



International Comparative Social Enterprise Models

## Social Enterprise in Sweden: Intertextual Consensus and Hidden Paradoxes

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## PREFACE AND ACKNOWLEDGEMENTS

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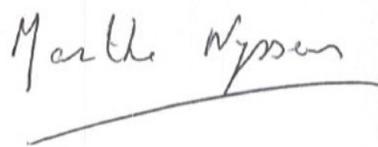
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## ABSTRACT

*There are currently no specific legal structures or exclusive regulations for social enterprises in Sweden. But there are different “versions” and the phenomenon attracts attention both in the general debate and among policy makers, in spite of different and at times vague definitions. The Swedish setting highlights social enterprises in a welfare society in transition. The public sector that has dominated the provision of social services is now partly replaced by competition-based models for procurements, in which different types of actors are to compete for contracts. The different types of social enterprise that can currently be identified in Sweden take slightly different roles in relation to the state as well as to other actors in society.*

**Key words** *Social enterprise, social entrepreneurship, societal entrepreneurship, social economy, civil society, welfare state, welfare society, Sweden.*

## INTRODUCTION

The interest in social enterprises seems to be global. This is not surprising, since social challenges and some kind of response to these challenges are universal. But the common and “universal” terminology, in spite of certain variations, also raises questions about the “phenomenon” of social enterprises. In this paper social enterprise will be elaborated on and related to the Swedish context, which includes their role(s) in relation to the organization and reconsideration of a welfare state.

The concept of *social enterprise*, as well as that of *social entrepreneurship*, were introduced in Sweden in the 1990s and have since then become increasingly common in practice, policy and academy. They are often used together with—and sometimes as synonymous with—*societal entrepreneurship* (which will also be elaborated on later in this paper). The debates in which these concepts are used are also often related to discussions on the role of the public sector, civil society and (ordinary) enterprises in the organization of the commons as well as to the issue of meeting and coping with current and future challenges. This means that these concepts relate, on the one hand, to a debate of society at large. On the other hand, they relate to specific discussions on conditions for and form of initiatives dealing with social activities.

But the “phenomenon” or “phenomena” as such have a much longer history. Without going back to the “dawn of time”, the current practice of and debate on social enterprises is based on and palpably influenced by the extensive and strong welfare state that emerged during the early twentieth century and has since then characterized the Swedish (and Nordic) society.

Methodologically, this paper is based on many years of research on social enterprises, social entrepreneurship and civil society as well as on work on “mainstream” entrepreneurship, where business “logics” dominate the field. In total, these studies have covered approximately 150 cases/initiatives and studies of the policy development related to these phenomena. These studies have included some quantitative analysis, but first and foremost they have been conducted using a qualitative approach. Documents in the form of both official and informal reports have been complemented over time with a large number of interviews, observations of everyday operations and meetings. A more developed methodological account is found in Gawell (2014a, 2014b).

In the first part of this paper, the historical trajectory and the different concepts used in the Swedish context will be elaborated on. In the second part, the main social enterprise models in Sweden will be presented. In the third part of the paper, the institutional trajectories of these social enterprise models in Sweden will be described; a concluding discussion will follow.

## CONCEPTS IN (SWEDISH) CONTEXT

In this section the Swedish historical trajectory is first described and then followed by an account of the current context and debate related to social enterprises. This account includes also other concepts than *social enterprise*, which in different way portrait both historical trajectory and the current context. They all, however, relate to an understanding of social enterprises in Sweden.

## Historical trajectory

During the nineteenth century poor people's protests were partly hearkened by an emerging middle class that was influenced by an international humanistic movement. There were several initiatives to reach out to poor people and others in need during this time. Some of those initiatives became the basis for today's large organizations. In Sweden, the labour movement, the temperance movement and the religious revivalist movement played an important role in the transformation towards a democratic welfare society during the latter part of the nineteenth century and early part of the twentieth century. In this transformation, highly influenced by the social democratic movement, the state was ascribed an active role in creating a welfare society as a *good home for all citizens based on consensus and equality*. It was called *Folkhemmet* ("people's home") and it was an explicit vision from the 1930s and at least into the 1970s (Larsson 2008). The "spirit" of *Folkhemmet* influenced policies in such areas as housing, education, health care, child care, elderly care and taxation (Larsson 2008).

The Swedish welfare model described above fits into the "socio-democratic welfare regime" in Esping-Andersen's typology of the different ways to organize welfare in societies (Esping-Andersen 1990); this type of welfare regime is characterized by the existence of a general public social security system and a high level of social services provided by the public sector. Social security and social services are primarily funded by a tax system based on individuals' income and contain redistributive features to facilitate equality between citizens (Esping-Andersen 1990).

In the "Swedish model", which dominated the Swedish society during a large part of twentieth century, hospitals, schools, child care, etc. were only to a limited extent operated by third sector organizations (Pestoff 1998; Stryjan 2001). Different types of non-profit organizations did exist, however. The most typical organization type was what has been named "popular mass movement organizations" (*Folkrörelse*). These organizations were, and still are, membership-based non-profit associations with a broad and open membership base and democratic governance structures. Leisure associations, alternative educational organisations with roots in adult education and other sectors made up (both in terms of number of associations and in terms of financial turnover) for the relatively small size of the third sector in the fields of health and social services, thus providing Sweden with a non-profit sector comparable to that of many other Western countries—but with special characteristics (Lundström and Wijkström 1997). These organizations were supported by the state based on arguments that they fostered democracy and mobilised social values such as solidarity, humanity and public health (SOU 2007, p. 66). The co-operative movement was also integrated in the development of *Folkhemmet*, and the co-operative principles are to a large extent consistent with the principles of *Folkrörelser*, even though there are some differences, relating primarily to members' economic interest (Pestoff 1998; Stryjan 2001). It can be argued that co-operatives were a kind of "*Folkrörelse*-businesses" in which people mobilized collective economic interests.

The relationship between the (local, regional and national) state and civil society was however paradoxical (Trägårdh 2007). On the one hand, this relationship was centralized and corporatist; but on the other hand, Sweden was a democratic society in which citizens had access to politicians both through formal channels and informal networks (Trägårdh 2007). The paradox has partly been governed through formal control. But even more often, a strong emphasis on finding collaborative solutions has facilitated a "consensus spirit" with corporatist tendencies. The Swedish labour market treaty from 1938 can be seen as an example hereof. It

was preceded by conflicts on the labour market and a parliamentary defeat to politically regulate working conditions. The Swedish Trade Union Confederation and the Swedish Employers Association then agreed on a negotiating model that has dominated the labour market for decades and is still part of the Swedish labour market's characteristics.

In the 1980s, and even more explicitly during the 1990s, shifts in debate and policy could be noticed. Deregulations were carried out in the financial sector, rail transport and electricity distribution, and public procurements were introduced. In 1992 a school reform facilitated the access of private schools to public funding. The same year, a more general law on public procurement was passed as a part of the adjustments implemented to prepare membership in the European Union (Sweden joined the EU in 1995). Since then health care, elder care and other related types of welfare services have to a large extent become subject to competition through procurements or different types of client-choice models. As a result, the number of private for-profit and non-profit service providers has increased. These changes were made both under social democratic-led governments (1982-1991 and 1994-2006) and liberal/conservative-led governments (1991-1994 and 2006-2014).

During these decades, economic, industrial and enterprise policies dominated the political debate (Gawell 2014a). The focus on economic growth almost displaced the third sector from public policies. Competitiveness and commercialisation were highlighted. The third sector, and discussions related to it, did still exist, however—even though they were slightly “put aside” until rather recently, when there was a renewed interest in civil society. This time the interest was first and foremost for civil society as “putty” in society—a creator of social capital, facilitating financial growth, and important for the advancement of innovations (Swedish Government 2008, 2012a).

Partly aside of the economic-growth-oriented policies, there has also been other changes related to the third sector. Some of the changes were primarily shifts in terminology. *Folkrörelse* (popular mass movement organization) was to a large extent replaced by the term *ideell organisation* (non-profit organization), which is more “neutral” in terms of specific characteristics or structures. Through the use of this term, other types of organizations, such as foundations, were recognized in the Swedish organizational landscape. It also allowed international comparisons (for example within the John Hopkins project on non-profit organizations) and through that highlighted some of the specific characteristics that Sweden to a large extent shares with the other Nordic countries (Lundström and Wijkström 1997).

With EU membership (1995), the term *social economy* was also introduced in Sweden (Swedish Ministry of Interior 1998; Swedish Ministry of Culture 1999). In Sweden, the discourse on the social economy was largely influenced by cooperative principles and the traditional *Folkrörelse* model, which share many similarities. By contrast, some other types of non-profit organizations, such as charities, had little influence; the term *charity* was even taboo in Sweden for decades, since it was associated with inequality and unfair dependency.

The term “civil society” (*civilsamhälle*) has become increasingly common since the turn of the millennium in general discussions, politics and research (Amnå 2005). The government used the concept of civil society when it launched a policy bill in this field in 2009 (Prop 2009/10:55). Even if the bill refers to all of the above mentioned concepts (as well as to social enterprises and social and societal entrepreneurship), this bill also introduces a policy approach to these types of organization that differs from the former focus on *Folkhem*/*Folkrörelse* relationship by a more abstract reference to a sphere of initiatives without specification of specific characteristics (Gawell 2014a).

This briefly sketched historical trajectory of the Swedish setting constitutes the background against which the current debate on social enterprises takes place. There is, on the one hand, an approach explicitly highlighting the aspiration for equality, (democratic) participation and bottom-up processes in which people (such as beneficiaries) have a right to represent themselves. This approach has a strong position both among representatives of traditional organizations and in public policies related to so-called disability- or user-organizations. On the other hand, there is an approach in which the identification of the needs to be met relies on civil servants and/or individuals that do not necessarily “belong” to the beneficiaries nor allow beneficiaries to formally participate in decision making. The way in which the interventions are initiated and governed is in this case more “top-down”, or “from-the-side”, and beneficiaries’ possibilities to influence are arbitrary (Gawell 2011, 2013).

Grounded in the historical trajectory described above, the competitive bidding within spheres of public and social services has facilitated the promotion of their ventures by private for- and non-profit actors. Policy-makers have explicitly argued that the competitive bidding and different types of client-choice models should be neutral and not favour specific types of actors (Gawell 2014a). This means that private actors have entered the welfare scene without having to declare or relate to the traditional principles of the Swedish public sector, such as shared responsibility, citizens’ influences, equality and democracy (Ringqvist 1996), and with the language and practices of businesses (Lundström and Sundin 2008).

## Current context and state-of-the-art of social enterprises in Sweden

The concept of *social enterprise* started to be used in Sweden in the mid-1990s. It was then first and foremost used by groups within the co-operative movement, who started to call social co-operatives *social enterprises*. References were often made to the Italian model(s) (Nutek 2007). This version of social enterprises has since developed, partly through support from the European Social Fund (ESF). One specific project funded by ESF’s Equal program 2004-2007 had a focus on national development of social enterprises in Sweden. Within this project, criteria for the initiatives that later came to be referred to as “work integration social enterprises” (WISEs) were defined. These criteria are to a large extent in line with the EMES criteria for social enterprises ([www.emes.net](http://www.emes.net)). Later on, the thematic group’s criteria were adopted by the Swedish Agency for Economic and Regional Growth as well as by the Ministry of Enterprise (Nutek 2007). These criteria define WISEs as “enterprises conducting business activities” that “have an overarching aim to integrate, into working life and society, people who experience great difficulties getting or keeping a job”. These enterprises are furthermore to create participation through ownership, agreement or any other documented method. They are also to reinvest profits in their own or similar activities, and to be organizationally independent from the public sector.<sup>1</sup> Based on these criteria, the Swedish Agency for Economic and Regional Growth has developed a list of social enterprises. There are approximately 300 social enterprises on this list.<sup>2</sup> There is however no legal basis for the identification of these particular social enterprises, so the list is based on qualitative research and review (see discussions below).

But this is not the only type of social enterprises in Sweden. There are (partly parallel) discussions among field practitioners, policy-makers and researchers. Apart from the above-

<sup>1</sup> See <http://www.sofisam.se/vad-ar-sociala-foretag/definition.html>; author’s translation.

<sup>2</sup> <http://www.sofisam.se/hitta-sociala-foretag.html>.

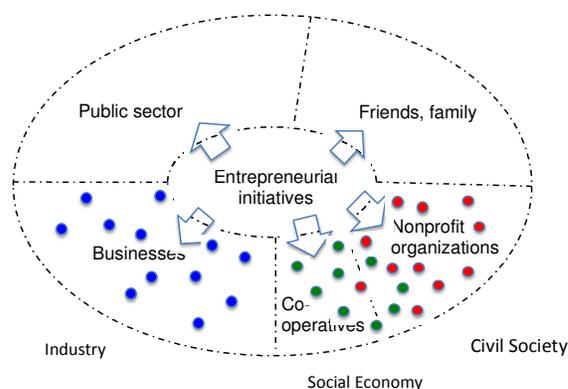
mentioned version, three other versions—or rather sets of versions—of the social enterprise concept have been identified (Gawell 2014b): one can be named *non-profit social enterprises*; another is that of *social purpose businesses*; and there are references to the concept of *societal entrepreneurship*. These different versions will be further elaborated on in the next section. In addition to these rather distinct versions, if it is possible at all to refer to them as distinct, there are also other initiatives that mix characteristics of the various sets; it is not possible, or not meaningful, to categorize them according to similar criteria (Gawell 2014b).

## IDENTIFICATION OF SOCIAL ENTERPRISE MODELS

Even though there are no specific legal structures for social enterprises, such initiatives do exist, to the extent that some ventures combine a social mission with running some kind of enterprise. As just mentioned, four major versions<sup>3</sup> of social enterprise have been identified in Sweden (Gawell 2014b). The version with the strongest policy framework is the *work integration social enterprise (WISE)*, which is strongly influenced by European co-operative traditions. The second version is referred to here as *non-profit social enterprise*; it is closely connected to discussions in and about the non-profit sector. The third version, namely the *social purpose business*, is influenced by the so-called business school approach to social entrepreneurship. There is furthermore a fourth version that is highlighted in this paper. It relates to discussions on *societal entrepreneurship*, which is sometimes used as synonymous with social entrepreneurship, but with slightly different application (see below).

Figure 1 illustrates the different versions of social enterprise that emerge through entrepreneurial processes in which different types of characteristics are set. The choices from which these various versions result are sometimes well thought through, but in other cases, they rather seem to be based on former experiences, taught skills or what comes handy (for further discussions, see Gawell 2014b). The illustration draws on practice, but has been further developed based on analysis of a large number of social enterprises. The three first versions referred to above can be found in the bottom part of the figure.

**Figure 1: Different versions of social entrepreneurship and social enterprises**



Source: Based on Gawell (2014b).

<sup>3</sup> Due to the lack of formal regulations, there are overlaps between the different major types of initiatives; this is why they are referred to as “versions” rather than as “categories”.

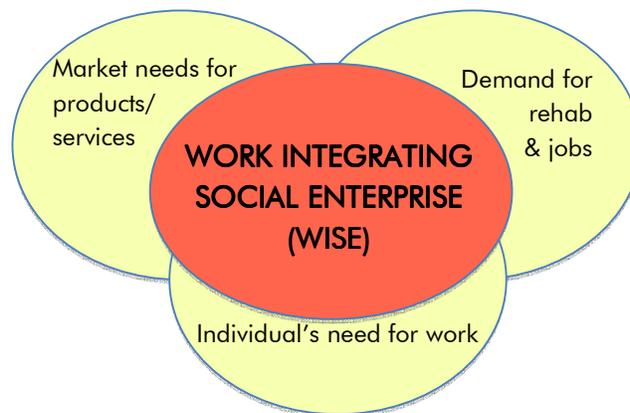
## Work integration social enterprises (WISE)

In the work integration social enterprise (WISE) version, Nordic traditional well-known aspects (such as a participatory approach) are combined with (southern) European traditions to organize social services. This version is furthermore highly influenced by the EMES approach to social enterprises. In the beginning (in this case, in the mid-1990s), general social aims, such as empowerment for personal wellbeing, were highlighted in discussions on WISEs, and work was presented as a tool to reach those social aims. Many of these social enterprises stated that they wanted to work with “the ones that need it the most” (Gawell 2011, 2013). Gradually, a strong focus on long-time unemployed people emerged, partly due to a policy interest to use these types of social enterprises as labour market tools for work training and as a way to offer adjusted work opportunities to people with employment problems. Many of these social enterprises still express a broader social aim when interviewed, but they rather stress the “work line” when they position themselves towards public actors (Gawell 2013).

As far as their income mix is concerned, most WISEs combine revenue from sale of work rehabilitation services to local or national authorities, public subsidies compensating for individuals’ reduced working capacity (connected to individuals and channelled through employers, be they non-profit/or profit organizations and private or public employers), and income from sale of products or services such as carpentry, art work, cafés or hotel accommodation. There are no specific subsidies for work integration social enterprises. This means that any type of organization or enterprise can sell the same types of services and benefit from public subsidies compensating for individuals’ reduced working capacity. In practice, however, few for-profit enterprises employ people with great needs for adjustments or support.

Swedish work-integration enterprises such as they are defined by the criteria that have been adopted by public authorities (see above) constitute a rather clear ideal-type of WISE.

**Figure 2: Pillars of work integration social enterprises (WISEs)**



Source: Swedish Agency for Economic and Regional Growth (Tillväxtverket. [www.sofisam.se](http://www.sofisam.se)) [author’s translation].

Among the “long-time unemployed”, there are many people with disabilities, mental illness, drug problems, etc. Some WISEs target specific groups, but many of them do not. Generally, they do not want to raise discussion on the beneficiaries’ diagnoses, and stress the importance of building on everyone’s abilities and right to work at “100 % of one’s capacity”—even though this is only, in some cases, a few hours a week ([www.sofisam.se](http://www.sofisam.se)).

According to the ideal-type criteria, these social enterprises support individuals’ possibilities on the labour market in general but also the possibility to become co-owner in the enterprise. There is however a great variation of how this is being implemented. In some enterprises, most participants only take part in limited training programs, while other enterprises have systematic on-the-job training and schemes for co-ownership.

The government has commissioned the National Agencies working with enterprises, labour market and social insurances to collaborate to improve the conditions in which work integration social enterprises operate. These National Agencies work together with a number of actors that have identified themselves as advocates for work integration social enterprises. The European Social Fund has funded the development of several work integration social enterprises with a focus on the long-time unemployed.

In 2013 there were almost 300 WISEs identified by the Swedish Agency for Economic and Regional Growth. Almost 9,000 people participated in their activities. 2,500 of these were employed ([www.sofisam.se](http://www.sofisam.se)).

## Non-profit social enterprises

The interest in non-profit social enterprises has also increased; this trend is particularly linked to the increased interest in private social service providers in welfare policy areas. Non-profit organizations have to compete with each other as well as with private for-profit enterprises as public authorities manage competitive bidding or different kinds of client-choice models in health care, child/elderly care, education and psychiatry. These services are still basically publically funded. Non-profit organizations operating in these fields have to adjust to market-like conditions, and can thus be referred to as non-profit social enterprises. There are also several non-profit organizations promoting themselves as (social) enterprises based on non-profit principles (Gawell 2014b); they are also referred to here as non-profit social enterprises, even though not all of them use this specific term. Among these ventures there is a great variety of organization/business models (Wijkström and Lundström 2002; SCB 2014). Without going into details, some highlights will be addressed here.

A first type of non-profit social enterprises of interest to current studies of social enterprise are the so-called user-based organizations (*brukarorganisationer*), in which for example people with disabilities organize both service provision and interest-based advocacy. Typical of these organizations is the fact that, as already discussed in the first part of this paper, the target people themselves (for example people who are affected by disabilities, or former drug abusers) represent themselves and have the power to influence decision making. In this sense, these organizations are the opposite of charity organizations, in which resourceful people articulate other peoples’ needs and control how those needs are addressed. These organizations are primarily structured according to the traditional popular mass movement’s principles, with membership and democratic decision-making structures.

Social service delivery organizations constitute a second type of non-profit social enterprises. An example is provided by faith-based organizations, which have, for a long time, provided social services at the periphery of the strong public sector. They are now operating on a competitive market for public contracts in health, social care, education, etc. They compete with both other non-profit organizations, other types of social enterprises, and for-profit enterprises. Activities funded through public contracts are also, of course, regulated by public authorities. Some of these non-profit social enterprises have governance structures according to democratic principles; others do not.

Other non-profit organizations relate to what can be conceptually referred to as social enterprises. Many non-profit organizations, at least among the largest ones, are registered to run business activities to fund their social activities.

## Social purpose businesses

There is currently a “trend” among (ordinary) enterprises to relate to the social enterprise discourse in their presentations. Some present themselves as entrepreneurs committed to and engaged in social services, for example in elderly care or education, and therefore state that they run social enterprises. Some argue that the economic priorities (including making a profit and distributing profit to owners) are just a practical means to reach social aims. Some even argue that profit-making and profit-distribution to owners/investors represent an important drive that benefits social aims. Such types of social enterprises cannot be identified in statistics, and cases have to be identified through qualitative means.

There are an unknown number of smaller and especially new enterprises using the social enterprise terminology. Some present themselves as social entrepreneurs or social enterprises with double or triple bottom lines—that is, combining economic, ecologic and/or social aims in their business model. They often present a variety of arguments to support these statements. These arguments are sometimes related to the social outcome of their commercial businesses, or to the entrepreneurs’ intentions. Others relate to alternative business models, different from those commonly used in commercial enterprises. Sources allowing to determine exact numbers are not available, but the emergence of people (and especially young people) adopting the Anglo-American business-based approach to social entrepreneurship and social enterprises is undeniable.

As yet, there are no public policies for these types of social enterprise. They rely on the same legal structures and are submitted to the same taxes as other businesses.

## Societal entrepreneurship

In the discussions related to social enterprises, another concept is also discussed in Sweden: that of *societal entrepreneurship* (*samhällsentreprenörskap*). The term was first used in the mid-1980s, when Johannisson (1985) and Alänge (1987) used it with reference to entrepreneurial initiatives focusing on local community development. The authors of these articles then translated *samhällsentreprenörskap* to *community entrepreneurship* in English. The term was not commonly used until the early 2000s; from then on, it started to be used with the basic definition of “innovative initiatives with public benefits” (Holmberg et al. 2007; Gawell et al. 2009).

Societal entrepreneurship has primarily been used as an umbrella concept including what would be referred to, at the international level, as social entrepreneurship, community entrepreneurship, cross-sectorial initiatives or social enterprises, but also for-profit businesses engaging in public activities, such as cultural entrepreneurs (Gawell et al. 2009). Societal entrepreneurship, and specific ventures belonging to this sphere, are often presented as responsible, with high-profile aims to contribute to the societal/community development and not only to their own performances. Even though individual entrepreneurs are also elaborated on, this “sub-field” is dominated by collective processes, which often stretch across sectorial boundaries (Gawell et al. 2009; Berglund et al. 2012; von Friedrichs et al. 2014).

There are no statistical accounts or other systematic investigations of this version of social enterprises either. There are however studies including several different cases of societal entrepreneurship (Johannisson 1985; Alänge 1987; Holmberg et al. 2007; Gawell et al. 2009; Berglund et al. 2013; von Friedrichs et al. 2014).

## INSTITUTIONAL TRAJECTORIES OF SOCIAL ENTERPRISES IN SWEDEN

As already mentioned earlier in this paper, there are no specific legal structures or regulations addressing social enterprises. People running social enterprises rely on “ordinary” regulations for different forms of business and/or non-profit associations or foundations. Some, but not all, argue that there is a need for an institutional recognition to facilitate the development of social enterprise in the country.

As a result of this lack of a specific legal form for social enterprises, it is difficult to analyse social enterprise’s institutional trajectories in terms of legal structures; however, the social enterprise models identified in the earlier section relate to overarching discussions of private actors in the welfare society and the “division of labour” between the state, social enterprises and other types of actors/institutions, and evolutions in this regard constitute interesting elements when it comes to analysing the institutional trajectories of social enterprises in Sweden. Policy decisions leading to competition for public contracts during the last two or three decades have had a strong influence on the development of social enterprises and other actors in many—not to say most—social branches.

In this section, we will first discuss current explicit policy measures related to social enterprises. These measures provide a framework for social enterprises, even though they are not fortified through legal structures. Secondly, the observed shifts in the Swedish welfare mix will be related to the “welfare triangle” that has been developed to understand the interplay in welfare societies. Finally, this paper ends with a concluding discussion on the state of social enterprise discussions in Sweden.

### Current explicit policy measures

*Work integration social enterprises (WISEs)* relate primarily to labour market policies and enterprise policies at the national level. These two policy fields are also relevant at the regional or local (municipality) level. But at the regional/local level, the way in which social matters are handled vary. Indeed, the extent of and routines for procurements/client-choice models vary; this impacts on social enterprises as well as on other actors. At the national level, public agencies for enterprises, labour market policies and social security have been commissioned to cooperate to improve information and possibilities for social enterprises to operate—within

ordinary regulations. The collaboration between actors at the regional and local levels is also improving.

WISEs are influenced by the conditions and terms under which compensations for people with reduced working capacity (*lönebidrag*) are granted, rehabilitation assignments and other services that they might offer public authorities. The level of public funding in social enterprises, primarily through sales, is high—as in any for- or non-profit enterprise/organization providing social services in Sweden. WISEs are therefore dependent on the emerging social enterprise market, whose terms are dictated by public policies and public authorities. And WISEs struggle to survive—especially if they target those that need it the most (Gawell 2013). Many WISEs have been granted project support from the European Social Fund (ESF) or the Swedish Heritage Fund (*Arvsfonden*) (Gawell 2013).

*The non-profit social enterprises* are also affected by the shifts in welfare structure and the introduction of public procurements, but also through reconsiderations of and sometimes reductions in the grants that funded their activities before. Some of the well-established organizations had built their (non-profit) business models according to earlier policy structures and to the resources that were channelled through these structures for many years. Depending on how well these ventures match public authority decisions and/or other sources of income, the shift means increased opportunities or increased struggle. For some, this has primarily been a shift in routines rather than in actual resources.

An Agreement (*Överenskommelsen*, [www.overenskommelsen.se](http://www.overenskommelsen.se)) was launched in 2008 to support non-profit organizations and other “idea-based” organizations such as cooperatives with a social aim and asset lock (whether they relate to the term social enterprise or not) to operate in the new welfare structures. This Agreement brings together the Swedish government, approximately 70 organizations, and the Association for Local Governments and Regions; it was limited to the fields of health and social care. In this Agreement, the organizations’ rights to independence, sustainability, dialogue, transparency, quality and diversity were recognized.

*The social purpose businesses* are primarily affected by the general business climate but also by the conditions of procurements, depending on their venture/services. Examples indicate that these social enterprises are more market dependent and attract private investments through owners as well as philanthropic donations, but since there are no formal criteria for these types of social purpose business, it is difficult and even close to impossible to give account of the effects of current policy measures on this version of social enterprises.

*The societal entrepreneurship* version can be affected by all the above structures and institutions, depending on the types of activities the venture engage in. In addition, regional development policies, including the European Structural Funds policies, are important for the development of societal entrepreneurship, as both policy measures as well as societal entrepreneurship often highlight cross-sector collaboration in rural areas.

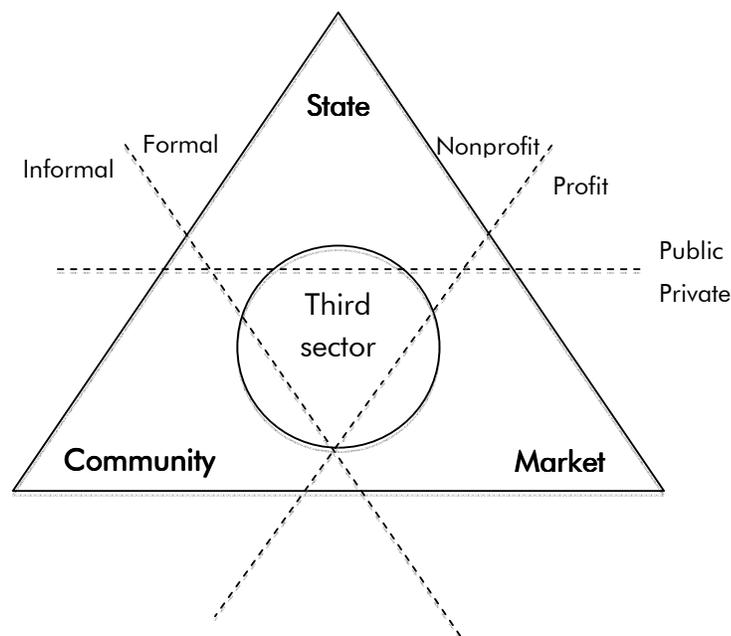
In the latest national innovation strategy, civil society has furthermore been highlighted as a driving force for innovations that can “meet future challenges” (Swedish Government 2012b). Social enterprises and social and societal entrepreneurship were also highlighted in this strategy, but not to the same extent as the concept of civil society, which highlighted—apart from businesses—academia and public actors. None of these concepts were clearly defined, but this was nevertheless a change compared to former innovation strategies, which did not pay attention to any of the third sector concepts (Gawell 2014b). There is however a common

innovation-narrative related to the established *Folkrörelse*-organisations and the emergence of the welfare state. In the historical Swedish grand narrative on popular mass movement their innovative and entrepreneurial role has been highlighted as they initially provided social services. The Red Cross, for example, provided school lunches and dental care for children since there was a need for better nourishment and health during the first part of the twentieth century. Other organizations, like the Temperance movement, initiated at the same time reading groups, alternative education programs and what later became libraries. These services were then passed over to the public agenda and the public sector as it developed during the twentieth century (Gawell 2014a).

## Social enterprises in the welfare triangle

The transition of the Swedish welfare state and reconsideration of roles can be related to the welfare triangle, which elaborates on the position of the third sector in relation to the state, market and community.

**Figure 3: The third sector and the welfare mix**



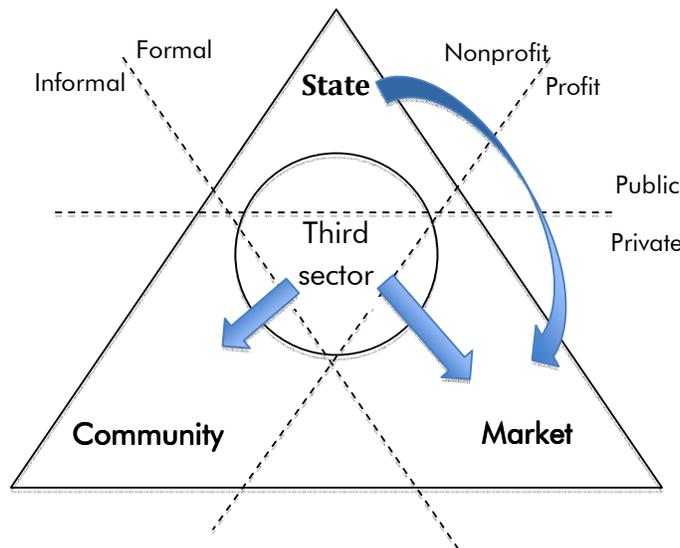
Source: Pestoff (1998).

There has been a palpable shift towards more market-like conditions for the increased number of service distributors in Sweden during the last three decades, due to policy shifts. Many of these new service distributors are private for-profit enterprises, but social enterprises also operate to a large extent in the market sphere of the welfare triangle. Labour market policies are the most apparent policy for work integration social enterprises (WISEs), while health- and social care policies are the most frequent policy partner for other non-profit social enterprises. Since these services are still publicly funded, shifts in policies mean renewed partnerships between the state and private actors.

There are still non-profit-oriented social enterprises, which primarily rely on (public) grants and therefore ought to be positioned as third sector organizations with close connections to the state in the welfare triangle. There are however indicators that the number of organizations and the extent of this type of funding have decreased during the last decade. On the other hand, social enterprises that rely more on private funding and thereby can be positioned closer to the community/market-based part of the welfare triangle have at least attracted attention even if it is difficult to find actual figures on amounts.

Even if there is a move towards more market-like conditions for the third sector, social enterprises and other types of organizations remain highly dependent on public authorities; paradoxically, the extent to which public authorities control these organizations (through funding conditions) has even increased, and the possibility to propose and try out new and/or alternative activities has decreased in some areas—in spite of policy rhetoric that highlights freedom of choice and diversity. The arrows added to the welfare triangle below illustrate shifts of the last decades' policies affecting the current situation of social enterprises.

**Figure 4: The third sector and the welfare mix: illustration of current paradoxes in Sweden**



Based on Pestoff (1998). Modification: Arrows added to illustrate shifts in the early 2000s (Gawell).

## Social enterprises in Sweden - intertextual consensus and hidden paradoxes

The discourse on social enterprises has a very positive connotation. Liberal- and right-wing-oriented politicians argue that they represent free enterprising individuals providing diverse welfare services. Socio-democratic and left-wing politicians argue that social enterprises provide participation and co-owned services. There is an altogether common intertextual

vision of social enterprises as a part of a “good development”—even if the phenomenon is ascribed slightly different roles.<sup>4</sup>

Between 2006 and 2014 Sweden had what, in Swedish terms, is called a right-wing government. This government argued that the policy shift, which led to an increase in the number of private service providers, also benefited the development of social enterprises. There is however a paradox: the same government also prioritized restraints and even cutbacks in public spending. This economic pressure, combined with competition also from private for-profit enterprises, has led to opportunities to act, but it has also led to a financially difficult situation, especially for those ventures working with social problems that demand great resources over time.

There is yet another paradox behind the positive rhetoric on social enterprises. Behind the promotion of client-choice models and choices of service distributors is a funding system that is influenced to a large extent by so-called New Public Management (NPM), which controls in detail what should be done and how this should to be accounted for. NPM has influenced the organization of the public sector for approximately three decades (Jakobsson et al. 2015) and has spread to social enterprises and other types of private actors through the different types of reimbursement systems during the last decade or two, depending on the branch of activity.

Behind the expressed positive intertextual consensus and hidden paradoxes are many initiatives, in a society with relatively high living conditions and an engagement in social aspects. Still, not everyone shares a sense of wellbeing and many social enterprises struggle to mobilize resources in their search to find solutions to what they perceive necessary to act upon.

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<sup>4</sup> See also the discussion in Gawell et al. (2014) on societal entrepreneurship in local and regional development discussions.

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