

Social Economy in Portugal



November 2006

ti **TECHINVEST**

General information:

Though in Portugal there is no official definition of the term social enterprise, it is commonly accepted that a social enterprise is a not-for-profit, privately owned organisation, aiming at some social, solidarity or local development purpose. This concept covers a wide range of organisations active in the country, most of which are classified for statistical purposes under NACE Code 85.3 (social work activities).

These organisations fall into 2 major organisational setups:

- organisations that have a structuring and functioning model similar to private companies but do not seek profit as an organisational purpose (most co-operatives with social or developmental aims follow this model);
- organisations that have a model similar to public agencies, but are privately owned and derive most of their income from donations, membership fees, voluntary work and public funding (this category comprises not-for-profit associations, houses of mercy, i.e. charitable organisations related to the roman catholic church, the social services of church parishes, foundations, mutual organisations, trade union departments, and other charities).

The most analogous concept to social enterprises, introduced in Portugal in 1983 (Decree-Law 119/83), are the Private Social Solidarity Institutions (*Instituições Privadas de Solidariedade Social*, or IPSS). These are not-for-profit, private organisations, incorporated according Portuguese law, with the purpose of materialising in an organised way the moral duties of solidarity and justice, in order to pursue objectives such as: to support children, young people and families, to protect old, poor, ill and other disadvantaged groups of the population, to help in the education and training of citizens and in providing housing for the ones in need. IPSS must be registered with the Directorate-General for Social Solidarity (Ministry of Labour and Social Solidarity) to benefit from the statute of 'public utility' which confers benefits (tax exemptions, reduced rates of some utilities, such as electricity and water, and the possibility of entering into co-operation agreements with the government for the purpose of being subsidised), but calls also for some obligations (disclosure of financial data, obligation to co-operate with the public administration and to follow specific rules instated by the labour department).

Brief characterisation of the social enterprise sector in your Portugal:

Data on social enterprises is scarce and inconsistent. According to official statistics by the National Statistics Institute (*INE*, 1997 and 2003) there are about 1,000 organisations active under NACE code 85.3. This figure is clearly underestimating the size of the Portuguese 'third sector' as many social work activities are carried out by organisations that have other activities such as health care, the latter being their major function. This is the case of many houses of mercy running hospitals and clinics, which are classified under NACE code 85.1 (human health). Though underestimating the existing social sector, the official figures show a significant increase over the last years (annual growth rate of about 18 % to 25 % concerning added value, employment, value of services provided and number of organisations).

Estimates from the Ministry of Labour and Social Security (2000 and 2004) point to a number of social organisations quite larger than the ones published by INE:

- In 2000 there were 3,585 registered IPSS, of which about 2,813 were active at the time, employing about 45,000 people (of which nearly 40 % were volunteers) and carrying out social work valued at about EUR 930 million (less than 1 % of the Portuguese GNP, reaching nearly half a million beneficiaries).
- In 2004 there were 3,650 not-for-profit entities officially registered as owners and operators of about 6,000 social work facilities in continental Portugal (There is no aggregate data for the Atlantic archipelagos of Madeira and Azores, which will represent less than 3 % to 4 % of continental figures);

More than 50 % of these social facilities are directed to the elderly population (nursing homes, assisted-care centres, etc.). Vulnerable children and youths are attracting about 37 % of the facilities, the rest being targeted to disabled people's integration (5 %), family and community (4.3 %), disadvantaged population (1.8 %), chemically dependency, HIV/AIDS and mental illness (less than 1 % each). These figures show that most of the activity areas are related to personal services; training and integration comes second in the list and social activities geared to local development are not significant.

Typically these social facilities are owned by small- to medium-sized organisations. According to a survey conducted in 1995, the size distribution of IPSS was the following: 1 to 5 workers – 17.6 %; 6 to 10 workers – 18.0 %; 11 to 20 workers – 25.2 %; 21 to 49 workers – 28.3 %, 50 workers and more – 10.9 %.

Since the 17th century, the welfare action started to be considered as a duty of the state instead of an outcome of the religious charity. Mutualism and co-operatives developed in the 19th century, the former being progressively replaced by the insurance companies and the latter having experienced a new development phase in the fourth quarter of the 20th century. Since 1976, the Portuguese constitution acknowledges the role of the co-operative sector and, after the 1989 and 1997 amendments, the co-operative sector was enlarged to include the social/solidarity sector.

Organisational and management characteristics of Portuguese social enterprises:

IPSS may have several legal statuses: social solidarity associations, social solidarity volunteer's associations, mutual associations, social solidarity foundations, and brotherhoods of holy houses of mercy. Religious parish centres and congregations are also considered as IPSS (with a status similar to foundations). Co-operatives with social work purposes can also be accepted as IPSS.

The structural arrangements of the social enterprise sector varies largely according to the legal setup of each organisation, ranging from a company-like structure and functioning, with fully professionalized managerial personnel (which is the case in some co-operatives), to voluntary management and staff within a quite flat organisational structure in some houses of mercy and many charities.

According the most recent available information (*Instituto de Gestão Financeira da Segurança Social*, 1998) about 60 % of the aggregate budget of private social enterprises active in social work was funded by the government, the balance being derived from the contributions of users and their families and own income (donations, provision of services, etc.). In 2004, the government contributed EUR 912 million to the social sector, of which EUR 18.9 million were grants to capital expenditures (a decrease of 69 % since 2001, due to budgetary restrictions) and EUR 893 million were subsidies to current expenses (an increase of 30 % since 2001). Subsidies to current expenses were split according to the social services facilities in the following way: children and youths – 45.7 %, elderly population – 39.2 %, integration – 9.6 %, family and community – 3.9 %, and other – 1.6 %.

As stated above, in Portugal about 40 % of the workforce of the social enterprise sector is made up of voluntary workers. The most frequent staff organisation at the social enterprise is as follows:

- voluntary workers with functions of governance;
- voluntary workers carrying out executive duties;
- paid qualified professionals (university graduates performing middle management and technical functions and other personnel, such as clerks, cooks, drivers, helpers, matrons, janitors, etc.)

Current framework conditions and future perspectives:

In a recent research (*EQUAL Management Unit in Portugal*, 2005) the following weaknesses and threats were identified in a sample of social enterprises:

- poor structural arrangement of organisations, based on centralised hierarchical models that do not allow effective participation, do not promote empowerment and make communication difficult;
- the small size of organisations is viewed as a factor that limits the breath of activities, which tends to concentrate exclusively on a 'welfare approach' without considering the dynamics of local development and employment; sometimes organisations are also subject to influences of political parties;
- major deficiencies related to human resource management were: lack of programmes aiming at continuously improving the quality of services provided and lack of training in managerial instruments and techniques (these weaknesses result from a generalised lack of qualification of the staff);
- lack of an entrepreneurial attitude of the governing and managerial bodies leading to a scarcity of new ideas and innovation (the fact that there are no competent training and development institutions in the country specialising in the social economy makes it difficult to enhance the professionalism of officers and senior managers);
- other findings were: the inflexibility of the social security system (the major provider of funds to the sector) when considering funding new innovative initiatives that move away from the well established routine

activities, low visibility/awareness of the sector in the public at large making it difficult to attract people from local communities to be involved in the social economy.

Currently government and public administration are paying more attention to the private social sector as the European welfare state model is becoming more and more threatened by the global competition pressures. The currently in force government programme for 2006 to 2009 to consolidate public deficit will force the government to moderate the public funding of the social economy thus calling for an increased role of the social enterprise in Portugal.

Recently the government announced that a new capital improvement plan had been approved, aiming at increasing the offer of social service facilities (elderly, disabled, children and youth, and family) by about 10 % (45,000 beneficiaries more). About 90 % of this investment, amounting to EUR 450 million, will be made in partnership with private not-for-profit social solidarity organisations (*Prime Minister*, 2006).

Major collective organisations in the social economy in Portugal are the following:

- CNIS (Confederação Nacional de Instituições Sociais / The National Confederation of Social Institutions, www.cnis.pt), March 2006
- FENACERCI (Federação Nacional das Cooperativas de Educação e Reabilitação de Crianças Inadaptadas / National Federation of Co-operatives for Training and Rehabilitation of Misfit Children), www.fenacerci.pt), March 2006
- UM (União das Mutualidades Portuguesas / The Union of Portuguese Mutual Organisations, www.uniaomutualidadesportuguesas.pt), March 2006
- UMP (União das Misericórdias Portuguesas / The Union of Portuguese Houses of Mercy, www.ump.pt), March 2006

Sources:

EQUAL Management Unit in Portugal (2005): Problemas Detectados e Vividos pelas 6 Parcerias de Desenvolvimento EQUAL 'Economia Social' (Problemas Identified and Experienced by 6 EQUAL Development Partnerships for the Social Economy), in DISSEMINAR Series, no. 3 (November 2005), Lisbon, Portugal, Disseminar

INE - Instituto Nacional de Estatística Portugal (National Statistics Institute) (1997): Enterprise Statistics, Lisbon, Portugal, INE

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Ministério do Trabalho e Solidariedade Social (Ministry of Labour and Social Solidarity) (2000): Carta Social (Social Charter) 2000-2004, Lisbon, Portugal, MTSS

Rui Namorado (2006): Os quadros jurídicos da economia social — uma introdução ao caso português (The legal framework of the social economy — Na introduction to the Portuguese case), Oficina do CES no. 251, Coimbra, Portugal, Centre of Social Studies, University of Coimbra

Prime Minister's speech at the Parliament session of February, 24th, 2006.