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**From:** McCarthy, Olive [REDACTED]  
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**Attachments:** Centre for Co-operative Studies Submission National Social Enterprise Policy.pdf

Please find attached the response of the Centre for Co-operative Studies, University College Cork, to the Social Enterprise Policy Consultation.

Dr. Olive McCarthy  
Director, Centre for Co-operative Studies,  
University College Cork

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# National Social Enterprise Policy for Ireland 2019-2022

## Submission to Public Consultation

### From: Centre for Co-operative Studies, University College Cork

We welcome the Draft Policy Document on the National Social Enterprise Policy for Ireland, 2019-2022 and also the forthcoming strategies to support the Community and Voluntary Sectors in Ireland and the new National Volunteering Strategy. However, we would argue all of these should come under the umbrella of broader policies on the Social Economy and of course Social and Economic Development. Strategies then on social enterprise, community and voluntary sector, co-operatives and volunteering and so on would fall under these broader directional policies.

We are essentially reviewing the Draft Policy Document from the perspective of cooperatives, which the draft policy acknowledges are part of the social economy in foot note

1. A co-operative can be very simply defined<sup>1</sup> as;

*a self-help business owned and democratically controlled by the people who use its services. (Briscoe & Ward, 2000)*

A particular strength of the co-operative model is its emphasis on democratic governance and, therefore, we believe the final policy would benefit from a greater focus on cooperatives. Social enterprises may be governed co-operatively, but they also may be governed in less democratic ways. Possibly, this is the stumbling block in defining social enterprises where the role of user control and ownership is often ill-defined and is usually exercised indirectly through a board or trust (who may not have a direct democratic mandate from the users of the service) and their accountability is to their primary funding source (either the State or philanthropists) rather than the users.

Given the applicability of the co-operative model across the broad spectrum of social and economic activity, it is understandable that co-operatives are not directly included in the social enterprise definition. However, when a social enterprise is owned and controlled by the user of the service, this is effectively the co-operative model of governance in action, irrespective of the specific legal entity chosen. If a social enterprise is governed under the cooperative model (with user ownership and control) there is a greater likelihood of user empowerment, sustainability of the enterprise, accountability to stakeholders, transparency, longevity and grounded social innovation. The value of the co-operative governance model and its application to social enterprises needs to be more clearly recognised and elaborated on throughout the policy document.

There is also a need for a background context on the role of social enterprises in the wider social and economic system. For example, what sectors are social enterprises most applicable to and what role will social enterprises play in service provision (replacing government or in partnership with). And if

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<sup>1</sup> For a more detailed definition from the International Co-operative Alliance, see Appendix 1.

involved in service provision, how can social enterprises provide a universal service? The policy document would benefit from a deeper discussion of these questions.

## **Definition of Social Enterprise**

As indicated in the Draft Policy Document, there is no one definition of social enterprise. Social enterprises tend to be broadly defined, incorporating many different types of entities, ranging from private companies (with a social interest), corporate social responsibility, philanthropist driven social businesses, social services providers, NGOs with an enterprise dimension, work integration social enterprises, community businesses and so on. Such a wide range of entities, with different funding sources and varying levels of user control and input, does not lend itself to a neat definition that can be easily supported in legislation. This difficulty in defining is also problematic in terms of provision of support. A solution could be to aim not for one unitary definition but a categorisation of social enterprise governance types based on level of user control and input, which in turn could be linked to the provision of funding and support.

The document could be stronger on the role of governance and accountability, particularly in relation to **user ownership and control**. Co-operatives offer a tried and tested model, enshrined in legislation. While the co-operative model has relevance to a broad range of organisations and contexts, it has particular merits in the social economy sector. We would have a concern about narrowing social enterprises to a not-for-profit space. This is unnecessarily limiting and sends out a confusing message in terms of building economic sustainability in order to achieve a social objective. Jones, a Scottish co-operative researcher prefers to talk about 'not just for profit' rather than 'not-for-profit'. We believe this sums it up well.

We are of the view that the definition used in the Draft Policy Document would need to be re-examined as it is unnecessarily limiting for social enterprises.

## **Policy Objective One: Awareness**

A greater awareness of social enterprises is welcome but, where appropriate, policy should encourage greater use of the co-operative model of governance. We agree with the Society for Co-operative Studies in Ireland's submission to the IPS review which states

*"The Forfas report 'Social Enterprise in Ireland' published in 2013 and the Government's White Paper on 'Ireland's Transition to a Low Carbon Future' in 2015 both identified the co-operative model as being core to developing community based enterprises in each sector. However, the take up of the co-operative model has been slow for a variety of reasons. There are limited supports to animate activity in the social enterprise and community renewable energy sectors. There is also a lack of understanding of the model by many professionals dealing with incorporating legal structures but we also believe the barriers to greater take up of the cooperative model are a result of the outdated legislation which in turn has led to Industrial and Provident Societies to be less attractive an option than the legal forms under the Companies Acts" (SCSI Submission to DJEI on the review of the IPS Acts 1893-2014, January 2017).*

The experience of the Centre for Co-operative Studies would indicate that professionals (such as solicitors, accountants and business advisors) and enterprise development agencies need to have greater awareness and understanding of social enterprises and the co-operative model. The FAS Co-operative Development Unit had some success in promoting the co-operative approach directly with these professionals. The Centre for Co-operative Studies is the only third-level centre working to promote awareness of social enterprises and co-operatives and runs a number of masters programmes in this area (MSc Co-operatives, Agri-Food and Sustainable Development and the online MSc Co-operative and Social Enterprise).

There is a need for greater support for entrepreneurs, managers and practitioners within the social enterprise sector to partake in relevant education. The provision of a progression path, from short training courses to more advanced educational programmes, is important for the development of the sector. The Centre for Co-operative Studies and associated Department of Food Business and Development has vast experience in delivering social enterprise programmes which focus on the developmental needs of the sector (including governance, marketing, innovation and enterprise, leadership and people management).

## **Policy objective two: Growing and Strengthening Social Enterprise**

### ***Business Supports***

The co-operative support organisations, as is their custom, would most likely be willing to engage with a wide range of social economy organisation who wish to use the co-operative model, including the Irish Co-operative Organisation Society (ICOS), Co-operative Housing Ireland (CHI), UCC's Centre for Co-operative Studies, the Society of Co-operative Studies Ireland, the Irish League of Credit Unions (ILCU), Co-operative Housing Ireland, the Plunkett Foundation (Ireland), Co-operative Alternatives. These organisations provide a valuable support infrastructure which is already in place, with a long history and experience in supporting start-ups and mentoring their development.

### ***Leadership and Governance***

As indicated earlier the policy document could be stronger on the role of governance and would benefit from a short discussion of the co-operative model and direct applicability to social enterprise. A greater discussion also in terms of how governance can be grounded in user need and community is important.

### ***Finance***

Care needs to be taken that the governance model is sufficiently robust and grounded in legislation, so as to protect public finances. The established co-operative model has much to offer here. In addition, as indicated earlier, funding could be linked to the level of user control and input.

As social enterprises often grow out of communities, they have an affinity with credit unions, which are one of the most successful social enterprise sectors in Ireland. Financial expertise within credit unions could also be explored at a local and national level. Both credit union sector and social

economy policy initiatives would benefit from further dialogue. As indicated earlier, funding could be linked to the level of user control and input

### ***Enabling Market Opportunities***

The co-operative model could offer particular advantages in enabling social enterprises to achieve the scale required to take advantage of market and procurement opportunities. Training supports in relation to tendering processes are also required to enable social enterprises to compete for contracts on a level playing field with commercial enterprises.

## **Policy Objective Three – Achieving Better Policy Alignment**

### ***International with national and international policies***

Co-operatives exist in almost every country in the world and across a wide variety of contexts and governance regimes. The co-operative movement has been in existence since the Industrial Revolution. It is important to draw on the lessons learnt over this long history. This expertise can be tapped into through the Irish co-operative development bodies (as outlined earlier) and also through the massive international and global resource of experience and learning which can be accessed through the support organisations in Ireland. The Centre is well linked in with a number of International support organisations such as International Cooperative Alliance (ICA), International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), International Labour Organisation (ILO), Cooperatives UK and Co-operatives Europe.

### ***Data and Impact***

We would welcome the actions which consider establishing a reliable evidence-base for social enterprises. The Centre for Co-operative Studies is in the process of initiating a data mapping exercise for co-operatives in Ireland which has the support of the International Co-operative Alliance (ICA) and International Labour Organisation (ILO) and the co-operative umbrella bodies in Ireland. Further support for this initiative would be very welcome. At any rate it would be highly relevant to social enterprises who opt for the co-operative governance model.

We would welcome the opportunity for further dialogue on any of the issues raised in this submission and would be very open to inputting into the development of current and future policies and strategies on this important area.

## APPENDIX ONE: What is a cooperative?

Cooperatives are **people-centred enterprises** owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.

Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the '*one member, one vote*' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

As businesses **driven by values**, not just profit, cooperatives share [internationally agreed principles](#) and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create **sustainable enterprises** that generate long-term jobs and prosperity.

Cooperatives allow users to take control of their economic future and, because **they are not owned by non-user shareholders**, the economic and social benefits of their activity stay in the communities where they are established. Profits generated are either reinvested in the enterprise or returned to the members.

The cooperative movement is far from being a marginal phenomenon, **at least 12% of humanity** is a cooperator of any of the 3 million cooperatives on earth.

(Reference: International Co-operative Alliance: <https://www.ica.coop/en/cooperatives/whatis-a-cooperative>).