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The challenges and opportunities for employment of marginalized groups by social enterprises¹

Policy Brief on Social Enterprises in Macedonia

Advice at the policy crossroad

The RRPP promotes social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific reform needs of countries in the region and in identifying the long-term implications of policy choices. Researchers receive support through research grants, methodological and thematic trainings as well as opportunities for regional and international networking and mentoring. The RRPP is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The programme is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs.

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Introduction

Social economy comprises important and growing portion of the European economy. Integrating economic and social goals, the social entrepreneurship has become an innovative model for tackling societal and environmental challenges and fostering inclusive growth.

Using entrepreneurial principles, social enterprises (SEs) serve their communities. The profit that they gain is reinvested for creation of social change. SEs often use innovative approaches contributing towards sustainable and equitable socio - economic development. Most frequently SEs act in two directions: 1) providing goods and services for marginalized groups and deprived communities; 2) employment and work integration of vulnerable groups of citizens.

At the moment, Macedonia is developing its policy that will define the social entrepreneurship. Our review of the historical legacy showed the existence of organizational forms similar to what we call today social enterprises existed in Macedonian years ago. Over the last year we² have spoken to 23 social enterprises and 81 representatives of marginalized groups in order to collect data for a pioneer research regarding social entrepreneurship in Macedonia. The research findings and the analysis of the historical legacy are carefully taken into consideration in the development of this document. This policy brief aims to provide contribution to the policy development using evidence-based approach. In this regard, the conclusions and recommendation in this document are based on the existing typologies, models and capacities of the SEs and their needs.

Context

The mapping of the social enterprises in Europe has identified that the spectrum of SEs is quite diverse in terms of the legal form and statuses including: various legal forms (associations, cooperative etc), new legal forms of SEs deriving from the existing legal forms (such as the social cooperatives in Italy and the Community Interest Companies in the UK), separate legal status based on legally defined criteria as well as new legal forms that enable economic activities of the non-profit organisations³. In terms of the legislation, the mapping has showed that in general there are three policy approaches: 1) adaptation of existing legal forms to take account of specific features of social enterprise; 2) creation of a social enterprise legal status and 3) recognition of specific types of non-profit organisations (allowed to conduct economic activities)⁴. These approaches are not exclusive of each other; for example Italy has adapted the cooperative legal form to recognise the social cooperatives but has also introduced separate law on social enterprise to allow wider range of organisations to receive this classification⁵.

² The Macedonian team of the research project *"The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises"* implemented in the framework of the Regional Research Promotion Programme in the Western Balkans (RRPP) is comprised of Reactor, Konekt and Public.

³ Wilkinson, C., Medhurst, J. et al, *"A map of social enterprises and their eco-systems in Europe"*, European Commission, Employment Social Affairs and Inclusion: December 2014., pp. 4

⁴ Ibid., pp. 10-11

⁵ Galera, Giulia. and Borzaga, Carlo. *"Social enterprise: An international overview of its conceptual evolution and legal implementation"*, Social Enterprise Journal, Vol. 5 Iss: 3, pp.210 - 228

Macedonia is in its crossroad in development of the regulation on social enterprises. Strategic documents in Macedonia have identified the need for introduction of special Law on Social Entrepreneurship⁶. Draft law was developed⁷ which is focused on SEs as employers of marginalized groups. The draft was available on ENER for public consultations and CSOs provided their commentaries. The draft version of the law has not been submitted yet as an official bill in parliamentary procedure. It is expected that the draft will be further developed and this policy brief will be taken into consideration in this process.

Our research⁸ identified stream of historic development and tracked the legacy.⁹ In this perspective, the legal framework in different historical periods created different conditions for development of SEs with some periods being more enabling than others. In some cases the legal framework created barriers which influenced the continuity of existent SEs. However, social entrepreneurship activity existed regardless of the legal framework and political system at the time. Many SEs established over a quarter century ago remained continuously active providing services to different extends.

Through analysis of the legal environment, historical legacy and surveys of existing SEs¹⁰, the following current SE typology is identified with our research¹¹:

- Social organizations embodying historical legacy and continuity;
- Non-profit entities registered as associations and foundations performing mission related or non-mission related economic activities;
- Sheltered companies as work integration type of SEs;
- Cooperatives (mostly agricultural);
- Social entrepreneurship activity (informal and formal within existing associations).

There is a strong relation between civil society and social entrepreneurship.¹² CSOs are interested in the concept and the research shows that most frequent initiator for the establishment of the SEs is either group of citizens or non-profit association. The Association is the predominant legal form of the surveyed SEs. Our research showed that, surveyed SEs have social mission addressing the following aspects: a) advancing the human rights and social integration of a particular vulnerable group; b) education and various forms of social innovation; c) economic empowerment of members and/or target groups; d) providing services to a particular, most often vulnerable target group. For the majority of surveyed SEs, the mission is directed towards creating public good in the community rather than

⁶ See: Government of the Republic of Macedonia, *Strategy for Cooperation of the Government and the Civil Society Sector (2012-2017)*, Skopje, June 2012, pp.55-57; Ministry of Labor and Social Policy, *National Action Plan for Employment of the Republic of Macedonia 2014-2015*, Skopje, May 2013, pp.30 and Government of the Republic of Macedonia, *Program of the Government of the Republic of Macedonia (2014-2018)*, pp. 43.

⁷ Ministry of Labor and Social Policy, *Draft Law on Social Entrepreneurship*, Skopje, July 2015, Available at: https://ener.gov.mk/default.aspx?item=pub_regulation&subitem=view_reg_detail&itemid=cnPYla8CJEtMQ5uvaMslDg%3d%3d (Retrieved on 13.08.2015).

⁸ The research on social enterprises was conducted using the methodology of the International Comparative Social Enterprise Models (ICSEM) Project. ICSEM involves around 50 countries in the world and aims to build knowledge about emerging or already well-established social enterprise models across the world, following common guidelines so as to foster international comparative analysis.

⁹ See: Kusinikova, Nikica. and Mirchevski, Viktor. *“Working paper: Social Enterprises in Macedonia: The Civil Society Perspective”*, unpublished, 2015.

¹⁰ ICSEM project hasn't chosen any precise conceptualisation of the social enterprises and uses the broader definition. The field of SEs covered with the research is “made of organisations that combine an entrepreneurial dynamics to provide services or goods with the primacy of their social aims”.

¹¹ See: Ilijevski, K. Iloska, A. Kusinikova, N. Mirchevski, V (et all), “Social Enterprises – Possibilities for Work Integration of Marginalized, project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises”, Skopje, Public and Konekt: 2016.

¹² *Idid.*, *Supra* note 3

distribution of the profit. The surveyed SEs serve diverse target groups provide a wide range of products and services which are central or related to the social mission. Most frequent target groups are: persons with disabilities, youth and agricultural producers.

The surveyed SEs have a diverse financial structure. In terms of their total assets, over half of the SEs surveyed have total assets below 100.000 Euro. The sales to private or public entities as well as the philanthropic monetary resources are revenue source for largest percentage of the surveyed SEs i.e. each of them is present in the revenue mix of 65% of the 23 surveyed SEs. Most of the funding from philanthropic funds comes from international foundations. For majority of the SEs (52%), the existing revenue mix is not adequate and does not ensure financial sustainability of the social enterprise. According to the opinions of surveyed SEs the sales to private entities is the most desired source of revenue which would bring sustainable mix of funding. Almost two thirds of the surveyed SEs are reinvesting the net income back to the social enterprise. The surveyed SEs in Macedonia have participatory decision-making and constituency base tightly related to their primary social mission and active citizenship rather than the financial aspect of the organisation.

Identified challenges of the social enterprises

In general, the identified obstacles identified by the SEs that need to be removed are as follows:

a) External factors

- Lack of enabling legal environment that includes: recognition of the SEs, tax incentives, subsidies and other financial support.
- Lack of support infrastructure for the SEs such as accelerators, access to capital etc.
- Lack of interest and economic stability of the potential customers for buying the products/services the SE offers.
- Lack of adequate state governance principles and lack of adequate system for financing social and other services provided by the SEs and non-profit organizations in general.
- Difficulties to access qualified workforce.
- Lack of flexible labour market policies to allow innovative approaches to work engagement of marginalized groups.

b) Internal factors

- Limited capacity and resources of the SE to grow and provide higher professional services.
- Lack of effective and efficient system for sales and distribution.
- Low level of solidarity among the constituencies.

Marginalized groups

Most often stated reason for unemployment by representatives of marginalized groups are: 1) limited possibilities for employment, politicized labour market; 2) discrimination and 3) discouragement by different social factors. Despite these challenges, most of the respondents expressed strong willingness and readiness to enter the labour market and most of them noted that they would be satisfied with salaries in line with the average salary in Macedonia, or even lesser. Job preferences for all target groups, except for the youth and addicts are mostly low-skilled jobs, while youth and addicts listed position which are in line with their education and qualifications. Surprisingly, if required to participate in additional training almost half of the respondents (41 in total) do not recognize the need for training and job pre-qualifications. Approximately 30% of the respondents declared themselves as users of social benefits. For most of them the amount varied from 23 euros to 100 euros and all of them declared that

the amount they receive was not enough for basic expenses such as food, utilities or clothes. Additionally all respondents - recipients of social assistance declared that it is very important to continue to receive social benefits, because in this way they can cover some monthly needs. On the other hand, most of the respondents that are not users of social assistance are willing to become one or are already in a procedure. However, most of the respondents stated that they would prefer to have a long-term job than to receive benefits/ social welfare, despite expressing fears of the instability and insecurity of the labour market. Overall, individuals from marginalized groups are willing to work, but need preparation and individual support to enter the labour market.

Identified challenges of the marginalized groups

Through the conducted interviews with representatives of marginalized groups (youth, persons with disabilities, woman, homeless, unqualified/ uneducated, Roma and addicts) the following challenges were identified:

- Limited opportunities for employment.
- Lost living habits create barriers to enter labour market.
- Lack of transitional employment models and programs.
- Closed communities (persons with disabilities, woman, homeless, Roma and addicts) results in passiveness and exclusion.
- Social welfare system is not in line with specific needs.

Employment of marginalized groups in social enterprises

In terms of the human resources, surveyed SEs have small scope of operations i.e. most of them have less than 5 full-time employees. Regarding the employment of people from marginalized groups, 7 of 23 SEs do not employ people from any marginalized group. They mostly employ people from different ethnic groups, people with employment barriers and people with physical or intellectual disabilities. Almost half of the surveyed SEs in their employment policies and practices give priority to the people from the marginalized groups.

Based on the context analysis and the survey, we can conclude that the existent SEs have limited capacity for absorption of full time employment on a larger scale. Nevertheless, the SEs provide significant support in the transition of persons from marginalized groups from passive recipients of social welfare to active actors on the labour market through various models of temporary and/or part-time work, training, developing soft skills, and networking. They are addressing the challenges identified by the marginalized groups such as the loss of life and professional habits, social isolation and the need for individualized approach.

However, the experiences of the SEs show that the existing labour and social protection legislation lack flexibility towards such innovative forms of work engagement and do not enable full utilization of the potential of the social enterprises. In addition, the SEs dedicated to employment of marginalized groups do not enjoy advantages in the access to the market such as preferential treatment in the public procurement etc. Consequently, it is necessary that the public policy addresses these issues and encourages the development and growth of the social enterprises thus increasing the potential for employment of marginalized groups.



Policy options/ alternatives

Considering the existing country context, historical legacy, the findings from the analysis and the surveys, and the European practices in the field of social economy, the following policy options/ scenarios are identified in the case of Macedonia.

Policy option 1: Status quo. The conducted research shows that SEs exist and operate within the current legal framework. SEs are established as legal bodies under the current laws (Law on Associations and Foundations, Law on cooperatives and the Law on Employment of Persons with Disabilities). In such environment the SEs can formally and de-facto operate. However in terms of recognition and development of social entrepreneurship the status quo will result in: 1) absence of state definition of the overall concept of social entrepreneurship and social economy; 2) absence of official data for following the progress of the social entrepreneurship; 3) lack of recognition of the specific contribution of the SEs to the social justice and equitable development; 4) existing legal barriers will remain and 5) lack of legally secured state support for development of SEs and social economy. Regarding labour integration of marginalized groups, the model of work integration SEs will remain to dominantly operate under the existing Law on Employment of Persons with Disabilities. The existing state subsidies for the employers of people with disabilities can be used by all legal entities besides the sheltered companies. The work integration SEs that are based on preparation of the marginalised groups to be integrated on the labour market are securing small scale possibly for work engagement as CSOs. Nevertheless, the current employment and social security policies and procedures do not provide sufficient flexibility and mechanisms to stimulate other forms of work engagement beyond formal employment. This will leave the work integration models implemented by the SEs in the “grey” zone and will be subject to case-by-case agreements with the relevant public institutions instead of creating systematic solutions.

Policy option 2: Draft Law on Social Entrepreneurship adopted as it is. The draft law¹³ defines and regulates principles, forms and activities of social entrepreneurship; the criteria for setting up and running a social enterprise; and the recording, reporting and supervising of the SEs. The definition of social entrepreneurship is quite wide and allows for wide array of activities within the social entrepreneurship. However, it has strong inclination towards employment of certain vulnerable groups which is pointed out as a primary reason for introducing the law. The definition is explicitly stressing that „profits are used for employment of certain socially excluded or vulnerable social groups“ even though it does recognise that profits can be also used for solving community problems and needs¹⁴. According to the draft, the status of SEs can be obtained by wide range of legal bodies which entails the current legal statuses under which the SEs operate and additionally adds business entities. Key condition for obtaining SE status is permanent employment of at least 1 employee who belongs to the limited list of beneficiaries within the first year and at least 1 more by the end of the second year¹⁵. The

¹³ Official Draft Law on Social Entrepreneurship was released on 28.07.2015 via the National Electronic Registry of legal acts in Macedonia (ENER). See: Ministry of Labor and Social Policy, *Draft Law on Social Entrepreneurship*, Skopje, July 2015, Available at: https://ener.gov.mk/default.aspx?item=pub_regulation&subitem=view_reg_detail&itemid=cnPYIa8CJEtMQ5uvaMslgd%3d%3d (Retrieved on 13.08.2015).

¹⁴ Ibid. Article 3.

¹⁵ See: Ibid. Article 12.

administrative procedure for obtaining of the SE status is defined with limitations for profit entities. Rules for property management; non-profit clause and limitation of distributing profits are defined.

The draft law aims to enable stakeholder representation in policy development and outlines measures for encouragement of SEs. The measures are broadly defined, and responsible institutions are appointed. State budgetary resources aid is available only for SE in which 40% of the workforce is part of the vulnerable groups listed as beneficiaries of the draft law.¹⁶ Authorized institutions for supervision are defined. Penalties for offences and misdemeanours are ranging from 500 to 10.000 euro.

If the draft law is adopted in the current form several positive effects would be expected such as:

- Legal recognition of SEs with definition that integrates the key dimensions of the Social Business Initiative of the European Commission: entrepreneurial, social and governance dimension.¹⁷
- Unlimited types of economic activities that can be conducted by SEs.
- State support for work integration type of SEs can influence their development. However, it is not clear whether financial support will be available since the draft law stipulates that there will be no financial implications for the implementation of the law.
- System for state support is envisaged. Measures for support of SEs will be developed. However, many measures will be focused solely on employment of marginalized groups.
- Employment of marginalized groups of people defined by the law will be stimulated.
- Cross-sector Council will be established to coordinate the policies and will include SEs.
- Adequate data on the SEs will be available.

Limitations of the current draft law may result in the following undesirable effects:

- SEs will be defined as entities that employ marginalized groups and will restrict the conceptual clarification of the concept. The state definition will be limited to the work integration type, not recognizing other SE forms and the historic legacy. More than half of the SE we surveyed do not prioritize the employment of marginalized groups. Additionally, several SEs have pointed out that their mission is not related to work integration models.
- The beneficiaries are defined categories of unemployed persons. The law doesn't recognise that the beneficiaries of the SEs can be whole communities, deprived areas etc. The law has limited scope of beneficiaries that doesn't fully correspond to the needs of the established SEs. Although, the list contains several broad categories based on age and employment status, it does not include identified categories of marginalized groups that are already employed/ work integrated by SEs such as: homeless persons and street youth.
- The measures provided by the law will not be opened for all existent and potential SEs. Moreover, there is a possibility that no tax benefits and measures will be effectively introduced which will leave the law with too many obligations without any benefits.
- Legal entities may not be motivated to register their status of SE because of several reasons: 1) the law will not correspond to their concept of operating; 2) potential SE will not be able to fulfil criteria for obtaining SE status (permanent employment of at least 1 employee and at least 1

¹⁶ Ibid. Article 26.

¹⁷ See: European Commission, Internal Market and Services: *The Social Business Initiative of the European Commission*, Available at: http://ec.europa.eu/internal_market/publications/docs/sbi-brochure/sbi-brochure-web_en.pdf and Charu Wilkinson, C., Medhurst, J. et al, "A map of social enterprises and their eco-systems in Europe" European Commission, Employment Social Affairs and Inclusion: December 2014., pp. 2.

more in the second year. Majority of the surveyed SEs have less than 5 full-time paid workers; 3) administrative burden and unclear registration procedure; 4) high penalties.

- The Council of Social Entrepreneurship may not ensure adequate inclusiveness and participation of relevant stakeholders since its members are appointed by the Government.

Policy option 3: Overall and broad regulation of social entrepreneurship and social enterprises. This scenario considers the possibility the social entrepreneurship to be regulated in broader teams with a goal to promote and stimulate it, but not over-regulating it. Introduction of new regulation in this option would aim to:

Define and recognise broader concept of social entrepreneurship and social enterprise. The definition of SEs will be based on broader aspects of social entrepreneurship and would not have predominant focus on one model. Such definition will provide guidance on main features of the SEs. The formalization of the SEs will not foster one of the existing models opening space for new and innovative social business. The definition should establish basic SE criteria such as: social mission; entrepreneurial activity, asset lock and limitation of distributing profits; ownership rights and participatory governance. It will be also inclusive for all legal forms that the SEs can take. This will emphasize that the SEs focus is on solving problems of a particular group or community and “the aim to create and sustain social value”¹⁸. The definition should consider the social entrepreneurial idea and not solely the organizational form, so to recognize the social entrepreneurship activities that exist as a programme/project within a larger organisation as it is the case with 10 surveyed SEs.

Recognize SE status in line with historic legacy and the existing SE models. By regulating the SE status all existing SE models can be recognized. Broad definition of SE and social entrepreneurship will define soft criteria for obtaining the status. This option includes several possibilities: 1) grouping different legal entities for managing a SE; 2) SE status obtained by existing organization that fulfils criteria; 3) project and programs to obtain the status; 4) new legal entities to obtain the status in process of registration.

Introduce general scope of the beneficiaries, production of goods and services. In order to enable diversified social economic models and not to restrain the entrepreneurial spirit, this option can integrate general defining of SEs. Open space for production of goods and services and generally defined beneficiaries (not limited to marginalized groups however, limited to social mission) will enable development of diversified concepts of SEs.

In terms of the work integration models the law will be not limited only to providing formal employment including existent SEs that provide temporary work engagement supporting their inclusion into the mainstream labour market. This is in line with identified fact that the full employment of persons from marginalised groups requires transition during which the SEs can make the most significant impact.

Define support measures available on equal grounds and across the policies. This option predicts a possibility support measures to be defined in the Law. Precisely defined measures will contribute to the development of the existent SEs and emerging of new ones. It is necessary the measures to be utilized by all models of SEs. The measures would include: 1) flexible approach regarding work integration of marginalized groups and possibility for combining small honoraria income and social welfare; 2) tax incentives and various forms of financial support; 3) capacity building. The measures of financial support need to make clear distinction between: a) covering operational costs of the SEs (through outsourcing of social services from the public institutions to the SEs, subsidies for employment, project grants,

¹⁸ Galera, Giulia. and Borzaga, Carlo. “Social enterprise: An international overview of its conceptual evolution and legal implementation”, Social Enterprise Journal, Vol. 5 Iss: 3, pp.210 - 228

preferential treatment in public procurement etc.); and b) start-up and scaling-up SEs which includes loans, start-up grants, social impact bonds etc. It is important that the benefits and support to SEs is clearly defined and integrated across relevant regulation, especially in the case of tax benefits, financial subsidies, outsourcing of services etc. This will prevent discouragement for obtaining the status.

Administrative burden and requirements proportional to the size of the SEs and the benefits the State is providing. Taking into consideration the existing size of the SEs and their challenges, the administrative requirements on registration, reporting, documenting etc. will aim to encourage transparency and accountability without creating burden. The level of non-profit distribution constraint will also depend on the tax incentives and other State benefits and support.

Policy option 4: Amendments in the existing legal framework. This scenario offers an option within the existing legal framework accompanied with support measures defined in strategy. The scenario includes:

Definition of social entrepreneurship in the existing regulation by amendments of the Law on Associations and Foundations, Law on Employment of Persons with Disabilities and Law on Cooperatives. Special chapter on social entrepreneurship in these laws will be introduced having in mind the existent special features of the legal entity (SE model) that the particular law regulates. In order to define themselves as SE the legal entities will be required to introduce statutory changes. Possibilities for adopting the concept of SE by a legal entity that operates under the other company laws will be made possible by amendments of the registration forms and possibility the existent companies to integrate rules on profit distributions, governance, social values etc.

Measures defined in policy. Active measures for development of SEs will be defined in national strategy. Measures will be diversified and can be custom-made for each SE model. The measures will be revised following the dynamic of development of the SEs in the country. Existing tax laws will be amended to provide tax benefits and incentives for the SEs. Support measures would require specifically defined eligibility criteria (in correlation to the characteristics of the SEs).

This scenario requires adequate legal approach for the legal amendments. The postulates of social entrepreneurship should be equal in all legal interventions. Also, the changes in each law should correspond to the legal entity and the field of regulation (CSOs, cooperatives, sheltered companies etc.). The possibility for other business entities to register and adopt the concept of SEs opens opportunity for emerging of new entities. This option opens opportunity for internalization of standards of social entrepreneurship in the internal acts of the organizations. The statutory changes will be adequately reflected in the Central registry and in this way official data base of SEs will be created. Policy document for active measures for support of SEs provides opportunity for following the needs of the sector and the dynamic of its development. Tax deductions may require tax laws amendments.

Recommendation: the best policy option

Strategic state support for development of SEs is essential. In contrary, the SEs will remain dependent on foreign aid and will not be integrated in the market. This will limit their potential to grow and provide meaningful solutions to existing social challenges including the employment of marginalized groups. The absence of law governing this specific subject (“lex specialis”) or other options for regulation of SEs is resulting in several needs: 1) defining the concept of SEs on state level; 2) removing all legal obstacles for functioning of the SEs; 3) programs and active measures for state support; 4) fiscal and tax incentives; 5) local support on municipality level; 6) capacity building and education; 7) official data base

of SEs. From this reasons, the status quo scenario (*policy option 1*) does not offer environment for strategic development of the SEs.

Several EU countries (Belgium, Denmark, Finland, Lithuania, Slovakia and Slovenia) have legal status for SE.¹⁹ Definition and recognition of SE contributes to conceptual clarification²⁰, thus adequate approach that will not limit the future development of the social entrepreneurship in Macedonia is necessary.

The existent initial draft law should be thoroughly revised because it does not correspond to existing needs and research findings presented. The scope of the draft is limited to the work integration type of SEs. This narrows the definition of the social entrepreneurship exclusively as an alternative for employment of marginalized groups. The regulation of SE status on broad premises reflects the existent context of social entrepreneurship in the country. The policy options 3 and 4: recognize all existent forms of SEs and offering broad framing of the social entrepreneurship; adequately embody the historic legacy and the current context; do not constrain the models of the SEs in terms of beneficiaries and offer support measures on equal and specific grounds. However, the policy option 4 as a legal approach is not used in Macedonian legal praxis except for systemic laws that require legal approximation and internalization of amendments in broader scope of laws. Moreover, the definition of the social entrepreneurship that this option will offer will remain in the framework of different laws and policy documents. Thus, it might create confusion among the stakeholders and will not contribute to common understanding of the concept of social enterprise. In addition, measures defined in policy documents in the Macedonian context do not have the same strong binding effect as when regulated in law.

For all of the above reasoning, **the policy option 3 is preferential and most adequate for implementation**. This status of SE will correlate to the existent typology recognizing, defining and promoting the concept of social entrepreneurship more broadly. The SEs will be defined by their key characteristics, but in the same time the specifics of the existent entities will be recognized. The definition of SE in the country should include the following broad elements: 1) social mission 2) entrepreneurial/ economic activity 3) democratic governance 4) asset lock and limitations on distributions of profits. The definition should not be limited (or predominantly focused) to the work integration model.

The policy should take into consideration all current legal forms in which SEs operate. The possibility for obtaining SE status will be opened to: existing and new organizations; projects and programs; and more than one legal entity. This will motivate development of entrepreneurial spirit in terms of social economy by recognition of all existing forms of SEs and motivation emergence of new ones. Since 10 of 23 SEs covered by the research are projects/programs, this type of policy scenario will fit their circumstances. Within the implementation of this scenario, special emphasis should be given to the administrative procedure for obtaining the SE status. Elevation of the administrative burden will motivate utilization of the status. The status can be confirmed by relevant ministry/ special authorized state agency or other bodies. The measures in this scenario are legal obligation and should be strategically designed aimed to provide infrastructure for support SE's development. At the same time, the measures should not motivate emergence of new legal entities that will be established strictly because of available financial support. It is important that the available financial support (including the EU funding) corresponds to the absorption capacity of the existent SEs.

¹⁹ Charu Wilkinson, C., Medhurst, J. et al, "A map of social enterprises and their eco-systems in Europe" European Commission, Employment Social Affairs and Inclusion: December 2014., pp. 10.

²⁰ Galera, Giulia. and Borzaga, Carlo. "Social enterprise: An international overview of its conceptual evolution and legal implementation", Social Enterprise Journal, Vol. 5 Iss: 3, pp.210 - 228

The introduction of overall and broad regulation of social entrepreneurship and SEs should aim to:

- Define and recognise broader concept of social entrepreneurship and social enterprise;
- Recognize SE status in line with historic legacy and the existing models of SEs;
- Introduce general scope of the beneficiaries, production of goods and services;
- Define support measures available on equal grounds and across the policies;
- Create administrative burden and requirements proportional to the size of the SEs and the benefits the state is providing.

In the operationalization of this recommended option the institutions should enable participatory policy-making process via dialogue and stakeholder engagement. Cooperation and coordination in the policy defining process between different institutions that recognize the importance of social entrepreneurship is also an essential part of the process. In accordance to the regulations, national strategy for social entrepreneurship should be developed which will precisely define measures for support of SEs. Local level strategies will enable incorporation of local needs and involvement of local self-government. Furthermore, Government financial support measures will enable development of all types of SEs. These measures should be defined on the basis of: current absorption capacity; needs of SEs such as microfinancing; utilization and giving priority to SEs in existing state support mechanisms such as public procurement.

For broadening the capacity of SEs to employ, activate and build the capacity of marginalized groups to participate on the labour market, policy review and revision is recommended. Namely, **more flexible labour and social welfare regulation is needed and adequate law revisions should be conducted**. This should be defined on basis of further analysis of the obstacles that this regulation creates such as for example, when a user of social welfare receives short-term work engagement by a SE. In order to facilitate the work integration of marginalized groups, the institutions should **establish Protocol** on how to access the readiness of socially excluded person to enter the labour market based on successful practices of SEs that work in the field of work integration of marginalized groups.

The active **assessment of the regulatory impact** effects of the measures is necessary for possible future redefinitions and fine-tuning.

From the other side, **the donor community** should define its support for social entrepreneurship in line with the absorption capacity of the existing and potential SEs. The donors should correlate their support to the existing state mechanism for support and avoid overlapping. The supported interventions should be in accordance to SEs` needs for: capacity building; exchange of knowledge and best practices; building the demand side for SEs comprised of consumers of goods and services provided by SEs (including the public institutions) etc.

SEs should take active role in advocacy during future legislation and policy development aimed at integration of their needs. SEs should **educate the existent and potential demand side** (consumers and users of goods and services) about the benefits of social economy in order to be integrated on the existent market of goods and services. The social change that they want to achieve will be enabled by: **coordination** of efforts in mutual mission-based fields of work; **professionalization and standardization** of their services; networking and knowledge sharing based on best practices.



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