Programme has a budget of approximately €45m per annum. Government contracts for public service delivery include: disability provision by the non-profit sector (€1bn plus other Health Service Executive [HSE] contracts), Rural Transport Programme (£11m), Sustainable Energy Authority of Ireland (€3m+) plus housing provision by community and voluntary co-operatives (Forfás 2013: 26).
enterprises. The programme, and its predecessor the SEP, reflect the labour market integration approach to the development of the social economy followed by successive Irish governments since the concept of social enterprise first emerged in policy discourse in the early 1990s. The social enterprises that have emerged from this type of state support are typically engaged in community service provision and labour market integration, and can generally be categorised as WISEs.

3. Emerging from a recession: re-exploring the job-creation potential of social enterprise

In the current decade, as part of its response to a crisis in public finances and continued high unemployment levels, the Irish Government re-focused attention on social enterprise. The 2012 Irish Government Action Plan for Jobs set out a series of concrete actions to maximise employment creation and contained a working definition of social enterprises as business models set up to tackle social, economic or environmental issues and engaged in trading or commercial activities to produce social and community gain (2012: 67). It also included a commitment to a review of the job-creation potential of social enterprise, which was completed by Forfás in 2013.

Forfás set out an Irish definition of social enterprises as not-for-profit organisations, driven by social objectives, separate from government, where at least part of the income generated is from trading activity and the surplus is reinvested in social objectives. In an approach similar to the EMES one, which considered the set of social enterprises as a “galaxy” (Defourny and Nyssens 2012), Forfás viewed social enterprises as operating on an economic continuum, with varying degrees of commercial focus and engagement with the public and private sectors. At one end of this continuum are those enterprises that deliver core social programmes, such as services for people with disabilities or older people, and that are funded primarily by the state. These are driven by the need to generate enough income to maintain their viability and sustainability so that they can respond to social needs. At the other end are those social enterprises that are seen to interface more closely with the commercial sector and that present themselves as businesses that aim at profit maximisation so as to fund their social objectives.

Forfás considers social enterprises to be rooted in local and community development and to play an important role in providing jobs to those most distant from the labour market, both spatially and socially. Four types of social enterprises are distinguished, largely on the basis of their objectives and activities, rather than organisational forms.

The four types, as illustrated in Figure 1, are:

- social enterprises that create employment opportunities for marginalised groups, such as people with disabilities or ex-offenders;
- local enterprises that are involved in local and community development and respond to a gap in infrastructure or services, such as community enterprises or community shops;
- organisations that deliver public services, such as childcare or eldercare services;
- organisations that trade in services or products that deliver a social dividend and a high income-generation capacity, such as environmental services enterprises.
These four types are not mutually exclusive and it is acknowledged that, in practice, there is overlap. However, the first type—social enterprises creating employment opportunities for marginalised groups—can be seen to correspond to the basic definition of a WISE. We also know that social enterprises involved in local development and the delivery of childcare and eldercare services are typically utilising labour market integration programmes such as CE and CSP, so that they can also be characterised as WISEs.

Furthermore, the Forfás report includes six case studies that were chosen to reflect the diversity of social enterprises in the Irish social economy continuum (Forfás 2012: 15). Five of these six case studies are WISEs, with a clear objective of job creation/training and/or labour market integration of the long-term unemployed and persons with intellectual/physical disabilities. The choice of examples serves to confirm the dominance of the WISE model in the Irish context to date. This prominence is in line with developments across Europe, where assisting the integration of unemployed individuals, and/or others at risk of social and economic exclusion, into the workplace has become a key objective of European public policy (Nyssens et al. 2012).

4. Contextualising the official Irish definition of social enterprise

The most recent official definition of Irish social enterprises—namely the Forfás 2013 definition—reflects the influences of the European policy perspective and the EMES academic tradition. The influence of EU policy was highlighted in the 2014 EU-commissioned mapping exercise of the Irish SE sector mentioned above. This study, which reviewed Irish social enterprise activity, the policy and legal frameworks, public and other support schemes available to Irish social enterprises, demonstrated some of the similarities between the 2013 Forfás definition and the 2011 EU Social Business Initiative (operational definition of social enterprise). The Irish operational definition was shown to fully meet three of the five core criteria of the EC operational definition: economic activity, social dimension and profit/asset distribution. It did not meet the criterion relating to inclusive governance and only partly met the requirement relating to independence (EU Country Report Ireland 2014: 13). Credit unions, because their profits are distributed to members with no profit cap, were discounted as a type of Irish social enterprise,
while the company limited by guarantee (CLG) was regarded as the legal identity most likely to meet all the EU operational definition criteria (EU Country Report 2014: 14). Thus, similarities can be drawn between the 2011 EU and 2013 Irish operational definitions of social enterprise, but it should also be noted that both have been clearly influenced by the social enterprise definition developed by EMES.

Both the Irish and EC definitions comply with four of the indicators of the EMES ideal type: two social indicators (an explicit aim to benefit the community and a limited profit distribution), one participatory-governance indicator (high degree of autonomy) and one indicator of the economic and entrepreneurial dimension (a continuous activity producing goods and/or selling services). Building on table 3.1 (p. 13) of the 2014 European Commission mapping exercise referred to in 2.2 above, a comparison between the three definitions is shown in table 2.

Table 2. EMES influence on the latest EC and Irish operational definitions of social enterprise

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<tr>
<td>A continuous activity producing goods and/or selling services</td>
<td>Must engage in economic activity</td>
<td>Earn at least part of their income from their trading activity</td>
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<td>A significant level of economic risk</td>
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<td>A minimum amount of paid work</td>
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<tr>
<td>An explicit aim to benefit the community</td>
<td>Must pursue an explicit and primary social aim</td>
<td>Trade for a social/societal purpose</td>
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<td>An initiative launched by a group of citizens or civil society organisations</td>
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<td></td>
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<tr>
<td>A limited profit distribution</td>
<td>Must have limits on distribution of profits and/or assets</td>
<td>Primarily invest their surplus in their social objective</td>
</tr>
<tr>
<td>A high degree of autonomy</td>
<td>Must be independent</td>
<td>Are separate from government</td>
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<tr>
<td>A decision-making power not based on capital ownership</td>
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<tr>
<td>A participatory nature, which involves various parties affected by the activity</td>
<td>Must have inclusive governance</td>
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In summary, any attempt to explain the Irish understanding of social economy and social enterprise must take into account the two parallel narratives—academic and policy—that have contributed to a lack of clarity about how social enterprise is to be understood, its boundaries and how it intersects with other sectors. The existence of two distinct academic traditions and the pervasiveness of a European policy perspective in national policy discourse have meant that the term social enterprise has taken on a different meaning for different actors, and this has made a realistic assessment of the sector as a whole difficult. The association between promotion of the social economy and measures to address disadvantage and unemployment in European policy has influenced the Irish government in its design and delivery of support mechanisms for the sector to date. This is especially reflected in the prevalence of a labour market integration approach to the development of Irish social enterprises and has resulted, as already underlined, in the dominance of one particular Irish model of social enterprise—the work integration social enterprise, or WISE—as confirmed in the latest official national review of the sector. An overview of the typical operational model of Irish WISEs and the challenges they face is provided in the next section of this paper.

PART B. WISE OPERATIONAL MODEL IN IRELAND

5. Introduction

A brief overview of the typical operational model of Irish WISEs and a discussion of some of the current challenges faced by these enterprises follow.

5.1. The typical legal form and social mission of Irish WISEs

Although there is no legal form tailored specifically for use by Irish social enterprises, it should be noted that there are no legislative, regulatory or other rules specifically hindering their development either (Ireland Country Report 2014: 3). The legal forms available to Irish WISEs include: company limited by guarantee, company limited by shares, unincorporated association and industrial and provident society (cooperatives). The legal form most commonly adopted by WISEs is the company limited by guarantee (Clann Credo 2011; Forfás 2013).

Irish WISEs are not-for-profit organisations; they provide a variety of goods and services and combine the efforts and expertise of voluntary and paid workers. They generally have two broad objectives: to provide training and employment opportunities to the unemployed (and other specific categories of socially excluded groups), and to deliver a range of community-based goods and services. These services can typically include childcare, respite/home-based care for the elderly, community transport and recycling services. Stakeholders include civil society, statutory funders, philanthropic donors, service users and, in some cases, the employees of the WISE itself. More recently, as a result of specific state funding requirements, some Irish WISEs have increasingly endeavoured to formally include end-users and employees in the democratic governance structure of the social enterprise, but such development still remains relatively uncommon.
5.2. Resources of Irish WISEs

WISEs mobilise, and survive on, a variety of resources: statutory and market-based resources, public donations, volunteering/social capital, social finance/investment and philanthropy. However, when compared with their European counterparts, Irish WISEs reflect a significantly higher level of dependency on state resources to sustain their level of activities (Clarke and Eustace 2009; Curtis et al. 2011; Nyssens 2008; Clann Credo 2011):¹¹ a 2011 report by Clann Credo¹² suggests that, on average, only 17% of their income is derived from trading activities. The study concludes that the sector remains relatively reliant on public grants, charitable public donations, philanthropy and other forms of state support, which makes these enterprises vulnerable to any change in public finances and voluntary donations.¹³ Recent national developments in the areas of public procurement social clauses, social finance/investment/philanthropy opportunities, and reforms within local government and the Irish charity sector present some further challenges for the sector.

6. Current challenges for Irish WISEs

6.1. Introduction of new social clauses and increased competition in public procurement processes

Article 19 of the EU’s Public Procurement Directive¹⁴ was transposed into Irish legislation in 2006. Two further EU directives concerning public procurement in the public service were transposed in 2016. These, along with Article 19, aim to ensure that those awarded work contribute to employment and training through measures such as recruiting workers from the long-term unemployed. They also allow for particular contracts to be reserved for social enterprises under certain conditions. These regulations, administered by the Office of Government Procurement, are designed to increase the social benefits that can be delivered under public contracts (Department of Public Expenditure and Reform 2014).¹⁵ While this can be viewed as a potential opportunity to resource social enterprises, the associated competitive public procurement process also represents a challenge, given what we know about their weaknesses in business administration, competitive tendering, business development and marketing (Curtis et al. 2011; Clann Credo 2011; Forfás 2013; Brennan 2012).¹⁷

¹¹ A 2006 study of 162 European WISEs demonstrated that the sale of goods and services account on average for 53% of WISEs resources (Nyssens et al. 2012: 10).
¹² An Irish social finance/investment social enterprise.
¹³ Harvey (2012), in a study of changes in employment and services in the voluntary and community sector in Ireland, has estimated that, between 2008 and 2012, there was an overall reduction of 48% in government supports for the sector.
¹⁴ Article 19 allows public bodies to reserve public contracts for supported businesses that employ a majority of people with disabilities.
¹⁵ The Office of Government Procurement was established in 2014 as part of the Government’s Public Service Reform Agenda and the Action Plan for Jobs 2014.
¹⁶ A pilot initiative under the Devolved Schools Programme was launched in 2013 with the objective of assessing the benefits of social clauses in which contractors had to recruit a percentage of their employees from the long-term unemployed.
¹⁷ Forfás (2013: 25) recommended the development of tendering skills as part of capacity-building programmes of the wider social enterprise sector.
6.2. Ongoing withdrawal of philanthropic sources

Access by WISEs to additional resources in the form of social finance/investment such as that provided by Clann Credo¹⁸ and philanthropic opportunities is a relatively new development within the Irish social economy. The government first established the Social Finance Foundation (SFF) in 2007 (based on €25 million from Irish retail banks), and Ireland's first social impact investment project in 2013.¹⁹ This followed on from an increase in philanthropic activity marked by the arrival of Atlantic Philanthropies (AP) and One Foundation—both accounting for more than three quarters of philanthropic money provided to Irish non-profits since 2000. The impacts of these new supports are evident in the increased visibility of, and advocacy for the sector.²⁰ However, AP closed applications for funding in 2013 and the One Foundation will close in 2020. This will likely cause a significant gap in the availability of non-statutory funding/supports for the sector in the future, which could, in turn, compromise its ability to grow independently of the state.

6.3. Reforms in Irish local government and the charity sector

As previously noted, the contribution of the Irish local development sector to community development and to tackling unemployment is well recognised (OECD 2001; OECD 2013: 25). Many WISEs operate as local development organisations, or were created by them. However, the Irish local development sector has been subject to increased scrutiny in the past five years, largely in the context of public sector expenditure reform and rationalisation, and reform of local government that has given local government a more central coordinating role in local and community development (Department of Finance 2009; Department of Public Expenditure and Reform 2014; OECD 2013).²¹ Given that most WISEs are typically embedded in the community and voluntary sector, there are concerns about the capacity of the local government (with limited knowledge and experience of social enterprise development) to positively shape and influence the future development of the sector (O’Keefe 2014).

As previously indicated, many Irish WISEs are registered as charities, and rely extensively on public fundraising, volunteering and donations to self-sustain (Prizeman and Crossan 2011; RSM McClure Watters 2012). In 2013, the Irish Charity sector was hit by a series of scandals related to poor governance, undisclosed salaries and top-up payments paid to senior executives and board members. One of the largest and oldest Irish WISEs, the Rehab group, was one of a number of high-profile social enterprises that faced controversies regarding such matters as remuneration of senior executives and corporate governance. The perceived light-touch regulation of, and poor governance arrangements within, the sector led to a significant decline in public trust and this was reflected in reduced levels of volunteering and public donations. For instance, by early 2014, most of the leading Irish charities indicated that donations had fallen

¹⁸ Since 1996, Clann Credo has provided social investment funding/social finance to businesses that produce a social and financial return.
¹⁹ Social Impact Investment (SII) is the Irish version and application of the Social Impact Bond concept.
²⁰ For instance, Social Entrepreneurs Ireland was established as an advocacy network to support social entrepreneurs who come up with innovative solutions to social problems.
²¹ In 2012, the Irish Government published Putting People First, a major programme for fundamental reform of local government.

Part 6 of the Local Government Reform Act came into effect on June 1st, 2014.
by approximately 40% on the previous year while a survey of 150 Irish charities found 97% believed the scandals had damaged public trust in charities (RSM McClure Watters 2012).\textsuperscript{22, 23} This crisis of legitimacy (which has weakened public confidence and led to a drop in donor support), combined with the overall reduction of 48% in government supports since 2008, presents significant challenges to the mobilisation of these important resources for Irish WISEs.\textsuperscript{24}

7. Conclusion

In this paper, we have attempted to provide an insight into how social economy and social enterprise are understood in Ireland, and explain why WISEs have evolved as the dominant Irish social enterprise model to date. We have argued that while there is diversity in the academic approaches to understanding and defining these concepts, there is less ambiguity in public policy discourse. The Irish government’s strategy to develop the social economy in general, and social enterprise more specifically, is best described as a labour market integration approach. This approach dates from the early 1990s and is informed by a European policy perspective that promotes social economy and social enterprises as a civil society-based solution to a range of localised social and economic problems, most notably unemployment and service provision to disadvantaged communities. Therefore, Irish state support for the sector to date is in the form of community service/work integration schemes. As a result, WISEs have evolved as the dominant social enterprise type.

These WISEs are typically not-for-profit, community-based social enterprises, engaged in the delivery of labour market integration opportunities for the unemployed and a variety of community-based services. They mobilise a diversity of resources from the market, state, public and philanthropic donations, but their major source of funding is the state, via direct labour market integration schemes. However, while the contribution of these schemes to the overall development of the sector has been documented (OECD 2013), their suitability as a platform for the stimulation and support of a sustainable social enterprise sector requires further examination (Forfás 2010; McGuinness et al. 2011).

The future development of Ireland’s social enterprise sector will no doubt benefit from the increased clarity provided by the government’s most recent official definition, published in 2013. This definition, and renewed government interest in social enterprise, are clearly influenced by a European policy agenda, a European/EMES academic perspective, and a desire, on the part of the Irish government, to tackle national unemployment levels and to compensate for the ongoing contraction of the Irish welfare state. However, there are considerable gaps in our understanding of social enterprises, including the scale, the social impact, and overall contribution of the sector to the national economy and society in general. Addressing these gaps is an important next step in improving understanding of the social economy and in assessing its significance, value and potential in contemporary Ireland.

\textsuperscript{22} For example, Oxfam Ireland’s Christmas campaign was down by 41% compared to 2012 figures.
\textsuperscript{23} Survey of 150 Irish charities undertaken in 2014 by The Wheel organisation.
\textsuperscript{24} By 2014, the Irish government had enacted the 2009 Charities Act and appointed a Charities Regulator to implement new codes of practice and governance and ensure a full publication of all the financial expenditures of the sector.
REFERENCES


**APPENDIX 1: ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AP</td>
<td>Atlantic Philanthropies</td>
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<tr>
<td>CE</td>
<td>Community Employment</td>
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<td>CSP</td>
<td>Community Services Programme</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>Forfás</td>
<td>(The national policy advisory board for enterprise, trade, science, technology and innovation in Ireland)</td>
</tr>
<tr>
<td>NESF</td>
<td>National Economic and Social Forum</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PLANET</td>
<td>Partnership Network for Irish area-based partnerships</td>
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<tr>
<td>SEP</td>
<td>Social Economy Programme</td>
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<td>SFF</td>
<td>Social Finance Foundation</td>
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<td>SETF</td>
<td>Social Enterprise Task Force</td>
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<td>SICAP</td>
<td>Social Inclusion &amp; Community Activation Programme</td>
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<tr>
<td>WISE</td>
<td>Work Integration Social Enterprise</td>
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<td>WRC</td>
<td>Work Research Centre</td>
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