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The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.



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The Italian Social Innovation Policy Agenda

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Creating Economic Space for Social Innovation

The Italian Social Innovation Policy Agenda¹

Introduction

Despite significant interest in the constitutive features and dimensions of social innovation, relatively little reference is made to the concept of ‘social innovation’ at the governmental level in Italy. Academic and community interest has been growing across Europe and Italy alike but Italian governmental policy has historically tended to focus on the third sector, social enterprises and, in particular, social cooperatives. The Ministry for Labour and Social Policy is principally responsible for cultivating an infrastructure of support for third sector organisations and, by proxy, those engaged in some measure of social innovation. Labour market activation and social inclusion are the two policy arenas through which third sector organisations receive policy attention and public support in Italy (Chirico et al., 2014). To do so, a range of governmental bodies are committed to supporting a favourable regulatory and legal framework (Borzaga and Galera, 2012).

Between 1997 and 2012, the Third Sector Agency was the main public agency designed to promote and support third sector activities at a national level. In 2012, this agency was closed down and in the same year, the Social Innovation Taskforce was established by Corrado Passera - the former Minister for Economic Development (Eriksson et al., 2014). This taskforce was launched with the ‘aim of implementing policies that are able to create the facilitating environment for innovative start-ups... till that moment social innovation was not on the policy agenda in Italy’ (Biggeri et al., 2014: 26). In the subsequent year, the [social innovation agenda](#) was launched to announce the Italian government’s approach to social innovation (Ministry of Education., 2013). The agenda proposed a range of measures to support and monitor social innovation in Italy including key areas of activity such as:

- increasing access to finance through equity-based crowdfunding, impact investment, social stock exchanges and social entrepreneurship funds;
- measuring and assessing the impact of social innovation;
- incubating and scaling social innovation; and
- developing public policy instruments to accelerate social innovation.

Relatively recent political and policy interest in the concept and potential of social innovation has occurred alongside renewed concern about the capacity and role of the third sector. At present, a series of third sector reforms are currently underway that are intended to improve the regulatory and financial environment for civil society organisations (Eriksson et al., 2014). Following an open consultation with relevant stakeholders, a law on Third Sector Reform was drafted and approved by the Council of Italian Ministers in 2014. There are plans to (re-) introduce an improved Third Sector Agency, simplify regulatory frameworks, and increase the funding and finance instruments available. These reforms are particularly focused on scaling the capacity and impact of social enterprises. This includes increasing access to funding and encouraging activities contributing towards welfare production.

Within the context of rising public sector debt and high levels of structural unemployment, the incumbent political administration has [stressed](#) the role civil society organisations might play in contributing towards growth and employment. At present, third sector organisations play a significant role in the design and delivery of social and health services in Italy. Third

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sector reforms are intended to increase welfare pluralism, tackle long-term and youth unemployment and introduce ‘various social finance mechanisms aiming at social solidarity and the reduction of public expenditures’ (Eriksson et al., 2014: 28).

There are two key organisational forms that contribute towards social innovation in Italy. These are considered in turn followed by a consideration of policy instruments and measures designed to foster social innovation in Italy.

Social Cooperatives

Social cooperatives are the most common and popular category of ‘social enterprise’ in Italy (Biggeri et al., 2014). As the principal type of organisation contributing towards and engaged in social innovation, social cooperatives are of particular significance if we are to understand the Italian social innovation policy environment. Historically, social cooperatives have played a significant role in the social and market economy of Italy with the cooperative movement emerging in the mid-19th century (Thomas, 2004). Whilst a wide variety of social cooperatives exist today, the majority were consumer cooperatives in the early stages of the cooperative movement. Since then, the purpose of social cooperatives has shifted from a focus on members to a focus on the wider community and its needs. This is perhaps best demonstrated with the passing of the ‘Act on Social Cooperatives’.

In 1991, social cooperatives were given a specific legal status and mandate to:

pursue the general interest of the community in promoting personal growth and in integrating people into society by providing social, welfare and educational services and carrying out different activities for the purposes of providing employment for disadvantaged people (Law 381/1991 cited in Chirico et al., 2014: 1).

Rather than redefining their purpose and operation, this law codified the role already played by social cooperatives in Italy. As Galera and Borzaga (2009: 219) note ‘Italian cooperatives have indeed, not been constituted, but just recognised’ by the Act on Social Cooperatives (Galera and Borzaga, 2009: 219). With a new orientation towards the needs and interests of wider society, the legal status distinguishes between two types of social cooperatives. The first type (A) are those organisations engaged in delivering education, health and social services. These organisations are playing an increasingly fundamental role in the delivery of welfare and public services in Italy (Borzaga and Depedri, 2014).

The second type (B) are those organisations focused on the work integration of ‘disadvantaged’ groups. According to a legal specification, ‘vulnerable’ or ‘disadvantaged’ workers are those facing particular challenges or difficulties in securing employment. This includes those with physical or mental health impairments, a criminal record, a history of substance abuse, from ‘trouble families’, and so on². Type B social cooperatives are engaged in a wide variety of activities, including the production of goods and delivery of services, with the principle aim of employing ‘disadvantaged’ groups. By law, at least 30 per cent of the workforce of type B social cooperatives must fulfil the ‘disadvantaged worker’ status (Biggeri et al., 2014).

As an emerging form of work integration social enterprise (WISE), type B social cooperatives

² This particular definition is currently under review to take account of new and emerging forms and causes of social exclusion and vulnerability.

represented a unique opportunity and resource for Italian social policymakers (Borzaga and Galera, 2012: 97). The ‘affinity between the mission of social cooperatives and that of public agencies encouraged collaboration between the two’ (Borzaga and Depedri, 2014: 129). The legal status of these organisations has enabled them to fulfil public sector contracts delivering employment assistance services. These services offer ‘on-the-job’ training as well as active and responsive tailored support for those seeking employment.

With a social ethos and a private market orientation, social cooperatives have proven a significant engine for social and public sector innovation in Italy. Since the introduction of a special legal status and the advantages accrued as a result, Italian social cooperatives have grown by around 15 to 30 per cent annually (Biggeri et al., 2014: 6). In 2011, there were an estimated 11,264 registered social cooperatives (Chirico et al., 2014: 27).

Social Enterprises

By contrast there are relatively few social enterprises (*ex lege*) in Italy (Venturi and Zandonai, 2012). In 2011, there were an estimated 1,348 registered with the Italian Chambers of Commerce (Chirico et al., 2014: 27). There are of course a much greater number of de facto social enterprises engaged in activities contributing towards social innovation (Venturi and Zandonai, 2012). However, a relatively specific definition of social enterprise in Italy precludes many from this status. Italy was one of the first European countries to establish and introduce a legal definition and status for social enterprises (Biggeri et al., 2014). In 2006, the enactment of Law 155 ‘disciplina dell’impresa sociale’ widened the range of activities and services that third sector organisations were able to deliver.

Provided it meets a number of conditions stipulated through the ‘Law on Social Enterprise’, almost any organisational structure is able to acquire the status of ‘impresa sociale’. These organisations must be private legal entities and obtain at least 70 per cent of their income through entrepreneurial activities. These activities must engender positive ‘social utility’ to the benefit of the general public in some measure. Any profits generated must either be reinvested in the social purpose of the organisation or contribute towards effective governance systems such as co-production. Finally, to qualify for this status, organisations must ‘deliver a social account and implement participation mechanisms that favour the involvement of users and workers when not members’ (Galera and Borzaga, 2009: 13). Going beyond the activities of the more popular social cooperatives, ‘impresa sociali’ are able to deliver a wider range of general-interest services such as welfare, environmental and eco-system protection, development of cultural heritage services and social tourism (Chirico et al., 2014).

Despite inclusion of this broader range of activities, there have been relatively few organisations applying for the legal classification of ‘impresa sociale’. This has instigated an interest in and consideration of a range of policy reforms to: simplify impact and sustainability reporting, broaden domains of activity considered eligible, automatically recognise social cooperatives as social enterprises and open up tax incentives to all social enterprises irrespective of their legal status (Laratta et al., 2011). As mentioned above, a draft law attempting to improve the regulatory environment surrounding third sector organisations has been introduced (Biggeri et al., 2014).

Policy instruments and support

Beyond the legal status and classification of social cooperatives and social enterprises, there are a range of public support instruments and measures designed to enhance the capacity and

impact of organisations engaged in aspects of social innovation. These include publicly funded training, networks and support, preferential public procurement policies, beneficial tax arrangements and incentives, mechanisms to increase access to credit and funding.

Training, networks and support: Between 2012 and 2013, the Ministry of Education, Universities and Research [committed](#) €75 million to 97 social innovation projects and €7 million to [Startup](#). *Startup di imprenditoria sociale* is an initiative, established by the Italian chambers of commerce, that provides start-ups with technical support services, advice and free planning assistance. The opportunities offered through Startup facilitate effective training and networks of mutual learning and support. The *Fertilità* project is another publicly funded scheme designed to support the development of new social cooperatives. Established by the National Agency for Inward Investment Promotion and Enterprise Development and the Ministry for Labour and Social Policy, the project provides consultancy, coaching and training services through the input and support of existing social cooperatives and umbrella body organisations.

There are also a number of mutual support mechanisms in place that support the activities and development of organisations engaged in social innovation. Social cooperatives and social enterprises are often able to access advice, funding, support and training through their respective consortia (for example, *Confederazione Cooperative* and *Consorzio SIS Impresa Sociale*). Through umbrella body organisations and confederations, start-ups and established organisations are able to capitalize on collective representation and opportunities for economic cooperation, capacity building and strategic planning. Virtual support is also available through online platforms such as *impresasociale.net*, which provides organisational support and legal advice for social enterprises in Italy.

Favourable public procurement policies: In 1991, the legal classification of social cooperatives (Law 381/1991) granted these organisation types preferred provider status in public sector procurement and purchasing. This proved instrumental to the growth of social cooperatives in Italy and their role in delivering education, health and social services at the local authority level:

What this means for social co-operatives - after several years of discussion and negotiation - is that local government determines social policy in its area, while the social co-ops plan and manage innovative services (Gosling, 2003: 10).

In the interests of fair competition, the European Commission challenged this preferred provider status. However, an exemption was accepted for those organisations employing a minimum number of ‘disadvantaged workers’. By and large, this means that type B social cooperatives engaged in work integration activities are currently granted exemption from EC competition rules and are able to enter into direct agreements with local authorities provided that these contracts do not exceed €300,000 (Chirico et al., 2014).

Beneficial tax arrangements: In addition to the favourable tax rules established through legal classifications and the ONLUS (Organizzazione Non Lucrativa Utilità Sociale - Non-Profit Organisation of Social Utility) qualification, a range of other tax breaks and benefits have been introduced to alleviate the financial constraints faced by social cooperatives and social enterprises in Italy. This makes it possible for Italian organisations engaged in social innovation to achieve more in their day-to-day activities than would otherwise be possible if

they were subject to the same liabilities as other companies.

Social cooperatives enjoy a tax exemption on their accumulated organisational reserves and their annual contribution to the Marconi Fund (discussed below). Social security contributions made by social cooperatives are tax deductible. More specifically, those classified as 'disadvantaged workers' and employed by type B social cooperatives do not have to pay national insurance contributions on their earnings. Social enterprises are also subject to a reduced rate of value added tax (VAT). Depending on the goods or services in question there is some variation in the level of VAT charged in Italy. However, the rate applied to social enterprises is the minimum 4 per cent compared to the standard rate of 22 per cent for other companies. Cooperatives also pay a reduced level of corporation tax compared to other companies.

To encourage investment and increase finance there are tax exemptions on private donations to not-for-profit organisations. In addition, tax benefits are also offered to those buying 'solidarity bonds' used to finance non-profit activities.

Opening up access to credit and funding: Public authorities regulate and finance numerous vehicles through which non-profit organisations have the capacity to access grants, funding and credit. There are several regionally sponsored organisations (for example, *Finanziamenti Puglia*) that issue guarantees on social investments, microcredit and capacity building finance. These initiatives offer legally recognised social cooperatives and social enterprises access to finance at a lower rate of interest than they would otherwise be able to secure. A range of grant schemes are also in operation and these tend to focus on social inclusion, increasing employment and work integration activities and services facilitated. For example, *Intervento 18*, an initiative promoted by the Autonomous Province of Trento, provides subsidies to social cooperatives to help cover some of the extra costs associated with employing 'disadvantaged workers' as well as funding training and support for effective work integration.

Financial support for new social cooperatives has also been integrated into the regulations of existing social cooperatives. In return for favourable tax arrangements and benefits, social cooperatives are required by law to contribute 3 per cent of their annual income to the Marconi Fund. The Marconi Fund is a mutual fund that pools a small proportion of cooperative resources to support the next generation of social cooperatives in Italy. Gosling (2003) suggests that this has been a key factor contributing towards the development and sustainability of the social enterprise and cooperative sector in Italy. Other dimensions of the social investment markets are relatively under-developed. However, there are a number of local microfinance and low-interest credit facilities available via consortia of social cooperatives, social enterprises and non-profit organisations.

Finally, there are a range of banks and financial products that either focus on supporting social purpose organisations (for example, *Banca Prossima*) or issuing social and community loans to fund projects of public utility and interest (for example, *UBI Banca*). Organisations such as *Oltre Venture* also support social impact investment. A recent change in legislation now makes it possible to remunerate (to a degree) the capital invested in social enterprises. It is anticipated this will significantly transform the financial landscape for social enterprises in Italy but the effects are yet to be fully understood.

Conclusion

The Italian social innovation policy agenda is fragmented but very much under development. Recent interest in the concept of social innovation and its potential has been prompted by significant cuts to public expenditure and a desire to meet the demand created through alternative systems of social provision and finance. Historically, social cooperatives have tended to receive support at the national level whereas social enterprises have tended to receive the majority of their support through regional and local authorities (Chirico et al., 2014). Particularly notable is the level of attention and support directed towards organisations involved in work integration activities. Type B social cooperatives and other organisations involved in the social integration of ‘disadvantaged workers’ have benefited from favourable regulations and procurement policies.

By and large, social cooperatives receive the most public and institutional support and social enterprises are encouraged to adopt aspects of the cooperative organisation and system of governance.

Social cooperatives not only tend to combine the social aims of traditional non-profit organisations with the entrepreneurial characteristics of corporations and cooperative firms, but also have a unique ownership structure (Gosling, 2003: 10).

This has significant repercussions for the nature and potential of social innovation in Italy. By virtue of their financial arrangements and conditions attached to their legal status, social cooperatives and social enterprises (*ex lege*) ensure that stakeholders at multiple socio-structural levels are actively engaged in the design, delivery and benefits of social innovation in Italy. Public and institutional support is often contingent on this participatory approach. Organisations such as this are, in many respects, uniquely placed to tackle marginalisation and enhance human capabilities. Rather than imposing solutions and ideals, these democratic governance systems demonstrate a unique capacity to accommodate and attend to the needs of the most vulnerable and marginalised groups in society through public and institutional support. The means and ends of Italian social innovation have the potential to centre on human empowerment in this respect.

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