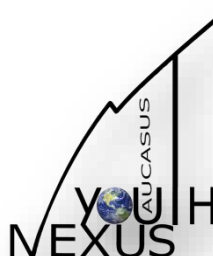


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## **Research on legal framework on social entrepreneurship in Sweden**

Youth Power Sweden

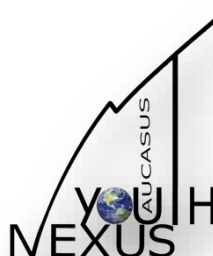
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## About the research

This research has been done as part of the project “One Step Ahead”. This document represents collection of different articles and scientific works concerning the topics of social entrepreneurship in Sweden and its legal framework.

## About the project

**One Step Ahead** is a cross-national initiative designed to promote social entrepreneurship as a way for empowering youth at risk. Our aim is to increase professional capacities of participating NGOs by developing and giving them access to educational tools and methodological approaches allowing them to open up social enterprises that would contribute to sustainable development of their local communities.

One of the main reasons this project was developed is the need to go deeper into exploring connections between promoting entrepreneurial activities and empowering young people with fewer opportunities. The above mentioned need is strongly rooted in the context of contemporary Europe. Both governmental and non-governmental institutions try to come up with effective solutions to help the unprecedented number of young people permanently excluded from the labor market. One of the most efficient strategies is empowering youngsters to create their own work places, hence we find it crucial to promote entrepreneurial education.





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## Current situation and early experiences of Sweden

Sweden is commonly regarded as “one of the world’s most extensive and redistributive welfare states” in many ways an archetypal welfare state based on a strong centralised State. However, over the last three decades Sweden has gradually been liberalised through the introduction of elements of individual freedom of choice and decentralisation in welfare provision, a process initiated by a Centre-Right coalition during the end of the 1980s, continued by Social Democratic Governments and most recently by the Centre-Right coalition.



Whilst the unemployment rate was 7.4 %, or 388 500 people in August 2014 and has stayed on a level above 6 % over the last 12 years, and labour market policies cutting the benefits for the long-term unemployed as well as income taxes for the employed were introduced as a work incentive, a two tier system of insiders and outsiders has been cemented. Over the last decade, the long term unemployed and far removed from the labour market have increased, now making up approximately 70 % of the total number of unemployed people in Sweden. Those are alarming numbers for more than one reason. No doubt, this is a position that most people would dread finding themselves in, but also, from an economics point of view, it is ever harder to argue that these individuals are part of a national labour force reserve, i.e. the longer time spent being unemployed, independent of reason, the less attractive the individual becomes for the mainstream labour market in the best of times. This has resulted in suggestions of a need of a two-tier labour market.

Like in many other countries, also in Sweden, entrepreneurship is generally recognized and emphasised as a means for economic growth and prosperity and a catchphrase for economic stimulus. Even though stimulation of entrepreneurship is an important policy in most countries,

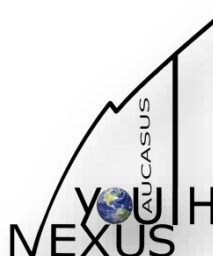


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the positive societal outcomes are normally seen as indirect (i.e. generating jobs and more tax-income for the government) rather than direct societal effects stemming from the specific activities. However, it is apparent that a diversity of entrepreneurship is required to overcome various societal, economic and environmental challenges facing societies. Many of the existing problems as well as societal solutions are legacies from the industrialisation, when boundaries between different sectors of society were of greater importance, than in today's post-industrialised societies. Moreover, the challenges of today are far more complex to be solved singlehanded. Therefore, in Europe, entrepreneurship has increasingly come into focus as a potential stimulus for societal value creation as well. As a result a new strain of social entrepreneurs making use of main-stream entrepreneurial logic – discovery, evaluation and exploitation of opportunities to create future goods and services – when addressing societal problems, demonstrating that it works to be both commercially oriented as well as ideologically driven. Sweden is no exception to this trend.

## **General concept of social entrepreneurship in Sweden**

There is currently no legal definition in Sweden for “social enterprise”. The legal form “Aktiebolag med Särskild Vinstutdelningsbegränsning” (henceforth SVB), translated as: “Limited company with a special dividend restriction” is not typically used. Social entrepreneurship is twofold in Swedish and consists of “Samhällsentreprenör” and “Social Entreprenör”. The first, ‘Societal Entrepreneur’ describes someone who takes an innovative initiative to enhance society in any way. The second word focuses more purely on the term ‘Social’ and denotes innovations that aim to improving the society for people. By definition, the latter comprises a subset of the first.



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Interestingly, the commonly interchangeable use of the terms social enterprise and WISE come from two separate developments in Sweden: Firstly, the renaming of historical workers' cooperative; and secondly the effort to catalogue Work Integration Social Enterprises (henceforth WISE) (Swedish: Arbetsintegrerande Sociala företag) initiated by Tillväxtverket (the Swedish Agency for Economic and Regional Growth). Although the terms (i.e.: social enterprises, social entrepreneurship and innovation) are newly introduced and sometimes confusingly used in media and political discourse, there is a common understanding among those active in the field (within social enterprises, their networks and public agencies, etc.) regarding their meaning.

There is currently an explosion of social enterprise initiatives in Sweden. Swedes are usually said to be “trend-sensitive”, and it is certainly trendy to be a social entrepreneur in Sweden at the moment. There has been both a widening and deepening of the field in the past 4 years. There has been a recent increase in the number of support-organisations for social enterprises. These organisations can be seen as intermediaries, where they link the social enterprises to potential investors or financiers; create networks, platforms and organize seminars, support with business and operational models, offer incubator programs or evaluate social impact. This makes the social enterprise sector more of a full-fledged sector. It is now possible for established intermediaries (in the field for more than 10 years) to support social enterprises with a Swedish rather than an international focus. The middleaged intermediaries are now starting to be able to evaluate their first wave of projects and are taking advantage of their competencies and national and international networks. The new intermediaries are benefiting from the experience made by these organisations and usually specialise in one specific area. For example, helping social enterprises sell their services to the Public Sector (e.g. Inkludera Invest), creating networks for sub-groups such as second-hand shops (Ideell Second Hand), creating incubator programs for very young social enterprises (CSES) or helping social enterprises create operational business models or social impact indicators (Social Initiative). Many of the intermediaries also constitute



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a hybrid between universities that undertake studies and policy discussions in their specific field, business coaches and umbrella-organisations. We are aware of at least 10; LUSIC, Sfinx, Tillväxtfaktor-x, and Glokala folkhögskolan are just some of them.

## The most common social problems in Sweden

If we concentrate more on social problems that are “hot” at the moment in Sweden, they would be :

- 1.) Aging population:** Sweden has an aging population, with high national variation in both changes over the past 50 years and future prospects. This issue is especially precarious in the inland and northern regions where many municipalities have a share of people 65 years+ that amounts to over 30% of the population
- 2.) Social exclusion:** Other regions with a younger average population have an increasing number of people living in social exclusion, with poor access to good schools and societal services.
- 3.) Segregation:** Segregation between native Swedes and immigrants gives rise to several severe problems along many dimensions in the concerned areas, such as increased poverty, and social and economic exclusion and poor labour market opportunities for immigrants
- 4.) Youth unemployment:** There is an increase in youth unemployment. This is due to a shift towards more uncertain terms of employment, increased competition at the international level and a relative decline in the quality of the education system that disproportionately seems to disadvantage inexperienced young people





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5.) **Rising of economic inequality:** There is rising economic inequality between population groups. This is particularly problematic since Sweden has built its welfare system aiming to equalise socioeconomic differences.

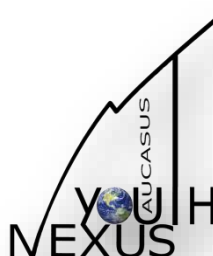
## Legal frames of social enterprises

The majority of social enterprises are still non-profit organisations. A smaller share has taken the legal form of foundations; cooperatives, which are common among WISE; and limited companies with a growing share among newer social enterprises. Among the more established social enterprises (with an organisational age over 5 years), hybrid legal solutions are more common. The reason for this might be that it is easier to pay salaries through the company, but it also allows the social enterprise to simultaneously receive grants and maintain the economic transparency of the operation.

Some new social enterprises are considering the legal form SVB. Some older social enterprises mention that SVB could have been an option if they would have started up today. Remarkably, none of the encountered agencies or intermediaries actively suggest SVB and the general picture confirms that the advantages with that legal form are still indistinct. It may still be beneficial to start-up as a non-profit organisation when the enterprise is dependent on grants and scholarships since these are complicated to receive if the legal form is Ltd Company.

The Swedish social entrepreneurs work hard for their “mission and vision” and are often willing to accept a run (often longer than expected) in the start-up period without any financial compensation to achieve their social goals and to change society for the better. Regardless of the entrepreneurial element in the operation, the field of social enterprises in Sweden still relies heavily on dedicated enthusiasts. It seems to be less important for social entrepreneurs to front themselves in the media despite the US trend where it is the entrepreneur, and not the





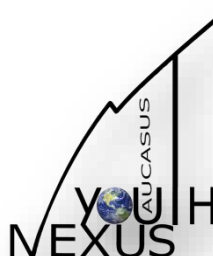
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entrepreneurial product, that is highly. Compared to their commercial counterparts, the founders also seem to focus on the second-line of leadership and their product rather than on themselves.

## Impact measurement

The extent to which social enterprises use impact measurements varies across Sweden. The vast majority of the social enterprises currently use some quantitative indicators to communicate their qualitative work. They span from measures of: Numbers of people from the target group the social enterprise has encountered or mediated ('Lives touched' or 'Employment') to very sophisticated measures where one tries to capture the whole societal effect of the activity of the social enterprise (SROI for example).

The difficulty to measure the impact of the social enterprise depends on the characteristics of the operation. The social enterprises that work particularly with prevention express a greater concern about the relevancy of the quantitative measurements. In those cases, it is fairly common that standard measurements are used to estimate the impact of the final phases. The social enterprise then measures the earlier phases of their activity, such as the numbers of people encountered. In this case, they use 'self-estimation tests' to measure to what extent the target-group was affected, or they use standard estimations for comparison with a control group (over-time).



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## **Sweden and social enterprise: making the new national strategy count**

The past year has seen growing interest in sustainable business in Sweden. This was particularly noticeable at July's Almedalen conference – the annual Swedish get-together of everything politics, business and civil society. Originally a 'politics week' when it started 50 years ago, Almedalen has become more of a business forum with over 4,000 seminars and panel discussions over the week. And what we saw this year was people across all sectors talking about how to improve business as a means to improve society.

Sweden has both a long tradition of social engagement and an established view that the state and public sector are responsible for social welfare. However, with growing backing for the Global Goals for Sustainable Development – and in light of recent UN reports on climate change, plus an extremely hot summer this year – people are also accepting that it's not up to one sector to solve social and environmental challenges.

Among those taking a leading role are social enterprises. In Sweden the sector is still quite small. It's also not very well-defined: concepts such as 'social economy' and 'social enterprise' are relatively new, and there is no specific legal form for social enterprises. The term is also often associated with work integration social enterprises (known as WISEs) that aim to integrate people into society and working life, such as Yalla Trappan which provides work for immigrant women, or Basta which offers rehabilitation and work experience to those with a history of drug and alcohol abuse.



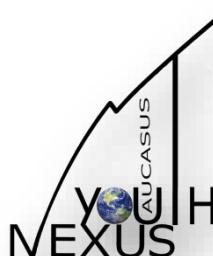
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This lack of a clear definition means there isn't much data available to establish the size of the sector (although we know there are 300 registered WISEs). But the growing interest in using business to do good is clear when you look at some of our start-ups. Food waste app Karma is connecting restaurants and stores with individuals, who can buy discounted food at the end of the day to avoid it going to waste. Peppy Pals is a series of games and movies teaching 2 to 9-year-olds about social and emotional intelligence, and Just Arrived connects newly-arrived immigrants with companies looking to recruit staff.

Social entrepreneurship has also boomed since the founding of the Norrsken Foundation by Niklas Adalberth, the wealthy co-founder of financial services company Klarna. Wanting to do more than just make money for the sake of it, Adalberth left Klarna in 2016 to set up Norrsken Foundation to invest in technology for social impact. He also set up Norrsken House in central Stockholm, a co-working space that claims to be Europe's biggest impact tech hub, hosting over 300 social entrepreneurs and tech for good solutions.

# < norrsken >

**Sweden's £13m national social enterprise strategy**



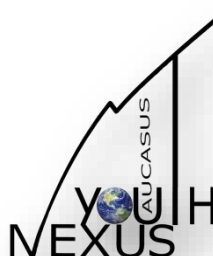
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We also have a new national strategy for the sector, launched in February 2018 by the previous Swedish government – a coalition between the Social Democrats and the Green Party. The strategy aims to encourage ‘a sustainable society through social entrepreneurship and social innovation’ and brings a budget of SEK 150m [£13m] over three years – probably not enough for systemic change, but at least a start. The money will be handed out by government agencies Vinnova (the innovation agency) and Tillväxtverket (the business growth agency) and one of the first rounds of funding has just been granted to 11 support organisations and institutions – SE Forum being one of them. Initiatives such as accelerators and networking platforms will be developed over the next two years to start building an ecosystem that covers all of Sweden.

Since the election on 9 September, our political parties have been trying to create a new coalition (no party won a majority big enough to govern alone). While they’re currently negotiating things like taxes and the rental market, we’re hoping that – whatever the new coalition will be – there continues to be a focus on good business. The new strategy is underway, and we’re hoping the next government will continue with a long-term vision, leaving the short-term, small-scale projects behind.

Sweden has long been a world leader in business, as birthplace to successful multinational companies like IKEA, H&M, and Volvo, as well as innovative tech companies like Spotify and Skype. At the same time, civil society and social welfare have always been deeply rooted in our culture. Combining the two, by supporting social entrepreneurship, is a great opportunity not just for the future of business in Sweden but also to help achieve the Global Goals.

## Conclusion and summary



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Although social entrepreneurship is a new term in Sweden, the concept of innovation is not. Swedes are innovators, especially strong on the digital market. We have fostered many big companies, such as IKEA, Ericsson and Volvo – the list could go on. Recent bright sparks such as Spotify, Skype and Soundcloud are clear indicators that we can expect much more from the cold country up north. One of the most important factors to keep in mind when discussing social entrepreneurship in Sweden is that social problems have traditionally been the responsibility of institutions rather than individuals. The Swedish government is strong and its people have traditionally had great trust in its ability to solve the country's most pressing social challenges through policymaking. Therefore many Swedes don't see the need for social entrepreneurship and the concept itself is difficult to comprehend.

In Sweden on the whole, the level of institutionalisation of the different existing forms of social enterprises remains extremely low, almost none existing. As a result there are no real support structures. However, when it comes to legal frameworks, two Swedish laws have come to influence the sector - The Public Procurement Act (Lagen Om Offentlig Upphandling, LOU and The Law on Freedom of Choice (Lagen Om Valfrihet, LOV). The latter ensures the right of citizens to choose their own welfare service provider amongst the possible actors from the public, the private and the not-for-profit sector. The Public Procurement Act (LOU) governs purchases made by government agencies and other organizations that are publically funded. The law came into effect in 2008, but has had a negative impact on the country's social enterprises' ability to compete with the larger firms. Social enterprises, out of which the majority are small businesses, are without the financial muscles and lack access to the legal expertise needed to interpret the law correctly to compete with larger companies. There is little if any legal and administrative assistance needed for realising many of the social entrepreneurial ideas. Moreover, because the 'Swedish model', where all public services have been carried out by the public sector, lack the tradition to organise services together with social enterprises, it is often taken for



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granted that new actors establishing themselves in the sector will either be new public initiatives or private business initiatives. As a result, the questions becomes one of price over quality. if a social enterprise offers its services to the public sector, the law forces the public sector to choose option, only based on price, As a result there is no legal and administrative assistance for the realisation of many social entrepreneurial ideas.

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.

## Resources

- 1.) [www.forbes.com](http://www.forbes.com)
- 2.) [www.sofisam.se](http://www.sofisam.se)





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- 3.) Social Enterprise in Sweden: Intertextual Consensus and Hidden Paradoxes - Malin Gawell
- 4.) Sustainability of Social Enterprises: A Case Study of Sweden - Giorgi Jamburia
- 5.) <https://www.pioneerspost.com/news-views/20181212/sweden-and-social-enterprise-making-the-new-national-strategy-count>
- 6.) Persson, H. T. R., & Hafen, N. (2014). Social Enterprise, Social Innovation and Social Entrepreneurship in Sweden: A National Report. EFESIIS National Report Sweden, 1-24.