

Key-Input



## Successful structures to develop Social Firms in Germany –

## What can we learn for a development on the European level?



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**FAF** is a German wide operating Social Firm Support Structure with offices in Berlin, Chemnitz, Darmstadt, Cologne, Nuremberg

**FAF** consults social firms and entrepreneurs in all phases of business

**FAF** consults the ministries and actors at the labour market with evaluation and studies

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## Introduction

Example of good practise: The development in Germany

Success Factors:

- a. Human Resources
- b. Financial Resources
- c. Know how
- d. Key persons agree – why?

Conclusions



## Preliminary remarks

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1. Social Firms have been “invented” in **Italy** (cooperative sociale)
2. The economic and legal situation in all EU Member States is different.  
We have to focus on the aspect of **transferability**.
3. There is a development of Social Firms in **several countries!**
4. Community Initiatives like **HORIZON and EQUAL** helped to make developments possible.

That means: Development of Social Firms was and will be a **European Subject!**

## Introduction

**Example of good practise: The development in Germany and Europe**

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### CEFEC Definition: What is a social firm

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- A Social Firm is a business **created for the employment of people with a disability** or are otherwise disadvantaged in the labour market.
- It is a business which uses its **market-orientated** production of goods and services to pursue its social mission.
- **A significant number** of its employees will be people with a disability or other disadvantage in the labour market.
- Every worker is paid **a market-rate wage or salary**, appropriate to the work.
- Work opportunities should be **equal** between disadvantaged and non-disadvantaged employees.
- All employees should have the **same employment rights and obligations**.



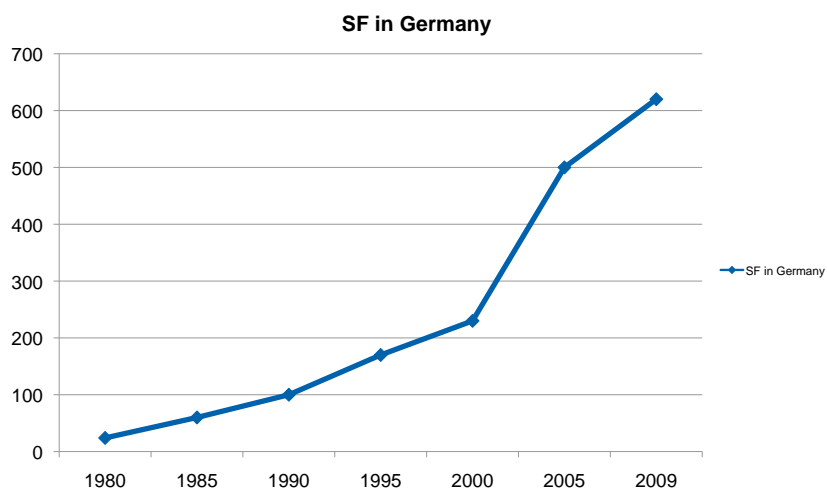
## Social Firms in Germany - characteristics

German social firms fulfill the cefec-definition:

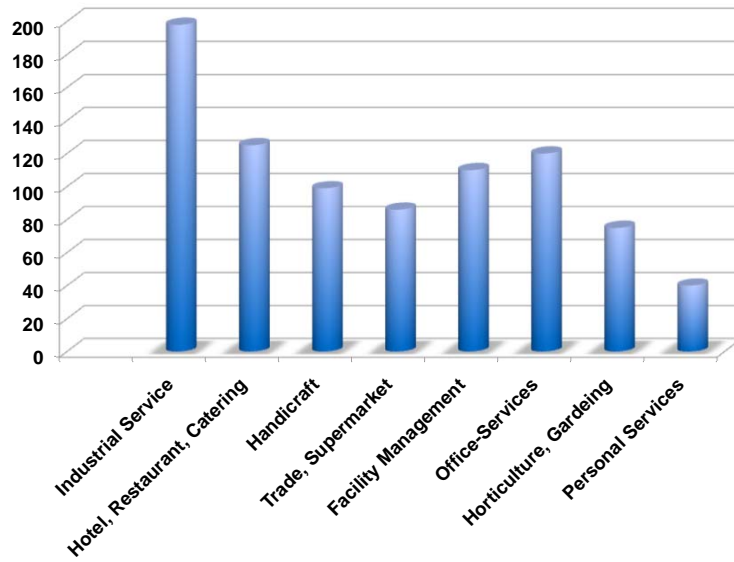
- 25% to 50% people with a disability
- regular working contracts
- normal wages
- every social firm has 65% up to 90% market income



## Increasing number of social firms in Germany



**FAF** Fields of business



**FAF** 29 EU Member States and 13 CEPEC members signing Linz appeal



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## Human Resources Management

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- Need of **professional** managers
- with “**third sector**” – experience
- **business-** and “**psycho-social**”- skills
  
- Need of **co-operation** with vocational training and rehabilitation
  
- Need of special measures to develop the **organisation** of the social firm
- Need of special measures to guarantee the **quality of integration**

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## Financial Resources (1) - Example Germany

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- 1 **Access to Capital and Investment:** 5,000 to 25,000€ per working place (loan / subsidy / (public funding -> **Ausgleichsabgabe** -> quota system)
- 2 **Compensation of disadvantages:** 10 – 30 % of personal cost of people with a disability (public funding -> **Ausgleichsabgabe** -> quota system + **state-labour-agency**)
- 3 **Create Start-Up-funding:** 15,000 to 200,000 € for the first 5 years, for personal costs and consult (**welfare-system**– **foundation(s)**)

(Most of German social firms don't need to use loans from banks, pos. 1 and pos. 2 also available for private regular enterprises)



## Financial Ressources (2) - Example Germany

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- 4 **Consult:** Grants for social firm know how transfer and business – consult specialised for social firms  
(public funding -> **Ausgleichsabgabe** -> quota system)

Some **countries in EU** have similar funding for all social firms or for some regions  
(e. g. Italy, Finland ...)



## Compensation isn't any subsidy!

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- The position of Social Firms is the **normal labour market** - their owners run them in own entrepreneurial responsibility on their own risk.
- Public subsidies are not payed to decrease the entrepreneurial risk, they are **payed only to compensate the disadvantages** for the company, because 25-50% of the staff are people with a disability!

Money for investment and compensation of disadvantages is available for private companies in Germany also

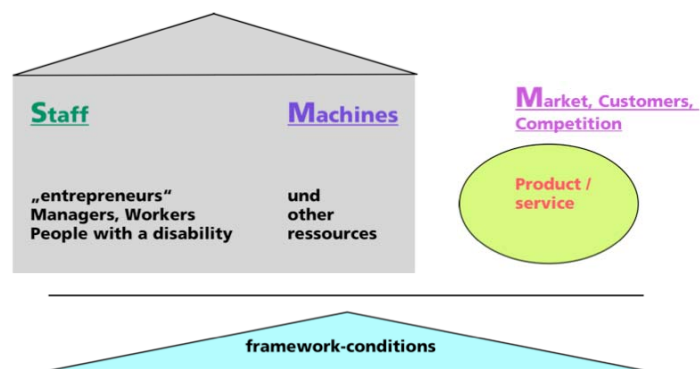
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**Question: Can I produce goods and services with my staff to a reasonable price which is accepted from the market and bought by the customers?**



## Two-dimensional strategy

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The management must keep in mind the two targets:

- **Economic** targets
- Real **resources, possibilities, needs** of the of the persons with a disability



## Specialist support structures can offer know how and help to develop

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1. Continuous **increase the worth** and the complexity of industrial service
2. **Outsourcing** (Repair of bicycles) in the big automobile factory
3. **Franchise, Replication**, Licensing (model CAP Supermarkets)
4. **Partnership** with private businesses
5. Founding 5 (instead of 1) social firm in the same economic sector is a success factor, but you need 5 years. But often it is better than to found 5 social firms in 5 different branches ("**critical mass**")

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## Cost- Benefit – Analysis (FAF)

Berlin Social Firms	1996 T€	1997 T€	1998 T€	Summe T€
(Salary) tax	215	247	246	709
Social insurance	967	1.002	1.155	3.124
<b>Reflow - sum</b>	<b>1.182</b>	<b>1.250</b>	<b>1.401</b>	<b>3.833</b>
Compensation of disadvantages (SGB III und SGB IX)	709	891	932	2.531
<b>flow back quota</b>	<b>166%</b>	<b>140%</b>	<b>150%</b>	<b>151%</b>

Turnover Tax is not analyzed for methodical reasons

Source: FAF study of Berlin Social Firms 2000

Fiscal view - costs per year	Sum per year
Private company - integration without subsidies	10,073
Integration into a social firm	+964
Fiscal cost - unemployment subsidy	-6,434

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## Conclusions (1)

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**1. Social Firm need a 3-dimesional help, when they want to start and become stable:**

**C**apital for Investment

**C**ompensation for disadvantages

**C**onsult and know how.

**Let's find ideas to finance this!**



## Conclusions (2)

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**2. If you are a social entrepreneur:**

**You don't need to wait.**

**Start PILOT-Projects and show potential stakeholders, that you work succesful.**

**And show, that you can increase your integration-effects, if you get support.**



### Conclusions (3)

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#### 3. If you are an expert or potential stakeholder:

Social Firms need **national** and **European Structures** to transfer the know how.

It is important to develop

- Networks of Replication
- Networks of Social Franchise
- Networks of know how transfer.

(The most difficult thing is to develop a businessplan, when you are alone and get no help, know how transfer etc.)



### Conclusions (4)

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#### 4. If you are a potential customer:

Give Social Firm a chance. Their products are worthful and have a normal quality.

**Use the possibilities of EU-laws for "green public procurement"**

EUROPA - Environment - Green public procurement - Training & Projects

http://ec.europa.eu/environment/gpp/study\_en.htm

Environment

EUROPA > European Commission > Environment > Green Public Procurement > GPP and business > GPP and competitiveness

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**GPP**

How Green is your Public Procurement ?  
"Green public procurement means that public purchasers take account of environmental factors when buying products, services or works".

