



Social Enterprise in Germany: A Typology of Models

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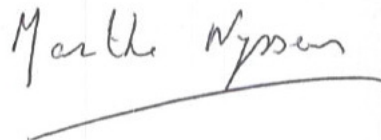
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INTRODUCTION

The term “social enterprise” in Germany is relatively new and not clearly defined, used only by a minority of organisations which are in one way or another involved in the international debate. But if we follow the working definition of the EMES Network and others (European Network for Economic Self-Help and Local Development 1997), based on the criteria of economic activities, social aims, profit limitation and participatory governance, Germany can look back on a long and outstanding tradition of “social enterprises”.

Social enterprises have emerged in times of economic and social crises and reacted generally speaking to failures of either markets or state. The economy (private and public) is not an end in itself, but a system of means to produce goods and services to fulfil people’s needs. Unmet needs and/or unsolved conflicts caused the emergence of social movements, gathering around and trying to solve these problems; in principle, these social movements were thus as numerous and as different as the causes which brought them about. Social enterprises often emerge when people affected by a problem decide to find economic solutions by themselves.

TYOLOGY OF GERMAN SOCIAL ENTERPRISES

The following typology is based on the identification of such movements in Germany, grouped together by similar identities, shared values and organisational structures. The different models which they have developed will be debated alongside the abovementioned criteria of economic activities, social aims, profit distribution and participatory governance.

In a historical perspective, following the historic-dynamic approach introduced by Max Weber, we could identify **four basic lines or traditions** in the development of such “social enterprise movements”, which could also be found in most European countries, based on:

- economic self-help and mutual assistance;
- charitable help for others;
- philanthropy and corporate giving; and
- community initiatives and civic engagement.

Older social economy movements

Organisations of the **older social economy movements**, which date back to the early stages of industrialisation, could be classified alongside these lines or traditions. The four traditions also reappear in the development of the younger social economy movements described later (models 5 to 13), but often in a new and innovative way, and within these younger movements, the traditions are often combined.

The order of presentation of the various models is not meant to be of any significance.

1. The co-operative model (*Das Genossenschaftsmodell*)

Co-operatives have always seen themselves as part of the private economy. Some of the biggest German cooperatives even preferred to see themselves as part of the sector of SMEs (*Mittelstand*) and were not very fond of being included in the social economy—despite of being members of CECOP and ICA, the international umbrella organisations of the co-operative movement.

Co-operatives in principle have a social aim, as they have originally been set up to fight poverty and the social exclusion of certain vulnerable groups by engaging in economic self-help activities. They were initiated in Germany by some of the first “social entrepreneurs”, namely F. W. Raiffeisen in rural communities and H. Schulze-Delitzsch in urban communities.

Today different types of co-operatives can be distinguished on the basis of their main activities: agricultural, worker, housing, retail, consumer and savings co-operatives. Affordable housing as well as affordable or healthy consumer goods are definitely also social objectives; even access to finance could be considered as such. A lot of cooperatives, though, have evolved into primarily commercial enterprises in times of economic prosperity; this is especially true of co-operative banks, but also of some bigger housing, retail and agricultural co-operatives. On the other hand, in times of economic crises, the original social aims have come to the forefront again and led to the foundation of new co-operatives, which sometimes call themselves “social co-operatives” (after the Italian example), but also “village” or “neighbourhood co-operatives” (similar to community co-operatives). This evolution also recently led to a boom of new “energy co-operatives” aiming for a just and affordable energy system, built on renewable energy.

It is no accident that the co-operative model is still at the forefront in one way or another. It was the economic success of this model which allowed the co-operative sector to enter the commercial world (for instance, the originally small savings co-operatives of the Raiffeisen movement now represent the third biggest banking group in Germany, and they proved to be more stable than others in the recent financial crisis).

In the period of rapid economic growth in Germany that followed World War II (the so-called *Wirtschaftswunder*), this process of commercialisation was not questioned, but with the return of periodic economic crises in the 1970s and 1980s, a new co-operative movement emerged, taking up the co-operate principles, but organising outside the traditional co-operative structures, and introducing the principles of self-help and solidarity into other types of organisation and legislation. This was for instance the case within the so-called alternative, women and eco-movements and related self-help initiatives (see below); these initiatives proved that the co-operative principles could be adopted under almost all existing legal forms.

In East Germany (like in other Eastern European countries), co-operatives became an essential part of the state-dominated economy, so that after unification, the co-operative idea was almost discredited. Therefore, most new social enterprises in East Germany chose other legal forms, like associations and limited companies, following the example of former West Germany. But there are always exceptions that prove the rule: A group of worker co-operatives (of the former so-called *Handwerker*) had managed to stay independent in the German Democratic Republic, and became the starting point of a revival of this type of worker co-operatives in East Germany; examples hereof include Verband Deutscher

Produktivgenossenschaften und Partnerschaftsunternehmen (VDP) in Dessau and Sächsischer Verein zur Förderung des Genossenschaftsgedankens in Leipzig.

Profit distribution is a critical issue, as co-operatives by law have to distribute their profits to their members only, but beneficiaries and members were originally (and still are, in most cases) the same people, and co-operatives are often set up to provide a decent income and living to the disadvantaged. In these cases, it can thus be considered that the profit is predominantly spent for social objectives. In the 1920s, co-operatives in Germany had a rule which allowed them to spend part of their profit for non-member beneficiaries. During the Nazi period the co-operative law was changed; distribution of profits to non-members was not allowed anymore. Unfortunately, this was not revised in post-war Germany, but a lot of co-operatives nevertheless do it voluntarily to help other groups, and especially people who are in a similar situation similar to those for whom the co-operative has been set up. On the other hand, this problem prevented a lot of new enterprises from choosing the co-operative status, which was sometimes also seen as being too complicated; some of the traditional federations (*Prüfverbände*) even refused to take up these new initiatives, although they choose the co-operative form. This conflict between the new co-operative movement and long-established co-operatives finally led to the foundation of new co-operative federations (*Prüfverbände*), including co-operative federations for SMEs (*Prüfungsverband der klein- und mittelständischen Genossenschaften*), for social and community co-operatives (*Prüfungsverband der Sozial- und Wirtschaftsgenossenschaften*) and for self-help co-operatives (*InnovaeG – Entwicklungspartnerschaft für Selbsthilfe-genossenschaften*). Finally, the emergence of social co-operatives (*Sozialgenossenschaften*) and of village and neighbourhood co-operatives (*Dorf- und Stadtteilgenossenschaften*) brought the co-operative movement back to its roots, where members and beneficiaries are the same people.

From a historical point of view, the co-operative movement formed the prototype of a social enterprise, founded and set up to overcome economic disadvantages or social problems of its members, whatever the area of activity (labour market, supply of food and housing, access to credit, and others). It is definitely a formally established economic activity with social and/or community-oriented objectives, and the principles of self-governance and democratic decision making (one person, one vote) are, beyond all differences and debates, still a constitutional part of all co-operatives. The same can be said of the principle of common or collective entrepreneurship, giving priority to mutual over individual gain.

On the other hand, the principle of “supporting the economic interests of the members” (*Förderprinzip*) is rather ambivalent and could be interpreted in a different way, if the “economic interest” is reduced to private profit or monetary terms, especially if the members are predominantly commercial enterprises. Therefore, the legal status of “registered co-operative” (*eingetragene Genossenschaft*, or eG) is not enough by itself to identify a social enterprise. The legal form can also be used for exclusively commercial objectives or monopolistic conglomerations; some of the traditional co-operatives, especially in the banking sector, have indeed evolved in this direction. In order to identify real social enterprises in the co-operative sector, it is thus important to differentiate between cooperatives with explicit social aims in their statutes and those without.

For the same reason, it is for the time being not possible to present valid quantitative figures. The biggest group of cooperatives is organised within the Deutscher Genossenschafts- und Raiffeisenverband (DGRV), which underwent a dramatic process of concentration and rationalisation, dissolving a huge number of smaller co-operatives. For instance, the number of credit co-operatives went down from 12,000 in 1950 to 1,078 in 2013 (statistica.com

2013)—a process which is still ongoing: The ZiviZ-Survey 2012 reports that there remain about 8,500 independent co-operatives (ZiviZ-Survey 2012), compared with for instance 26,000 members of the DGRV in 1950. On the other hand, the Zentralverband Deutscher Konsumgenossenschaften (ZdK)—originally a federation of consumer co-operatives—opened up to smaller co-operatives, including some of the new social, village and neighbourhood co-operatives, and a number of new federations for smaller co-operatives were also established, as mentioned above.

The co-operative sector today is a mixture of social and commercial enterprises, which also includes a number of hybrids, mixing social and commercial objectives.

2. *The welfare model (Das Wohlfahrtsmodell)*

Non-statutory welfare associations and organisations (*Freie Wohlfahrtspflege*) are virtually the “counterpart” of co-operatives. Indeed, while the co-operative movement is organised around the principle of economic self-help, welfare associations are based on the principle of “help for others”, in other words on “altruism” vs. “egoism”. The starting point of these organizations were more or less the same economic disadvantages and social problems that caused the emergence of co-operatives, but in the case of welfare organizations, the initiative did not come from the people affected. It came from parts of the civil society (*bürgerliche Gesellschaft*), including the religious communities, who felt affected by increasing poverty, exclusion and other problems (the so-called *soziale Frage*), as illustrated by C. W. Müller in his “history of social work” with the programmatic title “When help became a profession” (*Als Helfen zum Beruf wurde*, Müller 1988).

The historical roots of welfare organisations are still visible in the structure of the six large German welfare federations: those of the religious communities (*Deutscher Caritasverband*, *Diakonisches Werk der Evangelischen Kirche*, *Zentralwohlfahrtsstelle der Juden in Deutschland*), the Red Cross (*Deutsches Rotes Kreuz*), the workers’ movement (*Arbeiterwohlfahrt*), and the sixth federation (*Paritätischer Wohlfahrtsverband*), which has become an umbrella organisation for all organisations which do not belong to the abovementioned groups. This sixth federation also includes the former welfare organisation of the GDR (*Volkssolidarität*), and it has a more decentralised member-based structure.

The associations and organisations set up by these movements had originally all the characteristics of social enterprises: Their entrepreneurial initiatives were based on the voluntary commitment of citizens, who acted for others who were not able to help themselves (examples of some famous “social entrepreneurs” of that times include Bodelschwingh in Bethel, Löhe in Neuendettelsau or Wiechert in Hamburg, whose foundations have been really “sustainable” and are still active up to now). In the UK, charitable social welfare associations of that type are still called “voluntary organisations”.¹ While, in other countries, these “voluntary organisations” remained independent, the German welfare organisations have become, since Bismarck, a part of the public welfare system. Although formally still independent, they act (alongside the so-called “subsidiarity principle”) under the control and within the legal guidelines of the state (*Sozialgesetzbuch*, or SGB).

¹ Not to be confused with “volunteer work” (*ehrenamtliche Tätigkeit*). “Voluntary” (often called *freigemeinnützig* in Germany) is understood as the opposite of “compulsory”, meaning that the commitment is not based on legal or public obligations.

On the other hand, welfare organisations in Germany (as well as the early mutual insurance associations, see below) were the blueprint for the creation of the welfare state of the Federal Republic in the post-war period (according to article Nr. 20 of the constitution). In this period of prosperity, welfare organisations got a semi-public status, in a national economy with socially regulated markets, full employment and guaranteed social security (called *Soziale Marktwirtschaft*). But with the increase in mass unemployment which started in the 1980s and in the context of capital concentration at the international level, the “social consensus” (a tripartite social partnership among employers, trade unions and the state) eroded in the following decades. This process affected welfare organisations through deregulation and financial cuts, so that they had to become more “entrepreneurial”.

Welfare associations were often not considered as being part of the economy. But if we understand “economic activity” in the sense of “producing goods and services to serve people’s needs”, one has to conclude that welfare associations are definitely economically active. Regarding the criterion about the generation of “income from market sources”, which is sometimes used to identify economic activities, the majority of income of welfare organisations comes, of course, from public sources, but usually not as subsidies or institutional funding (like for universities or other public bodies), but as payment for certain services. As the state is also a market player, this could be considered as market income as well. Moreover, public funding in the last decades was increasingly restricted to so-called “compulsory tasks” (*Pflichtaufgaben*); the additional, unusual and often most innovative activities could not be financed by the state anymore. In order to avoid having to close them down, welfare organisations had to embark on new trading activities, to generate additional income from private sources. This strategy of mixing income from different sources (public, private, civil society) has become a characteristic of more or less all types of social enterprises.

Until very recently, the reaction of welfare organisations toward more “entrepreneurial” attitudes was ambivalent. They were forced by the government and the media to adopt more market-oriented and competitive attitude: on the one hand, this had to be accepted in the light of financial restrictions, but on the other, this evolution was resisted as constituting a counterproductive “economisation”. Of course, these tendencies toward privatisation and monetarisation (what might be a more precise expression) of social services endanger in the long run the initially intended moral or humanitarian objectives; this is why it is important that welfare associations insist on the primacy of their social and/or community-oriented objectives over their economic efficiency.

Acting under charity law (*Gemeinnützigkeit*), welfare organisations have to allocate all their profits to the achievement of their social objectives. Since the German definition of *Gemeinnützigkeit* is unfortunately restricted to a list of certain activities and exclude a lot of others (especially those that could generate additional income), and in a context of increasingly restrictive interpretation of *Gemeinnützigkeit* by the tax offices, this legal framework is one of the biggest handicaps for further development of social enterprises in Germany.

Participatory governance is a critical issue, as five out of the six federations are rather centralised. Only *Der Paritätische Wohlfahrtsverband* is composed of independent members, but as it is not taken for granted that the member organisations themselves have participatory governance, participation depends finally on their legal form or internal regulations. Generally speaking, welfare organisations have often been criticised for having “paternalistic” attitudes, in the sense of the traditional term *Fürsorge*, which means working “for”—instead of “with”—the clients.

Welfare associations are statistically well observed. They employ more than one million paid staff and a multiplicity of volunteers, but how many of them could be considered as real social enterprises still remains to be debated.

3. *The model of foundations (Das Stiftungsmodell)*

Until recently, foundations were not included in the social economy nor seen as enterprises, as they do not have personal members and are not included in the law for entrepreneurial active societies (*Gesellschaftsrecht*). On the other hand, foundations are one of the oldest forms of organisation supporting social or community-oriented projects, with a history going back even to the Middle Ages. They do not produce goods and services in the narrow sense; they are predominantly an instrument to collect and distribute financial capital for a certain objective (*Stiftungszweck*), which is set up in a certain act of foundation (*Stiftungsakt*), and laid down in a certain document (*Stiftungsurkunde*). Establishing the foundation and collecting the necessary capital may, of course, not yet constitute an enterprise; however, carrying out the foundation's objectives will certainly be followed by economic activities similar to those of other enterprises. Most foundations are still restricted to donations and other financial services, but others (the so-called "operational foundations") develop their own projects, including economic activities; this is especially true of "community" or "neighbourhood foundations" (*Bürgerstiftungen*), whose number has recently been growing significantly.

Again, the legal form of registered foundation does not constitute a guarantee that an organisation is a social enterprise, because foundations' objectives are not necessarily social. There are also foundations for private gain, which aim for example at supporting certain relatives, family members, or even private companies and other commercial activities. But this seems to be a minority, according to one of the few research institutes specialised in the work of foundations (*Maecenata-Institut für Philanthropie und Zivilgesellschaft*, www.maecenata.eu). Most foundations act as intermediaries, offering financial capital and other financial services for a lot of social, community-oriented enterprises—and, increasingly, for public institutions as well. Furthermore, a lot of NGOs and organisations for international development aid, human rights and environmental protection depend heavily on the work of foundations. In the light of permanent cuts in public expenditure, foundations have become almost indispensable if social, cultural and environmental standards are to be maintained, but this evolution also includes a danger of supported organisations becoming more and more dependent on private money.

Foundations are compelled by law (*Stiftungsgesetz*) to allocate all their income to the pursuit of their overall objectives, but in times of financial crises and low-interest policies, it becomes difficult to make enough profit from investing the foundation's capital in financial markets. Therefore, other forms of funding become increasingly important, leading to a boom of new "community foundations" (*Bürgerstiftungen*), which raise money for operational objectives by activities or donations (in cash or in kind, in the form of working time) of their members.

Participatory governance remains a critical issue. Decision-making processes depend on the organisation's statutes: some foundations have a democratic structure, like *Bürgerstiftungen*, while others depend on the decisions of one (or more) founder(s) and are not open (unlike associations) to other stakeholders.

According to the already mentioned ZiviZ-Survey, the umbrella federation Bundesverband Deutscher Stiftungen (BDS) keeps a permanent census of foundations (*Verzeichnis Deutscher Stiftungen*) which reports the existence of almost 19,000 foundations in Germany (ZiviZ-Survey 2012); this number seems to be still increasing, as the census already included more than 20,000 foundations in 2013 (*stiftungen.org 2013*), but it is so far not possible to find out how many of them could be considered as social enterprises.

4. *The model of traditional associations (Das Vereinsmodell)*

Associations, which are legally referred to in Germany as *Idealverein* (Bürgerliches Gesetzbuch, § 21), represent the biggest group of civil society organisations. There are indeed more than 600,000 associations in the country today (ZiviZ-Survey 2012). Unlike foundations, which emerged in feudal times, associations have been an invention of the bourgeois middle classes in the 19th century to organise activities of common or general interest. But, acting in an authoritarian state (*Obrigkeitsstaat*), associations were restricted to “idealistic objectives”; they were not allowed to conduct political or economic activities (hence their name, which literally means “idealistic association”). In principle, this conception is still underlying the legal framework of registered association (*eingetragener Verein*, or e.V.) today. There is another paragraph (§ 22 BGB) for economically active associations (*Wirtschaftsverein*), but the regulations are so bureaucratic and restrictive that it is almost not used by anybody. On the other hand, the concept of the “idealistic”, not economically active association is anachronistic as almost all associations have to be economically active in one way or another.

Of course, the legal status of registered association does not necessarily include economic activities, but all associations have to produce a financial report about their activities, even if their income only comes from membership fees or donations. But as income from these sources is limited, most associations take advantage of the opportunity to add an “entrepreneurial” part (called *Zweckbetrieb*) to their activities, which is allowed under the condition that it is necessary to fulfil the overall “idealistic” objective (*Hauptzweck*). The “entrepreneurial” objectives should also be secondary to the “idealistic” objectives, but what this really means is not very well defined (*unbestimmter Rechtsbegriff*) and depends on the often arbitrary interpretations by the tax offices. To avoid legal problems, many associations split their financial declarations into an “idealistic” part, according to their mission (for which they can accept tax-free donations), and an “entrepreneurial” part, to gain additional income for their overall objectives. If these objectives include the production of goods and services, then they can also be understood as being economically active, even without the declaration of a *Zweckbetrieb*.

Although these strange regulations cause a lot of uncertainties in the everyday life of associations, most social enterprises use the legal form of registered association, because it is, despite all difficulties, the easiest way for a new start-up.

The legal status of association (e.V.) does not necessarily guarantee that the organisation has a social or community-oriented objective. This is only guaranteed if the organisation is registered as an “association for the common good” (*gemeinnütziger Verein*, or g.e.V.). All associations have to allocate their income to the pursuit of their overall objectives, but g.e.Vs are obliged to spend it explicitly “for the common good” (which in return offers certain tax exemptions). What is accepted as being “for the common good” is controlled by the tax offices, which decide on the basis of a defined list of activities (*Positivliste*) whether the association could be considered as *gemeinnützig* or not. This list is rather outdated and no

longer appropriate: it heavily restricts the types of economic activities that these associations may carry out.

As it is rather difficult to achieve this status of *Gemeinnützigkeit*, a lot of new start-ups (including social enterprise start-ups) avoid this legal form. Whether an association could be considered as a social enterprise depends therefore on the overall objectives laid down in its statutes. The traditional field of associations is dominated by sports clubs, culture and other leisure activities; these organisations are supported by an impressive number of volunteers.

Associations have to have a democratic structure, are in principle controlled by their members and they are by law open to all those who want to support their overall objectives, but (especially in rather big associations) their leaders sometimes find ways to avoid control by the members or to bring it down to a minimum.

Associations are—as the *ZiviZ-Survey* pointed out—the backbone of civil society in Germany, but it is for the time being not possible to determine how many of them could be considered as social enterprises.

Younger social economy movements

The group of **younger social economy movements** has been emerging since the 1960s and 1970s, alongside the new phenomena of crises caused by transformation processes to a post-industrial society. The models belonging to the younger movements can also in principle be distinguished along the same four basic traditions (of economic self-help, charitable help, philanthropy and civic engagement) as models in the older movements, but the reasons for their emergence and the historical contexts in which they appeared are different: New organisations—such as integration enterprises, volunteer agencies and enterprises, self-managed enterprises, self-help initiatives, socio-cultural centres, work integration companies, local exchange and trading systems, and neighbourhood and community enterprises—emerged outside of the established co-operative or welfare systems. Three successive major lines of development could be identified in the country:

- First, the foundation of new social enterprises caused by inadequate and insufficient social or public services for childcare, care for the elderly, health and safety, education and training, social housing, urban and rural environment, etc.;
- Secondly, social enterprises as instruments to fight mass unemployment and social exclusion; and
- Thirdly, social enterprises as instruments of local (urban as well as rural) development (Birkhölzer 2009).

These younger movements reflected in one way or the other on the older traditions, tried to learn from successes and failures and created new variations, sometimes combining different traditions. Some of the most advanced social enterprises today are a combination of all these elements.

Integration enterprises (model 5) and volunteer agencies (model 6) characterise the transition between the older and the younger social economy movements. Indeed, although integration enterprises were already very much influenced by the new social movements of the 1960s and 1970s (for instance the anti-psychiatric movement), their roots were also deeply based in older social movements. Volunteer agencies appeared rather late in Germany, in comparison with

other countries (for instance with the variety of community centres in the UK); they could be understood as a “modernisation project” of the older social movements in Germany.

5. *The model of integration enterprises (Integrationsbetriebe)*

The history of the way in which the German society dealt with its disabled or handicapped members is a long and sad story. If they were not able to earn a living by their own, they were separated and shut away in special institutions. It was not before 1974 that this came to an end through the establishment of a new type of “sheltered workshops” (*WerkstättenfürBehinderte* or WFB), where all handicapped people should have a right to work and find a way to earn a living (BAGWFB 1997). These organisations were based on the conviction that “social integration” should include the right to work. In the following years, this concept was questioned again, mainly by initiatives launched by the handicapped and their relatives or friends, and led in 1979 to the creation of the first independent “integration enterprise” outside sheltered workshops. The difference was (and still is) that integration should take place in “normal” enterprises, where handicapped and not-handicapped people should work together. The model proved to be successful and led to the foundation of a national federation (*Bundesarbeitsgemeinschaft der Integrationsfirmen*) with over 600 members (bag-if.de 2015). This happened at the same time as similar initiatives were founded in other European countries, like “social co-operatives” in Italy and “social firms” in the UK.

Acting under charity law, these enterprises have to allocate all their income to the pursuit of their overall objective, but—unlike associations for the common good—they are not restricted to certain activities and can be active in any kind of business as long as they aim to integrate disabled or handicapped people into work. One of the most impressive examples today is the retail chain CAP markets (Technologie-Netzwerk Berlin 2008).

According to a special law for the integration of the disabled, the status of “integration enterprise” (to be adopted by the authorities) offers some additional funding (the so-called *Minderleistungsausgleich*) to compensate for the additional costs of employing handicapped people. All enterprise employing handicapped workers could ask for this compensation, but actually only social enterprises make use of it. This is one of the few examples where social enterprises can benefit from support schemes of the government, and this could serve as a model for others.

There are thus two types of integration enterprises in Germany: the older ones are of the “sheltered-workshop” type and are organised by traditional charities; more recent initiatives are increasingly membership-based organisations, set up by and for disabled or handicapped people, with full membership of the clients. Integration enterprises provide a good example of a social enterprise model combining the principles of charitable help and economic self-help.

Finally, they should not be mixed up with “work integration social enterprises” (model 10 below), as they have a different background, belong to different umbrella organisations, and are dedicated to different clients.

6. The model of volunteer agencies (*Freiwilligendienste und -agenturen*)

Volunteer agencies offer services for both volunteers seeking work opportunities and social enterprises looking for additional help. These organisations, which are financed by donations as well as fees, constitute a very necessary and valuable intermediary service for social enterprises and other civil society initiatives. Indeed, social enterprises—especially welfare organisations and traditional associations, for instance within cultural and sport activities—depend heavily on volunteering.

In Germany, volunteering was called *Ehrenamt*, i.e. “honorary post”, based on the assumption that people who had benefited from society in a way that enabled them to earn a decent living should give something back to society without being paid for. But in the light of increasing individualisation, on the one side, and unemployment and poverty, on the other, the government and politicians became concerned that this type of civic engagement might eventually disappear. A lot of studies were undertaken at regular intervals (the so-called *Freiwilligensurveys*), and a high-profile “Enquete Commission” on the future of civic engagement was even established (Enquete-Kommission 2002). Interestingly, no other aspect of social policy has attracted so much attention by politicians, and a lot of proposals have been brought forward on how to keep these resources available for the future.

On the one hand, the results of the surveys were reassuring: The willingness of people to commit themselves to “honorary work” had not decreased, although the nature of this commitment had changed, from idealistic motivations to more short-time, project-oriented commitment. The Enquete Commission also reported that one third of the German population was still volunteering in one way or the other, and the recent ZiviZ-survey counted up to 23 million volunteers in the country.

On the other hand, not much did really happen to improve the conditions for volunteering besides verbal acknowledgement, especially not in monetary terms. Even the initiative of setting up necessary support structures was taken by voluntary organisations, which established a first “volunteer agency” in 1997 under the form of social enterprise.

Volunteer agencies’ social aim is to support and develop civic engagement (*bürgerschaftliches Engagement*). Profit distribution depends on their internal regulations; they are usually not-for-private-profit organisations.

Over time, this approach has become increasingly (sometimes even financially) supported by the government and local authorities, but there is also a danger that volunteering become misused as a substitute for paid work.

Today there exists a variety of organisational forms: some are hybrids or semi-public with support from the local authorities or charities, others are membership-based and open to other stakeholders. They co-operate within a national federation (*Bundesarbeitsgemeinschaft der Freiwilligenagenturen*, or BAGFA), which counts about 170 member organisations (bagfa.de 2015).

7. Models of self-managed enterprises of alternative, women and eco-movements (*Selbstverwaltete Alternativ-, Frauen- und Umweltbetriebe*)

As mentioned above, integration enterprises and volunteer agencies characterised the transition between the older and the younger social economy movements. The new social economy movement in Germany started only in the late 1960s and beginning of the 1970s with the appearance of new social movements in general.

Although these new social movements had a great impact on societal changes in Germany, not much research about these impacts has been undertaken, especially not about their economic impact in the context of the foundation of so-called “self-managed enterprises” (*Selbstverwaltete Betriebe*). In the context of the youth and students movement of the 1960s, the mission of these enterprises was twofold: first, to introduce non-hierarchical democratic structures in the economic sphere (*Selbstverwaltung*), and secondly, to engage in practical solutions for neglected social, cultural and environmental problems (socially useful and environmentally sound products). These “self-managed enterprises” have been the first enterprises of the new social movements, and became the reference point for all enterprises set up by the following social movements (model 8 and following).

The term *selbstverwaltete Betriebe* was very popular in the 1970s and 1980s, and the magazine *Contraste. Zeitschrift für Selbstverwaltung* (literally, the “Magazine for Self-management”, which still exists) published regularly a comprehensive directory of such enterprises. Today the term is not much used anymore, but this does not imply that these enterprises do not exist anymore. On the contrary, the former so-called “alternative movement” has differentiated itself into a variety of different streams, “diffused” into other movements and implemented there—without using the term—a lot of alternatives (or innovations as it would be called today), for instance in the co-operatives or welfare associations, and not least in the private economy.

One of the reasons why the term fell into oblivion is the fact that this alternative movement, with an “anti-authoritarian” background, has never formed a national federation or organised a centralised representation, because it was not based on a shared identity or common objective. The common traits could only be defined in a negative way, and the several attempts to define positively this “alternative economy”, for instance within the (at that time rather influential) network *Theoriearbeitskreis Alternative Ökonomie* (TAKAÖ), were finally abandoned in favour of a plea for diversity and the acceptance of different approaches (see for example Schwendter 1998)—an attitude which can be also observed within the recent debate about the social economy and social enterprises.

These alternative or self-managed enterprises have been active in almost all kind of businesses, from agriculture to high technology engineering, and they have been responsible for a lot of technological as well as social innovations which have become mainstream in the meantime, in particular within eco-businesses (development of “alternative technologies” like wind, solar and biomass energy production, plant sewing systems, electro-mobility, recycling and others).

Another example of self-managed social enterprises in Germany is provided by the alternative kindergartens (*Kinderläden*) of the late 1960s—an initiative of parents to run their own crèches outside the public institutions (*Kindertagesstätten*). In the beginning, these alternative kindergartens occupied empty buildings, mainly shops (hence their name: *Läden* means

“shops” in German), refurbished them and started to employ their own childminders. The reasons behind the creation of these initiatives range from an “anti-authoritarian” style of education to very practical problems, like the adequacy of opening hours for single or working parents, the number of children in the groups, and generally speaking the motivation, on the part of parents, to be more involved in what happens with their children. The first parent-owned and controlled *Kinderläden* opened in 1969 and managed—as the state was (and is still) not able to offer enough places in the public institutions—to obtain the same subsidies per capita as public kindergartens. But this was (and still is) not enough to finance the more comfortable environment that the parents wanted to ensure and additional services which they needed, so the parents have to invest additional money or unpaid working time to cover the costs. The concept was (and still is) very attractive and is now called “parent-initiative-based kindergartens” (*Eltern-Initiativ-Kindertagesstätten*, or EIKITAS) or “parents-children groups” (*Eltern-Kind-Gruppen*, like for instance “parents-children co-operatives” in Sweden); these initiatives have become an official part of the German childcare system.

These alternative kindergartens have also become a model to finance similar initiatives “for the common good” with a mix of income from private and public sources as well as unpaid volunteer work, and a prototype for future social enterprises. In particular, the idea of opening social enterprises in empty buildings has been adopted by a lot of new initiatives, like unemployed centres, fair trade shops, women’s enterprises, health initiatives, youth clubs, cultural projects, tenants advice centres, projects for the elderly, neighbourhood centres, science shops and so on.

But within this growing number of new initiatives and enterprises, profit distribution became a critical issue. At their beginnings, it was taken for granted that all their income had to be allocated to the pursuit of the overall objectives, but it was not made obligatory. As soon as some real profits were generated, decisions had to be made: Some introduced new internal statutes as not-for-private profit companies and became the starting point of new types of social enterprises in Germany; others turned into traditional commercial companies. Interestingly, most of them did not use the traditional third-sector legal structures, such as co-operatives, foundations and associations, but experimented with other legal forms, like limited companies (*Gesellschaft mit beschränkter Haftung*, or GmbH). Some have become “limited companies with charitable status” (*gemeinnützige GmbHs*, or gGmbHs), with the same obligations and problems as the abovementioned “associations with charitable status” (*gemeinnützigen Vereine*), while others act on the basis of internal regulations to reinvest their profits voluntarily.

Although they were not obliged to do so, most of these companies used cooperative structures, but some also went back to hierarchical structures, moving away from their original democratic and social motivations. It is not possible, for the time being, to determine how many of them could be still considered as social enterprises. Again, the legal framework does not clarify the problem. The already mentioned ZiviZ-survey reports that there are more than 10,000 limited companies with charitable status (gGmbHs), but because of the bureaucratic hurdles and restrictions, an increasing number of companies with an explicit social mission avoid the charitable status, losing tax privileges on the one hand, but gaining more freedom for economic activities on the other. The legal framework of a traditional GmbH is also rather flexible, so it can be used in the “traditional”, shareholder-oriented way, but it can also be used for the benefit of stakeholders, in a democratic and not-for-private-profit way.

8. Models of self-help initiatives (*Selbsthilfeunternehmen*)

The term “self-help” has already been mentioned several times, and it has a variety of different meanings. It could be understood as “economic self-help”, like in the case of co-operatives, integration enterprises and self-managed enterprises. But in Germany, the term is also used in the sense of “social self-help”, referring to the idea that social problems should not be left to the state, but solved by the people themselves. In the 1970s and 1980s, Germany faced a boom of such self-help initiatives. It was on the one hand caused by a process of emancipation of people wanting to participate more actively in the social sphere. On the other hand, it happened at the beginning of deregulation and financial restrictions in the field of social services.

It became an issue for sociological research in the 1990s (Braun 1997; Vilmar and Runge 1998) and also attracted some attention by politicians and the government. The studies found out that in 1997/1998, there were already more than 100,000 initiatives of this type asking for support, mainly from the local authorities. Berlin set up a small programme (*Selbsthilfefond*). Finally, in 1984, a national programme for the establishment of a support structure (*Nationale Kontakt- und Informationsstelle zur Anregung und Unterstützung von Selbsthilfegruppen*, or NAKOS) was initiated; it created in the following years more than 230 contact and information points (*Kontaktstellen*) at the local and regional levels. As of today, these contact and information points still serve between 70,000 and 100,000 initiatives (NAKOS.de 2012; NAKOS.de 2015). Although these programmes were originally dedicated for individual support and not intended at all to support economic activities, they also became the starting point of a wave of new social enterprises.

Self-help initiatives gather around unmet needs or unsolved conflicts in almost all parts of society. They usually start and act as informal groups, and economic activities are not at the forefront of their activities, at least in the beginning. But in order to fulfil their mission, they often need to generate income, and thus have to launch economic activities, which often remain informal or in the shadow economy. Although these activities are mostly hidden or invisible, they have an economic impact—which, given the informal character of these activities, is often neglected. They usually do not see themselves as enterprises, and are not acknowledged as such by the authorities either, but over the years, many of them have had to establish formal enterprises. Informal self-help groups thus play an important role in the emergence of new, “formal” social enterprises; they are like the bigger part of an iceberg which is still under water, covering a big “reservoir” for future social enterprises. Recent, more detailed studies at the local and regional levels in Berlin and Brandenburg (*Technologie-Netzwerk Berlin 2009, 2011*) have revealed that their number has multiplied over the years.

As self-help initiatives (be they formal or informal) arise from social problems or conflicts, they could be considered as indicators of the most relevant social problems or conflicts in the country as well as in the communities. These are to our observation: childcare, care for the elderly, educational issues in general, health problems, migration, ethnic minorities, homelessness, long-term unemployment, healthy food, affordable housing, pollution of air, water and the environment in general—a list which might look strange in a country which is believed to be rich and whose economy is doing well.

As most of these initiatives have to start from scratch, without sufficient material or financial resources, the distribution of profits is not their first problem. Rather, a certain type of so-called “self-exploitation” is at stake, and a lot of unpaid work has to be invested to get off the

ground. Therefore, most of them have decided to write down profit restrictions in their constitutions, especially in order to be able to receive tax-free donations and attract volunteer work.

Set up, maintained and controlled by the concerned people, these initiatives are usually member-based organisations (predominantly associations) with collective decision making.

9. The model of socio-cultural centres (Sozio-kulturelle Zentren)

Starting from a people's movement in the 1960s, local socio-cultural centres aim to develop and support so-called "everyday cultural activities" (*Alltagskultur*) and/or to preserve local cultural traditions. It was originally one of the side-streams of the abovementioned "alternative movement", and also one of the few examples to become officially acknowledged. In the 1990s, the establishment of these centres was supported by the authorities. Their umbrella organisation, *Bundesvereinigung Soziokultureller Zentren e.V.*, founded in 1979, already counted 500 such centres in 2015 (soziokultur.de 2015).

Although some of them received, at least in the beginning, funding from public authorities, they suffered in the following years from the cutting of funding, like so many other organisations. They had therefore increasingly to generate income from trading. The way in which they finance their activities is another example of the financial mix typical of social enterprises: As public funding is limited and often decreasing, more than half of their income comes (according to the reports of their federation) from private sources (fees, events, donations, trading). But although their work is officially recognised, employment in these centres is one of the most precarious, often depending on temporary labour market schemes (see below), unpaid work and "self-exploitation".

Profit distribution is usually not an issue, as these centres are hardly able to make any profit, but as associations, depending also on public funding or donations, they have to allocate all their income to the pursuit of their overall objectives. The centres are usually independent, although some are established in partnership with local authorities, and decision making is based on membership.

10. The model of German work integration enterprises (Beschäftigungs- und Qualifizierungsgesellschaften)

The story of German "work integration enterprises" is in many ways different from that of WISES in other countries, and very much related to the ups and downs of the German labour market policy (*Arbeitsmarktpolitik*). The German concept of a "social market economy" (*soziale Marktwirtschaft*) was built on the idea of full employment, which explains why unemployment was (and predominantly still is) seen as a "temporary" problem of individuals, to be solved by mediation between job-seekers and companies only. Therefore, the role of the Federal Employment Office (*Bundesanstalt resp. Agentur für Arbeit*) was restricted to mediation and the management of unemployment benefits (*Arbeitsvermittlung* and *Arbeitslosenversicherung*), but this Office was not responsible for the creation of employment in general (*Beschäftigungspolitik*). Employment creation was seen as a part of the general economic development policy (*Wirtschaftspolitik*), but public programmes for employment creation were stopped in the context of the turn from a former Keynesian to a more neoliberal approach in economic thinking.

The increasing unemployment in the 1980s and 1990s was due to structural and technological changes in traditional industries (electricity, metal working, mining, shipbuilding, steel production and others). In this context, trade unions from these industries took the initiative to develop the concept of "employment and training company" (*Beschäftigungs- und Qualifizierungsgesellschaft*, or BQG). BQGs were to take on board the people who had been made redundant, develop new goods and services to be produced with the capacities of the former workforce, retrain them if necessary, and start trading as a new enterprise. The idea was, instead of asking for financial compensation (*Sozialplan*), to invest that money together with unemployment or other social benefits into an employment development plan (*Beschäftigungsplan*), inspired by the famous example of the Lucas Aerospace Alternative Workers Plan from the UK (Lorenz 1995; Birkhölzer and Lorenz 1998).

The first examples of BQGs were established in Bremen, Hamburg, Berlin and in the centres of traditional industries, such as the Ruhr area and Saarland. Given the way in which they were run, they could be considered as social enterprises. In the first years after the German unification, where nearly half of the working population in East Germany lost their former jobs, this concept was introduced in the New Länder; at their peak, BQGs employed up to 500,000 people. They seemed to represent a change in the traditional labour market policy and were introduced as an "active" labour market policy. The new BQGs were supported by so-called "employment creation measures" (*Arbeitsbeschaffungsmaßnahmen*, or ABM) and, at least in the first years, they could benefit from programmes supporting former unemployed for two to three years and offering additional funding for staff and material costs. The programmes started with great expectations, and seemed to be successful, but again, the government and employment offices considered them to be of "temporary" importance, as a "secondary labour market" (*Zweiter Arbeitsmarkt*) which should only act as a bridge into the "first labour market" (*Erster Arbeitsmarkt*). As a consequence of this conception of their role, BQGs were not allowed to establish themselves as ordinary enterprises with a permanent workforce. On the contrary, they had to make their workforce redundant at regular intervals (from two to three years at the beginning to half a year or less today), hire new workers and start all over again. As the so-called "first labour market" was unfortunately not able to integrate all these people, these BQGs became a "revolving door" or a "temporary parking space" for the workers, with no sustained effect on their job opportunities.

Another restriction was that BQGs were not allowed (due to regulations introduced by the Chambers of Commerce) to offer goods and services that competed with those of commercial enterprises; they could only be active in "additional" fields (*Zusätzlichkeitsklausel*). Interestingly, they detected a lot of "additional" necessary work, especially in East Germany, which neither the public nor the private sector wanted to perform, and delivered a lot of social, cultural, environmental and infrastructural services which would not have existed otherwise, but the "temporary" employees did not really benefit from them.

Like WISEs in other countries, their aim was originally to bring unemployed people back into work by investing the unemployment or other social benefits into new job opportunities. But the legal framework for these benefits also changed rapidly during the last decades. Furthermore, these benefits could not be invested in the creation of permanent jobs in new (social or other) enterprises; they had to be used to improve the employability of individuals on short-term contracts.

As recipients of funding from public employment measures, BQGs had to allocate all their income to the pursuit of their overall objectives, but the benefit system (with permanent cuts and bureaucratic hurdles) did finally not even cover their costs; since generated income from other sources could not be combined with public expenditure, the situation became unsustainable for many of these companies, leading to the breakdown of a lot of these companies today.

Due to their situation with respect to the public policies (and in particular to the Federal Employment Office's policy) described above, WISEs in Germany are not really independent from the state, and—with the exception of some very clever organisations which find ways around the restrictions—they have never had a real chance to act as independent social enterprises. In the context of their decline, a debate has just recently started to convert the existing BQGs into independent social enterprises, able to generate their own income.

Finally, participatory governance is also a critical issue. Some organisations are membership-based, others are owned and controlled by charities, and some are directly owned and controlled by local authorities or hybrids of public and private institutions.

The case of the German WISEs illustrates how an originally innovative concept can be brought down to its knees by too much control and restrictions from the authorities. This will have to be kept in mind when designing a new legal framework for social enterprises.

1.1. The model of local exchange and trading systems (Tauschsysteme auf Gegenseitigkeit)

The idea of local exchange and trading systems (LETS) was imported from other countries, namely Canada and the UK, and appeared in Germany in the early 1990s, in the context of increasing unemployment after unification. They first emerged in Eastern Germany, but then spread out to the whole of Germany, both to cities and rural areas.

LETS have been set up to overcome the shortage of money in disadvantaged areas or for disadvantaged people and to allow these people to participate in economic activities, but also to strengthen relationships and mutual help within communities. Their aim is to make goods and services accessible to people who would otherwise not have access to them because of the lack of money. The idea is not in the first place about the “direct exchange” of goods and services (*direkter Tausch*), although it can happen as well; LETS are rather based on the exchange of bits of “working time”, to be measured either in virtual currencies (often with funny names) or simply in hours or parts of it (for instance “time dollars”). All members of such a scheme (in Germany usually called *Tauschring*) hold an account with time credits for work which has been done and time debits for work which has been “taken” from other members; this account should finally be balanced.

LETS are at present mostly active in neighbourhood or proximity services, but their activities could be extended to all kinds of business, provided the problems with tax authorities could be solved. Indeed, for the time being, the exchanges can remain tax-free as long they are restricted to the neighbourhood level. According to some of its promoters, the concept could be extended not only to exchanges between private enterprises, but also to exchanges with local authorities and for “paying” taxes, fees and other contributions. Some initiatives already experiment with kinds of social security systems, like the so-called *Seniorengenossenschaften*,

established by and for elderly people, where working time spent to help others in need is compensated by vouchers of the same amount which can be redeemed if they are in need later. Others have set up funds where working time could be donated to members who are not able to participate in the work exchanges because of illness, handicaps or other reasons.

Finally, the concept was taken up by initiatives that want to reform or find an alternative to the current monetary system in general. They operate with “complementary currencies”, on the model of historical examples from Austria and Switzerland. These currencies are called “complementary” because they are to be used alongside the national currencies, based on fixed exchange rates. LETS aim to set up or strengthen “local or regional economic cycles” by introducing another means of exchange, called “local” or “regional currencies” (*Regionalgeld*) as they are only valid within certain areas. Interestingly the activists here are usually not the economically excluded, but members of the middle classes—intellectuals as well as entrepreneurs from the SME sector.

There is no profit generation in the traditional sense but, as mentioned above, some have established additional funds for social assistance, mutual insurance, project development, time banks, etc. LETS are (sometimes informal) member-based organisations, with democratic decision making. As initiatives very closely linked to their local or regional background, they have not established so far a national federation, but they exchange experiences at regular meetings at the regional or national level as well as through online platforms (for instance www.batt-online.de, which covers more than 1,000 initiatives).

Although most of them do not have professional or paid staff, they fulfil all the criteria defining social enterprises: they carry out economic activities for social and/or community-oriented objectives, there is no profit distribution for private gain and they have an explicitly participatory mission.

12. The model of neighbourhood and community enterprises (Nachbarschafts- und Gemeinwesenbetriebe)

The models of social enterprises which have been debated so far are more or less all established by and for certain social groups and centred on their special needs and problems. At the end of the 20th century and beginning of the 21st century, a new type of social enterprises emerged in Germany; it is focussed on the social and economic development of whole localities or regions. “Neighbourhood and community enterprises” of that type have been developed in other parts of Europe (and beyond) often much earlier, but they are still relatively new to Germany.

Although the economic development has affected a lot of people who—as a result—needed help or tried to help themselves as described, the national economy as a whole was not really questioned. In particular, the German economy is—despite all its problems—still considered (from inside the country as well as from outside) as performing well in general. Even in the present context of worldwide or European economic and financial crisis, the German economy seems not to be really affected: the gross national product is still growing. On the other hand, one of the leading research institutes for economic development in the country (*Deutsches Institut für Wirtschaftsforschung*, or DIW) reported that the differences between the rich and the poor are in no other country of the Euro-zone as big as in Germany (DIW 2014). In other words, the growth on one side has to be paid by losses of others.

The indicators which demonstrate the performance of the national economy are only average figures, which do not explain anything about the social or regional distribution. But going more into detail, it turns out that the means of production as well as the income of the rich are growing and becoming concentrated in less and less hands, while the wages of the workers are decreasing and the number of people living around or under the poverty line is increasing. Furthermore, this economic split is not distributed equally all over the country, but concentrated in "islands of prosperity" on one side and "crisis areas" on the other. "Social segregation" of that type has been recognised not only between the German regions (with a North-South and an East-West divide), but also within the cities, towns and rural communities. The city of Berlin, for example, has drawn a "social atlas" (*Sozialatlas*), identifying nearly 20 city quarters with a "negative social balance" (Häussermann and Knapphahn 1995). As this phenomenon exists in almost all parts of Germany, a national programme called "social city" (*SozialeStadt*) was established in 1999; affected cities or regions could ask for financial help to set up "development agencies" (called *Quartiersmanagement*) at the local level (DIFU 2002). Within this programme, until the end of 2013, more than 600 projects were implemented in nearly 380 German cities. All measures aim at enhancing chances of participation and integration of the local residents, with the goal of stimulating lively neighbourhoods and strengthen social cohesion. From 2013 to 2014 national funding for the "social city" programme more than tripled (from 40 million to 150 million euros), and the programme is now supposed to build the foundation for an even more comprehensive strategy (BMUB 2015).

A lot of social enterprises had already been active in this field before and served as best practise examples for the programme; this is for example the case of the Berlin Development Agency for Social Enterprises and Neighbourhood Economy (BEST), established as the result of a pilot project (1998 – 2002) (Berlin Senate Department of Urban Development 2004).

Starting in areas strongly hit by economic crises or in disadvantaged neighbourhoods, agencies like BEST and others are focused on the local economy in general, trying to restructure local economic cycles and to offer work opportunities and income for the local people. This approach has been very much influenced by the concept of "community development" via the creation of "community businesses" (in the UK) and "community development corporations" (in the USA), which have been adopted and debated in Germany under the terms *Gemeinwesenökonomie* and *Gemeinwohlökonomie*.

The concept itself was not new to Germany. Immediately after World War II, US care projects had introduced in the country the concept of "community work" supported by so-called "settlements" (Müller 1988). They were established in Germany under the name *Nachbarschaftsheime* in 1951, and founded a national federation (*Verband Deutscher Nachbarschaftsheime*, or VDN). In 1971, this federation changed its name to *Verband für sozial-kulturelle Arbeit*; it brought together more than 500 centres, some of which still exist, for example in Berlin. During the following period of economic prosperity, the concept almost fell into oblivion (Oelschlegel 1991); it reappeared only in the late 1990s, in the context of the abovementioned debate about "social segregation", leading to the foundation of another national network (*Bundesarbeitsgemeinschaft Soziale Stadtentwicklung und Gemeinwesenarbeit e.V.*) in 2002.

In parallel a number of “community-oriented social enterprises” emerged in East Germany after the country’s unification, in the first place with the aim to restore and revitalise the cultural heritage, like castles, churches, and other buildings of historical importance (one of the most well-known project is the reconstruction of the Frauenkirche in Dresden). In a second stage, these projects could be used to build other economic activities around them and to start a process of support to the development of the local economy.

Generally speaking, the (re-)appearance of such “community-oriented social enterprises” (*Nachbarschafts- und Gemeinwesenunternehmen*) mark a change in social policy in Germany, from a “target-group approach” to a “community-centred approach”, according to which the wellbeing of the whole community is one of the preconditions for the well-being of certain vulnerable groups.

These enterprises are usually set up by a group of people representing a certain neighbourhood or community and trying to mobilise the endogenous potential or local resources “buried” in unemployed or underused capacities of the local people, together with other neglected resources in the built and natural environment (Birkhölzer 2009).

Their economic activities are not restricted to certain branches, but focus on the wellbeing of the whole community, with a view to safeguarding the economic and social survival of the locality, to improving the quality of life and to fighting social segregation in urban and rural areas. These enterprises are usually registered as associations or limited companies “for the common good”, with or without charitable status; they are thus built on the threefold motto of “community ownership, community control, community benefit”.

According to their mission as self-help initiatives by and for the whole community, all profits have to be invested for community benefit. They have participatory governance, with a multi-stakeholder approach; they are sometimes organised as local partnerships with participation of local authorities and local private companies.

13. The model of social entrepreneurship (no German translation)

Finally, the ongoing cuts in public expenditure gave rise to new philanthropic initiatives, and especially to a boom in the setting up of new foundations, funding initiatives and social sponsoring—and to the appearance of another model, during the last decade, under the headings of “social entrepreneurship” and “social businesses” (Jähnke et al. 2011).

Most of them seem to be based on the concept of (US-American) philanthropic entrepreneurship, with a strong focus on market activities, independence from the state, and co-operation with the traditional corporate sector; they also try to attract private investment by adopting a more market-oriented language and attitude. Some of them seem to be real “hybrids” combining for-private-profit and not-for-private-profit logics.

The term “social business”, introduced by M. Yunus (Yunus 2008) to refer to an enterprise explicitly pursuing “social profit”, seems to be originally a more precise concept than “social entrepreneurship”, but both terms are often used synonymously. The term “social business” has been recently taken up by the European Commission in its “Social Business Initiative” (SBI) (SBI 2011), but whether it is meant in the strong sense of “not-for-private-profit” or open to “business-like” commercial attitudes remains unclear.

The way in which the concept of “social entrepreneurship” is taken up in Germany, especially by Ashoka and its fellows, but also by some academic institutions from traditional business schools, is rather ambivalent. It is usually interpreted as referring to organisations “solving social problems through entrepreneurial activities”; but does this include all kinds of economic activities or is it dedicated to a special performance as for example the EMES criteria propose? If the term “social entrepreneurship” should include all “enterprises with a social mission”, as it is often stated, then a lot of traditional “for-private-profit enterprises” could also claim to have a “social mission”, for instance offering employment or social services. In Germany, childcare, care for the elderly or health services, for example, have become a business for commercial companies as well (with first-class services for people with high purchasing power), but these could not be considered as “social enterprises” according to the abovementioned criteria.

German promoters of “social entrepreneurship” focus very much on the aspect of “social innovation”, based on the idea that “entrepreneurs” always have (according to Schumpeter) to play an innovative role. Of course, a lot of the already described “social enterprises” implemented “social innovations”. But this focus on social innovation might be too restrictive. Indeed, in this perspective, it could be argued that only the first enterprises of each model (for instance the first *Kinderladen* mentioned above) implemented an innovation, and that the replication of the model was not necessarily an innovation anymore; these enterprises can nevertheless definitely be considered as social enterprises.

Another open question is that concerning the role and the distribution of profits. According to Yunus, a social business is for “social profit” only, but this is not clearly stated by the German “social entrepreneurship community” and depends finally on the decisions of the respective entrepreneur(s). And co-operation with commercial companies, as is often proposed, might be a problem in this regard as it might involve dealing the profits with the investors. Furthermore, it includes a danger for social enterprises to become more and more dependent on private investment and to weaken their traditional social or community orientation.

Participatory governance is an open question, too, as the promoters of social entrepreneurship highlight the leading role of the single entrepreneur rather than the importance of collective entrepreneurship.

On the other hand, the focus on the innovative role of these enterprises has attracted a lot of young people wanting to act as “change agents” for a better world. This image is also very attractive for the media, which explains why the activists of social entrepreneurship play a dominant role in the German public debate, sometimes identifying themselves as the only true “social enterprises”. That hype might involve a danger for the tradition of social enterprises in Germany (which—although fragmented, known under different names, and officially not accepted—is nevertheless a long and outstanding tradition) may fall into oblivion.

14. Models of mutual insurance systems (Versicherungsvereine auf Gegenseitigkeit)

Unlike what is the case in France, where mutual societies (*mutualités*) are understood as an integral part of the social economy, German representatives of mutual insurance systems could not be understood as social enterprises. Of course, they played an important role in the 19th century as forerunners of the social security system which was subsequently set up by Bismarck (mainly for political reasons) and established as public institutions. But mutual

insurance systems for retirement, health and social security (including unemployment benefits) are still public institutions (*Sozialversicherungen*, according to *Sozialgesetzbuch*). The additional existing private insurance companies are rather commercial, and do not see themselves as social enterprises. But, if economic crises continue, this might be a new field of activity for social enterprises in Germany, too.

CONCLUSION

This presentation of models of social enterprise in Germany illustrates the fact that the criteria used by the EMES Network and others are still—as the EMES Network itself underlines—defining an “ideal-type”; real-life situation is much more complicated. Compromises have to be made; the different models are not always performing well; and they often do not meet one or the other criterion.

But, as the French minister for the Social and Solidarity Economy pointed out just recently at the SBI-Conference in Strasbourg, social enterprises try to find models for the future of the economy in general. Although social enterprises have implemented a lot of social innovations, their innovative role is mainly economic: they introduce new types of enterprise and economic performance.

In this context, the overall objectives of social enterprises have evolved from the wellbeing of certain social groups to the future of work and employment and further on to economic renewal of whole local economies; in other words, from social work to social economy.

Social enterprises are active in almost all economic branches, from agriculture to high-tech industries, but there are, of course, certain clusters like:

- basic needs, such as food and housing,
- decentralised technical systems for energy, transport, water supply, waste reduction and disposal,
- health care, social and other proximity services,
- local heritage and culture,
- recreation, sports and leisure,
- environmental protection and restoration,
- infrastructural services and community development.

Social enterprises are sometimes considered to be hybrid organisations, defined by their way of mixing and balancing market economy, public sector and civil society elements. Of course, there are hybrids mixing a social enterprise with a commercial company or a public agency (mainly within the co-operative or the welfare sector), but this is definitely not a general characteristic of all social enterprises. The misunderstanding often results from a typical mix of income from market sales, public contracts, donations and volunteer work. Social enterprises, as all other enterprises, aim to achieve a positive result. Therefore, the question is not whether they make any profit (or surplus), but what the profit is for. To avoid misunderstandings, some use the term “not-for-private-profit”, but this is only a negative characteristic; it would thus be better to refer to this characteristic positively, as “for social profit” or “for community benefit”.

On the other hand, social enterprises are in many ways different from traditional commercial enterprises; this is why they have often to be managed and developed differently, too. They face, amongst others, two major obstacles: first, social enterprises often work with excluded and disadvantaged people working in local economies where the purchasing power is low; and secondly, they often face difficulties in raising start-up capital and developing capital. Therefore, social enterprises have developed a considerable number of alternative microeconomic strategies, such as:

- social enterprise development plans,
- social management,
- using and reproducing social capital,
- social marketing,
- social accounting and auditing, and
- social finance.

Traditional financial services are often not appropriate for social enterprises, as these enterprises are usually not profitable enough to repay high interest rates, meeting the expectations of traditional investors. This is why more solidarity-based forms of “social investment” are needed, but public policies (in Germany as well as in the European Union) tend to focus on access to credit only.

Generally speaking, public authorities (at least in Germany) do not really understand the real needs and problems of social enterprises. Moreover, the majority of public authorities in Germany do not see a real need for social enterprises at all, as they believe in the superiority of the existing German economic model, based on two sectors only (the private economy and the state)—and a “third” sector does not seem to be necessary in their eyes. There are always exceptions which prove the rule, but more or less only in poorer and disadvantaged areas, where a lot of practical co-operation happens at the local level between the “social economy” and the local authorities (and even local companies). Such cooperation is not officially recognised, though, be it by the government or by the media. But although acting in a “grey zone”, social enterprises in Germany are growing in numbers, employees and volunteers.

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